Lesson No. 1 AUTHOR: DR. SIMRANJEET KAUR

MEANING, SCOPE, IMPORTANCE AND FUNCTIONS OF PERSONNEL MANAGEMENT, ENVIRONMENTAL SCANNING

STRUCTURE

1.0 OBJECTIVES

After reading this chapter, the student should be able to:

- To know the meaning of personnel management.
- To study the functions of personnel management.
- To know about the environmental scanning.

1.1 INTRODUCTION

Personnel management is that area of management which is concerned with people at work and their interpersonal relations. It involves procedures and practices through which human resources are managed towards the attainment of the individual, social and organizational goals by controlling and effectively using manpower resources and tries to produce goods and services for the society. The various other terms used for Personnel Management are 'Personnel Administration', 'Labour Management', 'Manpower Management' and 'Employee Relations:

To understand the exact meaning of the term personnel management and its scope, we can analyse the following definitions:

According to French, "Personnel Management is the recruitment, selection, development, utilization of and accommodation to human resources by organizations. The human resources of an organization consist of all individuals regardless of their role, who are engaged in any of the organization's activities."

Edward Flippo states, "Personnel Management is the planning, organizing, directing and controlling of the procurement, development, compensation, integration, maintenance and separation of human resources to the end that individual, organizational and social objectives are accomplished."

According to Dale Yoder, "Manpower management is the function of activity and directing working men and women in maximizing their contributions and satisfaction in employment. It helps workers including all those who work, from unskilled common labourer to corporation president to public administrator-combine their efforts with those of others in providing the services and products we all want."

Prof. Jucius has defined personnel management as, "The field of management which has to do with planning, organizing, directing and controlling various operative functions of procuring, developing, maintaining and utilizing a labour force, such that the: (a) objectives, for which the company is established are attained economically and effectively; (b) objectives of all levels of personnel are served to the highest possible degree; and (c) objectives of the community are duly considered and served."

The essence of the different definitions is that, personnel management is that part of the management function which is primarily concerned with the human relationships within an organization. Its objective is the maintenance of those relationships on a basis which, by consideration of the well-being of the individual, enables all those engaged in the undertaking to make their maximum personal contribution to the effective working of that undertaking.

1.2 CHARACTERISTICS OF PERSONNEL MANAGEMENT

The above definitions on personnel management recall the following characteristics:

(1) Personnel management aims at providing the necessary guidance for improving performance (through performance appraisal of employees) of employees.

(2) Personnel management aims at maintaining good human relations.

(3) Personnel management gives adequate direction to the developmental activities-of lower-level employees as well as executives.

(4) Personnel management concentrates on the development of individual and group in an organization for achieving better results.

(5) Personnel management is basically concerned with human resources. Personnel Management advocates the ways to get best possible results by managing the scarcely available human resources effectively and efficiently.

(6) Personnel management is a specialized branch of management and hence all the principles of general management are applicable to personnel management.

(7) Personnel management focuses on employment planning.

Personnel management provides for fair and reasonable compensation to employees.

1.3 SCOPE OF PERSONNEL MANAGEMENT

The scope of personnel management was very much restricted before 20th century. The large-scale business operations have led to the specialization of all business activities. On the other hand, labour unions are also the product of the large-scale industrial organizations. Therefore, dealing with the problems of human beings now a day's requires specialized knowledge.

Personnel management was basically concerned with recruitment, selection, placement of employees in organizations. Now the scope of personnel management has become wide and is concerned with organizing human resources with a view to maximize output and profits of the organization and to develop the talent of the employees work to the fullest possible extent securing personal satisfaction (job satisfaction of the employees) and personnel satisfaction (as far as the organization is concerned).

In the early stage of industrialization, dominated by single-ownership concerns, owner himself used to act as a personnel manager and recruit and select the people of his choice and taste, irrespective of the requirements of the job. With the advent of industrialization and the consequent developments, company type and partnership firms came into existence broadening the scope of personnel management. The scope of personnel management can be seen in terms of the activities of personnel management discussed here under:

a) Employee training.
b) Recruitment and maintenance of labour force.
c) Executive development.
d) Determination of equitable wages and salaries for labourers and employees.
e) Job analysis and job description.
f) Labour welfare activities-such as education to children of employees, recreation, sanitary conditions, etc.
g) Maintaining personnel records.
h) Maintaining sound human relations in industry.
i) Settlement of labour disputes.

The scope of personnel management is changing over the years. According to Andrew P. Sikula, “Changes definitely are taking place in personnel administration. Some personnel sub-functions seem to be breaking away from personnel, others seem to be new sub-areas, while still others seem to be changing only in terms of their relative emphasis and degree of importance."

1.4 FUNCTIONS OF PERSONNEL MANAGEMENT

All managers have direct responsibility for the human assets (people) in an organization and are responsible for activities and decisions concerning personnel. In this sense all managers are personnel managers. Still most organizations have a separate department whose main job is to coordinate all personnel activities. There is need for a close interaction between the personal department which has the responsibility for the administration of personnel and line managers who have responsibility for optimizing the use of their resources, viz., physical, financial and human. The personnel department is then required to maintain personnel information systems and comply with government level regulatory framework and union-management agreements.

There are three categories of functions which the personnel manager is expected to perform, these are:

a) Managerial Functions
b) Operative Functions
c) Advisory Functions

1.4.1 MANAGERIAL FUNCTIONS

Managerial functions of personnel management involve planning, organizing, directing, and controlling. All these functions influence the operative functions.

Planning

It is a pre-determined course of action. Planning is determination of personnel programs and changes in advance that will contribute to the organizational goals. In other words, it involves planning of human resources, requirements, recruitment, selection, training etc. _It, also involves forecasting of personnel needs, changing values, attitudes and behaviour of employees and their impact on organization.

Organizing

An organization is a means to an end. It is essential to carry out the determined course of action. In the words of JC Massie, an organization is a "Structure and a process by which co-operative group of human beings allocated its task among its members, identifies relationships and integrates its activities towards common objective.

Complex relationships exist between the specialized departments and the general departments as many top managers are seeking the advice of personnel manager. Thus, organization establishes relationships among the employees so that they can collectively contribute to the attainment of company goals.

Directing

The next logical function after completing planning and organizing is the execution of the plan. The basic function of personnel management at any level is motivating, commanding, leading and activating people. The willing and effective co-operation of employees for the attainment of organizational goals is possible through proper direction. Tapping the maximum potentialities of the people is possible through motivation and command. Thus, direction is an important managerial function in building sound industrial and human relations besides securing employee contributions. Co-ordination deals with the task of blending efforts in order to ensure successful attainment of an objective. The personnel manager has to co-ordinate various managers at different levels as far as personnel functions are concerned. Personnel management function is also coordinated with other functions of management like management of material, machine and money.

Controlling

After planning, organizing and directing the various activities of the personnel management, the performance is to be verified in order to know that the personnel functions are performed in conformity with the plans and directions. Controlling also involves checking, verifying and comparing of the actual with the plans, identification of deviations if any and correcting of identified deviations. Thus, action and operation are adjusted to pre-determined plans and standards through control. Auditing training programs, analysing labour turnover records, directing morale surveys, conducting separation interviews are some of the means for controlling the personnel management function.

1_4.2 OPERATIVE FUNCTIONS

The operating functions of personnel management are concerned with the activities specifically dealing with procuring, developing, compensating and maintaining an efficient workforce.

I. The procurement function is concerned with the obtaining of a proper kind and number of personnel necessary to accomplish an organization's goals. It deals with specifically with such subjects as the determination of manpower requirements, their recruitment, selection and place (comprising activities to screen and hire personnel, including application forms, psychological test, interviews, medical check-up reference calling), induction, follow-up, transfers, layoffs, discharge and separation, etc.

2. **The development function** is concerned with the personnel development of employees by increasing their skill through training so that job performance is properly achieved. Drafting and directing training programmes for all levels of employees, arranging for their on-the-job, office and vestibule training, holding seminar and conferences, providing for educational and vocational counselling and appraising employee potential and performance are undertaken under this function.

3. **The compensating function** is concerned with securing adequate and equitable remuneration to personnel for their contribution to the attainment of original objectives. Functions related to wage surveys, establishment of job classifications, job descriptions and job analysis, merit ratings, the establishment of wage rates and wage structure, wage plans and policies, wage system, incentives and profit-sharing plans etc. fall under this category.

4. **The integration function:** After the employee has been procured, his skill and ability developed and monetary compensation determined, the most important, yet difficult task of the personnel management is to bring about an "integration" of human resources with organization, and to cope-up with inevitable reconciliation of individual, societal, and organization interests. It rests upon the premise that significant overlapping of interests does exist in organizations in such activities like job enlargement, job-evaluation, variable compensation plans. The greater they overlap, the more productivity would coincide with employees that they would prefer to avoid assignment to narrow and respective tasks, meeting high output standards, acceptance of managerial decisions. For this reason, the organization has disciplinary action programmes as well as some freedom to do away with the services of particular employees. On the other hand, there are certain things that employees desire which the organization is reluctant to provide, e.g., increased wages, totally, safe working conditions time off with pay, shorter hours of work, premium pay for overtime work etc.

5. **The maintenance function** deals **with** sustaining and improving the conditions that have become established. Specific problems of maintaining the physical conditions of employees (health and safety measures) and employee service programmes are the responsibility of the personnel department.

1.4.3 ADVISORY FUNCTIONS

Personnel manager has specialized education and training in managing human relations. He is an expert in his area and so can give advice on matters relating to human resources of the organization. He offers his advice to:

(a) Top Management

Personnel Manager advices the top management in formulation and evaluation of personnel programmes, policies and procedures. He also gives advice for achieving and maintaining good human relations and high employee morale.

(6) Departmental Heads

Personnel Manager offers advice **to** the heads of various departments on matters such as manpower planning, job analysis and design, recruitment and selection, training, performance appraisal, etc.

1.5 Self Assessments Questions

1.5.1 Personnel management is crucial for an organization's _____________ and _____________, ensuring it has the right people in the right positions.

1.5.2 The recruitment process is essential for _____________ top talent to join the organization.

1.5.3 Effective training and development programs enhance employee _____________ and _____________.

1.5.4 Personnel management helps in _____________ and _____________ employee relations to create a positive workplace environment.

1.5.5 Performance appraisals are essential for _____________ employee growth and aligning individual goals with organizational _____________.

1.6 IMPORTANCE OF PERSONNEL MANAGEMENT

The value of human resources cannot be over-emphasised. During the last two decades, computerized machines are replacing human beings in the industries. As a result of this, the functions of personnel management have also taken a new turn. The proper or improper use of the different factors of production depends on the human resources. Hence, besides other resources, human resources need more development.

The personnel department of an organization can be compared with the human brain. The different parts of the body cannot work if brain stops working. If the labour force of an undertaking is co-operative, a strong and sound organization can be built. The following points bring about the importance of personnel department:

1 **In** order to provide stability to an organization, personnel policies are developed by the personnel manager.
2. It supplies skilled personnel to various departments.
3. It ensures maximum return from training programmes of employees.
4. The workers are prepared in advance to meet the problems which may be created by industrial and technological factors.
5. It is primarily involved in securing and maintaining work force.
6. It motivates workers and creates opportunities for their promotion.
7. There is a constant evaluation of personnel policies and an effort is made to reduce the costs by increasing productivity through innovations and experimentation.
8. It helps in improving employer-employee relations.
9. It helps in solving the various problems of workers thereby creating congenial atmosphere for the management.

Most of the problems of the workers will be automatically solved and many others will not arise if proper attention is paid to the personnel function of the management.

1.7 ENVIRONMENTAL SCANNING

The Dictionary meaning of the word scanning is to look carefully into or to examine. The term Environmental Scanning in business means to "Carefully analyse the various factors influencing the business".

Environmental Scanning is not once and for all; rather it is a **continuous process.** As the business environment is continuously changing, management has to continuously analyse and diagnose the environment. It is a process by which the organizations monitor their relevant environment to identify opportunities and threats affecting their business.

Environmental scanning is the acquisition and use of information about events, trends, and relationships in an organization's external environment, the knowledge of which would position in the future. They scan in order to avoid surprises, identify threats and opportunities, gain competitive advantage, and improve long-term and short-term planning, to the extent that an organization's ability to adapt to its outside environment is dependent on knowing and interpreting the external changes that are taking place. Environmental scanning constitutes a primary mode of organizational learning. Environmental scanning includes both looking at information (viewing) and looking for information (searching).

Environmental Scanning is used as an overview of wide range of phenomenon in the environment, projected usually in a time period beyond the typical formula planning range and designed to stimulate thinking of managers and staff about potential events that will have an important impact on company affairs.

Environmental scanning and foresight can be described as a form of short-term future analysis of trends and factors in an organization's external environment, and how those trends and factors might influence the organization in the near future. The aim of the analysis is to provide knowledge and insights, and to foster anticipatory thinking to be used in management's planning and strategic decision-making.

1.7.1 NEED OF ENVIRONMENTAL SCANNING

Environmental scanning is needed because of the following reasons: -

1. **Effective Utilization of Resources:** The key to business success is the most effective utilization of the company resources, existing resources as well as the additional resources it can mobilize. All this involves the evaluation of the company's strengths and weaknesses in the light of the environmental threats and opportunities and taking appropriate measures to harness the opportunities or to combat the threats and formulation of strategies accordingly. Companies which fail to do so are doomed to be failure. For example, Binnys which was once a great name in textiles is not so significant in the Indian market now, whereas Reliance which is of comparatively recent origin is a force to be reckoned with today.
2. **Constant Monitoring of the Environment:** Environmental scanning provides a clear cut idea about the existing environment. Without environmental scanning it would not be possible to know the change in customer's tastes and preferences, competitor's moves, latest innovations, latest policy developments etc.
3. **Strategy Formulation:** Environment analysis will indicate the areas for diversification and growth as well as measure-Q to face the problems. Reliance has diversified into areas of import substitution. Similarly, the Hindustan Lever has achieved significant growth and diversification within the Indian environment. Knowledge and understanding of its environment by a firm leads to more effective strategic decision making by permitting proactive strategy based upon forecast proactive for the business.
4. **Identification of Threats and Opportunities:** Environmental analysis can help the / firm in in identifying its threats and opportunities. After the proper identifications, strategies can be adopted to exploit the environmental opportunities and to overcome the threats.

5. **Predict Future:** Predicting future has become one of the most important functions and skills of the management. Future managers have to be more anticipative than reactive and problem solvers. Thus, by scanning environment managers can discharge their functions in a better way.

1.7.2 FACTORS AFFECTING ENVIRONMENTAL SCANNING

The External environment in which an organization exists consists of a variety of factors. These factors are as explained below: -

• **Events**

Events are important and specific occurrences taking place in different environmental sectors e.g., the gas leakage accident at the Union Carbide factory at Bhopal and the resulting holocaust was an event.

• **Trends**

Trends are the general tendencies or the courses of action along with events take place. For example, from Bhopal Gas tragedy the trend that has arisen is general tendency on the part of regulatory authorities and organizations to be conscious about safety from hazardous exposure to chemicals.

• **Issues**

Issues are the current concerns that arise in response to events and trends. For example, the major issue, nowadays, of the rising concerns is about environmental pollution.

• **Expectations of People**

The expectations of the general public from the Government are of legislating changes in rules and regulations pertaining to safety measures and strict enforcement through various mechanisms.

With the help of proper environmental scanning, an organization can consider the impact of the above factors on its strategic management process. For that it is important to devise an approach or a combination of approaches to environmental scanning.

1.7.3 APPROACHES TO ENVIRONMENTAL SCANNING

Following approaches are there for sorting out information for environmental scanning: -

1. **Systematic Approach**

The important features of this approach are:

(a) In this approach, information for environmental scanning is collected systematically.

(h) Information which is pertaining to business and industry could be collected continuously to monitor changes and take the relevant factors into account.

(c) Continuous updating such information is necessary not only for strategic management but also for operational activities.

In this approach, the information which is collected generally relates to markets and customers, changes in legislation and regulation, government policy statements etc. that have a direct impact on an organization's activities.

2. Ad-hoc Approach

The important steps involved in this approach are:

(a) Under this approach organization may conduct **special survey and studies to deal** with specific environmental issues from time to time.

(b) Such studies may be conducted when an organization has to undertake special projects, evaluate existing strategies or to devise new strategies.

(c) Changes and unforeseen developments may also be investigated with regard to their impact on the organization.

3. Processed Form Approach

(a) The organizations generally use information in processed form i.e. supplied bt government agencies or private institutions.

(b) The organizations also use secondary sources of data, available from different sources both inside and outside the organization.

Organizations generally use different practical combination of approaches to monitor their relevant environments. Whatever approach is used, data collection is necessary for deriving information about environmental scanning.

1.7.4 IMPORTANCE OF ENVIRONMENTAL SCANNING

An organization is a creature of its environment. Its very survival and all of its perspectives, resources, problems, and opportunities are generated and conditioned by the environment. Thus, it is important for an organization to monitor the relevant changes taking place in its environment and formulate strategies to adapt to these changes. In other words, for an organization to survive and prosper, the strategist must master the challenges of the profoundly changing political, economic, technological, social, and regulatory environment. To achieve this broad perspective, the strategist needs to develop and implement a systematic approach to environmental scanning. As the rate and magnitude of change increase, this scanning activity must be intensified and directed by explicit definitions of purpose4scope, and focus. The efforts of businesses to cope with these problems are contributing to the development of systems for exploring alternatives with greater sensitivity to long-run implications. This emerging science has the promise of providing a better framework for maximizing opportunities and allocating resources in anticipation of environmental changes.

Scanning improves an organization's abilities to deal with a rapidly changing environment in a number of ways:

1. It helps an organization capitalize on early opportunities rather than lose these to competitors.
2. It provides an early signal of impending problems, which can be defused if recognized well in advance.
3. It sensitizes an organization to the changing needs and wishes of its customers.
4. It provides a base of objective qualitative information about the environment that strategists can utilize.
5. It provides intellectual stimulation to strategists in their decision-making.
6. It improves the image of the organization with its personnel by showing that it is sensitive to its environment and responsive to it.
7. It is a means of continuing broad-based education for executives, especially for strategy developers.

1.8 Self-Assessment Questions

1.8.1 Environmental scanning is the process of _____________ to identify potential opportunities and threats.

1.8.2 Businesses engage in environmental scanning to stay _____________ and adapt to changing market conditions.

1.8.3 One of the key benefits of environmental scanning is that it helps organizations make _____________ decisions.

1.8.4 SWOT analysis is a tool commonly used in environmental scanning to assess an organization's _____________.

1.8.5 Environmental scanning involves monitoring factors such as _____________ and regulatory changes.

1.9 SUMMARY

It may be said that future has many challenges for the managers of tomorrow. The most important challenge is how personnel executive and his staff can help in improving organizational effectiveness; and how best he can utilize the results of behavioural scientists for the benefit of the people at work.

1.10 Short Questions Answers

1.10.1 What is the meaning of personnel management?

1.10.2 Where does the importance of personnel management lie?

1.10.3 What is environmental scanning?

1.10.4 Why do organizations need to conduct environmental scanning?

1.11 Long Questions Answers

1.11.1 Explain what personnel management is and how it contributes to the successof organizations?

1.11.2 What does the scope of personnel management include, such as employee recruitment, training, and performance assessment?

1.11.3 Explain what environmental scanning is and how it influences strategic decision-making for organizations?

1.11.4 Why is environmental scanning crucial for an organization's long-term success, and how does it help organizations adapt to a constantly changing external environment?

1.12 KEYWORDS

Environmental scanning: is a process of gathering, analysing, and dispensing information for tactical or strategic purposes.

Personnel Management: Personnel management is the process of managing, organizing, and optimizing the workforce of an organization to achieve its goals and objectives.

1.13 SUGGESTED READINGS

- V.S.P. Rao, Human Resource Management.

1.14 Self-assessments questions answers key

1.5.1 Answer: Efficiency, effectiveness

1.5.2 Answer: Attracting

1.5.3 Answer: Skills, performance

1.5.4 Answer: Managing, improving

1.5.5 Answer: Fostering, objectives

1.8.1 Answer: gathering information about the external environment

1.8.2 Answer: competitive

1.8.3 Answer: informed

1.8.4 Answer: strengths, weaknesses, opportunities, and threats

1.8.5 Answer: technological advancements

Lesson No. 2 **AUTHOR: MS. SHIVINDER PHOOLKA**

BUILDING UP SKILLS FOR EFFECTIVE HR MANAGER

STRUCTURE

2.0 OBJECTIVES

After reading this chapter, the student should be able to:

- Explain why the role of HR professionals becoming challenging?
- What are the skills required for today's HR manager?

2.1 INTRODUCTION

Several factors in the business environment (increased competition, corporate downsizing, a rapid technological advances) and in the social environment (changing values regarding work/non-work-life balance and changing workforce demographics) have brought about a new employment relationship. These changes have major implications for the management of the workforce within organizations. As the world becomes one global playing field, the environmental changes in countries other than the home country of a firm affect business decisions and the performance of firms. Changes in the economic, business, social, and cultural environments have brought about a transformation in the HR function and the skill set required by the HR professionals.

2.2 DEFINITIONS

A Manager is the person responsible for planning and directing the work of a group of individuals, monitoring their work, and taking corrective action when necessary. Managers may direct workers directly or they may direct several supervisors who direct the workers. The manager must be familiar with the work of all the groups he/she supervises, but does not need to be the best in any or all of the areas. It is more important for the manager to know how to manage the workers than to know how to do their work well.

An **HR manager** is -; who is responsible for planning, organizing, directing and controlling of the procurement, development, compensation, integration, maintenance and separation of human resources to the end that individual, organizational and social objectives are accomplished.

2.3 GLOBAL HRM CHALLENGES

Some of the global environmental trends and changes faced by HR managers that pose challenges to them are as under:

S. *No*	**Environmental Trends**	**Global Human Resource Challenges**
	BUSINESS ENVIRONMENT	
	Globalization and increased competition	• Managing a global workforce • Ensuring availability of employees who have the skills for global assignments • Focussing on employee productivity to ensure competitiveness • Ensuring legal compliance when conducting business abroad
	Mergers and Acquisitions	• Managing employee insecurity during mergers • Ensuring continued employee productivity • Developing HR initiatives to manage employee morale
	Downsizing	• Managing organizational relationship with survivors • Managing morale and commitment of survivors • Providing outplacement services or relocation for employees who lose job • Providing personal and family counselling to employees who lose their jobs
2.	**Changing Nature of Work**	
	Industry and occupational shifts	• Managing workforce with flexible working patterns • Focussing on competencies during hiring process • Designing incentive-based compensation • Developing proactive employee development programmes
	Technological advancements	• Managing a virtual workforce • Developing training modules and conducting programmes to provide employees with requiredskills • Retraining current employees to manage obsolescence • Providing work-life balance initiatives
	Outsourcing	• Managing employee concerns about losing jobs due to outsourcing • Managing employee morale and productivity
	Flexible work arrangements	• Managing the loss of organizational control over work • Developing programmes for motivating the flexible workforce • Developing ways of ensuring commitment of the flexible workforce to the firm

S. *No*	**Environmental Trends**	**Global Human Resource Challenges**
3.	**Demographic, societal and workforce trends**	
	Workforce Diversity Workforce composition • Workforce availability	• Devising customized HR strategies for hiring, retaining, and motivating employees belonging to different generations • Developing lifestyle-driven perks for the new generation employees • Developing work-life balance programmes • Ensuring the availability of skilled talent to fulfil organizational needs
	Aging population and workforce	• Finding replacement of retirees • Managing the demand-supply gap for qualified managerial talent due to large retiring workforce • Developing mentoring programmes to ensure the skills of experienced managers are passed on to new managers • Obsolescence training and retraining of older employees • Managing retirement policies • Conducting programmes to retain experienced employees
	Workforce of educated Related workers	• Partnering with universities and developing academic initiatives to meet projected shortage of skilled manpower • Training new hires • Training employees in computer skills, communication skills, and customer handling skills
	Women in workforce	• Strategizing to attract and retain educated and skilled women workers • Conducting programmes for women who opt for career breaks • Providing facilities such as creches, flexible working hours, etc.
	Changing family structures	• Developing work-life balance programmes
	Global Workforce	• Developing diversity training programmes • Developing HR initiatives directed to workforce diversity • Identifying and training expatriate managers for overseas assignments • Developing equitable pay plans for individuals working in different countries

S. *No*	**Environmental Trends**	**Global Human Resource Challenges**
	Temporary workforce	• Developing systems to motivate the temporary workforce and elicit commitment from them • Helping the temporary employees to quickly adapt to the organization to reach their full potential
4.	**Changing nature of employment relationship**	• Offering challenging jobs to employees • Managing rewards for enhancing employee performance • Providing opportunities for enhancing skills through training, development, and educational programmes • Understanding value differences across different employee groups and customizing HR programmes

2.4 SKILLS REQUIRED FOR HR MANAGERS

Considering the changing business environment and the global HRM challenges, we can say that a personnel manager performs a variety of roles, such as , of a counsellor, a mediator, a company spokesman, a problem solver, a change agent, a fire-fighter, a facilitator and many more. To perform all these roles, he needs to have a whole gamut of skills which will enable him to perform these roles simultaneously and effectively. Some of the skills required by an HR Manager are as follows :

 # Organizing Skills

Human Resources management requires an orderly approach. Organized files, strong time management skills and personal efficiency are keys to the Human Resources function. He is dealing with people's lives and careers, and when a manager requests him for a personnel file or a compensation recommendation that lines up with both the organization and the industry, it won't do to say, "Hold on. I'll see if I can find it,"

 # Change Agent

The pace of change has increased manifold and business success depends upon the firm's ability to respond to the pace of change. In their role of change agent, HR professionals have the responsibility to build the organization's capacity to accept and capitalize on change. For example, HR must ensure that a change effort focused on implementing new technology gets delivered in time. Any behavioural change in employees or culture change required to accept the new technology has to be initiated by the HR professionals.

 # Communication Skills

Human Resources staff requires above average communication skills, both oral and written. HR staff coordinates communication within an organization, perhaps in the form of staff newsletters, handouts or information notice boards, In human resource management, clear messages, listening and use of feedback are especially important. Interpersonal relations, interviewing in the hiring process, building rapport in the management team and with employees, orientation- and training, performance interviews, conflict resolution and discipline, all require communication.

 # Effective Listening and Counselling Skills

The personnel manager needs to be a patient listener. Employees frequently go for consultation and with whom they discuss their personal, health, mental, physical and career problems. He needs to find out the causes of dissatisfaction of the employees, take remedial action, and offer advice to them.

 # Conflict Management Skills

Conflict is inevitable in organizations. It can take place between employees or between management and employees. The role of HR professionals is like a bridge between the management and the employees. They have to convince the employees regarding the policies of the management and at the same time represent to the management what the employees expect from the organization. Any kind of conflict arising has to be resolved as soon as possible so that production and productivity do not suffer. He is responsible for grievance handling, taking disciplinary actions, settlement of disputes, etc.

 # Balancing Skills

HR professionals need to consider the needs of both employees and management. There are times they must make decisions to protect the individual, and other times when they protect the organization, its culture, and values. These decisions may be misunderstood by some, and HR people may catch flak because of it, but they must know that explaining their choices might compromise confidential information. That's something they should never do.

 # Customer Service Skills

HR professionals are encouraged to determine the needs of internal customers and to develop strategies to satisfy those needs. From the perspective of the HR function, internal customers include employees, line managers and staff. Embracing the customer orientation, perspective shifts the focus of HR from practices to outcomes. For example, instead of focusing on performance appraisal formats and processes, the focus of the HR professional will shift to determine how performance appraisal can be used to add to organizational capabilities.

 # Diversity Management Skills

The demographic mix in the workplace has become highly diverse. The term 'workforce diversity refers to the varied personal characteristics that make the workforce heterogeneous, such as gender, race, age, lifestyle, culture etc. Different generations work together in an organization. The attitude of the younger workforce is different from their older counterparts. More women are entering the workforce than they did earlier. Multinational companies are hiring people of different nationalities. This diversity in workforce requires HR managers to recognize and respond to individual differences to retain and motivate employees. Firms must develop diversity training programmes to help employees to overcome their biases in their interaction with people from different backgrounds.

 # Interviewing skills

The HR professionals are required to conduct various kinds of interviews, such as, telephonic interview, preliminary interview, in-depth interview, stress interview, selection interview, exit interview, etc. Therefore, they should be adept in preparation, conduct and closing of interviews. They should be able to extract the required information from the candidate.

#Multitasking

On any day, an HR professional will deal with an employee's personal issue one minute, a benefit claims the next and a recruiting strategy for a hard-to-fill job the minute after. Priorities and business needs move fast and change fast, and colleague A who needs something doesn't much care if you are already helping colleague B. You need to be able to handle it all, all at once.

 # Maintaining Business Ethics

Human Resources professionals are the conscience of the company, as well as **the** keepers of confidential information. As they serve the needs of top management, they also monitor officers' approaches to employees to ensure proper ethics are observed. They need to be able to push back unethical things, to keep the firm on the straight path. It is not an easy responsibility. They should always handle situations appropriately, and never divulge to any unauthorized person, confidential information about anyone in the organization.

 # Employee Trust

Employees expect Human Resources professionals to advocate for their concerns, yet they must also enforce top management's policies. The HR professional who can pull off this delicate balancing act wins trust from all concerned.

 # Fairness

Successful HR professionals demonstrate fairness. This means that communication is clear, that peoples' voices are heard, that laws and policies are followed, and **that privacy** and respect is maintained.

 # Dedication to Continuous Improvement

HR professionals need to help managers coach and develop their employees. The goal is continued improvement and innovation as well as remediation. And looking to their own houses, the HR professional also use technology and other means to continuously improve the HR function itself.

 # Strategic Orientation Skills

Forward-thinking HR professionals take a leadership role and influence management's strategic path. **In** gauging and filling the labour needs of the company, devising compensation schemes, and bringing on board new skill sets leading to business growth, they provide the proof for the often-heard management comment, "People are our most important asset."

 # Team Orientation Skills

Companies are organized into hierarchies of workers headed by supervisors. Today, the team is the king. HR managers must consequently understand team dynamics and find ways to bring diverse personalities together and make the team work.

 # Interpersonal Skills

An HR professional is supposed to interact with internal customers as well as external customers. They should be able to build rapport with people. They should be good at understanding other people's attitude, aspirations and expectations.

2.5 SELF ASSESMENTS QUESTIONS

2.5.1 Effective HR managers should possess strong __________ skills to build rapport with employees and foster a positive workplace culture.

2.5.2 Developing expertise in labor laws and regulations is crucial for HR managers to ensure __________ within the organization.

2.5.3 HR managers can enhance their problem-solving abilities by practicing __________, a key skill for addressing employee issues.

2.5.4 To stay updated on industry trends and best practices, HR managers should engage in continuous __________ and professional development.

2.5.5 Effective HR managers excel in __________, allowing them to identify and nurture talent within the organization.

2.6 SUMMARY

The chapter discussed the environmental trends that have brought about a transformation in the HR function. The challenges facing HRM in the knowledge economy were highlighted. It was emphasized that HR managers need to have a variety of skills to manage people effectively.

2.7 KEYWORDS

1. **Communication:** Effective HR managers need strong communication skills to facilitate employee interactions, convey policies, and resolve conflicts.
2. **Leadership:** Developing leadership abilities is crucial for HR managers to guide and inspire their teams, fostering a positive workplace culture.
3. **Adaptability:** HR managers must adapt to changing workplace dynamics and evolving HR practices to stay effective and relevant.
4. **Conflict Resolution**: The skill of resolving conflicts professionally and impartially is essential for HR managers to maintain harmony in the workplace

2.8 SHORT QUESTIONS ANSWERS

1. What are the key skills required for an effective HR manager?
2. How can HR managers enhance their communication skills?
3. What role does emotional intelligence play in HR management?
4. How can HR managers stay updated with evolving HR practices and regulations?

2.9 LONG QUESTIONS ANSWERS

1. What strategies can HR managers employ to develop strong interpersonal skills, and how do these skills contribute to their effectiveness in managing human resources within an organization?
2. In what ways can HR professionals cultivate a deep understanding of labor laws, employment regulations, and compliance issues, and how does this knowledge benefit their role as HR managers?
3. Can you explain the significance of data analysis and technology proficiency for HR managers in today's digital era, and what steps can they take to stay technologically competent?
4. How does continuous professional development and ongoing education contribute to an HR manager's ability to adapt to changing workplace dynamics and emerging trends in talent management and employee engagement?

2.10 SUGGESTED READINGS

Tanuja Agarwal, *Strategic 1 Iuman Resource Management*

2.11 SELF ASSESMENT QUESTIONS ANSWERS

2.5.1 Communication

2.5.2 Compliance

2.5.3 Conflict resolution

2.5.4. Learning

2.5.5 Talent management

ORGANISATION OF PERSONNEL DEPARTMENT AND ITS RELATIONSHIP WITH OTHER DEPARTMENTS

STRUCTURE

3.0 OBJECTIVES

After reading this chapter, the student should be able to:

(i) To know the meaning, nature of personnel management.
(ii) To understand the concept and nature of organization,
(iii) To understand the process of designing organization structure.
(iv) To understand the relationship personnel department with other departments.

3.1 INTRODUCTION

Ever' industrial or commercial organization comes into existence when a number of persons join hands. All these people work to achieve some organizational goals_ The activities of various individuals will be synchronized if somebody is there to undertake this work Management of every enterprise takes up the responsibility of assigning, supervising and controlling the activities of persons working there. Management brings human and material resources together for attaining organizational goals.

Human resource is of paramount importance for the success of any organization. Different individuals exhibit similar and dissimilar patterns of behavior. They have their own set of needs, driver, goals and experience. Management should be aware of their requirements. Manpower management is the most crucial job. Proper human resource management will enhance efficiency and performance of people at work.

Definitions:

- **According to Prof. Jucius,** Personnel administration is, the field of management which has to do with planning, organizing, directing and controlling various operative functions of procuring, developing, maintaining and utilizing of labour force, such that the objectives for which the company is established are attained economically and effectively."

According to this definition personnel administration **is** concerned with manpower management for attaining organizational goals.

According to George R.Terry, "Personnel management is concerned with the obtaining and maintaining of a satisfactory and a satisfied workforce."

Terry has emphasized the view that personnel management is not only concerned with employing sufficient number of workers but also satisfying their needs. He has considered the supply of workforce and meeting their requirement as an important task of personnel management.

3.2 NATURE OF PERSONNEL MANAGEMENT

The following points will bring out the nature of personnel management.

1. **Managing People:** Personnel management is concerned with managing people at work. It does not manage only organized or unorganized workers in the organization, but everyone working in the enterprise. It covers all persons including clerical staff, executive, and managers.
2. **Concerned with Employees:** Personnel management deals with employees both as individuals as well as in groups. The aim is to motivate people for getting best results from them.
3. **Helping Employees:** The employees are helped to develop their talent fully by providing them appropriate opportunities. This will give them job satisfaction and may improve their performance at work.
4. **Universal Application:** Personnel management may be used everywhere and in very type of organization It is equally useful in a government, semi-government, non-profit organizations as is beneficial to industrial and commercial houses. It is a part of general management and has roots extending through and beyond each organization.
5. **Continuous Application:** Personnel management is continuously used in every type of situation. It is not something which may be used here and there or now and then. In the words of George Terry, "It cannot be turned on and off like water from faucet; it cannot be practiced only one hour each day or one day a week. Personnel management requires a constant alertness and awareness of human relations and their importance in everyday operations."

3.3 ORGANISATION STRUCTURE

Organisation structure is a basic framework within which the manager's decision making behavior takes place. Structure deals with relationships. It is an important scientific concept. All sciences try to discover the structural relationships in the phenomena in which they are interested. For example, biologist wants to know the structure of cells; the astronomer wants to know the structure of the universe; the physicist studies the structure of the atom or molecule; the economist seeks to discover the structure of a labour market or of money-flow patterns. Similarly in management we need to understand how organizations are structured and how these structures are created and maintained.

3.4 NEED FOR FORMAI, ORGANISATION STRUCTURE

Formal structure is required because large numbers of people are associated in achieving organizational objectives. All of them perform various functions which are interdependent and interrelated. As such, there must be plan for systematic completion of the work of each specialized job so that the total activities accomplish common objectives. Though an organization structure is required primarily to overcome the limitations of individuals, it serves many purposes. Organisation structure is the mechanism through which management directs, coordinates and controls the business. It is, indeed, the foundation of management. If the organization plan is ill designed, if it is merely a makeshift arrangement, the management is rendered difficult and ineffective. If, on the other hand, it is logical, clear-cut and streamlined to meet present-day requirements, the first requisite of sound management has been achieved. In short, the sound organization facilitates management process, encourages growth and diversification, provides for optimum use of technological improvements, encourages human use of human beings, and simulates creativity.

3.5 ORGANIZING HRM FUNCTIONS

Understanding of the conceptual framework for designing organization structure is helpful in organizing HRM functions in an organization. In organizing HRM functions, there are six issues which must be addressed. These are:

1. Relevance of HR department.
2. Forms of structure for the organization as a whole.
3. Positioning of HR department.
4. Defining responsibility for HRM functions.
5. Prescribing authority relationships of HR department with other departments.
6. Designing the internal structure of HR department.

Let us discuss these issues.

3.5.1 RELEVANCE OF HR DEPARTMENT

Before going for designing structure for HRM functions, the relevance of HR department should be found out This issue arises because unlike production and marketing which are primarily line functions, HR is basically a staff function. It may be mentioned that a line function is one which directly contributes to the achievement of organizational objectives whereas a staff function provides services to line functions in achieving the organizational objectives. Because of this nature of organizational functions, many people question the relevance of HR department in an organization.

3.5.2 FORMS OF ORGANIZATION STRUCTURE

Designing of an organization structure is considered a matter of choice among a number of alternatives. The way an organization groups its different function, creates various units and sub-units, and prescribes authority and responsibility relationships determine the form of organization structure. All these patterns vary along a continuum between mechanistic structure having rigid prescriptions to organic structure having flexible prescriptions. The degree of rigidity or flexibility depends on the nature of organization's environment, strategy, technology, people and size.

The basic structures which are available to an organization are functional, divisional, project, matrix, and free form. In each structure, patterns of grouping of activities and authority relationships differ. Besides the basic structure, there may be overlays in various forms such as committees, task forces, etc. The relationship between FIR department and other departments in each type of structure may be different.

ORGANIZATION OF PERSONNEL DEPARTMENT

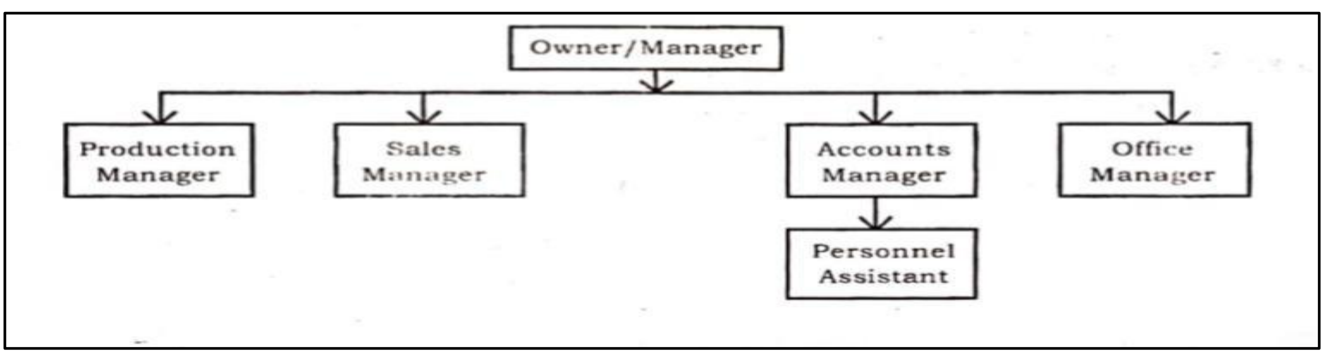
Inan organization, personnel department is a staff department. But within personnel department itself, the structure is usually of the line type. Personnel manager, being the head of the department, has a line authority within the department. Status of the personnel department in the total organizational structure depends on whether a unit is small or large.

3.5.274. Organisation Structure of Personnel Department in Small Enterprises

Bysmall enterprise is meant the enterprise which employs less than one thousand employees. In such enterprises personnel department may or may not exist. Services of outsiders who specialize in maintaining accounts and records relating to provident fund, pension and other statutory requirements are retained for a fee. Alternatively, a newly placed employee may be entrusted with the task of attending to these functions. In fact, it was this arrangement, which was followed in the past, irrespective of the size of the organization. Earlier, personnel as an activity were seen as a necessary but unimportant part of the organisation.

Fortunately, things have changed for the better and the status of the personnel department has improved enormously over the years. An idea of the organisation of personnel department in a small enterprise can be drawn from the following Figure 3.1

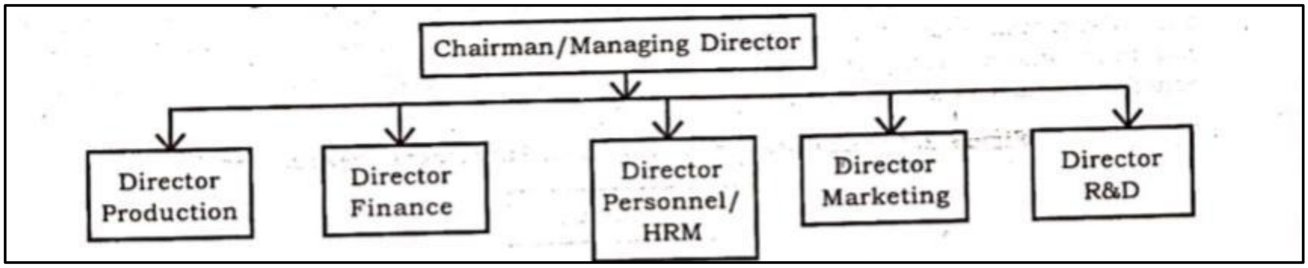
Figure 3.1: Organisation Structure of Small Enterprises



3.5.2.B Organisation structure of personnel department in Large Scale Enterprise

A large-scale enterprise will have a manager/ director heading the personnel department. His status will be equal to that of any executive. The following figure shows this structure:

Figure 3.2: Organisation structure of Large-Scale Enterprise



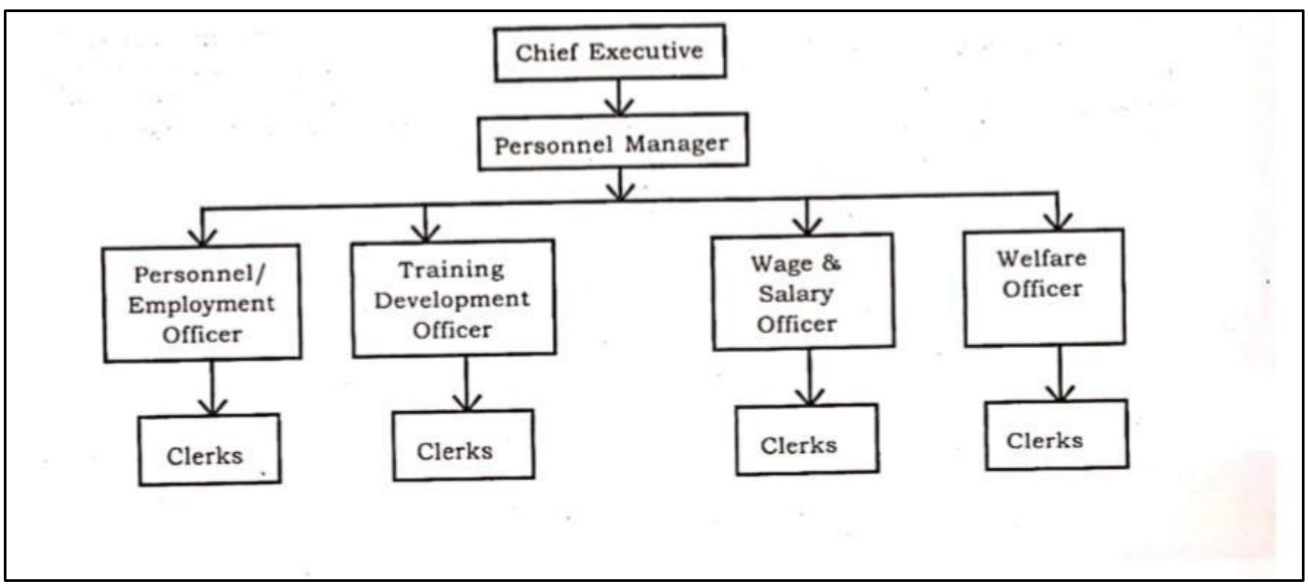
This arrangement holds good when the company has a single unit. Where a company has multiple plants located in different part of the country, there may be a centralized personnel department at the head office and each plant will have separate personnel department. Routine activities relating to each plant are handled by the personnel department attached to the work whereas the broad policies, matters concerning executives, etc. are handled by the central department

Coming to the composition of the personnel department, it depends on the scale of operations and attitudes of the top management towards its personnel.

3.5.2.C/Personnel Department In Line Organizations

In line organizations there is uninterrupted line of authority and responsibility running through the management hierarchy. Line relationship generally exists between a superior and a subordinate. Managers identified as line are not subject to command by staff personnel. **In** case of disagreement between line and staff, line manager has the right to make final operating decisions. The internal organization structure of personnel department in line type of organization is as shown in the following Figure 3.3:

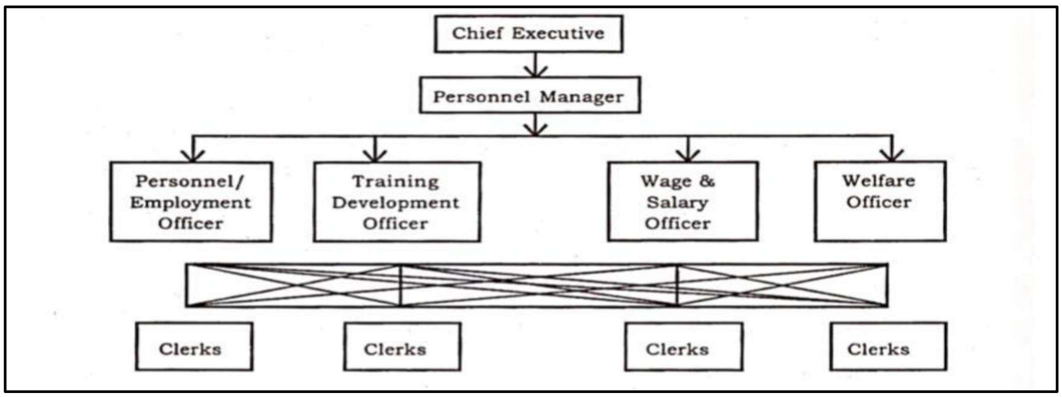
Figure 3.3: Organisation Structure in Line Organization



3.5.2.D. Personnel Department In Functional Organization

According to McFarland "A functional manager helps serve, investigate, plan, solve special problems, supports line effort, provides ideas and has special expertise." In functional structure, all activities in the company are grouped according to certain functions like production, marketing, finance, personnel etc. Each function is put under the charge of a functional specialist Functional authority is advisory, which means that the functional specialist recommends action or alternative actions to line managers. Every functional head has functional authority over other departments and every employee reports to several functional heads as shown on the following Figure 3.4

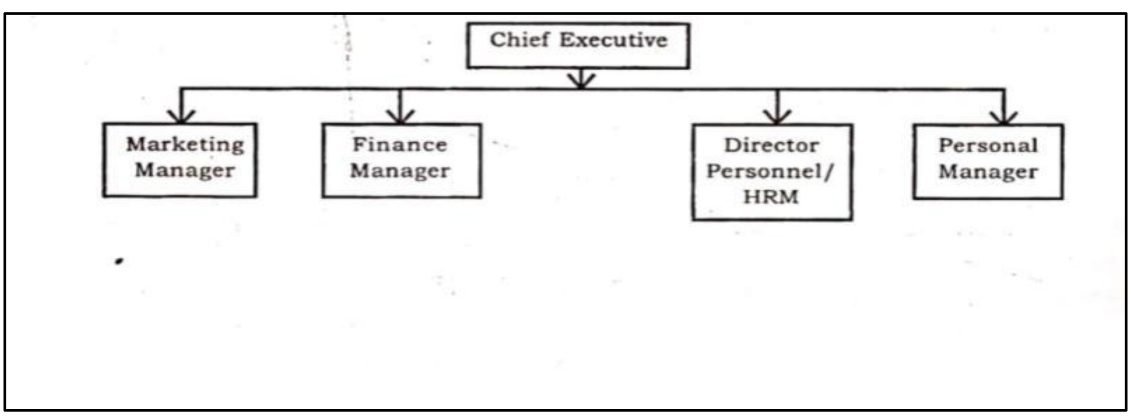
Figure 3.4: Organisation Structure in Functional Organization



3.5.2.E. Personnel Department in Line and Staff Organization

Large enterprises generally have organization structures with both line and staff executives. Line and staff structure combines the advantages of both line organization and functional organization. Under this system, staff positions are attached to line executives. Personnel department provides advice and assistance on personnel matters to all departments without undermining unity of command.

Figure 3.5: Organisation structure in Line and Staff Organization

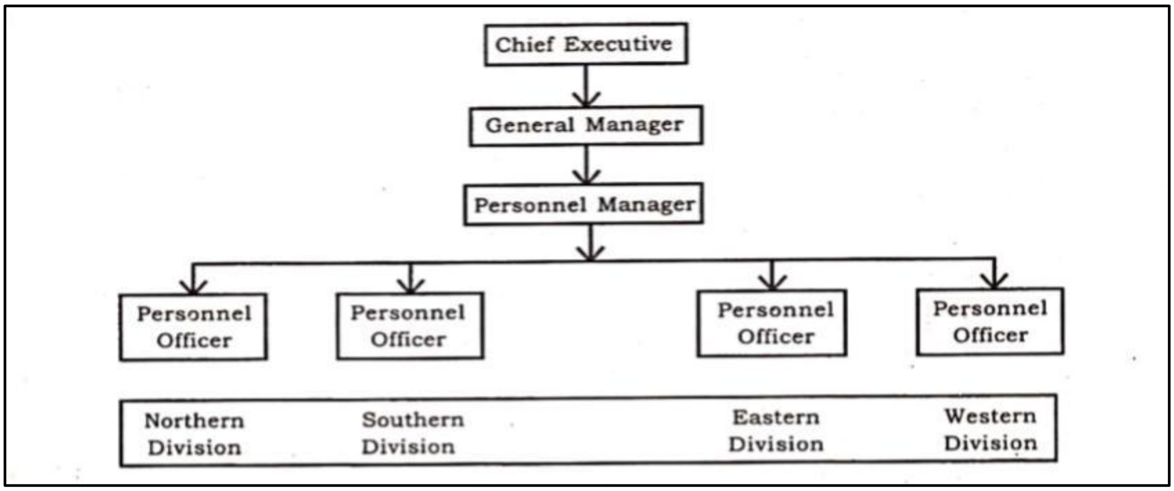


Thus, the relationship between chief executive and personnel manager is both line and staff. The relationship between all functional managers inter se is functional in nature.

3.5.2.F. Personnel Department In a Divisonalised Organization Structure

The role of a personnel manager attached to the divisional office/branch office of a decentralized organization is particularly a difficult one. In a divisional organization structure, personnel staff is attached to divisional officers. The personnel officer at divisional level is responsible to the local divisional manager. He is subordinate to the personnel manager at the head office. In case of fight between personnel officer and divisional manger, the problem can be solved at the head office_ The main benefit of divisionalisation is that the performance of various divisions can be compared, but on the other hand, it results in duplication of staff and facilities.

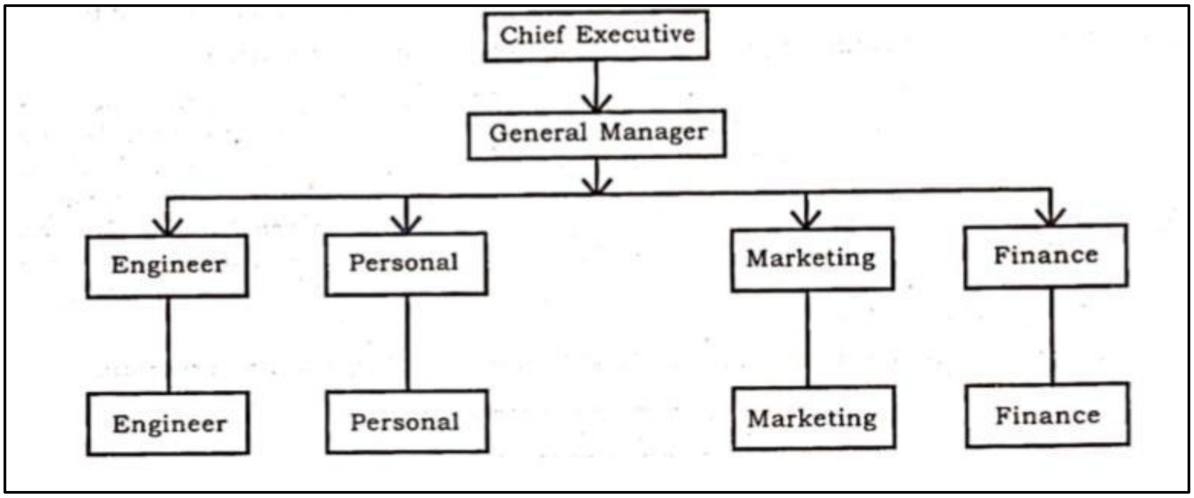
Figure 3.6: Organisation structure In a Divisonalised Organization Structure



3.5.2.G Personnel Department in a Matrix Organization Structure

In a matrix organization, every employee has two superiors i.e., they are under dual authority. One chain of command is functional and the other chain of command is a project team. Hence, matrix structure is referred to as a multi command system, with both vertical and horizontal dimensions. Thus, the team of employees of personnel department have two superiors i.e., personnel manager (vertical dimension) and project manager (horizontal dimension). Both dimensions of structure are permanent and balanced, with power held equally by both functional and a project manager. Matrix structure is suitable when organizational tasks are uncertain, complex and highly interdependent or on organization has to cope with more than one function or project

Figure 3.6: Organisation structure in a Matrix Organization Structure



3.5.3 **POSITIONING OF HR DEPARTMENT**

The first basic issue in organizing HRM functions is the determination of the position of HR department in the overall organisation structure because its positioning determines to a very great extent the types of activities that the department undertakes and the role it performs. If it is located high in the structure, it will have a considerable role in providing the necessary inputs and influence for a systematic HR policy and involvement of top-level management in HR matters. A higher positioning of HR department serves the HRM objectives in the following ways:

1. A higher positioning of HR department means that HR people will interact with top management frequently and provide inputs related to HR matters to be used in strategy formulation, thereby integrating HRM with corporate strategic management process.
2. A higher level positioning implies that HR department is involved in wide range of activities related to HRM rather than merely involving in routine industrial relations and employee record keeping functions. Higher positioning enables head of HR department to take broader view of HR functions as he can easily appreciate the organizational requirements.
3. A higher positioning suggests that the organization places high importance to HRM which provides it greater acceptability in the organization and provides it greater acceptability in the organization and provides satisfaction and enthusiasm to HR personnel.

Positioning of HR department in an organization depends on the size of the organization, top management philosophy and approach towards HRM, and the adoption of various organizational practices. If all these matches with the contemporary thinking, there is likelihood that HR department gets higher positioning. Some of the companies in India such as Hindustan Lever, ITC, Infosys Technologies, Wipro, Bharat Heavy Electrical, etc. have accorded HR department a very high position and in many cases, the HR department is headed by a director.

3.5.4. RESPONSIBILITY FOR HRM FUNCTIONS

The problem of defining responsibility for HRM functions between HR department and other departments in an organisation arises because HR department deals with human resources which are predominantly used by other departments. Therefore, the question that emerges is: who is responsible for management of human resources-line managers or HR managers? This problem can be resolved by defining clearly 'who will do what in relation to management of human resources.' Line managers do not have specialties for dealing with many problems related to management of human resources and, therefore, they depend on HR people to sort out these problems. In solving these problems, if HR department is entrusted with only staff advisory authority, its existence in the organization cannot be fully justified thus; it has to be mixture of staff advisory authority and functional authority. In some areas, HR department is given complete authority and in other areas, it has only advisory role.

3.5.5. RESPONSIBILITY OF LINE MANAGER

In relation to management of human resources, line managers under whom people work, are responsible for the following:

3.6 SELF ASSESSMENTS QUESTIONS

3.6.1 The personnel department plays a crucial role in _______ and coordinating HR activities within an organization.

3.6.2 The primary function of the personnel department is to ensure that the organization's workforce is _______ and well-managed.

3.6.3 To foster better communication and collaboration, the personnel department should establish strong _______ with other departments.

3.6.4 The personnel department is responsible for recruiting, selecting, and _______ employees to meet the organization's staffing needs.

3.7 SUMMARY

Every successful management brings human and material resources together for attaining organizational goals. But human resource is of paramount importance for the success of any organization. Different individuals exhibit similar and dissimilar patterns of behavior. They have their own set of needs, driver, goals and experience. Management should be aware of their requirements. Manpower management is the most crucial Job. Proper human resource management will enhance efficiency and performance of people at work. For designing of organization structure, choice can be made from a number of alternatives available. The basic structures which are available to an organization are functional, divisional, project, matrix with the help of which personnel department can make relationships with other departments.

3.8 KEYWORDS

- **HRM** = Human Resource Management
- **Organisation structure**: Organisation structure is a basic framework within which the manager's decision-making behaviour takes place.
- **Matrix Structure:** Matrix structure is referred to as a multi command system, with both vertical and horizontal dimensions.

3.9 SHORT QUESTIONS ANSWERS

1. What is the primary role of the personnel department within an organization?
2. Why is it essential for the personnel department to establish strong relationships with other departments?
3. What are some key functions of the personnel department?
4. How can the personnel department contribute to the organization's success in terms of employee retention?

3.10 LONG QUESTIONS ANSWERS

1. Describe the organizational structure of a personnel department and explain the roles and responsibilities of its various units or positions?
2. How can the personnel department contribute to talent acquisition and retention strategies in an organization, and what are the benefits of doing so?
3. Discuss the significance of cross-functional collaboration between the personnel department and other departments, such as finance, operations, and marketing?
4. Explain the steps involved in workforce planning and how the personnel department can ensure that staffing aligns with the organization's strategic goals?

3.11 SUGGESTED READINGS

- Cascio, Wayne F., "Managing Human Resources", New Delhi: Prentice Hall of India.
- Fippo, Edwin, 'Personnel Management", New York: McGraw Hill.

3.12 SELF ASSESSMENTS QUESTIONS ANSWERS

3.6.1 Planning

3.6.2 Organized.

3.6.3 Relationships.

3.6.4 Performance

Lesson No. 4 AUTHOR: MS. ANJU PURI

HR IN INFORMATION TECHNOLOGY FIRMS AND MERGERS & ACQUISITIONS

STRUCTURE

4.0 OBJECTIVES

After reading this chapter the student should have a good understanding of :

• The major challenges ahead of HRM

• The HR responses to major challenges

4.1 INTRODUCTION

Several MNCs are increasingly unbundling or vertical deintegrating their activities. To put it in a simple language, they have begun outsourcing (also called business process outsourcing, or BPO) activities formerly performed in house and concentrating their energies on a few functions. Outsourcing involves withdrawing from certain stages/activities and relying on outside vendors to supply the needed products, support services, or functional activities.

Outsourcing of human resource services or HRBPO is emerging as a big opportunity for Indian BPOs with the global market in this segment estimated at $40-60 billion per annum. HRBPO comes to about 33 percent of the outsourcing revenue and India has immense potential as more than 80 percent of Fortune 1000 companies are contemplating offshore BP0 as a way to cut costs and increase productivity.

4.2 HR MANAGERS AND BPOS

HR plays a key role in the development and execution of the business strategy of a BP° where the entire business model is people centric,

The major challenge faced by a HR manager relates to retention of employees. Various estimates suggest that the average time-to-profit-time period for a new hire in the BP° industry is about nine months suggesting that a fresher begins to break even the investments made on him or her and earn profit for the firm only after nine months. Exit of an employee before the nine-month period can cost up to five times of his or her paid salary.

The attrition rate varies between 40% and 50%. The oft cited reasons for frequent job-happing in BP0 industry are:

Compensation	10%
Night shifts	35%
Monotonous/Boring jobs	30%
Others	25%

Surprisingly, employees who quit BP0 firms will land up in other firms but in the same industry. Obviously, better career prospects attract the employees to change organizations. Agents want to become team leaders. Team leaders want to become supervisors. And supervisors want nothing short of CEO's jobs.

HR managers need to be proactive and develop innovative employee interventions to retain talent. Some suggestions are worth stating in this context.

Supervision may be an old concept but its role in people management continues to be relevant today and, in the days, to come. Quality of supervision has its impact on employee motivation, productivity and loyalty to the organization. It may be stated that people leave managers and not organizations. It needs no emphasis that the managers need to change their attitudes and approaches towards subordinates.

The perception of equity in rewards-both monetary and non-monetary-is an important variable in deciding how long an employee stays in an organization.

The ability of the employee to speak out freely within the firm is another key factor in his or her retention. Having meetings at least once a month, to share the company's vision, industry's growth and how employees see themselves in the changing scenario help great deal.

Firms may enter non-poaching agreements. These kinds of agreements ensure that the companies involved do not hire people from another. Non poaching agreements have their flip side. The freedom of an individual to move is curtailed. The market for a talented person shrinks as he or she can apply only to a limited number of firms

Offering a salary hike is another strategy that can help retain talent. Some BP0 firms offer bachelor accommodation to unmarried employees. A majority of firms hold party and fun games to hold the interest of the employees and keep them invigorated. At times these fames are related to performance. Well performing employees are allowed to take part in motivating games.

Competency models may be implemented and integrated with HR activities like hiring, training, and performance and potential appraisal.

Opportunities for people may be provided to share their knowledge through training sessions, presentations and mentor team assignments.

Work -life balance initiatives serve as retention strategies.

Have exit interviews to get a realistic and unbiased feedback which will be a good source of information regarding the shortcomings in the systems and practices.

Review the hiring process to get people who can work during nights and handle the monotony. Select the right people in the first place through behavior-based testing and competency screening mechanism.

4.3 HRM IN MERGERS AND ACQUISITIONS

Firms seek growth through any or both of. two routes;(i) organic, (ii) inorganic, or mergers and acquisitions (M 81, As, Organic growth is sought to be achieved through green field projects-setting up operations newly. Merger or acquisition route involves combining with or taking over an existing business. Obviously, M&A route is relatively easy as an unit, already functioning, is being merged with or being bought over.

Although M&As are easy routes for business growth, certain problems associated with them need to be taken note of. The combined firm may resort to job cuts and price hikes. cultural integration becomes difficult.

What is the role of HR manager in M&As?

Following are the typical tasks of the HR Professional r

4.3.1 New Board Composition

The post-merger or acquisition business needs a board for decision making and the board shall comprise members representing both the firms. Members of the new Board should be change agents so that they can carry out the change process dictated by the merger or acquisition. Board level changes could also be inspirational for the rest of the organization.

4.3.2 Who will Occupy which job

- In any merger, there will be rival claims for senior executive positions such as CEO, VP, CFO, COO, heads of divisions and heads of departments. The choice of the right person for the right job is crucial as otherwise, the success of the merger will be jeopardised. Besides, the choice shall be a signal about **the** style, culture and intent of the new management. Accent on merit is as important as the integrity of the process of managerial appointments.

4.3.3 Assessing Culture

The purpose of cultural assessment is to evaluate the factors that may influence the organizational compatibility, to understand the future cultural dynamics as the deal takes place, and to prepare plans of how the cultural issues should be addressed if the merger or acquisition goes through.

4.3.4 Human Capital Audit

Human capital audit needs to be focussed on two dimensions. One dimension is preventive, focussed on liabilities such as obligations employee litigations and outstanding grievances. It also includes comparing the compensation policies, benefits and labor contracts of both the firms. The second dimension of human capital audit refers to the talent audit which , in the long run would be critical for the success of the merger or acquisition deal. In most M&A deals talent audit is often ignored.

4.3.5 Effective Communication

In M&As, communication plays a critical role in several ways. First, it seeks to alleviate tensions among employees, particularly of the acquired company, 'Merger syndromes do occur among employees, Fears such as layoffs, relocations, big fish vs. small fish attitudes, superiority vs. inferiority complexes and victory -vanquished perceptions do cause stress to the employees. Communication should help acquire coping strategies to deal with the stress arising out of extraordinary organisational changes.

4.3.6 Retaining Talent

Retention of talent assumes relevance as competent employees, particularly of the target company, tend to leave before or after the deal. It is all the more curial if the deal is struck with a view to acquire unique knowledge of the employees of the target company. What should HR manager do to retain talent? First, identify those employees with gifted skills and capabilities Second, try interventions which would help hold back those talented individuals.

4.3.7 Aligning Performance Appraisal and Reward Systems

Aligning performance measurement and reward systems is a challenging task particularly when the two firms have different policies and one of the parties is adversely affected by the change. Parity between compensation systems needs to be brought out as that would help build united culture.

4.3.8 Managing the Transition

Transition occurs immediately after the deal and before a new team of managers is in place. Integration managers (formed of the purpose) are expected to manage the transition. Following are the tasks cut out for the integration managers:

First, the integration manager is expected to guide the integration process, making sure that critical decisions are made and activities are put in place according to an agreed schedule. He or she should also champion norms and behaviors consistent with new norms, communicate key messages across the new organization, and identify new value adding opportunities

Second, the integration manger needs to educate the bought-out company to understand how the new management operates.

Third, the integration manager needs to act as an arbiter between the two companies and thwart the tendency of the parent to act big and enact 'big fish-eat-small-fish' syndrome. Often alliances fail because of the tendency of the acquirer to act as a winner and treat the acquired a vanquished.

Finally, the integration manager and the transition team need to serve as a role model as to how the new organization should function. They should disseminate the shared vision and make sure that the practices are appropriately aligned with the vision.

4.4 SELF- ASSESSMENT QUESTIONS

4.4.1 In the context of mergers & acquisitions, HR plays a crucial role in ____________ the cultural integration between the two companies.

4.4.2 During the due diligence process, HR teams assess the target companies____________ to identify potential HR-related risks and liabilities.

4.4.3 Retaining top IT talent is a common challenge in IT firm mergers because employees may fear ____________ or job instability.

4.4.4 Professionals in IT firms often focus on ________ development and training programs to ensure employees have the necessary skills for evolving technologies.

4.5 SUMMARY

For gaining competitive advantage, organizations are turning towards outsourcing and mergers and acquisitions, which in turn increase the pressures for performance in the hands of the employees. HR manager should accept the challenge of managing employees by handling these transitions effectively.

4.6 KEYWORS

- **Mergers or Acquisitions:** involves combining with or taking over an existing business.
- **BPO:** Business Process Outsourcing
- **HR Integration:** The process of harmonizing and aligning HR practices, policies, and systems when two IT firms merge or engage in acquisitions.
- **Workforce Assessment:** The evaluation of the skills, capabilities, and composition of employees within an IT firm to identify strengths, weaknesses, and opportunities for improvement during mergers and acquisitions.

4.7 SHORT QUESTIONS ANSWERS

1. What role does HR play in ensuring a smooth transition during a merger or acquisition in an IT firm?
2. How can IT firms address the challenge of talent retention during mergers and acquisitions?
3. What are some common HR strategies for managing cultural differences between merging IT companies?
4. Why is it essential for HR to assess and manage workforce-related risks during due diligence in M&A deals?

4.8 LONG QUESTIONS ANSWERS

1. Can you explain the critical HR activities and strategies that IT firms should implement to facilitate a successful merger or acquisition? How do these activities differ from those in other industries?
2. In the context of M&A, how can HR departments help in maintaining employee morale and engagement, ensuring that the combined IT organization remains productive and motivated?
3. What are the potential challenges and opportunities for HR professionals when it comes to aligning the HR policies, benefits, and compensation structures of two merging IT companies with different organizational cultures?
4. Could you elaborate on the steps HR should take to evaluate the skills and capabilities of the workforce in both the acquiring and target IT firms? How can this assessment inform talent management strategies?

4.9 SUGGESTED READINGS

• Aswathappa, K., Human *Resource Management,* McGraw-Hill, New York, 5th Edition, 2008

• Gupta, C.B., *Human Resource Management,* Sultan Chand and Sons, New Delhi, 8th Edition, 2007.

4.10 SELF- ASSESSMENT QUESTIONS ANSWERS

4.4.1 facilitating

4.4.2 workforce

4.4.3 layoffs

4.4.4 skill

Lesson No. 5 AUTHOR: SHIVINDER PHOOLKA

INTEGRATING HR STRATEGY WITH BUSINESS STRATEGY

STRUCTURE

5.0 OBJECTIVES

After reading this chapter, the student should be able to:

- Explain the meaning of strategic management and give an overview of its concept 86 processes.
- Integrate HR functions with the strategic management process.

5.1 INTRODUCTION

There seems to be a widespread agreement that human resources are the main source of competitive advantage in modern companies. Consequently, the traditional personnel function is being transformed into the human resource management (HRM), which, in turn, is becoming a part of strategic management with the goal of integrating HRM activities to fit business needs. The central challenge facing human resource management is always to provide a set of services that make sense in terms of the company's strategic plan. HR's traditional role in executing strategy has expanded to include working with top management to formulate the company's strategic plans.

Human resource management is concerned with the holistic approach towards the management of people working in an organization, who contribute to the achievement of the organizational objectives. Human Resource Management ensures the most efficient and effective use of human talent for accomplishing the goals of the organization. In order to successfully utilize and manage the human resources of an organization, each organization needs to develop a well-defined HR strategy.

HR strategy is concerned with two key elements:

(11, Determining the strategic objectives (What goals is the strategy supposed to achieve? For example, the goals may be high productivity, reduced accidents, etc)

(2) Developing a plan of action (How will the human resources be organized and allocated to accomplish the objectives of the organization?)

Human Resource refers to the people who work in an organization. The term seeks to communicate the belief that the employees of an organization are not just people, but valuable resources that help an organization to achieve its objectives. People are central to organizations. The financial capital, technology, or processes of the organization, by themselves, cannot accomplish organizational goals. These resources depend upon human resources for their effective and efficient utilization. At the same time, human resources also need to be managed. Figure 5.1 depicts the centrality of human resources for the achievement of

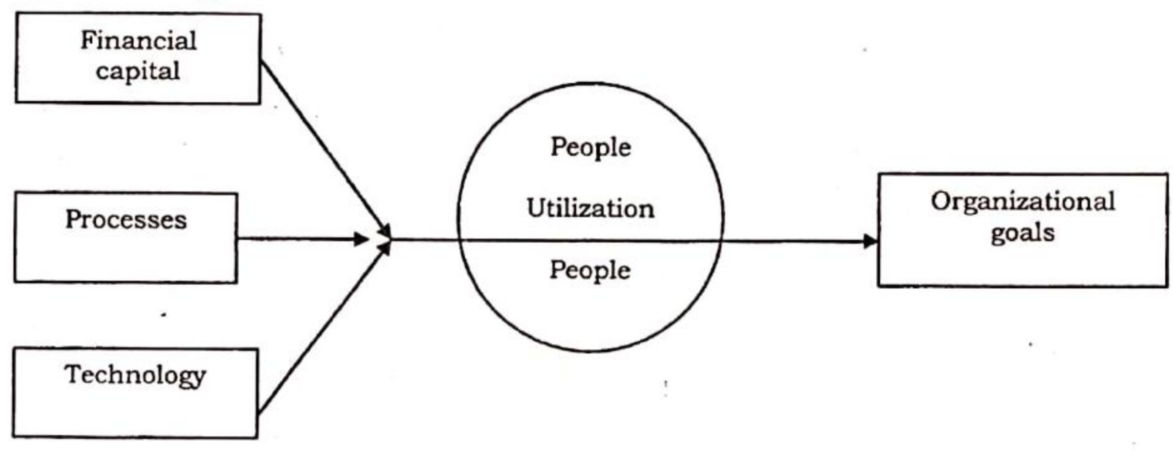


Figure 5.1 : Central Role of HRM

organizational goals.

5.2 STRATEGIC MANAGEMENT

5.2.1 Definitions

Strategy is a way of doing something. It usually includes the formulation of a goal and set of action plans for accomplishment of that goal.

Strategic Management is the process of formulating, implementing and evaluating business strategies to achieve organizational objectives. A more comprehensive definition of strategic management is:

That set of managerial decisions and actions that determine the long-term performance of a corporation. It includes environmental scanning, strategy formulation, strategy implementation, evaluation and control. Strategic Management, therefore, emphasizes monitoring and evaluating environmental opportunities and threats in the *light of corporation's strengths and weaknesses.*

Strategic **Human Resource Management** means formulating and executing HR Systems, HR policies and activities that produce the employee competencies and behaviors 1he company needs to achieve its strategic aims.

Or

Strategic Human Resource Management is an approach which relates to decisions about the nature of employment relationship, recruitment, training, development, performance, management, reward, and employee relations. Wright and McMahan (1992) defined SHRM as the pattern of planned human resource deployment and activities intended to enable the firm to achieve it goals. This definition implies the following four components of SHRM:

(1) It focuses on an organization's human resources (people) as the primary source of competitive advantage of the organization.

(2) The activities highlight the HR programmes, policies, and the practices as the means through which the people of the organization can be deployed to gain

competitive advantage.

(3) The pattern and plan imply that there is a fit between HR strategy and the organization's business strategy (vertical fit) and between all the HR activities (horizontal fit).

(4) The people, practices, and planned pattern are all purposeful, that is, directed towards the achievement of the goals of the organization.

5.2.2 Evolution Of SHRM

The HR function has evolved over time. The history of the function pre-dates Taylor's theory of scientific management and Fayol's administrative theory. However, it was only during the 1930s and 1940s that the function grew in significance, largely due to the wartime imperatives. At this time the HR function matured and focused largely on labour relations and staffing. In India, the Tata Iron and Steel Company (TISCO) was one of the first organizations to set up a personal

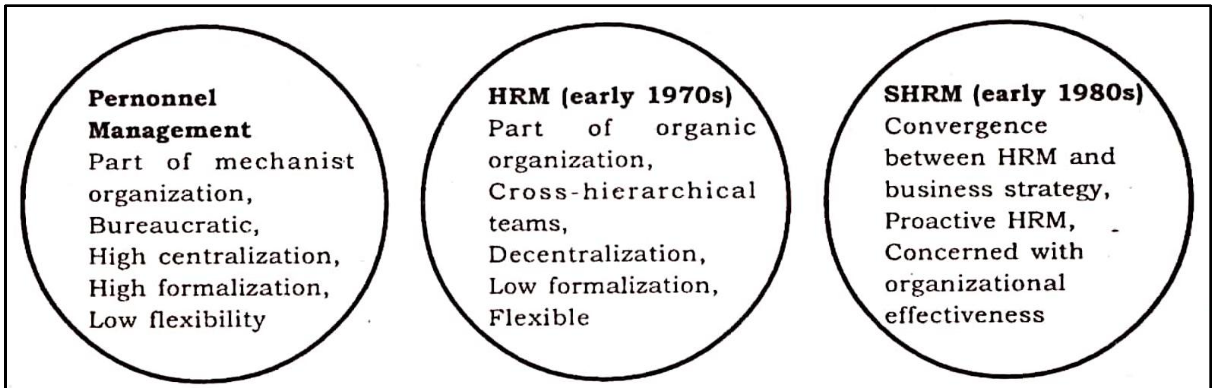


Figure 5.2 : Evolution of HR Function

department in the year 1947. Figure 5.2 presents the evolution of the HR function.

5.2.3 Steps in Strategic Management process

Strategic management involves four steps as below:

1. Environmental Scanning

Environmental scanning refers to the process of identifying what are the constraints and opportunities present inside and outside the organization. Everything internal to the organization, for example, the skill of employees, various policies, managerial know how, the infrastructure of organization, the financial strength, etc. are examples of internal environment of the organization. The external environment consists of competitors, government policies, economic conditions in society, various public groups, etc. Environmental scanning helps an organization to identify the internal as well as external threats and opportunities present in the environment. In formulating a strategy, a company seeks to take advantage of the opportunities while minimizing the threats. What might be a threat to a company may be an opportunity for another.

2. Strategy Formulation

Strategies are formulated at three levels:

(i) Corporate level,

(ii) Business unit level and (iii)
Functional level

Corporate-level Strategy: It is formulated by the top management of an organization made up of more than one business line. The company wants to decide where it wants to be in coming 10 or 15 years, in at least eight areas-market standing, innovation, productivity, physical and financial resources, profitability, managerial performance and development, worker performance and attitudes, and social responsibility. The major questions which need to be answered at this stage are- What kind of businesses or industries should we be operating in? What are the goals for each business? How the resources should be allocated to achieve these goals?

business-level Strategy: A strategic business unit is an organizational subsystem that has a market, a set of competitors, and a goal distinct from other subsystems in the organization. For example, the various business units for the Reliance Industries Ltd are in retail, textile, petrochemicals etc. The appropriate question at business unit level is-How should we compete in the chosen industry or business?

Functional-level Strategy: Each business unit will consist of several departments, such as manufacturing, sales, finance, and FIRD. Functional-level strategies identify the basic courses of action that each of the departments must pursue in order to help the business unit to attain its goals.

3. Strategy Implementation

Strategies formulated need to be implemented. Implementation is more difficult than formulation. Implementing strategies require actions as altering sales territories, adding new departments, closing facilities, hiring new employees, changing organization's pricing strategies, developing financial budgets, establishing cost-control procedures, changing advertising strategies, transferring managers etc.

4. Strategy Evaluation

Strategy Evaluation helps to determine the extent to which company's strategies are successful in attaining its objectives. Basic activities involved in strategy evaluation are:

(a) Establishing performance targets, standards and tolerance limits for the objectives, strategies and implementation plans.

(b) Measuring the performance in relation to the targets at a given time. If outcomes are outside the limits, inform managers to take actions.

(c) Analyse deviations from acceptable tolerance limits.

(d) Execute modifications where necessary and feasible.

5.3 ROLE OF HRM IN STRATEGIC MANAGEMENT

FIRM function is getting integrated into strategic management process. More and more HR managers are involved in the strategic management process

Role in Strategy Formulation

Strategy formulation is preceded by environmental scanning. Scanning helps in identifying opportunities and threats present in the environment. HRM is in a unique position to supply competitive information useful in strategy formulation. Details regarding advanced incentive plans being used by competitors, opinion survey data from employees that elicit information about customer complaints and information regarding pending legislation like labour laws or mandatory health insurance are some examples. The strengths and weaknesses of a company's human resources can have a strong effect on the viability of a company's strategic options.

Role in Strategy Implementation

HR manager helps in strategy implementation by supplying competent workforce. Additionally, HR function can contribute to strategic plans and actions of a firm in the following ways:

Encouragement of Pro-active rather than Reactive Behaviour

Being proactive means that the firm has a vision of where it wants to go 10 years hence, and has the human resources who help it reach there. Being reactive means, confronting problems as they surface. By being reactive the firm loses the sight of long term direction. It is people who can make the firm pro-active.

Productivity as an HR based Strategy

Perhaps none of the resources used for productivity in organizations are as critical as human resources. Many of the HR functions contribute to productivity. Pay, appraisal systems, training, selection and job design are HR activities that directly contribute to productivity.

Quality and Service as HR based Strategy

Besides productivity, other factors which contribute to a firm's competitive advantage are product quality and customer service. Quality can come from people, and realizing this, firm are spending huge sums of money on quality training. Customer service begins with product design and includes interactions with customers, etc. It is employees who matter in rendering services. It is the timely assistance provided by employees, the care and concern they show, the employee knowledge which can result in excellent customer service.

5.4 DIFFERENCE BETWEEN SHRM AND TRADITIONAL HRM

Strategic human resource management and the traditional HR function differ from each other in several ways. The major points of differences between the two are highlighted in table 5.1.

Table 5.1 : Traditional HRM versus SHRM

Point of Difference	Traditional HRM	SHRM
Responsibility of HR Programmes	Staff personnel in the HR department	Line managers, who are responsible for people as HR managers
Focus of Activities	Employee relations-ensuring employee motivation and productivity, compliance with laws	Partnerships with internal (employees) and external (customers, stakeholders, public interest groups) groups
Role of HR Department	Reactive and transactional	Proactive and transformational, change leader
Initiative for Change	Slow, piecemeal, fragmented, not integrated with larger issues	Fast, flexible, systematic, change initiatives implemented in concert with other systems
Time Horizon	Short-term	Consider various time frames as necessary (short, medium or long range)
Control	Bureaucratic control through rules, procedures and policies	Organic control through flexibility, as few restrictions on employee behaviour as possible
Job Design	Focus on scientific management principles-division of labour, independence, and specialization	Broad job design, flexibility, teams and groups, cross training
Important Investments	Capital, products, technology, and finance	People and their knowledge, skills and abilities

5.5 LINKING HRM TO STRATEGIC MANAGEMENT

HRM is being used to develop competitive advantages and therefore, its role in Strategic Management is well recognized. Strategic management is the continuous process of relating the organization with its environment by suitable course of action involving strategy formulations and its implementation. Strategy is a course of action through which the organization relates itself with the environment so as to achieve its objectives. The main rationale for strategic HRM is that by linking HRM with business strategy, rather than HR strategies being as a separate set of priorities, employees will be managed more effectively, organizational performance will improve and therefore business success will follow. Corporate strategies are formulated by the top management in light of the kind of employee strength the organization possesses. HRM's role is more obvious in strategy implementation. Whatever strategy has to be adopted; it will be done through employees. In activating any strategy, three steps are required, first, Structural implementation, i.e., allocation of roles to employees present in hierarchy; second, Behavioural implementation, i.e., changes in the attitude of employees if required and thirdly, Functional implementation, Le, division of work among various departments. All the three steps can be effective if due care has been taken while acquiring, training and developing employees, if they have been well introduced and integrated in the organization and if steps are taken to retain them. HRM linked with corporate strategic management can be appreciated from the following figure

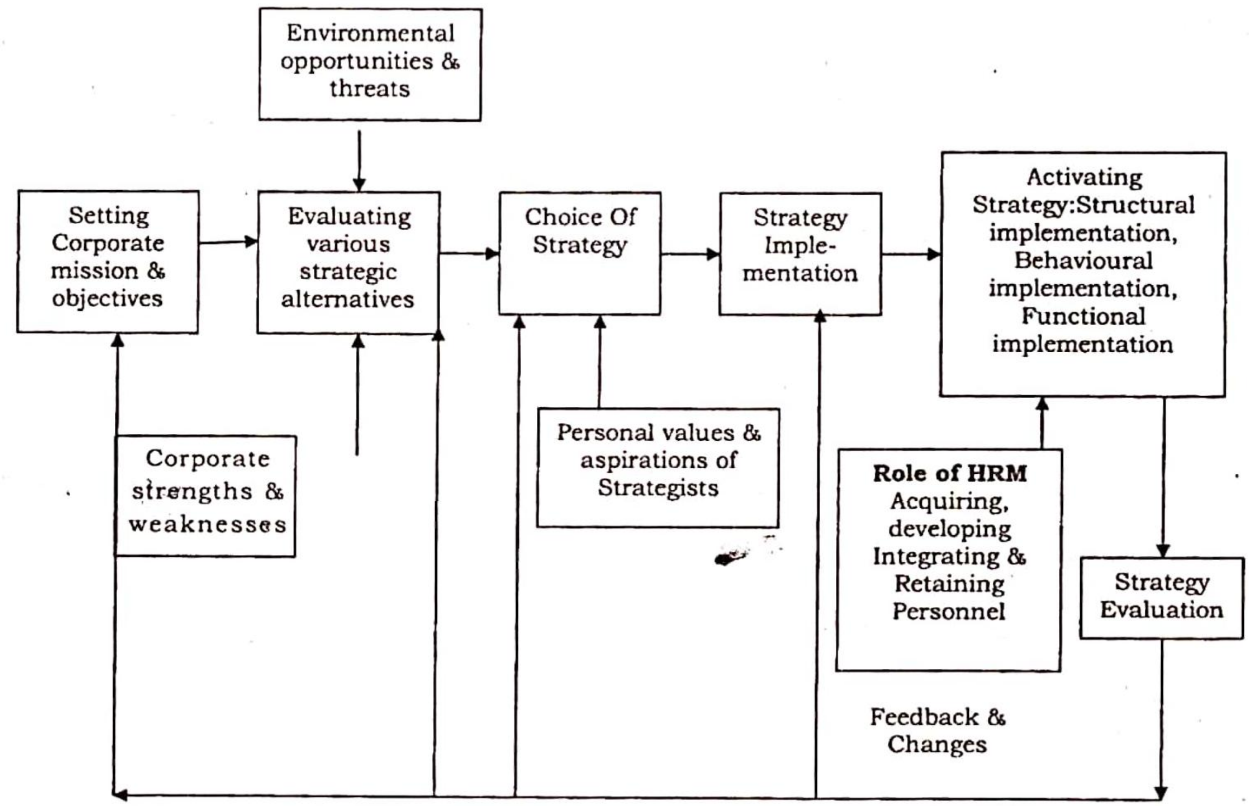


Figure 5.3 : Linking HRM to Strategic Management

5.6 RELATION BETWEEN STRATEGIC PLANNING AND HUMAN RESOURCE PLANNING

Human resource is one element of the overall corporate strategy or plan, and the two are mutually inter dependent. If the corporate plan envisages a cut in output, for example, or the closure of a particular plant, then the human resource plan will need to consider redeployment of staff, redundancies and so on. If the corporate plan specifies a move into a new product market, the human resource plan will have to source the required labour from outside or within the organization, through recruitment or training.

Some of the links between business strategy and human resource planning are illustrated below:

Business Implications	**HR implications**
• What business are we in?	What people do we need?
• Culture and value system - Appropriate - Inappropriate	How do you change people?
• Strategic direction	Who will we need in future?

- New businesses or What systems and procedures might be used?
- New markets developed? Do we need to train people for these?
- Strengths How far related to existing use of HR?
- Weaknesses (e.g., skills base) Is HR the core competency for the organization?
- Opportunities Demand and supply in the labor market? Threats
- Critical success factors How far do these depend on employees,rather thanother factors?

5.7 SELF-ASSESSMENT QUESTIONS

5.7.1 To enhance organizational performance, it's crucial to ___________ HR strategy with business strategy.

5.7.2 Successful companies focus on ___________ HR practices that support their overall business goals.

5.7.3 Effective integration of HR and business strategy leads to improved ___________ and employee engagement.

5.7.4 The key to maximizing workforce potential lies in ___________ HR initiatives with the broader organizational objectives.

5.7.5 Companies achieve sustained success by strategically ___________ HR functions to meet business requirements.

5.8 SUMMARY

The advent of HRM has brought the linkage between employer-employee relationship and strategic management to sharp focus. A strategy is understood as the way of doing things. The role of HRM is significant in the strategic management process, particularly in formulating and implementing strategies. FIRM makes strategic management highly effective by supplying human resources who are competent and committed.

5.9 KEYWORDS

- **Strategy** is a way of doing something. It usually includes the formulation of a goal and set of action plans for accomplishment of that goal.
- **Strategic Human Resource Management** means formulating and executing HR systems, HR policies and activities that produce the employee competencies and behaviors the company needs to achieve its strategic aims.
- **Alignment:** Ensuring that the HR strategy is aligned with the overall business strategy is essential for success. This means that the HR strategy should be designed to support the business's goals and objectives.
- **Impact:** The integration of HR strategy with business strategy should have a positive impact on the organization's performance. This impact can be measured in a variety of ways, such as increased employee engagement, reduced turnover, and improved customer satisfaction.

5.10 SHORT ANSWERS QUESTIONS

1. Define the term Strategic Human Resource Management.
2. What is the difference between traditional HRM and SHRM?
3. What is the relation between Strategic Management &, HRM?
4. What is the importance of integrating HR strategies to overall business strategies?

5.11 LONG ANSWERS QUESTIONS

1. How can HR leaders develop an HR strategy that is aligned with the overall business strategy?
2. What are some specific examples of HR initiatives and programs that can be used to support different business strategies?
3. How can HR leaders measure the success of their integration efforts?
4. What are some best practices for integrating HR strategy with business strategy in the digital age?
5. How can HR leaders overcome the challenges of integrating HR strategy with business strategy in the digital age?

5.12 SUGGESTED READINGS

- Gary Dessler, *Human Resource Management,* Pearson Prentice-Hall

5.13 SELF-ASSESSMENT QUESTIONS ANSWERS

5.7.1align

5.7.2 integrating

5.7.3efficiency

5.7.4 harmonizing

5.7.5 linking

Lesson No. 6 **AUTHOR: HARPREET KOHLI**

PERSONNEL POLICIES

STRUCTURE

6.0 OBJECTIVES

The Objectives of the lesson are :

- To understand the nature and objectives of Personnel policy.
- To understand how personnel policies are formulated and various factors which affect this process.
- To identify the areas in which policies should be formulated.

6.1 INTRODUCTION

Personnel policies refer to the principles andrules of conduct which formulate, redefine, break into details and decide a number of actions that govern the relationship with employees in the attainment of the organisation objectives.

Personnel policies are the key-stone in the arch of management and the life-blood for the successful functioning of the personnel management as without these policies, there cannot be any lasting improvement in labour management relations. The policies translate the goals of an organisation and provide guidelines that prescribe practices and procedures.

According to Kotler, "Policies define how the company will deal with stakeholders, employees, customers, suppliers, distributors and other important groups. Policies narrow the range of individual discretion so that employees act consistently on important issues."

Peter Drucker has rightly observed: The management must gear its policies and objectives in such a fashion that the employees perform their work and do their assigned tasks. It implies a consideration of human being as a resource, i.e., as something having peculiar psychological properties, abilities and limitations that require the same amount of engineering attention as the properties of any other sources, e.g., copper. It also implies a consideration of the human resources as having, unlike any other resources, personality, citizenship, control over whether they work, how much and how well, and thus requiring multination participation, satisfaction, incentives and rewards, leadership, status and function. And it is management, and management alone, that can satisfy these requirements."

Armstrong has defined personnel policies as:

> "Personnel policies are continuing guidelines on the approach the organisation intends to adopt in managing its people. They define the philosophies values of the organisation on how people should be treated and from these are derived principles upon which managers are expected to act when dealing with personnel matters."

Thus, from these definitions, we can enlist the features of personnel policy as follows:

- A policy provides guidelines to the members of the organisation for deciding a course of action and thus, restricts their freedom to action.
- A policy tends to predecide issues award repeated analysis, and give a unified structure to other types of plans, thus permitting managers to delegate authority and still retaining control over action.
- Policy formulation is a function of all the managers in an organisation because some form of guidelines for future course of action is required at every level.

6.3 NEED FOR PERSONNEL POLICY

The raison d'etre for formulating personnel policy is basically two-fold; one, to have a formal statement on corporate thinking which will serve as a guideline for action, two, to establish consistency in the application of the policies over a period of time so that each one in the organisation gets **a** fair and just treatment.

Personnel policies need to be specifically created because of the following reasons:

(i) The basic need and requirements of both an organisation and its employees require deep thought. The management is required to examine its basic convictions as well as give full consideration to practices in other organisations.

(ii) Established policies ensure consistent treatment of all personnel throughout an organisation. Favouritism and discrimination are thereby minimised.

(iii) A certainty of action is assured even though the top management personnel may change. The tenure of the office of any manager is finite and limited; but the organisation continues, and along with it continues the policies; and this continuity of policies promotes stability in an organisation.

(iv) Because they specify routes towards selected goals, policies serve as standards or measuring yards for evaluating performance. The actual results can be compared with the policies to determine how well the members of an organisation have lived up to their professed intentions.

(v) Sound policies help to build employee enthusiasm and loyalty. This is especially true when they reflect established principles of fair play and justice, and when they help people to grow within an organisation.

(vi) They set patterns of behaviour and permit participants of plan with a greater degree of confidence.

(vii)Policies are "control guides for delegated decision-making." They seek to ensure consistency and uniformity in decision on problems that recur frequently and under similar, but not identical, circumstances."

6.4 AIMS AND OBJECTIVES OF PERSONNEL POLICIES

A management's personnel policy should have two types of objectives, general and specific. The statement of general objectives should express the top management's basic philosophy of human resources and reflect its deep underlying conviction as to the importance of people in an organisation and of the management activity which deals with people, i.e., personnel administration. The management must formulate and develop a basic creed, which should contain a clear-cut statement of the possibility. The statement of specific objectives should refer to the various activities of personnel administration connected with staffing, training, developing, wage and salary administration, motivation, employee services and benefits, employee records, labour relations and personnel research.

The objectives of personnel policies are:

(i) To enable an organisation to fulfil or carry out the main objectives which have been laid down as the desirable minima of the general employment policy;

(ii) To ensure that its employees are informed of these items of policy and to secure their co-operation for their attainment;

(iii) To provide such conditions of employment and procedures as will enable all the employees to develop a sincere sense of unity with the enterprise and to carry out their duties in the most willing and effective manner;

(iv) To provide an adequate, competent and trained personnel for all levels and types of management; and motivate them;

(v) To protect the common interests of all the parties and recognise the role of trade unions in the organisations;

(vi) To provide for a consultative participation by employees in the management of an organisation and the framing of condition for this participation, which, however, shall not take place in technical, financial or trading policy;

(vii)To provide an efficient consultative service which is bold and imaginative and guided by moral values;

(a) by developing management leadership which is bold and imaginative and guided by moral values;

(b) by effectively delegating the human relation aspects of personnel functions to line managers;

(c) by enforcing discipline on the basis of co-operative understanding and a humane application of rules and regulations; and

(d) by providing for a happy relationship at all levels;

(viii) To establish the conditions for mutual confidence and avoid confusion and misunderstanding between the management and the workers, by developing suggestion plans, joint management councils, work committees, etc., and by performance appraisal discussions;

(ix) To provide security of employment to workers so that they may not be distracted by the uncertainties of their future;

(x) To provide an opportunity for growth within the organisation to persons who are willing to learn and undergo training to improve their future prospects;

(xi) To provide for the payment of fair and adequate wages and salary to workers so that their healthy co-operation may be ensured for an efficient working of the undertaking;

(xii)To recognise the work and accomplishments of the employees, by offering non-monetary incentives rewards;

(xiii) To create a sense of responsibility, on the part of those in authority, for the claims of employees as human beings, who should be guaranteed protection of their fundamental rights and offered enough scope for developing their potential.

In brief, personnel policies should respect human dignity and personal integrity, ensure fair treatment for all, irrespective of caste, creed, or colour, and offer reasonable social and economic security to employees. They should be so designed as to ensure that work and accomplishment are properly recognised, that safe and healthy conditions of work are created, that common interests are promoted and employee participation is encouraged, that the role of trade unions is recognised and their functions and responsibilities are respected, and that the employees satisfaction and motivation and their development as individuals are properly looked after,

6.5 CHARACTERISTICS OF SOUND PERSONNEL POLICIES

A policy is somewhat a permanent feature of an organisation. It being a standing plan, provides guidelines to managerial decisions. Therefore, policies should be developed on a sound basis. If this is not done managers have to make decisions again and again. However, what features constitute a sound policy cannot be prescribed universally because situations vary so greatly and an organisation may differ in respect of a policy formulation and implementation from others. However, the soundness of policy can be judged on the basis of following criteria :

1. Whether it reflects present or desired organisational practices and behaviour?
2. Whether it is clear, definite, and explicit leaving no scope for misinterpretation?
3. Whether it exist in the area critical to the success of the organisation?
4. Whether it is consistent with the other policies and does it reflect the timing needed to accomplish the objectives?
5. Whether it is practical in a given, existing or expected situation?

A sound policy will (i) specify more precisely how the decision will come what is to be. done, who is to do it, how it is to be done, and when it is to be finished (ii) establish a follow-up mechanism to make sure that the decision intended will take place; and (iii) lead to new strengths which can be used for decisions in future. Based on these questions and specification, some major characteristics of a sound policy can be identified as follows:

1. **Relationship to Organisational Objectives:** A policy is formulated in the context of organisational objectives. It tries to contribute towards the achievement of these objectives. Therefore, in formulation of a policy, those functions or activities which do not contribute to the achievement of objectives should be eliminated.
2. **Planned Formulation:** A policy must be the result of careful and planned formulation process rather than the result of opportunistic decisions made on the spur of the moment. Since policies are relatively permanent features of the organisation, ad hocism should be avoided because it is likely to create more confusion. It is true that it is not possible to solve every problem in the

organisation on the basis of policies because new situations may arise, however, for matters of recurring nature, there should be well-established policies.

3. **Fair Amount of Clarity:** As far as possible, policy should be clear and must not leave any scope for ambiguity. If there is a problem of misinterpretation the organisation should provide the method for overcoming the ambiguity. Further, policy provides some discretion for managerial decisions but it should minimise the number of cases where decisions are based on personal judgment. If this happens frequently, there should be close scrutiny of the policy and suitable amendments should be made.
4. **Consistency:** The policy should provide consistency in the operation of organisational functions. Often the organisation formulates policies in various functional areas and each function is related to other functions of the organisation. If the policy in one area is inconsistent with another area, there may be conflict resulting into inefficiency, This happens very frequently in functions having close relations, such as production and marketing or finance and other functions. Therefore, the formulation of policies should be taken in an integrated way so that policies in each area contribute to other areas also.
5. **Balanced:** A sound policy maintains balance between stability and flexibility. On the one hand, a policy is a long-term proposition and it must provide stability so that members are well aware about what they are required to **do** in certain matters. On the other hand, the policy should not be so inflexible that it cannot be changed when the need arises. In a changed situation, the old policy becomes obsolete. Therefore, there should be a periodic review of policies and suitable changes should be incorporated from time to time. The changes may be in the form of addition, deletion, or substitution of the existing policy.
6. **Written:** A policy may be in the form of a statement or it may be interpreted by the behaviour of the people at the top level. However, clearly-specified policy works better than the one which has to be interpreted by the organisation members. When the policy is in writing, it becomes more specific and clearer. It creates an atmosphere in which individuals can take actions with confidence knowing fully the impact of a particular action.
7. **Communication:** It is not just sufficient to formulate policies. Unless they are communicated property to the persons concerned, no meaningful purpose will be served. Therefore, a system should be developed to communicate the policies to them who are to make decisions in the light of those policies. While written policies can be communicated easily, problems exist for communicating unwritten ones. In such cases, there should be more interaction between policy framers and policy implementers.

Example: Tata Steel's Personnel Policy

The statement Objectives of the Tata Iron & Steel Co. Ltd. gives a clear-cut policy toward employees:

(i) by a realistic and generous understanding and acceptance of their needs and rights and an enlightened awareness of the social problems of industry.

(ii) by providing adequate wages, good working conditions, job security, an effective machinery for redressal of grievances and suitable opportunities for promotion and self-development through in company and external programmes.

(iii) by treating them as individuals, giving them a sense of self-respect and better understanding of their role in the organisation and satisfying their urge for self-expression through closer association with management.

(iv) by creating a sense of belonging through human and purposeful activities as an integral part of human relations ensuring their willing cooperation and loyalty.

6.6 SOURCES OF PERSONNEL POLICIES

Policies stem from a wide variety of places and people. They are not created in a vacuum but are based on a few principal sources, which determine, the content and meaning of policies. There are:

(i) The past practice of an organisation; and future objectives, needs;

(ii) The prevailing practices among sister concerns in the neighbourhood and throughout the country in the same industry; and internationally;

(iii) The attitudes, ideals, and philosophy of the Board of Directors, top management and middle and lower management;

(iv) The knowledge and experience gained from handling day-to-day personnel problems;

(v) Employees suggestions and complaints;

(vi) Collective bargaining programmes;

(vii)State and national legislation;

(viii) Changes in the country's economy;

(ix) International forces, economic policies of the Government and the world trade practices increasing international markets;

(x) The culture of the plant and its technology, its business environment, its social and political environment;

(xi) The extent of unionism;

(xii)The attitudes and social values of labour;

(xiii) The ethical points of view or the social responsibility of organisation towards the public; and

(xiv)The goals of the organisation.

(xv) The development in technology, science.

6.7 SCOPE OF PERSONNEL POLICIES

Another significant issue which is relevant for personnel policy formulation is the areas in which specific policies should be prescribed. Ideally speaking, polices should exist in all critical areas of personnel management. The criticality of an area depends on its contributions to the achievement of personnel management objectives. From this point of view, policies are required in the following areas:

(i) **Acquisition of Personnel:** Policy decision are required in all areas relevant for acquiring personnel for an organisation. The policies should be formulated on the following issues:

- Minimum and desirable educational qualifications required.
- Preferred sources of recruitment.
- Reservation of positions at different levels for certain specified categories of personnel such as scheduled castes/tribes, other backward classes, handicapped personnel, ex-servicemen, women, etc.
- Selection methods and tools to be used for selecting personnel.
- Probation period for new employees.

(ii) Training and Development: In the area of training and development policies should cover the following items:

- Learning as a continuous process or ad hoc approach.
- Organisation for providing training and development.
- On-the-job training and off-the-job training and their relative emphasis.
- In-company training and outside training.
- Budget for training and development.
- Approach to measure the effectiveness of training and development.

(iii) Appraisal and Compensation: In the area of appraisal and compensation, policy decisions are required on the following factors:

- Degree to which appraisal system is formalised.
- Uses of appraisal results.
- Methods to be used for appraisal.
- Job evaluation system to be followed.
- Basis on which compensation package is to be determined.
- The types of incentives to be provided.
- Various types of benefits to be provided under the scheme of employee welfare and social security.

(iv) Human Resource Mobility: In the area of human resource mobility, policies are required on the following issues:

- The degree to which higher level positions to be filled by promotion from within or outside recruitment.
- Basis of promotion-merit or seniority or combination of both; if both are to be considered, their relative weight.
- Transfer of employees and the basis and periodicity of transfers.
- Basis of demotion if it is affected.
- Retention strategies.
- Lay-off and its basis.
- Voluntary retirement scheme for employees.
- Age of retirement for various categories of employees.

(v) **Working Conditions and Work Schedules:** Policies in these areas cover the following items:

- Working conditions to be provided in offices and factories.
- Office and factory timings with rest schedules.
- Shift duration.
- Overtime work and its modality.
- Alternative work schedules.
- Degree of safety provisions in factories.
- Leave with or without wages/salaries.

(vi) Industrial Relations: In the area of industrial relations, policies are required on the following issues:

- Degree to which proactive approach is to be adopted for developing good industrial relations.
- Recognition of trade unions.
- Stand to be taken in dealing with trade unions.
- Preventive measures to be taken for maintaining industrial peace.

- Degree of involvement of employees in sorting. Put their problems.
- Degree of discipline and disciplinary actions to be taken.
- Levels at which industrial disputes are to be settled.

6.8 FORMULATION OF PERSONNEL POLICIES

We have studied that personnel policies emerge through different sources. However, most of the personnel policies are the results of deliberate and conscious formulation. Since a policy is a kind of standing plan, therefore, it should be formulated after taking into consideration different factors which have impact on the workability of the policy. A policy formulation for managing human resources in an organisation proceeds through a sequence of activities as

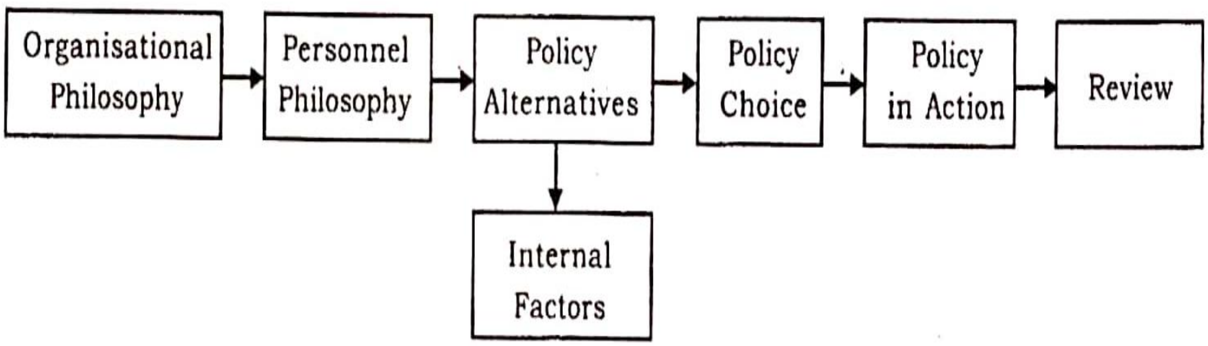


Figure 1 : Formulation of personnel policies

shown in Figure 1.

Formulation of personnel policies considers a number of factors such as organisational philosophy, personnel philosophy, external factors, internal factors. When all these factors are taken into consideration, there may bea number of policy alternatives in relation to a particular matter, e.g., recruitment, development, compensation, etc. That alternative is chosen which matches with the maximum number of factors. After the choice, a policy is put into action and its results are known, lithe policy is workable, it is adopted as a long-term measure. However, each policy should be reviewed periodically to incorporate necessary changes because of changes in any of the factors influencing personnel policies. Let us, now, discuss this process.

(a) Organisational and Personnel Philosophy: As organisational philosophy is based on the philosophy of those who create and manage art organisation and philosophy is the set of beliefs and assumptions about how things happen and how they should happen, personnel philosophy is derived out of the organisational philosophy which reflects the approach that would be adopted in managing human resources in the organisation.

(b) External Factors: Personnel policies are formulated not in a vacuum but take into consideration various external factors on which the organisation does not have control. These external factors are government's policy towards management of people in the form of various relevant laws, guidelines, and other specifications, nature of competition for human resources, socio-psychological attitudes towards work, productivity of human resources, and image of the organisation in the human resource market.

(c) Internal Factors: Besides the external factors, there are various internal factors in the organisation which influence the applicability of a particular personnel policy. These factors are the nature of work in the organisation a computer software company may not have the same personnel policies as a manufacturing organisation with low-level technology, sudden changes in the organisation like large-scale diversification or contraction of business activities, pressures from trade unions, etc.

(d) **Policy Alternatives:** When these factors are taken into consideration, various policy options may emerge on a particular issue. For example, when a vacancy arises at a middle management, the issues that emerge are: whether the position should be filled-up by promotion of internal person or it should be filled-up by appointing a new manager. If the policy states that the position should be filled-up by internal promotion, another issue arises whether the promotion should be made on the basis of merit or seniority and defining the yardsticks for measuring seniority or merit. Similar such issues arise on other matters too.

(e) **Policy Choice** The identification of various policy alternatives leads to the level where managers can consider some alternatives seriously and choose one of these which is most acceptable in the light of various factors which influence the workability of personnel policies. The chosen policy is not necessarily the best one but it is best one in a given situation.

(f) **Policy in Action:** When a particular policy is chosen, it is put into action for the guidelines to managers concerned and results are obtained. If the results are in accordance with the objectives of the policy, the policy is workable. However, if the results do not match with the objectives, the same process of policy formulation proceeds with new information inputs regarding all those factors which influence applicability of personnel policies.

(g) **Review:** Personnel policies are formulated in the light of given situation. However, the situational variables are not static but they are dynamic and change with the time. Therefore, in order to integrate these changes, there should be periodic review of HR policies in the light of these factors and suitable changes must be incorporated. For example, when Madura Garments, a division of Madura Coats, was taken over by Kumarmangalam Birla Group, many managerial personnel left the division which created a managerial vacuum and employee morale turned to be quite low. In order to rebuild the division, many actions were taken in which change in compensation was one of these and there was a hefty salary hike of 50-60 per cent for all employees. Because of changed situations, Hindustan Lever, once the choice employer of managerial talents, has incorporated many changes in its personnel policies to attract and retain managerial talents such as provision of 2-3 months training abroad for all new recruiters in management cadre, direct entry of experienced managerial talents at the middle management level, offering of stock option scheme, and special emphasis on recruiting woman employees.

6.9 IMPACT OF PERSONNEL POLICIES

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

P/HRM policies help the organisation in terms of attainment of organisational goals, increasing the efficiency, adaptability and achieving long-run results. Moreover, organisational and human outcomes such as turnover, absenteeism, commitment is the result of human resource policies. Human resource policies help the employees to have awareness and a clear idea about the various programmes. P/HRM policies also affect the society, since P/HRM policies affect commonly the individual, the organisation and the society. These policies are related to health, psychological and physical wellbeing. Various P/HRM policies result in commitment, competence, cost effectiveness and congruence. These human resource outcomes lead to long term consequences like individual well-being, organisational effectiveness and social wellbeing as shown in Table 1.

Table 1 : Impact of P/HRM Policies

P/HRM Policy choices	**Personnel/Human Resource outcome**	**Long-term consequences**
Employee influence	Commitment	Individual well being
Human resource supply	Competence	Organisational effectiveness
Selection system	Congruence	Social well being
Reward system	Cost effectiveness	
HRD system		
Work environment		

Source : Modified version from S.K. Bhatia, "Assessing the overall Impact of HRM policies", The Hindu, 15th October 1987, p. 18.

The impact of human resource policies can be measured through their outcomes viz., commitment of the employee towards the organisation. Employee commitment, in turn, can be evaluated through the length of service of an employee (stability of employment), absenteeism, employee attitude towards the job, organisation, 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.

6.10 ADVANTAGES OF PERSONNEL POLICIES

Policies, as useful instructional devices, provide various advantages to personnel 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 organisation make similar choices when independently facingsimilar situations. They make the actions of organisational members more consistent.
- **Better Control:** As personnel policies specify the relationship among organisation, management and employees, they permit members to work towards the achievement of theobjectives of the organisation 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 organisation 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 organisation 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 personnel decision could be made. They summarise past experience.
- **Coordinating Devices:** Personnel policies help in achieving coordination. If organisational 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.

6.11 OBSTACLES IN ADMINISTERING PERSONNEL POLICIES

The factors which obstruct the implementation of personnel 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 arise 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':
- Personnel policies demand constant revision, modification and restructuring from time to time. However, these policies are characterised by considerable inertia. Once established, they persist and become unalterable. In the absence of review and appraisal it would be difficult to break the mould of custom and effect desirable policy changes.
- Personnel 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 other 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.

6.12 NEW MANAGEMENT PRACTICES

Employees are being empowered to make more and more decisions.

Flatter organisations are the norm. Instead of the organisations having seven to ten layers of management, flat organisations with first three to four levels will prevail. The bases of power are changing. In the new organisation, according to management theorist RosabethMoss Kanter, position, title and authority are no longer adequate tools for manager to rely on to get their jobs done. Instead, "success depends increasingly on tapping into sources of good ideas, on figuring out whose collaboration is needed to act on those ideas, and on working with both to produce results. In short, the new managerial work implies very different ways of obtaining and using power."

Managers will not "Manage." Yesterday's manager knew that the president and owners of the firm gave him or her the authority to command-and-control subordinates. Today most managers realize that reliance on formal authority is increasingly a thing of the past. Peter Drucker says that managers have to learn to manage in situations where they do not have to command authority, where you are neither controlled nor controlling.

Yesterday's manager thinks of himself or herself as a "manager" or "boss"; the new manager increasingly things of himself and herself as a "sponsor", "team leader" or "internal consultant. Strategies increasingly depend on strengthening organisational responsiveness and on building committed work teams, and these put Personnel management in a central role.

6.13 SELF-ASSESSMENT QUESTIONS

6.13.1 Personnel policies serve as a set of guidelines to govern ________ within an organization.

6.13.2 The purpose of personnel policies is to ensure consistency and fairness in ________.

6.13.3 One of the key benefits of well-defined personnel policies is the promotion of a positive ________.

6.13.4 Personnel policies help organizations comply with legal requirements and establish clear expectations for employee ________.

6.13.5 Effective personnel policies contribute to the organization's overall ________ by providing a framework for strategic human resource management.

6.14 SUMMARY

In a fast-changing, globally competitive and quality-oriented industrial environment, its often the firm's personnel who provide the competitive key. It has now become increasingly common to involve personnel management and frame personnel policies in the earliest stages of developing and implementing the firm's strategic plans rather than letting the personnel first react to it.

6.15 KEYWORDS

- **Employment:** Personnel policies should outline the terms and conditions of employment, such as hiring procedures, compensation and benefits, and employee discipline and termination.
- **Workplace conduct:** Personnel policies should also address workplace conduct issues, such as harassment, discrimination, and safety**.**
- **Compliance**: Personnel policies should be compliant with all applicable laws and regulations.
- **Fairness:** Personnel policies should be fair and applied consistently to all employees**.**

6.16 SHORT ANSWERS QUESTIONS

1. What do you mean by Personnel Policy? What are the objectives of personnel policies in personnelmanagement?

2. Discuss the essential futures of a sound personnel policy.

3. Enlist the different sources from which personnel polices emerge.

4. Discuss the factors which influence the formulation of personnel policies.

5. "Personnel policies are guideposts to Personnel management." Explain thisstatement.

6.17 LONG ANSWERS QUESTIONS

1. Discuss the importance of having a comprehensive personnel policy in place for any organization. What are some

of the key areas that should be covered in a personnel policy?

2. What are some of the challenges that organizations face in developing and implementing effective personnel policies? How can these challenges be overcome?
3. How can personnel policies be used to promote a positive and productive work environment? Provide specific examples.
4. How can personnel policies be used to support the organization's overall business goals and objectives? Discuss some best practices in this area.
5. What are some of the latest trends in personnel policy development? How can organizations stay ahead of the curve in this evolving landscape?

6.18 SUGGESTED READINGS

Personnel Management By C.B. Mamoria and S.V. Gankar

Human Resource Management by V.S.P. Rao

6.19 SELF-ASSESSMENT QUESTIONS ANSWERS

6.13.1 human resource practices and employee behaviour.
6.13.2 employee treatment and decision-making.
6.13.3 work culture and employee morale.
6.13.4 conduct and performance.
6.13.5 success and productivity.

Lesson No. 7 **AUTHOR: RAJPREET KAUR SIDHU**

MANPOWER PLANNING

STRUCTURE

7.0 OBJECTIVES

After reading this chapter, the student should be able to:

- Understand the concept of manpower planning.
- Know why manpower planning is important for an organization.
- Understand the process of manpower planning.

7.1 INTRODUCTION

Manpower planning and Human Resource planning are synonymous and are used interchangeably but the latter has Wider scope. Human resource planning is the process, which helps to ensure that an organization has the right number and right kind of people at the right places, at right time and these people are capable of effectively and efficiently performing the tasks, which are crucial for the organization to achieve its overall objectives. In the words of Coleman," Manpower planning is the process of determining manpower requirements and the means for meeting those requirements in order to carry out the integrated plan of the organization."

Human resources are one of the major inputs required for carrying out the operations in an organization. The main purpose of Human Resource Planning is to coordinate the 'quirement or demand and availability or supply of human resources so that organization

'Prepared to manage unforeseen challenges regarding its workforce.

From the above analysis, it can be concluded that human resource planning has following features:

i. HRP is future oriented and involves forecasting the manpower requirements in the future to ensure timely and adequate provision of personnel for meeting organizational objectives.

ii HRP is an ongoing process. Demand for and supply of human resources changes according to needs of the organization and the changing environment.

iii. Human resource plan is derived from the broader corporate plan. Thus HRP is an integral part of the corporate planning.

iv. HRP aims at optimum utilization of an organization's current and future human resources. Thus, to maximize return on investment in human resources, relating future human resources to future needs of the organization is a must.

v. HRP has quantitative as well as qualitative aspects. The former involves securing right number of people and latter includes right kind, of talent in the organization.

vi. HRPis a systems approach to management of human resources where, information about demand and supply of human resources serves as input, comparison of demand and supply to identify the gap constitutes the transformation process and strategy and program as output of the HRP.

7.2 IMPORTANCE OF MANPOWER PLANNING

Effective HRP is must for an organization to ensure a balance between demand for and supply of personnel in an organization. It is considered necessary in all organizations for the following reasons:

i. Human resources with adequate knowledge, skills and experience are required in an organization to achieve its objectives. HRP ensures adequate number of personnel are selected and trained in advance to fill future job vacancies, thereby providing the required number and quality of human resources at all times.

HRP helps to identify the gaps between the requirement and availability of manpower. Therefore, it serves as basis for decisions regarding training the existing personnel or making provisions for recruitment and selection of personnel for meeting future manpower needs.

HRPhelps to make provisions for replacement of employees who retire, die, resign or become incapacitated due to injuries so that work does not suffer.

iv. HRPplays a major role in facilitating the expansion and diversification strategies of an organization. It makes sure that adequate number and quality of human resources is available to execute the growth plans of an organization.

v.HRPhelps to provide awareness about the effective utilization of human resources throughout the organization, thus preventing wastage of manpower. It also helps in determining the effectiveness of human resource policies and programs of management.

vi. HRP helps to meet the challenges of new technology for the personnel existing employees. For example, the existing employees may have to be retrained or new employees recruited to get the human resource with the required skill set.

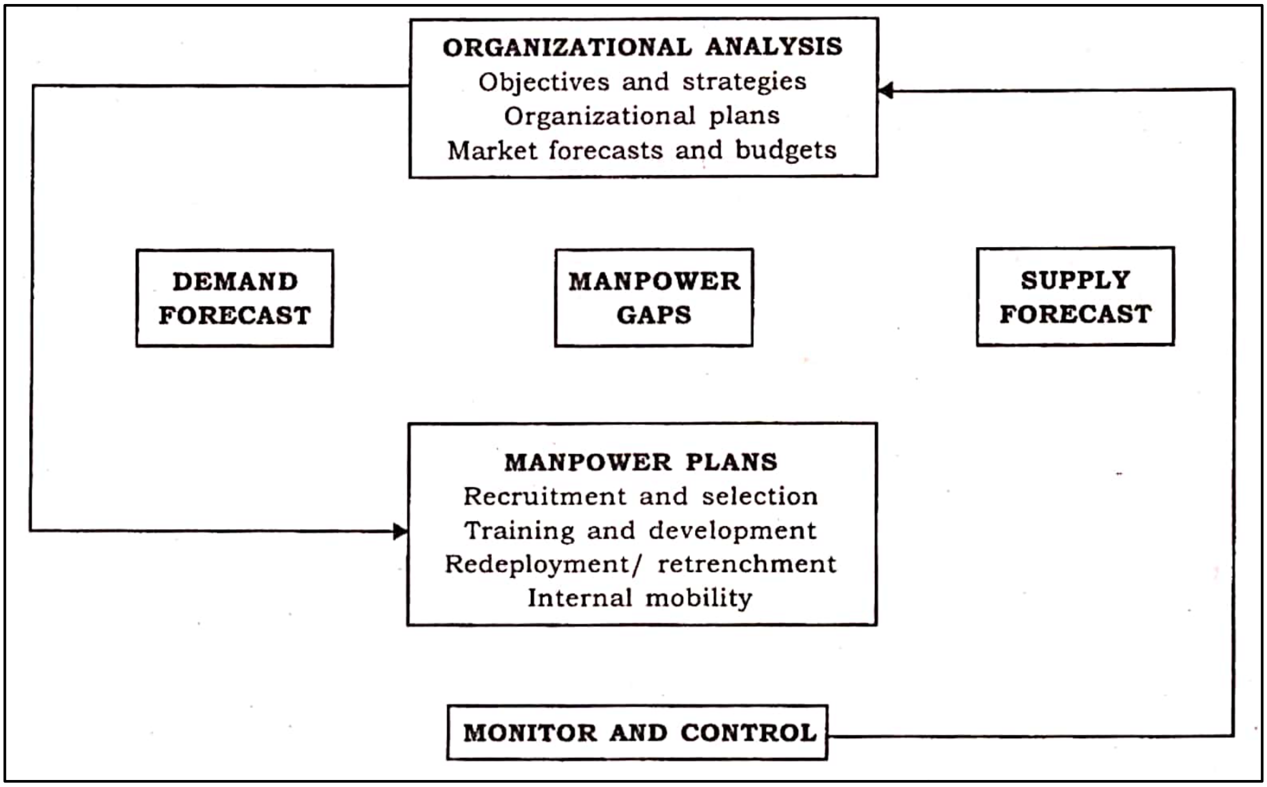
vii. HRP helps to anticipate the surplus manpower and develop action plan like redeployment to deal with this situation.

viii. HRP facilitates the budgeting process by providing the anticipated cost of human resources and help in controlling labor costs by avoiding both shortage and surplus of manpower.

ix. HRP also facilitates career succession planning. It provides basis for internal succession of employees to higher positions through promotions.

x. HRP helps in planning for physical facilities like canteen, residential facilities for staff etc.

7.3 **PROCESS OF MANPOWER PLANNING**



HRP is a process, which includes several steps as discussed below:

I. Analysis of Organizational Plans

This step involves analysing the objectives and strategic plans of an organization. Plans regarding expansion, diversification, technological innovation, production, finance and marketing give a fair idea of the volume of future work activity. Organizational plans are based on economic; labor and sales and expansion forecast and hence serve as appropriate foundation for devising the human resource plan. The objectives and plans of the organization are analyzed into sub plans.

2. **Forecasting Demand for Manpower**

Based on corporate and functional plans and strategy and the volume of work activity, the future manpower needs of an organization are determined. There are many techniques for forecasting the demand for human resources as discussed below:

a. Managerial Judgement: The simplest method to determine the future manpower requirement is to get the estimates from the experienced managers in the respective departments. These managers provide the estimated numbers on the basis of their knowledge of expected future workload and employee efficiency. These estimates are compiled and then sent to top management for approval.

b. Ratio-Trend Analysis: In this method ratios like total output/number of workers, total sales volume/number of sales persons, direct workers/indirect workers are calculated on the basis of past data. These ratios are calculated by using techniques like time series analysis or extrapolation. Extrapolations or projections are mathematical extensions of past data into a future time period. Moving average method and exponential smoothing can be used for projection.

c. **Mathematical Models:** These models express the relationship between independent variables like investment, production, sales etc and dependent variables like number of employees required. Some of the important models, which are used, include regression, optimization models and probabilistic models.

Quantitative Aspect of Manpower Planning

This aspect is concerned with determining the number of employees required in the future. It can be determined by workload and workforce analysis.

Workload analysis: The total workload of each department is estimated on the basis of sales forecasts, work schedules, growth rates, expansion plans etc. Based on past experience and work measurement, total workload is translated to manpower required.

Workforce Analysis: The analysis of present workforce provides an accurate estimate of loss of current manpower. The loss of workforce may be due to absenteeism and turnover and it is important to make a provision for this loss so that work is carried out as planned.

Qualitative Aspect of manpower planning (Job Analysis)

The quality of manpower required is determined through job analysis, which gives information about the job in terms of its duties and responsibilities and the qualifications required for the successful performance of the job. Job analysis is the determination of the tasks, which comprise the job and the skills, knowledge, abilities and responsibilities required of the worker for a successful performance and which differentiates one job from another. Two statements i.e. job description and job specification are prepared. Job description is the written record of the duties, responsibilities and requirements of a particular job. Job specification is a written record of the requirements sought in an individual worker for a given job.

3. Forecasting the supply of Human Resources.

This step involves determining the internal and external supply of human resources. The internal supply of human resources can be evaluated by preparing a human resource inventory. It contains data about current human resources and includes:

a. Head counts which include total number of people employed, according to departments, skills, designations etc.

b. Job family inventory i.e., number of employees in each job e.g., clerks, typists, sales force etc.

c. Age inventory, which provides age-wise classification of employees.

d. Skill inventory, which contains data about the education, skills, experience, past performance and potential for promotion.

Thus, manpower inventory provides stock of manpower and helps in determining and evaluating quality as well as quantity of internal human resources.

Determining expected loss of manpower

Organizations lose its human resources due to resignations, deaths, retrenchments, terminations, promotions, demotions, transfers, absenteeism, injury etc.

Net Internal Supply: Future internal supply of human resources= present manpower inventory - potential losses.

4. Estimating the Manpower Gaps

The demand and supply forecasts are compared to identify the gaps. This gap helps to find out the deficit or surplus of human resources in the future. Deficits imply the organization must recruit people from outside while surplus means extra persons should be redeployed or terminated.

5. Developing a Human Resource plan

This involves preparing a plan to bridge the gap identified in the above step. Plans to manage deficit of manpower can be redeployment in other departments or units and retrenchment by consulting the trade unions. While manpower deficit can he managed through recruitment, selection, transfer, promotion and training.

6. Monitoring and Control

The human resource structure is reviewed and regulated to ensure it is working successfully and to identify any discrepancies. This phase involves allocation and utilization of human resources over time. Timely corrective actions should be taken to remove the deficiencies in the system. Manpower inventory should be regularly updated.

7.4SELF-ASSESSMENTQUESTIONS

7.4.1 Manpowerplanninginvolvesforecastingandaligninganorganization'sworkforcewithits__________.

7.4.2 Theprimaryobjectiveofmanpowerplanningistoensurethatanorganizationhastherightnumberofemployees withthenecessaryskillstomeetits__________.

7.4.3 Manpowerplanninghelpsorganizationsanticipateandaddresspotential________byidentifyinggapsinthew orkforce.

7.4.4 Effectivemanpowerplanninginvolvesanalyzingboththe__________todeterminestaffingrequirements.

7.4.5 Manpowerplanningisadynamicprocessthatadaptstochangesinthebusinessenvironment,ensuringthattheor ganizationremains__________.

7.5SUMMARY

Manpowerplanningistheprocessofdeterminingthenumberandqualityofhumanresourcesrequiredinanorganiza tioninthefuture.Itguidestheorganizationtoidentifydeficitsandsurplusofitspresentmanpoweranddevisestrategi estomanagethesame.Manpowerplanningisamulti-stepprocess.Theprocessisbasedonthecorporateplansandstrategy.Therequirementandavailabilityofhumanreso urcesisdeterminedbydemandandsupplyforecastingrespectively.Finally,thegapbetweendemandandsupplyisid entifiedandactionplandevelopedtobridgethegap.Atla:theentireplanismonitoredtoidentifyanydeviationsandta kecorrectivemeasures,ifrequired.

7.6KEYWORDS

1.Demandforecasting: Predictingtheorganization'sfutureneedformanpowerbasedonfactorssuchasbus inessgrowth,technologicalchanges,andemployeeturnover.

2.Supplymanagement: Ensuringthattheorganizationhastherightnumberofemployeeswiththerightskill sintherightplacesattherighttime.

3.Workforceoptimization:Usingtechnologyanddatatoimprovetheefficiencyandeffectivenessofthew orkforce.

4.Talentmanagement: Attracting,developing,andretainingtoptalent.

7.7SHORTANSWERSQUESTIONS

1. Whatismanpowerplanning?
2. Whatarethebenefitsofmanpowerplanning?
3. Whatarethekeystepsinthemanpowerplanningprocess?
4. Whataresomeofthechallengesofmanpowerplanning?
5. Whataresomebestpracticesformanpowerplanning?

7.8LONGANSWERSQUESTIONS

1. Discusstheimportanceofmanpowerplanninginthecontextofarapidlychangingbusinessenvironment.
2. Howcanmanpowerplanningbeusedtosupporttheorganization'soverallbusinessstrategy?
3. Whataresomeofthekeymetricsthatcanbeusedtomeasurethesuccessofmanpowerplanningefforts?
4. Howcanmanpowerplanningbeusedtocreateamoreinclusiveanddiverseworkforce?
5. Whataresomeoftheemergingtrendsinmanpowerplanning?Howcanorganizationsprepareforthesetrends ?

7.9SUGGESTEDREADINGS

•DesslerGary,Human*ResourceManagement,*PrenticeHall,NewDelhi,7thEdition.

•DeCenzoA.David,RobbinsP.Stephens,*Personnel/HumanResourceManagement,*

Prentice-HallofIndia,3rdEdition

7.10SELF-ASSESSMENTQUESTIONSANSWERS

7.4.1 strategicbusinessgoalsandobjectives.

7.4.2 presentandfutureneeds.

7.4.3 talentshortagesorsurpluses

7.4.4 internalandexternalfactorsinfluencingtheorganization

7.4.5 agileandresponsivetoworkforcechallenges.

Lesson No. 8 **AUTHOR: SHILPI GOYAL**

ANALYSING WORK AND DESIGNING JOBS

STRUCTURE

8.0 OBJECTIVES

After reading this chapter, the student should be able to

- Understand the need and process of analysing jabs.
- Outline the various sources used to collect data for analysing and designing jobs.
- Get an insight into the various techniques of designing jobs.

8.1 INTRODUCTION

Jobs are important to individuals since they helpto determine standard of living, place of residence, status and even one's sense of self-worth. Jobs are important to organizations also as they are the means of accomplishing organizational objectives. Traditionally, the view about a job was that the requirements of a job do not change, it is designed to be immutable and unchanging, irrespective of the incumbents who perform them. But in reality, the jobs are not static. They are subject to change. Technological advances and competitive pressures may often force an organization to put more emphasis on characteristics of successful performance rather than on standard job duties, tasks, etc. To understand the dynamic nature of jobs, managers gather information about jobs from time to time. Detailed knowledge of the nature and requirements of jobs to be filled is essential for determining the kind or quality of human resources required. Such knowledge can be gained through the process of job analysis.

8.2 CONCEPT OF JOB ANALYSIS

Job analysis is a formal and detailed study of jobs. It refers to a scientific and systematic analysis of a job in order to obtain all pertinent facts about the job.

-- is a systematic investigation of the *tasks,* duties and responsibilities necessary to do a job. A task is a distinct work activity with an identifiable beginning and an end, e.g., sorting a bag of mail into appropriate boxes. A *duty* is a larger work segment consisting of related sequence of tasks, e.g., pick up, sort and deliver incoming mail. Job *responsibilities* are obligations to perform certain tasks and duties.

Job analysis has been defined as the process of determining by observation and study the tasks, which comprise the job, the methods and equipment used, and the skills and attitudes required for successful performance of the job".

A job can be analyzed only after it has been designed and someone is already performing it. Jo analysis is therefore, performed upon ongoing jobs. As jobs are always subject to change, a job analysis may become obsolete within a short period of time. Job analysis provides the following information about a job:

- Identity of the job in terms of its title and code number
- The operations and tasks involved in the job including their timing, significance, complexity and sequence.
- Location, physical setting, hazards and discomforts, supervision given and received and other significant characteristics of the job.
- Duties involved in the job along with the frequency of their occurrence on the job.
- Materials, methods and equipment's used in performing the job.
- The nature of operations of the job.
- Relationship of the job with other jobs in the organizations.
- Human resource attributes required for performing the job.

The above information forms the contents of job description and job specification.

8.3 OBJECTIVES OF JOB ANALYSIS

The main objectives of job analysis are:

- **Job Redesign:** a job may be analyzed to simplify the process and methods involved in it. Such work simplification helps to improve productivity.
- **Work Standards:** a systematic study of the job reveals the time that should be taken in performing the total task. Once the time requirements become known, standards related to daily performance can be established.
- **Miscellaneous:** Job analysis provides support to other human resource activities such as recruitment, selection, training, performance appraisal, job evaluation and safety, etc.

8.4 USES OF JOB ANALYSIS

A comprehensive programme of job analysis is an essential element of sound human resource management. It provides valuable information for taking right decisions about the organization's human resources. Most functions of human resource management can be carried out with the help of information generated by job analysis. The specific uses of job analysis are given below:

a. 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 ad transfer policy. It also helps in determining the quality of human resources needed in an organization.

b. **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 vacant positions helps managers to plan and hire people in a systematic way.

Selection: Without proper understanding of what is to be done on a job, it is not possible to select the right person.

d. **Placement and Orientation:** A clear understanding of the job requirements helps in matching these requirements with the abilities, interests and aptitudes of people. Each job can be assigned to the person who is best suited for it. Similarly, the orientation programme can be geared towards helping the employee learn the activities, tasks and duties that are required to perform a given job more effectively.

e. **Training and Development:** Job analysis provides valuable information required to identify training needs, to design training programmes and to evaluate training effectiveness. Employee development programmes such as job rotation, job enlargement, job enrichment is based on analysis of job requirements.

f. **Performance Appraisal:** Job analysis helps to determine performance standards in critical parts of a job. Employee performance can then be evaluated against known standards and critical activities.

g. **Job Design and Redesign:** With the help of knowledge about job requirements, improvements in work design and work methods can be made to improve productivity and job satisfaction.

h. **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, helps in designing proper wage policies, With internal pay equity between jobs.

i. **Health and Safety:** Job analysis reveals unhealthy and hazardous environmental and operational conditions in various jobs. Heat, noise, dust, fumes, etc. are examples of such conditions. On the basis of such information, management can develop measures to ensure the health and safety of employees.

j. **Employee Counselling :**Managers can properly counsel employees about their careers when they understand the different jobs in the organization. The employees can also better appreciate their career options when they understand the specific needs of various jobs. Job analysis can point out areas that an employee might need to develop to further a career.

8.5 WHO SHOULD CONDUCT THE JOB ANALYSIS?

The choice of who should analyze a job depends on many factors, such as location and complexity of the jobs to be analyzed, receptiveness of the incumbents to the external analyst, and the ultimate purpose of the results of the analysis.

It is always better to use supervisors, job incumbents or some combinations of these to obtain information about jobs in an organization. The job incumbents offer a clear view of what work is actually done as against what work is supposed to be done. Further, involving the incumbents might reduce their resistance to any work changes stemming from the results of the analysis. The external analysts offer an unbiased and realistic view of the people, jobs and the total organization as a whole.

8.6 THE PROCESS OF JOB ANALYSIS

The main steps involved in job analysis are as follows:

1. **Organizational Analysis:** First of all, an overall view of various jobs in the organization is 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.

2. **Organizing Job Analysis Programme:** It is necessary to plan and organize the programme of job analysis. The incharge of the programme is decided and responsibilities are assigned. A budget and a time schedule is also developed.

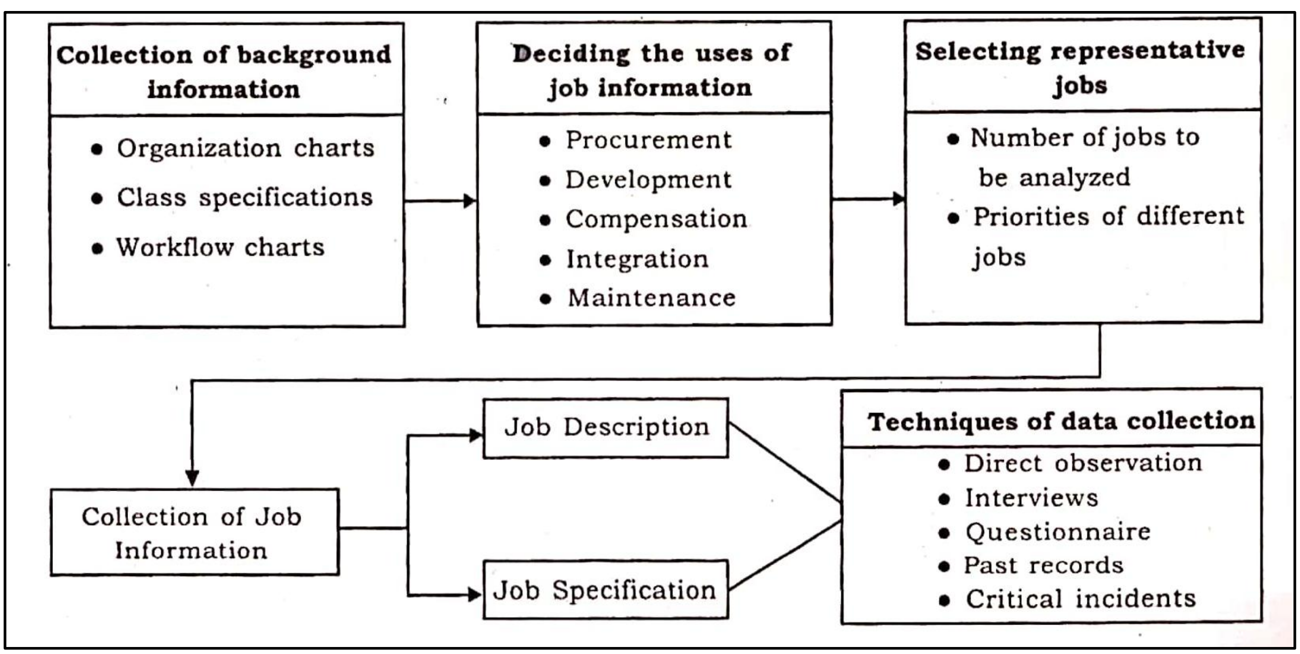
3. **Deciding the Uses of Job Analysis Information:** The priority areas in which the job analysis information would be used are specified. These areas are decided on the basis of need, priorities and constraints of the particular organization.

4. **Selecting Representative Jobs for Analysis:** Since it would be highly time-consuming and costly to analyze all the jobs; a representative sample of jobs is selected for the purpose of detailed analysis.

5. **Collection of 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 data. Care should be taken to use only reliable and acceptable techniques in a given situation.

6. **Developing a Job Description:** This step involves describing the contents of the job in terms of functions, duties, responsibilities, operations etc. The job holder is required to discharge the duties and responsibilities and perform the operations listed in the job description.

7. **Developing a Job Specification:** This step involves conversion of the job description statements into a job specification. It is a written statement of personal attributes in terms of traits, skills, training, experience needed to carry out the job. **The** job analysis process can be summarized in the figure shown below:



8.7 METHODS OF, DATA COLLECTION IN JOB ANALYSIS

A variety of sources are used to collect data relating to jobs. However, none of them is perfect. In actual practice, a combination of several methods is used for obtaining job analysis data. The main methods are discussed below:

I. Job Performance

In this method, the job analyst actually performs the job under study to obtain firsth and experience of the actual tasks, physical and social demands and the environment of the job. This method can be used only for jobs where skill requirements are low and can, therefore, be learnt quickly and easily. This is a time-consuming method and is not appropriate for jobs requiring extensive training.

2. 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. The information thus obtained is recorded in a standard format. This method is appropriate for jobs which involve manual/physical, standardized and short job cycle activities.

3. Interview

This 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 the 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. It is a widely se d method particularly for jobs wherein direct observation or actual performance is not feasible. Interview, is however, a time consuming and costly method. Another problem with this method is that inaccurate information may be collected. If the purpose of the interview is not clear, the employee may provide information to protect his own interest.

4. Questionnaire

In this method, properly drafted questionnaires are sent out to jobholders. After completion, these are returned to supervisors. As the data is often incoherent and disorganized, it is discussed with the jobholders. After due corrections, the same is submitted to the analyst. This method provides comprehensive information about a job. It also enables the analyst to cover a large number of jobholders in the shortest possible time. Data obtained through a questionnaire can be quantified and processed. But it is time consuming and costly to develop standardized questionnaires. Direct rapport between the respondents and the analyst is not possible.

5. Critical Incidents

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

6. Log Records

In this method, a diary or logbook is given to every jobholder. The jobholder daily records the duties performed along with the time at which each task is started and finished. The record so maintained provides information about the job. This method is time consuming. Moreover, it doesn't provide complete data concerning working conditions, equipment used and supervisory relationships. Most employees are not disciplined enough to maintain a regular diary.

8.8 JOB DESCRIPTION

A job description 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 is a functional description of what the job entails. It is descriptive in nature and defines the purpose and scope of a job. It is a factual and organized statement describing the job in terms of its title, location, duties, responsibilities, working conditions, hazards and relationship with other jobs. The main object of a job description is to differentiate the job from other jobs and to set out its outer limits. Job description is an important document as it helps to identify the job and gives a clear idea of what the job is.

8.8.1 CONTENTS OF A JOB DESCRIPTION

A job description normally contains the following information:

(1) Job Identification: Job title, code number of the job, department or division where the job is located. This part of the job description helps to identify and designate the job.

(ii) Job Summary: It describes the contents of a job in terms of the activities or tasks performed.

(iii) Job Duties and Responsibilities: It describes the duties performed along with frequency of each major duty. Responsibilities concerning custody of money, supervision and training of staff etc. are also described in this part.

(iv) Working Conditions: The physical environment of the job is described in terms of heat, light, noise level, dust and fumes etc. Nature of risk and their possibility of occurrence is also given.

(v) Social Environment: Size of work group and inter -personal interactions required to perform the job are given. Training and development facilities may also be mentioned.

(vi) Machines, Tools and Equipment: The names of major machines, equipment's and materials used in the job are described.

(vii) Supervision: The extent of supervision given or received is stated in terms of number of persons to be supervised along with their job titles. Designations of immediate superiors and subordinates may also be given.

(viii) Relation to Other Jobs: The jobs immediately below and above are mentioned. It provides an idea of vertical workflow and channels of promotion. It indicates to whom the jobholder will report and who will report to him.

8.8.2 USES OF JOB DESCRIPTION

Job description is helpful in the following areas of human resource management:

(a) Job grading and classification
(b) Placement of new employees on a job
(c) Orientation of new employees towards basic duties and responsibilities
(d) Promotions and transfers
(e) Defining and outlining and career paths
(I) Redressal of grievances relating to duties and responsibilities
(g) Locating faulty work procedures and duplication
(h) Work measurement and work improvement

(i) Health and fatigue studies

(j) Developing performance standards

8.8.3 GUIDELINES FOR PREPARING JOB DESCRIPTIONS

The following guidelines may be useful while writing job descriptions:

(i) Give a clear, concise and readily understandable picture of the whole job.

(ii) Describe in sufficient detail each of the duties and responsibilities

(iii) Use active verbs for each statement

(iv) Avoid statements of opinion

(v) Examples of work performed may be quoted

(vi) Indicate the extent of supervision received and given

(vii) Ensure that the new employee can understand the job by reading the job description

8.9 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 to perform a particular job. The job specification is a logical outgrowth of job description. For each job description, it is desirable to have a job specification. This helps the organization to determine what kind of persons are needed to take up specific jobs. The personal attribute that are described through a job specification may be classified into three categories:

(I) Essential attributes: skills, knowledge and abilities a person must possess.

Desirable attributes: qualifications a person ought to possess

(iii) 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.

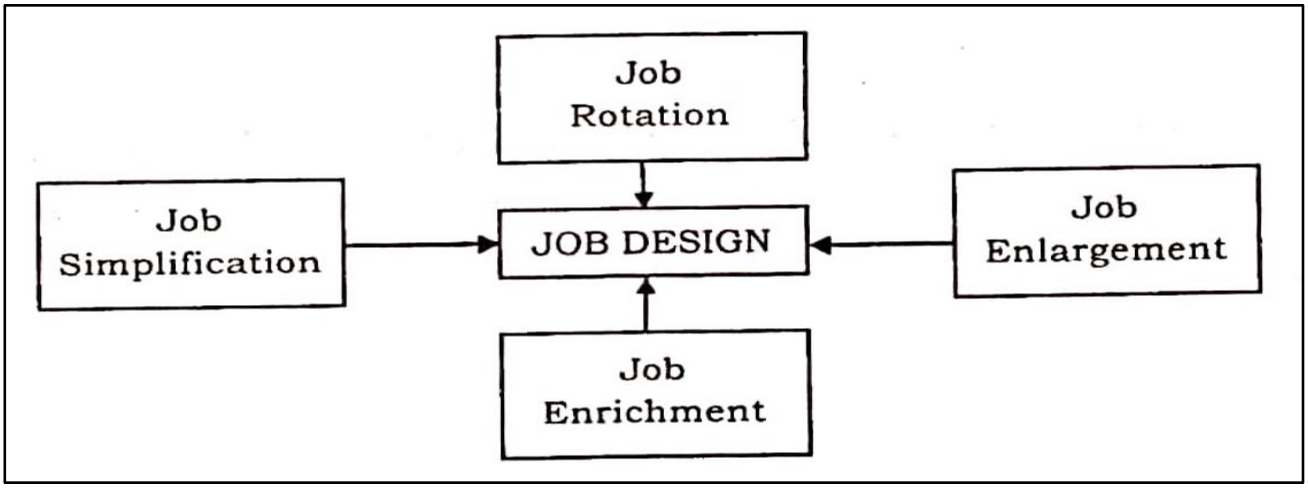
Job specification is helpful in the selection process because it offers a clear set of qualifications for an individual to be hired for a specific job.

8.10 JOB DESIGN

Job analysis helps in developing appropriate design of job to improve efficiency and satisfaction. Job design is the process of deciding on the contents of a job in terms of its duties and responsibilities, on the methods to be used in carrying out the Ii5b7in-terThT of techniques, systems and procedures and on the relationships that should exist between the jobholder and his superiors, subordinates and colleagues. It is a deliberate and systematic attempt to structure the technical and social aspects of work so as to improve technical efficiency and job satisfaction. It is an attempt to create a match between job requirements and human attributes.

The main objective of job design is to integrate the needs of the individual and the requirements of the organization. Needs of the employees include job satisfaction in terms of interest, challenge and achievement. Organizational requirements refer to high productivity, technical efficiency and quality of work.

Some of the popular methods used in the design of jobs are discussed below:



8.10.1 Job Rotation

It refers to the movement of an employee from one job to another without any change in the 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 relieves the employee from the boredom and monotony, improves the employee's skills regarding various jobs, enhances 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 employees.

8.10.2 Job Enlargement

It is the process of increasing the scope of a job by adding more tasks to it. The related tasks are combined. The widened and more complex job is expected **to** satisfy the higher order needs of employees. Due to variety of tasks, an employee gets the opportunity to make greater use of his mind and skill.

Job enlargement reduces monotony and boredom by providing the employee a more complete or whole job to do. It helps to increase interest in work and efficiency. It is also a method of training and developing more versatile employees. But it does not increase the depth of a job. Enlarged jobs require longer training period as there are more tasks to be learned.

8.10.3 Job Enrichment

It involves designing a job in such a way that it provides the worker greater autonomy for planning and controlling his own performance. It is 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. An employee whose job is enriched will perform the management functions of planning and control so far as his own work is concerned.

8.10.3.1 Techniques for Job Enrichment

(a) Increasing the scope of a job by adding variety of tasks
(b) Assigning a natural work unit to an employee
(c) Allowing the employee to set his own standards or targets
(d) Minimizing controls to provide freedom to the employee
(e) Making an employee directly responsible for his performance
(f) Providing the employee control information, so that he may monitor his own performance
(g) Encouraging employees to participate in deciding organizational goals and policies
(h) Introducing new, difficult and creative tasks to the employees

8.10.4 Job Simplification

This is a 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.

8.11SELF-ASSESSMENTQUESTIONS

8.11.1 Jobanalysisistheprocessofsystematicallycollectinginformationaboutajobtounderstandit’s_________.

8.11.2 Thegoalofanalysingworkistocreateaccurate_________thatreflectthetasksandrequirementsofaparticularjob.

8.11.3 Jobdesignaimstoenhanceemployeesatisfactionandperformancebyoptimizingthe_________oftaskswithinaposition.

8.11.4 Onekeyoutcomeofjobanalysisistheidentificationoftheessential_________requiredforsuccessfuljobperformance.

8.11.5 Effectivejobdesigncontributestoahealthyworkenvironmentbypromotingabalancebetweenjob_________andemployeecapabilities.

8.12SUMMARY

Thechapterfocusedontheneed,importanceandtheprocessofanalyzingjobsinanorganization.Variousmethodsofobtaininginformationaboutjobshavebeendiscussed.Jobdesignisanoutgrowthofjobanalysis.Itisawayoforganizingtasks,dutiesandresponsibilitiesintoaproductiveunitofthework.Whiledesigningwork,HRmanagersshouldtakecareoftheorganizationalrequirementsintermsoftimelycompletion,highqualityperformance;economicuseofresourcesetc.Atthesametime,theneedsoftheemployeesmustalsobetakencareof.Thetechniquesofjobrotation,jobenlargement,jobenrichmentandjobsimplificationareusedtodesignjobs.

8.13KEYWORDS

•**JobAnalysis**-Itistheprocessofgatheringinformationaboutajob.

•**JobDescription**-Itisafunctionaldescriptionofwhatthejobentails.

•**JobSpecification**-
Itisaprofileofthehumancharacteristicsneededbyapersontoperformajobeffectively.

•**JobDesign**-Itistheprocessofdefiningjobtasksandtheworkarrangementstoaccomplishthem.

8.14SHORTANSWERSQUESTIONS

1. Whatisthepurposeofanalyzingworkanddesigningjobs?
2. Whataresomeofthekeytechniquesusedtoanalyzework?
3. Whataresomeofthefactorstoconsiderwhendesigningjobs?
4. Whataresomeofthebenefitsofeffectiveworkanalysisandjobdesign?
5. Whataresomeofthechallengesofworkanalysisandjobdesign?

8.15LONGANSWERSQUESTIONS

1. Discussthedifferentapproachestoworkanalysisandtheirrespectiveadvantagesanddisadvantages.
2. Howcanworkanalysisandjobdesignbeusedtoimproveemployeeproductivityandengagement?
3. Whatroledoesworkanalysisandjobdesignplayincreatingamoreinclusiveandequitableworkplace?
4. Howcanworkanalysisandjobdesignbeusedtosupporttheorganization'soverallbusinessgoalsandobjectives?
5. Whataresomeoftheemergingtrendsinworkanalysisandjobdesign?Howcanorganizationspreparefor thesetrends?

8.16SUGGESTEDREADINGS

•Gupta,C.B.,Human*ResourceManagement,*SultanChandandSons,NewDelhi, 8thEdition,2007.

•Rao,V.S.P.,*HumanResourceManagement,*ExcelBooks,NewDelhi,2ndEdition, 2005.

8.17SELF-ASSESSMENTQUESTIONSANSWERS

8.11.1 duties,responsibilities,andqualifications.

8.11.2 jobdescriptions

8.11.3 structureandcontent.

8.11.4 competenciesandskills.

8.11.5 demandsandskills.

Lesson No. 9 AUTHOR: DR. SIMRANJEET HAUR

MANAGING SEPARATIONS AND RIGHTSIZING

STRUCTURE

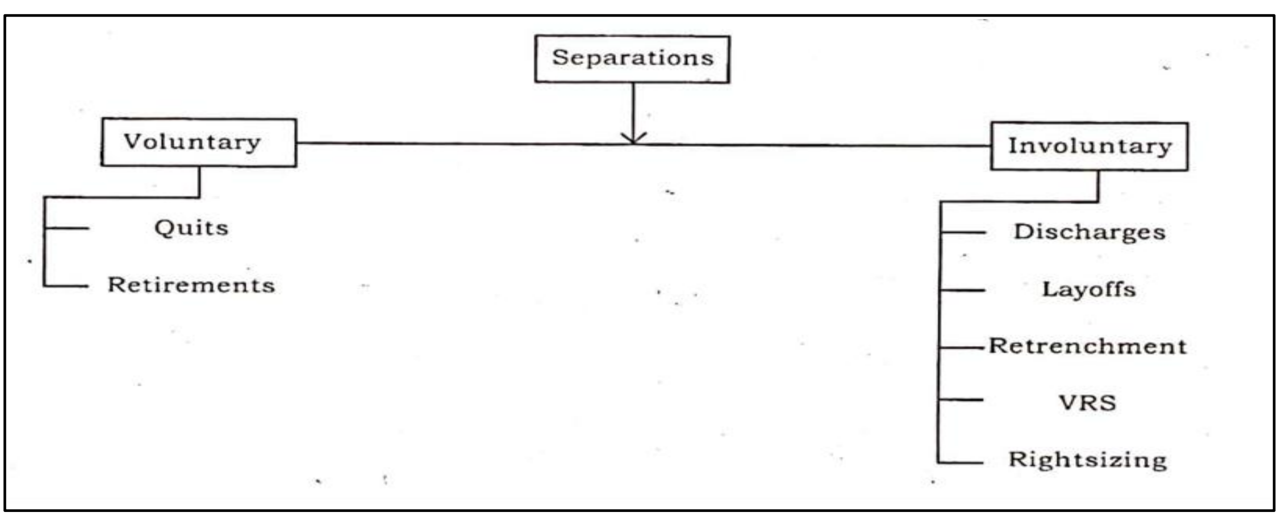
9.0 OBJECTIVES

After reading this chapter, the student should be able to:

- Understand the types of separations and how to manage them.
- Meaning and reasons of rightsizing.

9.1 INTRODUCTION

Separations occurs when an employee leaves the organization. Why do separations occur? Reasons for employee separations may be voluntary or involuntary. In the former, initiation for separation is taken by the employee himself or herself. Where the employer initiates to separate an employee, it becomes involuntary separation. In the latter the employee entertains the feeling of injustice and seeks legal protection to undo it. Figure 9.1 shows both voluntary and involuntary separations.



9.1.1 VOLUNTARY SEPARATIONS

As stated above, voluntary separations occur when the employee decides to terminate his or her relationship with the organization. Quits and retirements are the most manifestations of voluntary separations.

QUITS

An employee decides to quit when his or her level of dissatisfaction with the present job is high or a more attractive alternative job is awaiting the individual. The reasons for dissatisfaction may be because of the job itself or because of job's extrinsic factors such as supervision, company policy, compensation, advancement opportunities, health, spouse relocation and the like.

Competent people get multiple offers at any given time. Some of them stay with the organization in the name of loyalty or some other commitment. Majority accept the more attractive offers and prefer to leave the company.

Organizations often encourage quits through cash incentives. Popularly called voluntary retirement schemes (VRS), these separations are restored to when organization are experiencing losses. They resort to cost saving to save the bottom line and believe that the best way of cutting down the cost is through reducing the wage and salary bill. As VRSs are induced by the management, we prefer to discuss them under involuntary separations category.

RETIREMENTS

Retirements occur when employees reach the end of their careers. The age for an employee's superannuation differs. In some States it is 58 years and in Central Government it is 60. There is a thinking to raise the limit to 60 and 62 respectively as there is shortage of skilled people to fill up the vacant jobs.

Retirement differs from quits. When the employee superannuates and leave the organization, he or she carries several benefits with himself or herself. Such a privilege is denied to the employee who quits. Second, retirement occurs at the end of an employee's career but the quit can take place at any time. Third, superannuation shall not leave any soured relationship behind the retiree but a quit is likely to results in heart feelings with the employer.

9.1.2 INVOLUNTARY SEPARATIONS

Employers resort to terminate employment contract with employees for at least three reasons

1. Organization is passing through lean period and is unable to maintain the existing labour,
2. Initial faulty hiring resulting in mismatch between job and employee fit, and
3. Employee exhibits deviant behavior vitiating the environment around.

Discharges, layoffs VRS and rightsizing are the common methods of employer sponsored separations.

DISCHARGE OR DISMISSAL

Where the termination of employment is initiated by the employer, it is known as dismissal or discharge, which is a drastic step and should be taken after careful thought. A dismissal needs to be supported by just and sufficient reasons.

The following reasons lead to the dismissal of an employee:

- Excessive absenteeism.
- Serious misconduct.
- False statement of qualification at the time of employment.
- Theft of company's property.

LAYOFFS

A layoff is a temporary separation of the employee from his or her employer at the instance of the latter without any prejudice to the former. Section 2(KKK) of the Industrial Disputes Act, 1947, defines lay-off as the failure, refusal or inability of an employer to give employment to a worker whose name is present on the rolls but who has not been retrenched. A layoff may be for a definite period on the expiry of which the employee will by recalled by the employer for duty. It may extend to any length of time, with the result that the employer is unable to estimate when he or she can recall his or her employees.

A lay-off may be occasioned by one of the following reasons:

- Shortage of coal, power or raw materials.
- Accumulation of stocks.
- Breakdown of machinery.
- For any other reason.

As the employee are laid off at the instance of the employer, they have to be paid compensation for the period they are laid off. Section 25 of the Industrial Disputes Act, 1947, makes it mandatory on the part of the employer to pay compensation for all the days of the lay-off. The compensation must be equal to half the normal wages the employee would have earned if he or she had not been laid off.

When a part of a section or department is laid off, the management shall define the basis for laying off individuals. The basis for the lay-off may be merit or seniority. If merit is the basis, employees with unsatisfactory performance are laid off first. Performance appraisal is essential for the purpose of establishing who is efficient and who is below expectations. Competence as the basis for lay-off is not possible in unionized companies because of the outright resistance offered by union leaders. In such companies, seniority determines who should be laid off first. It goes without saying that the employees with the shortest period of service to their credit are first laid off and the older employees are retained as long as conditions permit.

Similarly, the basis for recalling the employees as soon as the lay-off is lifted needs to be made clear. After the lay-off, the management seeks to return to normal production as quickly as possible. Naturally, key employees must be the first to be recalled. The seniority system usually specifies that those who were laid off last will be called back first. Presumably, the more senior workers will have held the more important positions. This correlation is not always a perfect one however, and the management may seek to recall junior employees whose skills are essential for the resumption of production.

RESIGNATION

A resignation refers to the termination of employment at the instance of the employee. An employee resigns when he or she secures a better job elsewhere, in the case of a female employee, when she marries and has to quit for personal reasons, or when an employee suffers from ill health. The administration of separation caused by resignation is very simple because the employee himself/herself is responsible for it.

RETRENCHMENT

Retrenchment, too, results in the separation of an employee from his/her employer. It refers to the termination of the services of employees because of the replacement of labour by machines or the closure of a department due to continuing lack of demand for the products manufactured in that particular department of the organization. If the plant itself is closed, as was once done by the proprietors of the Binny Mills, Madras, the management and employees have to leave for good.

Retrenchment, like lay-off in that, in the latter, the employee continues to be in the employment of the organization and is sure to be recalled after the end of the period of lay-off. But in retrenchment the employee is sent home for good, and his or her connections with the company are served immediately.

Retrenchment differs from dismissal as well. An employee is dismissed because of his or her own fault. Retrenchment, on the other hand, is forced on both the employer and his employees. Moreover, retrenchment involves the termination of the services of several employees. But dismissal generally involves the termination of the services of one or two employees.

VOLUNTARY RETIREMENT SCHEME

Voluntary retirement scheme (VRS) is yet another type of separation. Beginning in early 1980's, companies both in public and private sector, have been sending home surplus labour for good, not strictly by retrenchment, but by novel scheme called the VRS, euphemistically called the Golden Hand Shake plan. Handsome compensation is paid to those workers who opt to leave. For example, in Hindustan Lever, the VRS consisted of:

- A lumpsum payment equal to 2.25 times the July 1992 salary multiplied by the remaining years of service (subsequently reduced to 15 years of service).
- Pension equal to 70 percent of the July 1992 salary payable till the age of 60 (the company's retirement age)
- Prizes such as computers, trucks, houses, and so forth (99 in all) to be decided on the basis of a lucky draw.

Managements prefer to pay hefty sums and reduce staff strength than retaining surplus labour and continuing to pay them idle wages. Further, VRS is perceived as a painless and time-saving method of trimming staff-strength, easing out unproductive older workers and other deadwood. Unions, too, cannot object as the schemes are voluntary.

VRS also results in separation of employee from employer. VRS is restored to where organizations have surplus labour. Firms will be required to pay wages for idle time if VRS is not invoked to trim the surplus labour-force.

The response to VRS has been a mixed one. The scheme received good response from some companies, GKW, Bangalore, being one such. The company trimmed its staff strength from 1500 to 500. Hindustan Ciba Geigy's VRS too was a resounding success. At its Bhandup factory, the entire workforce of 909 workers opted for the scheme, allowing the company to windup the loss-making unit.

Siemens had announced a VRS in 1997 for its entire workforce, including senior employees. Siemens hoped to shed 1,400 employees, a massive 20 percent in its 7,100 strong workforces. The offer was open to all employees who had put in at least 10 years of service and had reached 40 years of age. Those accepting VRS would be eligible for a single packet amounting to 30 per cent of their last drawn salary, depending on their years of service left till retirement, multiplied by the number of years left till retirement. The company expects the value addition per employee would go up by 20 to 30 percent.

The scheme was a total failure in HUI., (Hindustan Unilever Limited), attractive compensation plan notwithstanding. At the Sewn i factory, the management wanted to send away 500 workers but only nine opted for the scheme.

The Reasons for Proposing VRS

1. Recession in business
2. Intense competition, which makes the establishment
3. inviable unless downsizing is resorted to
4. Changes in technology, production process, innovation, new product line
5. Realignment of business due to market conditions
6. Joint-ventures with foreign collaborations
7. Takeovers and mergers

El. Night Shifts

9. Business re-engineering process
10. Product/Technology obsolescence.

9.2 BENEFITS OF EMPLOYEE SEPARATIONS

Although many people see separations negatively, they have several benefits also. The benefits of employee separations to the organization include the following labour costs are reduced; poor performers are replaced; innovation is increased; and opportunities for greater diversity are enhanced. Employees may receive some potential benefits from a separation, too. An individual may escape from an unpleasant work situation and eventually find one that is less stressful or more personally and professionally satisfying.

I. Reduced Labour Costs

An organization can reduce its total labour costs by reducing the size of its workforce. Although separation costs in a layoff can be considerable, the salary savings resulting from the elimination of some jobs can easily outweigh the separation pay and other expenditures associated with the layoff

2. Replacement of Poor Performers

An integral part of management is identifying poor performers and helping them improve their performance. If an employee does not respond to coaching or feedback, it may be best to terminate him or her so that a new (and presumably more skilled) employee can be brought in. The separation of poor performers creates the opportunity to hire good performers in their place.

3. Increased Innovation

Separations create advancement opportunities for high performing individuals. They also open up entry-level positions as employees are promoted from within. An important source of innovation in companies is new people hired from the outside who can offer a fresh perspective. Such individuals may be entry-level college graduates armed with the latest research methods, or they may be experienced managers or engineers hired from leading research laboratories.

4. THE OPPORTUNITY FOR GREATER DIVERSITY

Separations create opportunities to hire employees from diverse backgrounds and to redistribute the cultural and gender composition of the workforce. Increasing its workforce diversity allows an organization to 'take advantage of a diverse workforce while maintaining control over its hiring practices and complying with the government's equal Employment Opportunity Commission policies.

9.3 RIGHTSIZING

Rightsizing theoretically means reducing the size of workforce or increasing it to maintain the employee strength at the most desired level. In reality, rightsizing means downsizing the employee strength through planned elimination of jobs. Downsizing as a management tool was first introduced in the US during the mid-20th century. It refers to the process of reducing the number of employees on the operating payroll by way of terminations, retirements or spin-offs. The process essentially involves the dismissal of a large portion of a company's workforce within a very short span of time.

From the management's point of view, downsizing can be defined as 'a set of organizational activities undertaken by the management, designed to improve organizational efficiency, productivity, and/or competitiveness. This definition places downsizing in the category of management tools such as re-engineering and rightsizing. Downsizing is not the same as traditional layoffs. In traditional layoffs, employees are asked to leave temporarily and return when the market situation improves. But in downsizing, employees are asked to leave permanently. Both strategies share one common feature: employees are dismissed not for incompetence but because management decides to reduce the overall work force.

In the 1980s, downsizing was mostly resorted to by weak companies facing high demand erosion for their products or facing severe competition from other companies. Due to these factors, these companies found it inviable to maintain a huge workforce and hence downsized a large number of employees.

Soon, downsizing came to be seen as a tool adopted by weak companies, and investors began selling stocks of such companies in anticipation of their decreased future profitability. However, by the 1990s, as even financially sound companies began downsizing, investors began considering the practice as a means to reduce costs, improve productivity and increase profitability.

In general terms, downsizing refers to cutting down of employees in an organisation. It is a crucial step taken by the organization, when it sees that costs of organization is going overboard due to excess of employees in the organisation. Downsizing may prove beneficial in an organisational front but it poses as a major threat in case of employees working in a firm. Downsizing may be due to internal or external changes in an organisation.

So, downsizing is a commonly used as a substitute to reducing the overall size and operating costs of a company, most directly through a reduction in the total number of employees. When the market is tight, downsizing is extremely common, as companies fight to survive in a hostile climate while competing with other companies in the same sector. For employees, downsizing can be very unnerving and upsetting.

9.4 REASONS OF DOWNSIZING

There are several reasons to engage in downsizing. The primary reason is to make the daily operations of a business more efficient. For example, a company may be able to replace assembly line employees with machines which will be quicker and less prone to error. In addition, downsizing increases profits by reducing the overall overhead of a business. In other instances, a company may decide to shut down an entire division; a car company, for example, might decide to stop making sedans altogether, thus cutting an entire department.

Insome cases, it becomes apparent that a business has too many employees. This may be because there has been a decline in demand for the company's services, or because a company is running more smoothly and efficiently than it once was. Many offices are heavily bloated with support staff and redundant departments, and these businesses may refer to downsizing as "trimming the fat."

Numerous terms accompany downsizing. Employees may be terminated, fired, laid off, made redundant, or released. A business may be optimized, rightsized, or experiencing a reduction in workforce. Some of these terms have different legal meanings depending on where one is in the world; a layoff, for example, may refer to a mass temporary release of employees who will *be* brought back in once business picks up, while a redundant employee is one who is asked to leave permanently.

Numerous consulting firms offer assistance with downsizing, often with the use of specialists who visit a business to evaluate it. Since profit is an important bottom line for companies, downsizing measures should be expected by employees, especially when they observe a troubled market or they are working for a struggling company.

For employees, the process can be stressful, because they may feel uncertain about whether or not they will continue to be employed. Sometimes, downsizing is very abrupt, with a huge batch of employees being released from employment on the same day, while in other cases it may be a more drawn out and nerve wrecking process in which employees are slowly let go. Employers should remember that downsizing is very upsetting and stressful, and they should take steps to make it run smoothly while assuring valued employees that their jobs are secure.

9.5 RULES OF DOWNSIZING

If a firm opts for downsizing, it must keep in mind some of the rules of downsizing:

- Set targets, deadlines and objectives for downsizing.
- Institute a variety of cost cutting procedures, not just head count reduction.
- Make clear, direct &emphatic announcements of downsizing strategy.
- Give advance notification of downsizing.
- Provide all financial benefits agreed upon in time *86* extend outplacement assistance as far as practicable.
- Develop trust between management 8E, surviving employees.
- Implement downsizing in a fair & humane manner.
- The fundamental reason to resize the organisation is to improve organisation performance 86 to reduce costs of operation.
- Downsizing is an inevitable reality. It is important to do so with dignity 86 with due consideration to its fallouts from the standpoint of the employer as well as the employee. It is a challenge to the organisation to manage employee exit without disrupting the organisation function. Those employees who lose jobs are the hardest hit. The emotional trauma of losing a job is very difficult to cope with for the affected employees.

In case of downsizing by the companies, in order to take fair and just decisions, they choose the approach " FIRST COME LAST GO”. Those employees who are going to be affected must be informed well in advance. These employees not only have to cope with the emotional trauma, but also with loss of self-confidence, self-esteem. The pain here is not only suffered by the individuals alone but also his/her family members.

Those employees who remain after downsizing, suffer from significant problems. They suffer from guilt and are also faced with the fear of job insecurity. They, often show decreased productivity 8c, satisfaction. They usually loose motivation to work and worry about the future of their own.

9.6 HOW TO MANAGE DOWNSIZING

Only one-third of companies that cut a significant number of jobs manage to achieve an increase in overall profitability, while almost 90 per cent see a reduction in employee morale and productivity. Firms can avoid these pitfalls by taking the following 10 steps:

1. Plan the job cuts methodically by evaluating and retaining the skills you need to sustain and improve business performance.
2. Know your legal obligations and inform employees of their statutory rights to help avoid lawsuits and industrial action.
3. Announce the job cuts and any updates with clarity and honesty. Bad news travels fast and is easily distorted. Don't leave anyone in the dark, because it creates distrust.
4. Act quickly. The later you leave taking action after an announcement, the more vulnerable the company is to negative responses from stakeholders.
5. Make redundancies and changes in a clean sweep, rather than in stages. People then know where they stand. If redundancies are made in phases, employees become less productive and anxious about the next set of cutbacks.
6. Be empathetic. Give people the chance to express their opinions. Negative feelings will be running high. Help employees to understand the reasons for your decision.
7. Support those who are leaving by offering fair redundancy packages, career advice, outplacement services, employee assistance counselling and time off for job hunting.
8. Invest time and finances into re-engineering work processes. Understand that those who survive the job cuts will have to take on extra work, so them performance may initially suffer. Offer support by giving people opportunities to retrain.
9. Encourage team-building activities such as brainstorming, which fuels creativity and rebuilds relationships.
10. Be patient. Acceptance of change takes time. Offer coaching and support for all.

9.7 SELF ASSESSMENT QUESTIONS

9.7.1 When managing separations and rightsizing, it's crucial for leaders to _____________ and communicate transparently with employees.

9.7.2 To ensure a fair process during rightsizing, organizations should establish clear _____________ criteria.

9.7.3A well-executed _____________ plan can help organizations retain valuable talent during periods of downsizing

9.7.4 Effective _____________ strategies can help organizations reduce costs while preserving their core capabilities.

.

9.8 SUMMARY

HR managers face additional responsibilities as they are required to handle separations caused by employers often and by employees too often. Where employees themselves severe relationships with the organizations, such withdrawals are called voluntary. Separations become involuntary when employees terminate services of their employees

Quits and retirements are at the instance of employees. Terminations, layoffs, retrenchments, VRS and rightsizing are caused by employers. All these separations, particularly, the rightsizing, need to be handled with caution by the HR manager.

9.9 KEYWORDS

- **Separation**: A separation is a decision that the individual and the organisation should part.
- **Layoff:** A layoff entails the separation of the employee from the organisation temporarily for economic or business reasons.
- **Dismissal:** The termination of the services of art employee as a punitive measure for some misconduct.

9.10 SHORT QUESTIONS ANSWERS

1. What is the importance of empathy in the context of employee separations?
2. How can organizations ensure a fair selection process during downsizing?
3. What strategies can be employed to improve employee retention during challenging times?
4. Why do companies resort to downsizing, and what are its potential drawbacks?

9.11 LONG QUESTIONS ANSWERS

1. How does fostering an empathetic workplace culture contribute to better employee relations and ultimately impact retention during downsizing?
2. Can you outline a comprehensive selection process that ensures objectivity and fairness while implementing downsizing measures?
3. In what ways can organizations develop and implement retention strategies that go beyond financial incentives to retain valuable talent during economic downturns or rightsizing efforts?
4. What are some ethical considerations that companies should bear in mind when planning and executing downsizing initiatives to minimize the negative impact on employees and stakeholders?

9.12 SUGGESTED READINGS

- W.B. Werther, K. Davis, *"Human Resource and Personnel Management",* New York, McGraw Hill.
- W.F. Cascio, *"Managing Human Resources",* New Delhi, Tata McGraw Hill.

9.13 SELF ASSESSMENT QUESTIONS ANSWERS

9.7.1 empathize

9.7.2 selection

9.7.3 retention

9.7.4 downsizing

Lesson No. 10 AUTHOR: Ms. SHAVETA GOYAL

METHODS OF MANPOWER SEARCH AND SELECTION OF HUMAN RESOURCE

STRUCTURE

10.1 LEARNING OBJECTIVES

After reading this chapter, you should be able to:

- Define recruitment
- Steps in recruitment and selection process

- Discuss the pros and cons of methods used for recruitment of job candidates.
- State the recruitment policies and procedures commonly followed in organizations
- Define selection and explain the objectives of the selection process.
- Describe the sequence of a typical selection process.

10.2 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 perform the activities of an organization, it is important to recruit people with requisite skills, qualifications and experience and while doing so we have to keep the present as well as the future requirements of the organization in mind.

10.3 DEFINITION OF RECRUITMENT

Recruitment is the process of locating and encouraging potential applicants to apply for existing or anticipated job openings. It is actually a linking function joining together those with jobs to fill and those seeking jobs. Recruitment, logically, aims at (i) attracting a large number of qualified applicants who are ready to take up the job if its offered and 9,-offering enough information for qualified person's to self-select themselves out (e.g. a foreign bank may invite applications from charted accountants who have cleared the C.A examination in the first attempt only).

10.4 STEPS IN RECRUITMENT AND SELECTION PROCESS

1. Employment planning and forecasting
2. Recruiting: build a pool of candidates
3. Applicants complete application forms
4. Use selection tools like tests to screen out most applicants
5. Supervisors and others interview final candidates to make final choice
6. Candidate becomes an employee

The recruitment and selection process can best be envisioned as a series of hurdles, illustrated as above. Especially recruiting and selection require:

1. Doing employment planning forecasting to determine the duties of the positions to be filled.
2. Building a pool of candidates for these jobs by recruiting internal or external candidates.
3. Having the applicants fill out application forms and perhaps undergo an initial screening interview.
4. Utilizing various selection techniques such as tests, background investigations and physical exams to identify viable job candidates.
5. Sending to the supervisor responsible for the job one or more viable job candidates.
6. Having the candidates go through one or more selection interviews with the supervisor and other relevant parties for the purpose of finally determining to which candidate an offer should be made.

10.5 METHODS OF RECRUITMENT

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

10.5.1 Internal Methods

10.5.1.1 Promotions and Transfers

Many organizations prefer to fill vacancies through promotions or transfers from within wherever possible. Promotion involves movement of an employee from a lower-level position accompanied by changes in duties, responsibilities, status and value. A transfer, on the other hand, is the 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. Internal promotions and transfers certainly allow people greater scope to experiment with their careers, kindling ambitions and motivating them to take shot at something they might otherwise never have considered. The system, of course works best for young's executives who are willing to take risks.

10.5.1.2 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. The AV Birla group allows its employees opportunity to apply not just for jobs within their own companies, but for jobs in any company in the Birla group both in India and abroad.

1O.5.1.3 Employees 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.

10.5.2 Direct Methods

10.5.2.1 Campus Recruitment

It is a method of recruiting by visiting and participating in college campuses and their placement centrospheres. The recruiters visit reputed educational institutions such as IITs, IIMs, colleges and universities with view to pick up job aspirants having 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 short-listed students are then subjected to the remainder of the selection process.

Guidelines for campus recruiting:

- Shortlist: the campuses whose curricula and specialization match the needs of a company are shortlisted in advance. It also scans the entrance tests of these schools to find whether the admitted students are intellectually superior. The schools that fit its stringent standard are on its list every year.
- Choose recruiting team carefully: the recruiting team should consist of senior executives, having a thorough knowledge of the company and the job. The composition of the team generally shows how seriously the management takes campus recruitment.
- Pay smartly, not highly: since compensation is not the most important factor at the

beginning of one's career, the recruiting firm focus attention on a compensation package that is competitive and in line with industry packages.

- Present a clear image: companies such as Procter and Gamble, Nestle present a clear image of how they help the new recruits build a promising career within short span of time "come, grow with us" is the theme that they sell to prospective candidates who are in search of interesting challenging work assignments.

10.5.3 Indirect Methods

10.5.3.1 Advertisements

These include advertisements in newspapers; trade, professional and technical journals; radio and television; etc. The advertisements generally give a brief outline of the job responsibilities, compensation package, prospects in the organization, etc.

- **Newspaper 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.
- **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.

10.5.4 Third Party Methods

10.5.4.1 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. Private search firms have many plus points to their credit. They have many contacts and are especially good at contacting qualified, currently employed candidates who are not actively looking to change jobs. They can keep the firm's name confidential till the deal is struck. They can advertise vacancies on their own, pre-screen hundreds of applicants and identify the right candidates in a highly professional way. On the negative side, the fees charged by search firms is generally very high.

10.5.4.2 Employment Exchanges

As statutory requirements, companies are also expected to notify their vacancies through the respective employment exchanges created all over for helping unemployed youth, displaced personnel, physically handicapped, etc. As per the law, all employers are supposed to notify the vacancies arising in their establishments from time to time- with certain exemptions- to the prescribed employment exchanges.

10.5.4.3 Gate hiring and contractors

Gate- 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.

10.5.4.4. 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.

10.5.4.5 Internet Recruiting

In recent years most companies have found it useful to develop their own website and list job openings on it. The website offers a fast, convenient and cost-effective means for job applicants to submit their resume through the internet.

10.6 RECRUITMENT POLICY AND PROCEDUR.ES

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 organization's code of conduct in this area of activity. In its recruitment activities, a company will:

- Advertise all vacancies internally
- Reply to every job applicant promptly
- Inform job applicants the basic details and job conditions of every job advertised
- Process all applications with efficiency and courtesy
- Seek candidates on the basis of their qualifications
- Aim to ensure that every person invited for interview will be given a fair and thorough hearing the

company will not:

- Discriminate unfairly against potential applicants on the basis of sex, race, religion, caste, etc.
- Knowingly make any false or exaggerated claims in its recruitment literature or job advertisements.

10.7 DEFINITION OF SELECTION

To select means to choose. Selection is the purpose 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 jobs from the pool of qualified candidates.

10.8 THE SELECTION PROCESS

10.8.1 Reception

In order to attract the employee's people with talent, skills and experience, a company has to create a favourable impression on the applicant's 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.

10.8.2 Screening Interview

A preliminary interview is generally planned by large organizations to cut the costs of selection by allowing only eligible candidates to go through the further stages in selection.

10.8.3 Application Blank

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

10.8.4 Selection Tests

Another important decision in the selection process involves applicant testing and the kinds of tests to use. A test is a standardized, objective measure of a person's behavior, performance or attitude. It is standardized because the way it is carried out, the environment in which the test is administered and the way the individual scores are calculated- are uniformly implied. Some of the commonly used employment tests are stated below:

I. **Intelligence Tests:** These are mental ability tests. They measure the incumbent's learning ability to understand instructions and make judgments. The basic objective of intelligence 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.

2. **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.

3. **Personality Tests:** Personality tests have generated lot of heat and controversy. The definition of personality, methods of measuring personality factors and relationship between personality factors and actual job criteria has been the subject of much discussion.

4. **Achievement Tests:** These are designed to measure what the applicant can do currently i.e., whether the testee actually knows what he or she claims to know. A typing test shows typing proficiency, a shorthand 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 tests wherein the job applicant's ability to do a small portion of the job is tested.

S. **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.

6. **Graphology Tests:** Graphology involves using a trained evaluator to examine the lines, loops, hooks, strokes, curves and flourishes in a person's personality and emotional make-up.

7. **Polygraph Tests:** The polygraph records physically change in the body as the test subject answers a series of questions. It records fluctuation in respiration, blood pressure and perspiration on a moving roll of graph paper. The polygraph operator forms a judgment as to whether the subject response was truthful and receptive by examining the biological movements recorded on the paper.

8. **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.

9. **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.

10.8.5 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 tries to obtain and synthesize information about the abilities of the interviewee and the requirement of the job. Interview gives the recruiter an opportunity to:

- Size up the interviewee's agreeableness
- Ask questions that are not in tests
- Obtain as much pertinent information as possible
- Assess subjective aspects of the candidates- facial expressions, appearance, nervousness, and so forth
- Make judgments on interviewee's enthusiasm and intelligence
- 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.

- The non- directive interviews
- The structured interview
- The situational interview
- The behavioural interview
- Stress interview
- Panel interview

10.8.6 Medical Examination

Certain jobs require physical qualities like clear vision, acute hearing, unusually high stamina, tolerance of arduous working conditions, clear tone of voice, etc. Medical examinations reveals whetheror not a candidate possesses these qualities. Medical examination can give the following information

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

10.8.7 Reference Checks

Candidates are required to give the names of two or three references in their application form. These references may be from individuals who are familiar with the candidate's academic achievements, or from applicant's previous employer, who is well-versed with the applicant's job performance, and sometimes from co- workers.

10.8.8 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.

10.9 SELF-ASSESSMENT QUESTIONS

10.9.1 The process of manpower search and selection begins with defining the _____________ for the job.

10.9.2 In the context of recruitment, identifying and attracting potential candidates is often referred to as _____________.

10.9.3 The purpose of conducting interviews and assessments is to evaluate candidates' _____________ for a specific role.

10.9.4 To ensure a diverse workforce, organizations should implement _____________ practices that reach a wide range of candidates.

10.9.5 Effective selection methods help companies match the right candidates with the right _____________.

10.10 SUMMARY

- Recruitment is the process of locating and encouraging potential applicants to apply for existing or anticipated job openings. Certain influences restrain managers while choosing a resulting source such as: image of the company, attractiveness of the job, internal policies, budgetary support, government policies, etc.
- Selection is the process of choosing individuals who have relevant qualifications to fill jobs in an organization. The primary purpose of selection activities is to predict which job applicant will be successful if hired.

10.11 KEYWORDS

- **Recruitment:** The discovering of potential applicants for actual or anticipated organizational vacancies.
- **Employee Referral:** A recommendation from a current employee regarding a job applicant.
- **Campus Recruitment:** Visiting specific- skill institutes to hire graduates.
- **Outsourcing:** Letting outside vendors provide services.
- **Selection:** The process of picking individuals who have relevant qualifications to fill jobs in an organization.

10.12 SHORT QUESTIONS ANSWERS

1. What is the primary goal of the recruitment and selection process in human resource management?
2. How can organizations effectively use online job boards and social media for candidate sourcing?
3. What are the advantages and disadvantages of using structured interviews in the selection process?
4. Why is it important for organizations to conduct background checks on potential hires?
5. What role does competency-based assessment play in candidate selection?

10.13 LONG QUESTIONS ANSWERS

1. Can you describe the step-by-step process of manpower search and selection, highlighting key considerations and best practices at each stage?
2. How can organizations balance the need for efficiency in the recruitment process with the importance of ensuring fairness and diversity in their hiring practices?
3. In what ways can technology, such as applicant tracking systems (ATS) and AI-driven tools, enhance or streamline the manpower search and selection process?
4. What strategies can organizations employ to attract and retain top talent, particularly in competitive industries?

10.14 SUGGESTED READINGS

- G. Dessler, *"Human Resource Management",* New Delhi, Prentice Hall.
- V.S.P. Rao, "Human *Resource Management - Text and Cases".*

10.15 SELF-ASSESSMENT QUESTIONS ANSWERS

10.9.1 job requirements

10.9.2 sourcing

10.9.3 suitability

10.9.4 inclusive

10.9.5 job positions

Lesson No. 11 AUTHOR: SHAVETA GOYAL

INDUCTION, PLACEMENT & SOCIALISATION

STRUCTURE

11.0 OBJECTIVES

After reading this chapter, the student should be able to :

- Understand the importance of placement and induction in an organization.
- Know about formal induction and how it can be effective for an employee.
- To know about socialization and its process.

11.1 INTRODUCTION

Once an employee has been selected, he should be placed on a suitable job. Putting the right man at the right job is as important as hiring the right person. A misplaced employee remains dissatisfied and frustrated. After putting the selected candidates on proper jobs, it is necessary to make them familiar with the jobs, the company and the other employees so that they feel at home and can concentrate on their work.

He should be given copies of rules, regulations, procedures, etc. followed in the company. He should be given detailed description of the job he is going to be assigned. He should be introduced to his immediate superior and subordinate and also told about his authority-responsibility relationship.

Besides job- induction, selected candidate should be given proper information about the working of the company. He may be informed about the activities of the company, products manufactured, services provided, etc... The employee may not be aware about the location of the canteen, toilets, dispensary recreation room, etc. All such pieces of information may be provided to him by taking him around the factory. This work may be assigned to the superior to whom he has been attached. Proper orientation of an employee will help him to adjust easily in the new environment of the organization.

11.2 CONCEPT OF PLACEMENT

Placement is the process of assigning a specific job to each one of the selected candidate. It involves assigning a specific rank and responsibility to an individual. It implies matching the requirements of a job with the qualifications of a candidate. In the words of Pigors and Myers," placement is the determination of the job to which an accepted candidate is to be assigned, and his assignment to that job. It is a matching of what the supervisor has the reason to think he can do with the job demands. It is a matching of what he imposes in strain, working conditions, and what he offers in the form of payroll companionship with others, promotional possibilities, etc." Proper placement helps to improve employee morale. It also helps to reduce employee turnover encourages employees and to perform as per the expectations. However, if the candidate has problems in adjusting himself, supervisor should review all such cases to find areas of misplacement. Such candidates should be assigned some other more suitable jobs. Alternatively, they may be given further training to make them fit for the job.

11.3 CONCEPT OF INDUCTION

Orientation or 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 happily and start work." The new employee is introduced to the job and the organization. The purpose of orientation is to make the new entrant feel at home and develop a sense of pride in the organization and commitment to the job. The newcomer is explained his duties and responsibilities, company policies and rules, and other relevant information to get him acquainted and accommodated.

11.4 OBJECTIVES OF INDUCTION

Induction helps to reduce labour turnover and absenteeism. It also reduces start up time and costs. It develops realistic expectations and reduces anxiety. It prevents a worker from falling prey to subversive elements, which thrive on creating labour unrest by misapprehending employers to illiterate employees. Proper orientation enables the new employee to get off to a good start and to develop his overall effectiveness on the job. Thus, an orientation programme is designed to achieve the following objectives:

1. To help the newcomer overcome his natural shyness and nervousness in meeting new people in a new environment.
2. To build up the new employee's confidence in the organization and in himself so that he may become an efficient employee.
3. To develop among the newcomers a sense of belonging and loyalty to the organization.
4. To foster a close and cordial relationship between the newcomers and the old employees and their supervisors.
5. To ensure that the newcomers do not form false impression and negative attitude towards the organization or the job because first impression is the last impression. 6. To give the newcomers necessary information such as location of cafeteria, toilets and locker room; rest periods and leave rules, etc.

11.5 ADVANTAGES OF FORMAL INDUCTION

1. Induction helps to build up a two-way channel of communication between management and workers.
2. Proper induction facilitates informal relations and teamwork among employees.

3.Effective induction helps to integrate the new employee into the organization and to develop a sense of belonging.

4. Induction is helpful in supplying information concerning the Organization, the job and employee welfare facilities.

5. Proper induction reduces employee grievances, absenteeism and labour turnover. A large proportion of labour turnover occurs during the early weeks of employment because no effort is made to make newcomer feel at home.

6. A formal induction programme proves that the company is taking a sincere interest in getting him off to a good start.

7. Induction helps to develop good public relations, public relations begin at home, when new employees are convinced that what is good for the company is ultimately in their own interest. Through induction new employees develop confidence in the company and in them.

11.6 INDUCTION IN INDIAN INDUSTRY

Induction is one of the most neglected areas of human resource management in Indian industries. Very little is done for systematic induction of a new employee in an industrial unit. The newcomer is generally expected to know the enterprise through trial and error and stumble his way in the organization. In Indian industry induction is necessary particularly for rural workers, young persons and management trainees. A rural worker joining a factory for the first time has to adjust not only to his work environment but also to a new social environment. When a young person joins, the aged workers might resent. Proper induction will help to develop a rapport between the old and the new employees. Graduates from management schools find it difficult to adjust themselves with traditional management style in family-owned companies. Induction is required to help them adjust to a new work culture.

Thus, induction has a greater significance in a developing country like India, where the percentage of illiteracy is very high. The worker finds himself completely at sea when by force of circumstances he has to shift from rural surroundings into an industrial unit. It is no use trying to push a handbook of terrified rules and regulations into his hands and expecting him to turn out into a loyal and efficient employee. He needs a short and simple induction conducted by someone who speaks his own language. This will go a long way in reducing turnover and, above all, in preventing a worker from the likelihood of falling a prey to subversive elements who thrive on creating labour unrest by misrepresenting employees to illiterate employees.

11.6.1 EOP (employee orientation program) module at glance

- **General orientation programme:** covers the organization's history, mission, goals, structures and other human resource policies.
- **Specific job orientation:** provides an in- depth information on what is expected of the person and his general accountabilities.
- **Departmental orientation:** normally done by departmental heads, it covers departmental objectives, team goals, etc.
- **Buddy system:** where a buddy is an experienced person who understands the organization and is willing and able to assist the newcomer.
- **Mentoring:** a mentor is a role model and takes charge of the newcomer to ensure induction is as fast as possible and also with accountability.

11.6.2 Plus Points for Employees and the Organisation

For Employees

- A chance to get a clearer picture of the organization with a comprehensive introduction to its culture and philosophy
- Introductions to relevant people, which make it easier for new recruits to approach them subsequently.
- Time to settle in, learn and capture information, before expectations on the deliverables begin to come in.

For Organization

- A chance to spend important, initial time with new employees in order to get to know him/her better hence set expectations accordingly.
- A system that ensures new hires are well-settled and productive at a faster pace. Puts them higher- up on the organization's learning curve.

11.7 CONTENTS OF INDUCTION PROGRAMME

A formal induction programme should provide information concerning the following:

1. Brief history and operations of the employees.
2. Products and services of the company.
3. The company's organization structure.
4. Location of departments and employee facilities.
5. Politics and procedures of the company.
6. Rules, regulations and daily work routines.
7. Grievance procedures.
8. Safety measures.
9. Standing orders and disciplinary procedures.
10. Terms and conditions of service including wages, working hours, overtime, holidays, etc.
11. Suggestion schemes.
12. Benefits for employees
13. Opportunities for training, promotions, transfer, etc.

11.8 HOW TO MAKE INDUCTION EFFECTIVE

The following guidelines may be helpful in making induction more effective:

1. Human side is the most important part of induction. Therefore, first of all the new employee should be introduced to the people with whom he will work- his colleagues, superiors and subordinates. A tea party may be arranged for this purpose.
2. Make the new employee aware of the general company policies that apply to him as well as the specific work situation and requirements.
3. Administer smaller doses of information over a period of time rather than giving everything on a single day. Induction should be a gradual process.
4. Answer any questions and clarify any doubts that the employee may have about the job arid the organization.
5. Provide on-the-job instructions, and counselling.
6. Keep in touch with the new employee to check back how he is doing and offer help if required.
7. Allow reasonable time to adapt to the new work environment and job demands.

The general induction, which is to be handled by the HRD department, should include at least these basic things:

- Introducing the new employee with at least all the key senior people in the company and with all the department heads.
- Running them through the company's history and its operations.
- Explaining the administrative systems and procedures to them properly and what formalities they are expected to complete in the first few weeks.
- Telling them about the assistance available within the company that they can tap.
- Introducing them with people who can informally brief them about the company's culture.
- Organizing informal lunches and dinners in which the new employee gets to know a handful of key colleagues from other departments.

11.9 SOCIALISATION

Socialization is the process of adaptation. It is the process by which new employees attempt to learn and inculcate the norms and values of work roles in an organization. Learning and inculcating the norms and values of work group are necessary for proper adjustment and job performance.

Some people treat induction and socialization as synonymous. However, the two are different in some respects. Induction is in fact, only a part of socialization. Induction is confined to new recruits whereas socialization also covers cases of transfer and promotion.

Socialization is based on several assumptions:

- New employees suffer from anxiety and require adjustments

a Socialization strongly affects employee performance and stability of the organization.

The socialization process consists of the following stages:

- Pre- arrival
- Encounter
- Metamorphosis

1. **Pre- arrival stage:** The pre- arrival stE.ge recognizes that all the new recruits arrive in the organization with a set of values, norms, expectations and learning. These include both the work to be done and the organization. E.g. in business schools, students acquire certain ideas regarding the nature of their future jobs, pay packages and career progress. At the recruitment stage, many organizations give a job preview which helps the prospective employees to learn more about the job and the organization.
2. **Encounter stage:** When the new employee joins the organization, he encounters the realities of the situation in terms of his job, work culture, superiors, subordinates and peers. If the expectations of the individual are in tune with the organizational realities, he adapts to the organization quickly. On the other hand, if there is a marked difference between expectations and realities, socialization is essential to replace his previous assumptions with realities. At the other extreme, the individual cannot reconcile with the values and norms of the organization and quits the job.
3. **Metamorphosis stage:** In this stage, the new employee acquires the skills required to adjust with the values and norms of the organization. He brings

necessary changes in his attitudes and role behavior to suit the organization's culture. Such changes make the employee self- confident and he feels accepted by other members of the organization. The completion of socialization process is characterized by feelings of competence in the job and commitment to the organization.

11.10 SELF-ASSESSMENT QUESTIONS

11.10.1 Induction programs typically introduce new employees to the company's culture, values, and _____________.

11.10.2 Placement is the process of assigning employees to specific roles or _____________ within the organization.

11.10.3 Socialization helps new hires integrate into the workplace by fostering a sense of _____________ and belonging.

11.10.4 During the induction process, employees often receive training on company policies, procedures, and _____________.

11.11 SUMMARY

• Placement is the process of putting an employee on a specific job so as to match employee skills with the requirements of the job.

• Orientation is the process of familiarizing new employees with the organization and the job.

• Orientation has not been given due attention in Indian industry.

• A formal induction programme provides all the necessary information to the new employee.

• Socialization is an adaptation process comprising three stages- pre-arrival, encounter and metamorphosis.

11.12 KEYWORDS

1. Induction: Orientation
   - Induction involves introducing new employees to the company's policies and procedures.
2. Placement: Job Assignment
   - Placement refers to assigning employees to specific job roles or positions.
3. Socialization: Workplace Integration
   - Socialization helps new hires integrate into the workplace culture and build relationships with colleagues.
4. Onboarding: Employee Orientation
   - Onboarding encompasses induction, placement, and socialization processes to help new employees adapt to their roles and the organization.

11.13 SHORT ANSWERS QUESTIONS

1. What is the primary purpose of an induction program in an organization?
2. How does placement impact an employee's initial experience within a company?
3. What key components are typically included in an effective employee socialization process?
4. How can an organization ensure that its induction process aligns with its company culture and values?

11.14 LONG ANSWERS QUESTIONS

1. Can you outline the essential steps involved in designing and implementing a comprehensive induction program that ensures a smooth transition for new hires?
2. How can organizations effectively match employees' skills and qualifications with appropriate job placements to maximize both employee satisfaction and organizational productivity?
3. In what ways can socialization initiatives help mitigate employee turnover and promote long-term loyalty to the organization?
4. Could you provide examples of how different industries or cultures approach induction, placement, and socialization to meet their unique needs and challenges?

11.15 SUGGESTED READINGS

• Gupta, C. B. (2006), "Human Resource Management", 7th Edition: Kalyani

Publications.

11.16 SELF-ASSESSMENT QUESTIONS ANSWERS

11.10.1expectations

11.10.2 positions

11.10.3 camaraderie

11.10.4 protocols

PROMOTION AND SUCCESSION

STRUCTURE

12.0 OBJECTIVES

After reading this chapter, the student should be able to:

1. Understand the meaning and objectives of promotion.
2. Know about the types and bases of promotion and policy of promotion.
3. Know the Succession Planning and Succession Management.

12.1 INTRODUCTION

"Promotion" is a term which covers a change and calls for greater responsibilities, and usually involves higher pay and betterterms and conditions of service and therefore, a higher status or rank. Advancement within an organisation is ordinarily labelled as 'promotion'. It is an upward movement of an employee from current job to another that is higher in pay, responsibility, status and organisational level.

A mere shifting of an employee to a different job which has better working hours, better location and more pleasant working conditions does not imply promotion. The new job will be promotion only if it entails increased responsibilities and enhanced pay. The term promotion has been defined by following authors as below:

Edwin B. Flippo, "A promotion involves a change from one job to another that is better in terms of status and responsibilities.

Scott &, Spriegal, " A promotion is the transfer of an employee to a job that pays more money or that enjoys some better status."

12.2 PURPOSES AND ADVANTAGES OF PROMOTION

The purpose of promotion may be outlined as follows:

1. To motivate employers to higher productivity.

2. To attract and retain the services of qualified and competent people.
3. To recognize and reward the efficiency of an employee.
4. To increase the effectiveness of the employee and of the organization.
5. To fill up higher vacancies from within the organization.
6. To build loyalty, morale and a sense of belongingness in the employee.

12.3 TYPES OF PROMOTION

A Promotion involves an increase in status, responsibilities and pay. But, in certain cases, only the pay increases, and the other elements remain stagnant. In other cases, the status only increases without a corresponding increase in pay or responsibilities. Depending on which elements increase and which remain stagnant, promotions may be classified into the following types:

1. **Horizontal Promotion:** This type of promotion involves an increase in responsibilities and pay, and a change in designation. But the employee Concerned does not transgress the job classification. For example, a lower division clerk is promoted as an upper division clerk. This type of promotion is referred to as 'upgrading the position of an employee.
2. **Vertical Promotion:** This type of promotion results in greater responsibility, prestige and pay, together with a change in the nature of the job.
3. **Dry Promotion:** Dry promotions are sometimes given in lieu of increase in remuneration. Designations are different but no change in responsibilities. The promote may be given one or two annual increments.

12.4 BASES OF PROMOTION

Promotion is a double-edged weapon. If handed carefully, it contributes to employee satisfaction and motivation. if mishandled, it leads to discontentment, frustration, scepticism and bickering among the employees, and culminates in a high rate of labour turnover. 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.

12.4.1 SENIORITY-BASED PROMOTIONS

Seniority refers to the relative length of service in the same organization. An employee with the longest period of service will get promoted, irrespective of whether he/ she is competent to occupy a higher post or not. This is the practice followed in unionized industrial establishment, government-owned undertakings and educational institutions. A promotion on the basis of seniority has merits and demerits.

The merits are:

1. Itis easy to administer.
2. There is a less scope for subjectivity or arbitrariness in fixing seniority.
3. Labour unions welcome seniority-based promotions.
4. Seniority and experience go hand in hand and, therefore it is right and proper to make promotions on this basis.
5. Subordinates are more willing to work under an older boss who has given many years of service to the company.
6. Loyalty is rewarded.

The demerits are:

1. Seniority is no indication of competence.
2. In spite of judicial pronouncement, there is no single criterion for fixing the seniority of an employee.
3. Young and competent people get frustrated and might leave the organization.

12.4.2 MERIT-BASED PROMOTIONS

Merit based promotions occur when an employee is promoted because of superior performance in the current job. Merit here is denoted as individuals' knowledge, skills, ability and efficiencyas measured from his educational qualifications, experience, training and past employment record. Such a promotion has its own charm because it is won by hard work and dedication.

The merits of promotion by merit are:

1. Efficiency is encouraged, recognized and rewarded.
2. Competent people are retained because better prospects are open to them.
3. Productivity increases.

The disadvantages of promotion by merit are:

I. Discontentment among senior employees.
2. Scope for favouritism.
3. Loyalty and length of service are not rewarded.
4. Opposition from union leaders.

Hence it is obvious that seniority and merit as the bases of promotion have their own merits and demerits. Of the two, merit is the better basis because it rewards those who deserve it, unlike seniority which results in the promotion of a senior employee whose only qualification, often, is that he or she joined the organization earlier than the others.

In non-unionized companies, promotions are made on the basis of merit because the managements of such companies are free from union pressures. Even in unionized organizations, merit is the basis for the promotion of non-productive employees. Seniority for promotion should be considered only when there is more than one aspirant of equal merit.

12.5 PROMOTION POLICY

Seniority and merit, thus, suffer from certain limitations. To be fair, therefore, a firm should institute a promotion policy that gives due weightage to both seniority and merit. To strike a proper balance between the two, a firm could observe the following points:

1. Establish a fair and equitable basis for promotion i.e., merit or seniority or both.
2. A promotion policy established should provide equal opportunities for promotion of all categories of jobs, departments and regions of an organization.
3. Itshould ensure an open policy in the sense that every eligible employee is considered for promotion rather than a closed system which considers only a particular class of employees. It must tell the employees the various avenues for achieving vertical growth through career maps, charts etc.
4. Appropriate authority should be entrusted with the responsibility of taking a final decision on promotion.
5. The norms for judging merit, length of service, potentiality, etc., must be established beforehand. The relative weightage to be given to merit or seniority or

both should be spelt out clearly.

6. The mode of acquiring new skills, knowledge, etc., should be specified to all employees so that they can prepare themselves for career advancement.

7. Detailed records of service, performance, etc., should be maintained for all employees, to avoid charges of favouritism, nepotism etc.

8. Promotion policy should contain alternatives to promotion when deserving candidates are not promoted due to lack of vacancies at higher level_ These alternatives include up gradation, re-designation, sanctioning of higher pay or increments or allowances assigning new and varied responsibilities to the employee by enriching the job or enlarging the job.

9. A provision for appeal against (alleged) arbitrary actions of management and its review should be there.

10. Promotions initially may be for a trail period so as to minimize the mistakes of promotion.

11. 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.

12.6 SUCCESSION PLANNING

Succession planning is described as having the right people in the right place right time. More specifically, Succession Planning is the ongoing process of identifying future leaders in an organization and develop them so that they are ready to move into leadership roles.

Succession planning is the process of ensuring a suitable supply of successors for current and future senior or key jobs arising from business strategy, so that the careers of individuals can be planned and managed to optimize the organizations needs and the individual's aspirations.

This process includes reviewing the organization's strategic plan, studying the current workforce, forecasting future trends, and developing employees in a structured plan to replace leaders as they retire or depart from the organization.

Organizational survival and growth are the most important responsibilities which can best be fulfilled by planning management succession to ensure the availability of the right number and right kind of management staff at the right time and in the right position.

12.7 PURPOSE OF SUCCESSION PLANNING

The purpose of succession planning is to prepare the organization for the challenges and opportunities associated with changes in critical key positions. It can be accomplished by developing employees to ensure that qualified candidates are ready to fill those key positions when a vacancy occurs.

So, the purpose of succession planning is to identify and develop people to replace current jobholders in key positions. Through succession planning, companies assure a steady flow of internal talent to fill important vacancies. Succession planning encourages 'hiring from within' and creates a healthy environment where employees have careers and not merely jobs. It helps in identifying human resource shortages and skill shortages before openings occur. Thereafter, it becomes easy to groom qualified candidates for future vacancies. The organization is thus assured of continuity of operations and better-qualified incumbents.

A succession plan should be much more than an organization chart showing who will succeed whom. It should indicate the likely shape and size of the organization and the content of future management jobs. A succession plan should not be rigid and fixed at a point of time. It should be a flexible framework which can cope with the business plans, unexpected resignations, and the emergence of new talents by recruitments or, for example, for an acquisition.

It is desirable to associate the succession plan with the annual appraisal process, and then only it can ensure that it is given a serious detailed attention at the time of the year when management is more predisposed to longer-term thinking. Another potential anchor point is, of course, the preparation of annual business plan as budget.

What Does Succession Planning Involve

Succession planning involves a planned and **systematic** effort geared towards responding to leadership requirements throughout the organisation now and in the future. Several steps are involved:

- Identifying key critical roles within the organisation and develop a clear understanding of the capabilities required for high performance effectiveness in those roles.
- Undertaking a risk assessment by forecasting potential shortages and surpluses of potential candidates for those roles. This step should draw on organisational units demographic analysis and may include analysis of recruitment and retention patterns, projected skills requirements and the need for specific jobs: it could also include an analysis of market factors such as where skills could be sourced externally, as well as assessing where internal development resources should be focused.
- Identifying people who could potentially fill and perform highly **in** such roles. (internally, those people may already be apparent and waiting for **an** opportunity to apply for a more challenging role, or the organisation may need to take steps to identify them; they may also need to refer to external sources to determine potential availability of staff).
- Developing the required capabilities in those people already within the organisation through a program of learning experiences planned collaboratively by the organisation working with the individual.

KEY PRINCIPLES FOR EFFECTIVE SUCCESSION PLANNING

1. Succession Planning Culture

A succession planning culture should be developed at all levels, not just at the top, with shared responsibility for succession planning across the organisation. Establishing a succession planning culture within an organisational unit conveys a message to the staff that the organisation values their contribution and builds a culture which recognises the importance of career development and progression.

2. Aligning Succession Planning with Workforce Planning

Succession planning should be an integral component of the organisational unit's workforce planning framework, linked to current and evolving organisational needs. It should be based on a well analysed Workforce Plan and HR Indices, which include an analysis of demographic and trend data, forecasted attrition rates, availability of external labour, and forecast of supply and demand for critical skill sets. Heads/Managers of organisational units should conduct a workforce analysis prior to the commencement of the succession planning process and refer to the organisation/staffing structure or profile to gain more relevant information.

3. Clear and Realistic Time Frame

Implementation strategies should be developed with clear and realistic timeframes and periodic evaluation built into the process from the design phase.

4. Selection of Potential Candidates and performance review

Succession planning should focus on identifying a robust field of potential candidates for leadership and middle management rolls. It does not involve the development of lists or queuesfor promotion, which would conflict with the merit value.

Organisational unit should have very clear criteria to identify potentialcandidates for leadership roles. While these candidates may receive considerable benefits in the form of targeted development options, organisational units would expect ongoing high performance in return.

5. Ethical and Fair Process

The process should be open across organisational levels. The career aspirations, values and preferences of employee, who are given the Opportunity to express interest in pursuing management/leadership roles, should be taken into account, as well as the strategic needs of the organisation.

12.8 SUCCESSION MANAGEMENT

Succession management, an alternative approach developed in the 1990s, is used to examine existing managerial talent in light of future competencies and future business needs and challenges. The basic purpose of succession management is to ensure that the right talent is available when needed and that appropriate development experiences are provided for higher-level employees. It focuses on creating and stocking pools of candidates with high leadership potential.

12.9 STEPS OF SUCCESSION MANAGEMENT

1. Identifying the shortage of leadership skills and defining the requirements with a view to identify the impending shortage of leadership skills, organizations have to estimate manpower requirements well in advance.
2. Identifying potential successors for critical positions : Once shortages are assessed and skill requirements defined, the next step is to find people with requisite talent to move into senior leadership roles.
3. Coach and groom the 'stars': After identifying potential successors for important positions, the organization must devise ways and means to fast track their development.
4. Secure top management's commitment and support: The above development-oriented action plan would be fruitless if it does not enjoy consistent support and continued blessings from top management.

12.10 Self-Assessment Questions

12.10.1 Promotion is the advancement of employees to higher ____________ within an organization.

12.10.2 Succession planning involves identifying and developing ____________ to fill key leadership roles in the future.

12.10.3 Effective promotion decisions should be based on an employee's performance, skills, and ____________.

12.10.4 One key benefit of succession planning is ensuring ____________ and continuity in leadership positions.

12.10.5 To prepare for succession, organizations should provide training and development opportunities for their ____________ candidates.

12.11 Summary

Promotion results in improvement in pay, prestige and responsibilities. Promotion must be based on well-established principles. Horizontal promotions, dry promotions and vertical promotions are the three types of promotion. The basic purpose of succession planning is to identify and develop people to replace current job holders in key positions. Through succession planning organizations assure a steady flow of internal talent to fill important vacancies.

12.12 Keywords

1. Promotion involves elevating employees to higher positions within the organization, recognizing their skills and contributions.

2. Succession planning identifies and nurtures potential future leaders, ensuring a smooth transition and continuity in key roles.

3. Talent Development refers to the process of preparing employees for future leadership roles through training, mentoring, and skill development**.**

4. **Performance Evaluation** involves assessing employees' job performance to determine their readiness and suitability for promotion or succession planning.

12.13 Short Answers Questions

1. What is the primary objective of promoting employees within an organization?
2. How does effective succession planning contribute to the long-term success of a company?
3. What factors should organizations consider when deciding on promotions and succession candidates?
4. What role do performance evaluations play in the promotion and succession process?

12.14 Long Answers Questions

1. How can organizations strike a balance between promoting from within and hiring externally to ensure a competitive and diverse leadership team?
2. What challenges do organizations commonly encounter when implementing succession plans, and how can they address these challenges effectively?
3. Can you provide examples of successful leadership development programs that have resulted in effective succession planning within organizations?
4. In what ways can transparent communication and feedback mechanisms enhance the promotion and succession processes for both employees and management?

12.15 Suggested Readings

Edwin B. Flippo, Personnel Management, New York, McGra-Hill.

12.16 Self-Assessment Questions Answers

12.10.1 positions

12.10.2talent

12.10.3potential

12.10.4stability

12.10.5potent

TRAINING AND DEVELOPMENT

STRUCTURE

13.0 OBJECTIVES

After reading this chapter, the student should be able to:

- Understand the concept of Training and Development.
- Know process and types of training in organizations.
- Understand the methods or techniques for training.
- Understand the methods or techniques for development.

13.1 INTRODUCTION

Every organization needs to have well-trained and experienced people in order to achieve the objectives of the organization. In a rapidly changing environment, employee training and development are not only an activity that is desirable but also an activity that an organization must commit resources to if it is to maintain a viable and knowledgeable workforce.

Training, Education and Development

Training is a process of learning a sequence of programmed behavior. It is application of knowledge. It can be defined as a process of increasing the knowledge and skills for doing a particular job. The purpose of training is basically to bridge the gap between job requirements and present competence of an employee.

Education is the understanding and intervention of knowledge. It does not provide definite answers, but rather it develops a logical and rational mind that can determine relationships among pertinent variables and thereby character, and understanding of basic principles and develop the capacity of analysis, synthesis and objectivity.

Development is a process related to training but it covers not only those activities, which improve job performance, but also those, which bring about growth of personality; help individuals in the progress towards maturity and actualization of their potential capacities so that they become not only good employees but also better men and women.

The need for training employees would be clear from following observations:

performance on their present assignment. Increased human performance often directly leads to increased operational productivity and increased company profit.

II. **To improve quality:** Better-informed employees are less likely to make operational mistakes. Quality increase may be in relationship toa company product or service or in reference to the intangible organizational employee atmosphere.

iiiTo help the organization fulfil its future Personnel Needs: Organizations which have a good internal educational programme will have to make less drastic manpower changes and adjustments in the event of sudden personnel alternations. When the need arises, organizational vacancies can be more easily staffed from internal sources if a company *initiates* and maintains an adequate instructional program for both its supervisory and managerial employees.

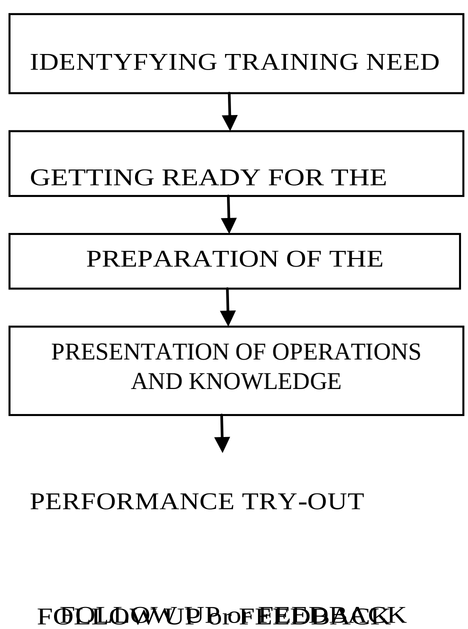
iv. To improve organizational climate: An endless chain of positive reactions results from a well-planned training program. Production and product quality may improve; financial incentives may then be increased, internal promotions become less stressed, less supervisory. Increased morale may be due to many factors, but one of the most important of these is the current state of an organization's educational endeavor.

v. To improve Health and Safety: Proper training can help prevent industrial accidents. A safer work environment leads to more stable mental attitudes on the part of employees. Managerial mental state would also improve if supervisors know that they can better themselves through company-designed development programs.

vi. Obsolescence prevention: Training and development programs foster the initiative and creativity of employees and help to prevent manpower obsolescence, which may be due to age, temperament or motivation or the ability of a person to adapt to technological changes.

vii. Personal growth: Employees on a personal basis gain individually from their exposure to educational experiences. Also, Management Development Programs give participants a wider awareness, an enlarged skill and enlightened altruistic philosophy and personal growth.

13.2 THE TRAINING PROGRAM



1. Identifying Training Needs

A training program should be established only when it is felt that it would assist in the solution of specific operational problems. Identification of training needs must contain three types of analysis:

a. Organizational analysis- it involves determination of organization's goals, its resources and the allocation of the resources as they relate to the organizational goals.

b. Operations analysis- it focuses on the task or job regardless of the employee doing the job. It includes the determination of what the worker must do and the specific behavior required if the job is to be performed effectively.

c. Man analysis- it reviews the knowledge, attitudes and skills of the incumbent in each position and determines what knowledge, attitudes or skills must be acquired to contribute satisfactorily to the attainment of organizational objectives.

2. **Getting ready for the job**

Under this step, it is to be decided who is to be trainedi.e. the newcomer or olderemployee or supervisory staff etc. The trainer has to be prepared for the job, which includes providing support material for training, specifying training details like training period, training methods and training for different employees.

3. Preparation of the Learner

This step involves putting the learner at ease, explaining why he is being taught, creating interest and finding out what the learner already knows about the job, placing the learner as close as possible to his normal working conditions and familiarizing him with the equipment, materials, tools and trade terminology.

4. Presentation of Operation and Knowledge

This is the most important step in the training program. The trainer should clearly tell, show, illustrate and question in order to put over the new knowledge and operations. Instructions should be given clearly, completely, and patiently. There should be an emphasis on key points and one point should be explained at a time. Trainer can also use audio-visual aids for imparting skills.

5. Performance try-out

Here, the trainee is asked to go through the job several times slowly, explaining him each step. Mistakes are corrected and if necessary, some complicated steps are done for the trainee the first time. The trainee is asked to do the job, gradually building up the skills and speed. As soon as the trainee demonstrates that he can do the job in a right way, he is put on his own, but not abandoned.

6. Follow up

This step is undertaken to test the effectiveness of the training efforts. This consists of putting the trainee on his own, checking frequently to ensure that he has followed instructions accurately and tapering off extra supervision and close follow up until he is qualified to work with normal supervision.

13.3 TYPES OF TRAINING

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

I. Orientation Training: Also called Induction training. It seeks to adjust newly appointed employee to the work environment. Every new employee needs to be made fully familiar with the job, his superiors and subordinates and with the rules and regulations of the organization. Induction creates self-confidence in the employees and is generally brief and informative.

II. **Job Training:** The training provided with a view to increase) the knowledge and skills of an employee for improving performance on the job is referred to as Job training.

Employees may be taught the correct methods of handling equipment and machines used in a job. This type of training helps to reduce accidents, waste and inefficiency in the performance of the job.

III. **Safety Training:** This type of training is provided to minimize accidents and damage to the machinery. It involves instructions in the use of safety devices and in safety consciousness.

IV. **Promotional Training:** This training is imparted to existing employees to enable them to perform higher-level jobs. This involves selecting employees with potential and giving them training before promotion. This is done to ensure that employees do not face difficulties while shouldering higher responsibilities of the new positions to which they are promoted.

V. **Refresher Training:** This type of training is provided when existing techniques become obsolete due to the development of better techniques and employees are trained for the use of new methods and techniques. Short-term refresher courses have become popular due to rapid changes in technology and work methods. Thus, refresher training is conducted to avoid obsolescence of knowledge and skills.

13.4 METHODS OR TECHNIQUES OF TRAINING

The methods used for providing training can be described as under:

1. **On-the-job Training (OJT)**

In this technique, the trainee is placed on a regular job and taught the skills necessary to perform it. The trainee learns under the guidance and supervision of the superior or an instructor. The trainee learns by observing and handling the job. Thus, it is called learning by doing.

Several methods are used to provide on-the-job training e.g. coaching, job rotation, committee assignments, etc. A popular form of OJT is Job Instruction Training (JIT) or step by-step learning. It is suitable for acquisition or improvement of motor skills and routine and repetitive operations. The JIT involves the following steps:

a. Preparing the trainee for instruction i.e. putting him at ease.

b. Presenting job instructions in terms of what the trainee is required to do on the actual job. The trainee is put at work site and each step of the job is explained to him clearly.

c. Applying and trying out the instructions to judge the extent to which the trainee has grasped the instructions.

d. Following up the training to identify and correct the deficiencies if any.

JIT method provides immediate feedback and permits quick correction of errors. But it needs skilled trainers and preparation in advance.

Some of the major advantages of On-the-job training are:

i. The trainee learns on the actual machine in use and in the real work environment.

ii. It is economical because no additional space, equipment, personnel or other facilities are required for training.

iii the trainee also learns the rules, regulations and procedures by observing day-to-day applications.

iv. It is very useful for training unskilled and semi-skilled jobs like machinist, clerical and sales jobs.

On the other hand, this method also suffers from some...limitations. Firstly, traineemight find it difficult to concentrate due to noise on the workplace. Secondly, this method is often haphazard and unorganized. Thirdly, the trainee may cause damage to costly equipment and materials.

2. Vestibule Training

In this method, a training centre called vestibule is set up and actual job conditions are duplicated or simulated in it. Expert trainers are employed to provide training with the help of equipment and machines, which are identical with those in use at the workplace. Some of the merits of this method are:

a. The trainee can concentrate on learning without disturbance of the workplace noise.

b. The interest and motivation of the trainee is high as actual job conditions are simulated.

c. This method is essential where on-the-job training might cause serious injury or damage to the costly equipment and material e.g. aeronautical industry.

d. It is very effective for training a large number of employees of the same kind of work at the same time.

However, some of the demerits are that it is expensive due to additional investment required in classroom, equipment and expert trainers, also the training situations are somewhat artificial and real feel of the workplace is missing.

3. Apprenticeship

For training in crafts, trades and in technical areas, apprenticeship training is the oldest and most commonly used method, especially when proficiency in a job is the result of a relatively long training period. Theoretical instruction and practical learning are provided to the trainees in the training institutes for technical training under this method. For example, there are Industrial Training Institutes (ITIs) in India for providing this type of training. Under the Apprenticeship Act, 1962 employers in specific industries are required to train the prescribed number of persons in 'designated trades'. The field in which apprenticeship training is offered are numerous like the job of draughtsman, a machinist, a printer, a toolmaker, carpenters, weavers, jewellers, engravers, etc

Some of the merits of this method are:

1 A skilled workforce is maintained.

2 Immediate returns can be expected and workmanship is also good.

3 It combines both theory and practical.

4.The loyalty of employees is increased and opportunities for growth are frequent.

5. The hiring cost is lower because of reduced turnover and lower production costs.

But apprenticeship training is time consuming and expensive and many persons leave the training program midway due to long training period.

4. Classroom Training

Under this method, training is provided in company classrooms or in educational institutions. Lectures, case studies, group discussions and audio-visual aids are used to explain knowledge and skills to the trainees. This type of training is very useful for teaching concepts, problem- solving skills and for orientations and safety training programs. Classroom training is very important part of training software professionals for teaching new software technologies.

5. Internship

Internship training involves training college or university pass outs on practical aspects of their study. It provides an opportunity to students to practice the theoretical concepts learnt during the course of their study. Thus, it provides balance between theory and practice. For example, Doctors have one-year internship program where they learn practical aspects of the concepts of their medical studies. This method is very useful for training professional work like CA, Company Secretaries, MBBS and so on.

13.5 Self check exercise

Q. 1 Vestibule training utilises equipment which closely resemble the actual ones used on the job. TRUE/FALSE

Q. 2 Training enhance employee skills and knowledge, leading to improve performance. TRUE/FALSE

Q.3______refers to the learning opportunities designed to help employee grow.

(a) Training

(b) Development

(c) Education

(d) All of the above

Q.4 The following is are the benefit of training.

(A) Increased productivity

(B) Reduced accidents

(C) Reduced supervision

(D) All of the above

Q.5 Demonstration type of training method is used to train

(A) Workers

(B) Supervision

(C) Managers

(D) All of the above

Q.6 Choose which of the following is a benefit to the individual while receiving training?

a. Creates an appropriate climate for growth, communication

b. Aids in increasing productivity and/ or quality of work

c. Satisfies a personal need of the trainer

d. None of the above

Q.7 ----- is the process of imparting or increasing knowledge or skill of an employee to do a particular job.

a. Training

b. Development

c. Motivation

d. Leadership

13.6 CONCEPT OF EXECUTIVE DEVELOPMENT

Executive development is an attempt at improving an individual's managerial effectiveness through planned and deliberate process of learning. The driving force for development must be come from within the man himself. Hence all development is self-development. According to Flippo, "Management development includes the process by which managers and executives acquire not only skills and competency in their present jobs but also capabilities for future managerial tasks of increasing difficulty and scope."

The development of an individual brings change in those crucial areas, which can be considered as output variables like knowledge, attitude, behavior, and performance change. The effectiveness of development effort depends on certain input variables like trainee's personality characteristics such as intelligence and motivation to learn and his actual learning efforts.

13.7 TECHNIQUES FOR EXECUTIVE DEVELOPMENT

Executive Development

On-the-job Techniques

- Coaching
- Job Rotation
- Understudy
- Participation in boards and Committees

Off-the-job Techniques

- The Case Study
- Lectures
- Group Discussions
- Role Playing
- Management Games
- In Basket Exercise
- Sensitivity Training

13.7.1 On-the-job Techniques

These techniques are used when objective for manager's development is improving on the-job behavior. It is inexpensive and time saving method. But the main drawback is that neither the trainer nor the trainee is free from the pressures of their routine job and hence do not get enough time for development. Some of the on-the-job techniques are:

1. The Coaching Method

In addition to developing managerial thinking processes, this method is also used for developing operative skills. It is based on the concept of learning by doing. The superior plays the. role of the coach, the guide and the instructor. The coach sets mutually agreed upon goals, directs the subordinate (trainee) regarding what is to be done and suggests how it can be done, guides the trainee in achievement of the goals and corrects errors if any. The trainer basically helps the trainee to achieve the goals through periodic reviews of trainee's progress and by suggesting modifications where needed. Coaching can be very effective when coach acts as a role model, there is good understanding between the trainer and the trainee and coach is dedicated to developing the trainee.

It suffers from certain drawbacks such as:

i.- This technique is authoritarian i.e., the superior develops his own work habits and beliefs in his subordinates, though these may be faulty.

The effectiveness of this technique depends completely on the coaching ability of the superior.

2. Job Rotation Method

The main objective of development here is to turn the specialists into generalists. In this method executives are transferred from one job to another on some planned basis. It includes moving people horizontally and between line and staff positions. Interdepartmental transfers helps in broadening the horizons and increasing the knowledge pool. Generally, job rotation is designed for beginners. The period of rotation may range from
6 months to 24 months. The idea here is to impart diversified knowledge and skills and increase the familiarity of the trainees with various jobs in the department before they are posted as managers. Some of the merits of this method are:

i. It provides variety of work and hence reduces boredom and monotony.

ii. It facilitates cooperation and coordination between departments.

iii. Abilities and talents of each manager are tested best in variety of jobs.

iv. It prepares executives for handling greater responsibilities.

Demerits of job rotation are:

i. Job rotation may cause disturbance in established operations.

ii. The trainee executive may have to adjust to frequent changes in job.

3. The Understudy Method

An understudy is a person who has been selected for training in order to assume the full duties and responsibilities of the position currently held by his superior at some point of time in future. This is done to ensure that a fully trained person is available to take on the position of the manager during his long absence, illness, retirement, transfer or promotion. An understudy is generally picked up by manager from a pool of high performing subordinates. He or she is assigned projects related to the work in his or her section and deputed to attend meetings as a representative of his superior.

In this method, the trainee receives continuous guidance of his superior. Also, it is a practical method and trainee learns by doing on the job and this method ensures continuity of management facilities, when superior is no longer holding the position.

But there are many flaws in this method. Firstly, the choice of under Study depends on the discretion of the superior; therefore only the favourite one is selected. Secondly, his group members may no longer accept the understudy as a co-worker and his selection may result in conflicts in the group. The understudy may just imbibe what is practiced by his superior and may lose individuality in thinking and acting.

4. Participation in Deliberations of the Junior Board and Committees

It is also known as Multiple Management Technique. In this technique, the chief executive assigns the juniors to participate in the deliberations of Board or Committees where real-life problems are discussed, different views are debated upon and decisions are taken. The juniors get an opportunity to participate in managerial decision-making, to learn by watching their seniors and to ponder on specific organizational problems and arriving at the solutions.

13.7.2 Off-the-job Techniques

There are many off-the-job techniques for developing the executives. Some of them are discussed below:

1.The Case Study

It was first started by Harvard Business School and is an excellent method for developing analytical skills. A case is a written description of an actual situation in business, which provokes in the reader the need to decide what the situation really is, to identify the problems and what can and should be done. The trainees are given a real-life case along with some questions regarding the same. They are asked to analyse the case and come up with answers to the various questions and a discussion is carried on regarding the problem and various solutions identified by the trainees. The actual decision taken in the subject case is known only to the executive and is disclosed at the end of the discussion. It is a very effective method for improving analytical, problem-solving, judgmental and decision-making abilities.

2. Lectures

Lectures are very useful for providing information of complex nature especially when supplemented with case studies, discussions, demonstrations and audio-visual aids. It is a_ good way of imparting knowledge to large number of people at the same time. They are delivered by experts in the subject or by an eminent personality who has wide experience and practical knowledge in the business management or concerned industry.

The effectiveness of a lecture depends upon the content and organization of lecture,; communication skills of the presenter, listening ability of the trainees etc.

3. Group Discussions

In this method, the trainees prepare and present paper on the selected topic. The paper presentation is followed by critical discussion. The chairperson summarizes the paper and the discussion on the presented paper. Seminars and conferences are quite popular for development of executives as they can learn from others experiences.

4. Role Playing

Role-play is a method in which two or more trainees are assigned roles to play before the others in the class. Trainees have to play their part by exhibiting realistic behavior in an imaginary or hypothetical situation. Hypothetical situations are framed on employer employee relations, grievance procedure and salesman making a presentation to the customer, etc: It is an excellent technique for developing interpersonal skills and bringing desired changes in attitudes and behavior.

5. Management Games

Management or Business games are basically exercises carried out by the teams in a simulated environment. The exercises are generally hypothetical situations where teams compete against each other and take decisions to achieve a specific objective. The decisions can be regarding production, prices, R&D expenditure, advertising and maximizing profits. The teams represent competing companies and are composed of two to six members. Management games are a tool to teach trainees how to take managerial decisions in an integrated manner.

These are very effective in imparting problem-solving, decision-making, leadership skills and teamwork skills. But, simulating the real environment especially the computerized one is very expensive and simulations cannot match the actual environment.

6, In-Basket Method

In this method, the trainee or a team of trainees is provided a file (basket) on a functional area of management. Each individual studies the contents of the file and make his recommendations on the situation. The recommendations of each member are compared and conclusions on different functional areas are reached and documented in the form of a report.

7. Sensitivity Training

This method was developed by Kurt Lewin and was popularized by the National Training Laboratories, U.S.A under Leland Bradford. It is also known as T-group training, confrontation groups, laboratory training and so on. This helps to increase self-awareness and develop interpersonal and teamwork skills. According to Chris Argyris," Sensitivity Training is a group experience designed to provide maximum possible opportunity for the individuals to expose their behavior, give feedback, experiment with new behavior and develop awareness of self and of others".

The trainees are brought together in an open and free environment wherein participants are free to express themselves and carry out discussions. The discussion is lightly guided by a behavioral expert, who contributes by creating a conducive environment for expression of ideas, beliefs and attitudes.

Sensitivity training has often been criticized because it involves stress situations, which can cause psychological damage to the participants and trainee may become too sensitive to take tough decisions.

13.7

13.8 RETENTION OF TALENT

The most critical factor for an organization to be successful is its talent. Management of talent pool is the most challenging job for organizations in the global, competitive and ever-changing business environment. This includes challenge of finding, attracting, developing and retaining the right talent and the most demanding out of these is retaining the talent.

There is no single definition of employee retention. Some views mentioned by J. Leslie McKeown are as under:

- 'Employee retention means stopping people from leaving the organization.'
- 'Employee retention is all about 'keeping good people.'
- 'Getting our compensation and benefits into line with the marketplace.'
- 'Stock options creche facilities, and other perks.'
- 'It's got to do with our culture and how we treat people.'

In fact, employee retention means keeping the right talent within the organization by offering competitive compensation, incentives and healthy work culture. This concept arose in response to increasing number of employees leaving the organization due to various reasons.

Need for Employee Retention

Organizations have to bear massive costs associated with attrition or turnover. These ini hide recruitment costs, training casts, lost productivity costs, new hire costs and so on. Various estimates suggest that losing a middle manager costs an organization up to 100percent of his salary. The loss of a senior executive is even more costly.

Strategies for employee Retention

The approach to employee retention has developed gradually and has undergone focused attention in various periods. (J. Leslie McKeown):

(1) Paternalistic 'Status quo employer: Healthy Employee-Employer relationship to reduce rate of employee turnover.

(ii) Focus on hygiene factors: To retain employees, organizations laid emphasis on providing Hygiene factors (Herzberg two factor theory of motivation) i.e. compensation, benefits and physical aspects of working environment (health, safety and comfort) at workplace.

(iii) Focus on motivating factors: Then came another change when employers emphasized on motivating factors (Herzberg) such as:

- Recognition.
- Challenging work itself.
- Career advancement.
- Increased responsibility.
- Opportunity for growth as a person.

The focus was also on higher order needs of Abraham Maslow i.e. social, esteem and self-actualization needs.

(iv) Improvement in quality of work life: Later organizations started providing various job-redesign and improvement in quality of work life (QWL) measures to enable individuals to satisfy variety of needs. These measures are meaningful work, challenge in learning and problem solving, control over one's job, a chance to collaborate with one's colleagues.

(v) Building organization culture: Corporate culture is important for corporate growth, success, excellence and survival. It has motivating" effect on employees as it influences initiative, trust, support and innovation.

Some areas of employee retention, which require particular attention for achieving competitive advantage, are: -

i. A pleasant work environment.
ii. Work content is associated with performance of goals.
iii. Career and personal growth opportunities as long-term perspective.
iv. The organization culture based on vision, values and a mission. In addition how members do things, communicate and interact.
v. Employee ownership in the organization.

vi. -Participation and empowerment by encouraging decentralization of decision-making.

vii. Equality or treatment among employees.

viii. Emp1oyee cantered practices.

Thus, retaining employees involves understanding their intrinsic motivators and most times organizations fail on this aspect because "Individuals differ greatly in this regard. A company should exert some effort and undertake some analyse to determine the nonmonetary interests and preferences of its key employees, and then attempt to meet these preferences in action.

13.9 Self check exercise

Q.8 Which of these is an off the job training method

(a) Television
(b) Job rotation
(c) Orientation
(d) Coaching

Q.9 Which of the following is not a method used in group or organisational training needs assessment?

(a). Consideration of current and projected changes
(b). Rating scales
(c). Interviews
(d). Questionnaires

Q.10 Which of the following is a benefit of employee training?

(a). Improves morale
(b). Helps people identify with organisational goals
(c). Provides a good climate for learning, growth and coordination
(d). None of the above

Q. 11 The following is not a on the job training method

(a) Understudies
(b) Job rotation
(c) Management by objectives (MBO)
(d) Case study method

13.10 Short answer type questions

Q.1 What is the concept of talent retention?

Q.2 Explain off-the-job techniques for developing executives.

13.11 Long answer type questions

Q.1 What do you mean by training? Differentiate between training, education and development

Q.2.Explain various methods of training employees

13.12 Keywords

Training is teaching, or developing in oneself or others, any skills and knowledge or fitness that relate to specific useful competencies.

Development the process of creating something more advanced; a more advanced product

On-the-job training is when new employees learn applicable skills for their role while in the workplace.

Off-the-job training refers to an education method where employees learn more about their job or the latest advancements in their field at a location away from their workplace.

13.13 References

- Dessler Gary, Human *Resource Management,* Prentice Hall, New Delhi, 7th Edition.

13.14 Self-check exercise (answer key)

1,(TRUE),2(TRUE),3(b),4(d),5(a),6(c),7(a),8(a),9 (b),10(b),11(c)

Lesson No. 14 AUTHOR: RAJPREET KAUR SIDHU

PERFORMANCE APPRAISAL

STRUCTURE

14.0 OBJECTIVES

After reading this chapter, the student should be able to

- Understand the concept and importance of Performance Appraisal.
- Know how performance is evaluated in organizations
- Understand the traditional and modern techniques for appraising performance.
- Learn about Potential Appraisal.

14.1 INTRODUCTION

Performance Appraisal is a process of evaluating an employee's performance of a job in terms of its requirements for the purpose of placement, selection for Promotions; providing financial rewards and other administrative purposes. The term Performance here includes productivity as well as personnel data. Productivity, in turn implies concern for both effectiveness and efficiency. Personnel data such as measures of accidents, turnover, absences, and tardiness is also considered part of satisfactory performance on the job. Therefore, a good employee is not only productive but also minimizes problems for organization by being on time, not missing days etc.

The main characteristics of performance appraisal are:

i. Performance Appraisal is a process consisting of number of steps.

ii. It examines employee's strengths and weaknesses in terms of the job.

iii. Performance Appraisal is scientific study, which uses formal procedures.

iv. It is an ongoing process wherein the evaluations are redesigned periodically according to a definite plan.

v. The main purpose of Performance Appraisal is to secure information crucial for making objective and correct decisions on employees.

14.2 IMPORTANCE OF PERFORMANCE APPRAISAL

Performance Appraisal can be useful in the entire spectrum of Human Resource

Management functions. Some major applications of Performance Appraisal are:

i. Performance Appraisal serves as an objective basis for personnel decisions such as pay increases, promotions, demotions, transfers and terminations. Thus, forms an integral part of personnel policies.

ii. It is a very helpful tool for judging the effectiveness of recruitment, selection, placement and orientation systems of an organization.

iii. Performance Appraisal helps to identify people who require further training in order to overcome their weaknesses and individuals who have high potential, and can be considered for promotion. Therefore. Performance Appraisal helps to analyse training and development needs.

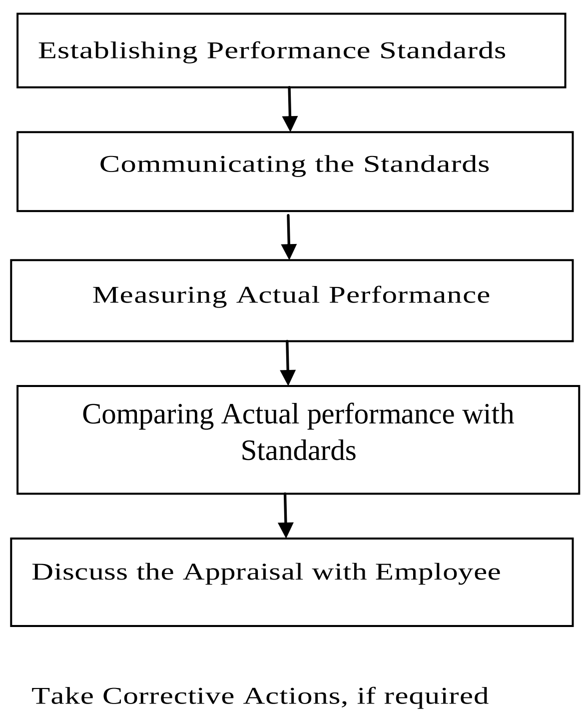
iv. Performance Appraisal serves to improve the performance by providing feedback and counselling to employees. By evaluating performance and giving feedback to employees, it tells individuals their current performance level, Thus, deviations if any from the expected performance level can be identified and appropriate corrective action taken to align desired and actual performance.

v. Performance Appraisal facilitates human resource planning, career planning and succession planning.

vi. It provides objective performance measures, on the basis of which achievements are recognized and rewards are awarded. Thereby creating a positive work environment, which contributes to productivity.

vii. By providing a systematic and objective approach to performance evaluation, it helps to develop confidence as well as competitive spirit among employees. Further, appraisals are well documented, reducing any discrimination and employee grievances.

14.3 THE APPRAISAL PROCESS



1. Establish performance standards

The appraisal process begins with criteria to be used for appraising the performance. The criteria is clearly established where output can be measured. If work performance cannot be measured, personal characteristics, which contribute to employee performance, must be determined. These characteristics include honesty and reliability, cooperation and teamwork, job knowledge, initiative, sense of responsibility, etc. The criteria is established with the help of job analysis, which include description of job and job specification in terms of requirements of the job, The criteria should be clear, objective and documented. Further, who is to do the appraisal and how frequently is also decided. Therefore, performance standards depend on objectives of appraisal i.e, to appraise actual performance on job or to judge the potential for jobs higher in hierarchy.

2. Communicating the standards

The standards once established should be communicated to the employees as well as the evaluators. This is done to ensure that employees know what is expected of them. Also, feedback from both can be used to make any further changes in the standards.

3. Measuring Actual Performance

This step is concerned with what and how to measure. It involves choosing suitable technique for measurement, identifying internal and external factors influencing performance and collecting information on results. Four sources of information are frequently used to measure actual performance. These are personal observation, statistical reports, oral reports and written reports. Also, performance should be measured in a manner to facilitate comparison.

4. Comparing Actual Performance with Standards

Actual performance is compared with standard to identify and deviations. If actual performance exceeds standards, deviations are said to be positive and if standards are far ahead of actual performance, deviations are negative.

5. Discuss the appraisal with employee

The results of the appraisal are communicated to the employees This is done in order to convey the deviations in performance and also identify and analyse the reasons behind deviations. This enables employee to know his or her strengths and weaknesses and hence has great impact on an individual's self-esteem and subsequently on performance.

6. Take Corrective Action

After analysing the results, discussions can be held with employees to devise plans and actions for improving performance. Commonly used methods for corrective action are training, coaching, counselling etc.

14.4 PERFORMANCE APPRAISAL TECHNIQUES

Strauss and Sayles have categorized methods of Performance Appraisal into two categories, Traditional and Modern. The traditional methods are based on rating an individual's personality traits such as initiative, responsibility, creativity, and leadership, etc. while modern methods emphasize evaluation of work results i.e., job achievements rather than traits. Thus, modern methods are result oriented and more objective.

14.4.1 TRADITIONAL METHODS (TECHNIQUES)

Confidential Report

It is descriptive appraisal used for promotions and transfers of employees. It is prepared by an employee's immediate superior who documents strengths and weaknesses, main achievements and failures, personality and behavior of employee. It is highly subjective as it is based on impressions and not on actual performance data. Also, no feedback is provided to employee. Thus, it disregards the essence of performance appraisal to develop and improve the performance of an employee.

2. Freeform or Essay Method

The appraiser writes a short essay on employee's performance. This essay is based on appraiser's overall impression of employee's performance on the job. It is very time-consuming and highly biased since specific performance dimensions related to the job are not considered. Moreover, quality of appraisal depends on writing skills of the evaluator and it is not possible to compare two essay appraisals, as there is no common criterion for appraisal.

3. Straight Ranking Method

It is the oldest and simplest method of performance appraisal. In this, a 'whole man is compared with the other 'whole man' and ranks are assigned relatively for all employees working in the same unit and doing the same job without analyzing the performance. It is biased, as ranking is not based on specific job-related performance measures. Ranking is cumbersome if number of employees is large. Finally, it just tells how an employee stands in relation to others but does not indicate how much better or worse be or she is as compared to others.

4. Paired Comparison

In this method, each employee in an organization is compared with all others in pairs one at a time. The comparison is done on a specific trait like quality of work, punctuality etc. The number of comparisons can be determined by the formula

N (N-1)/2

Where N is the number of persons to be compared.

For example, for trait quality of work follow.ng paired comparison is done.

As Compared to	A	B	C	D
A		+	+	-
B	+		-	+
C	-	-		+
D	+	+	-	

Here (+) sign means an employee is considered better than the other in the pair and (-) means an employee is considered worse than the other in the pair. The number of times an employee is judged better than the other determines his or her rank. Major drawback of this method is that it is very difficult to make paired comparisons if number of employees is large

5. Forced Distribution Method

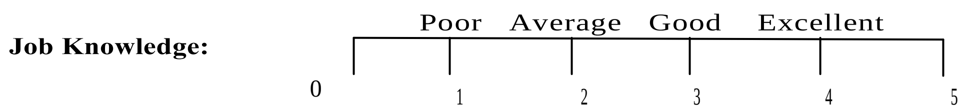
The evaluator is required to distribute his ratings in the form of a normal frequency distribution. This method was evolved by Joseph Tiffin after statistical work. The purpose here is to minimize raters bias, so that all personnel may not be placed at higher or lower end of scale. Employees are placed in the category ranging from poor to excellent by the rater. But this method still suffers from serious limitations like employees are not ranked in a category, job related performance criteria are not used and reason behind assigning a category is not clear.

6. Graphic or Linear Rating Scale

It is a numerical scale indicating different degrees of a particular trait. It is given to the rater in printed form for each employee to be rated. The factors to be rated can be employee characteristics and employee contribution. Employee characteristics like initiative, creativity, dependability, operativeness, attitude, loyalty, decisiveness, analytical ability, emotional stability and co-ordination. Employee contribution like quantity and quality of work specific goal achieved, regularity in attendance, leadership offered, versatility etc.

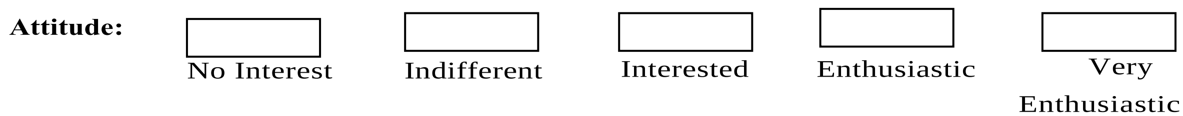
The rater records his judgement on the employee's trait on the scale. The numerical points given to an employee are added up to find out his overall performance in the group. There are two types of rating scales- Continuous and Discontinuous.

In Continuous, degree of trait is measured along a continuum.



A Continuous Rating Scale

In Discontinuous or discrete, appropriate boxes are used to represent different degrees of the trait being measured.



A Discontinuous Rating Scale

The major advantage of this method is that it is easy to understand and use. It allows statistical tabulation of scores and enables comparison. Also, it has multidimensional approach.

7. Checklist method.

A checklist is a list of statements that describe the characteristics and performance of employees on the job. There are three types of checklists:

(a) Simple In this equal importance is given to each statement.

e.g., Is employee regular on the job? Yes/No.

Does the employee follow instructions properly? Yes/No.

(b) Weighted Checklist- It is a type of checklist in which relative importance of statements are indicated by the weights assigned to each.

Weighted Checklist

Traits	Weights	Performance Ratings Scale (1 to 5)
Attendance	0.5	
Job knowledge	1.0	
Quality of work	1.0	
Loyalty	1.5	

(c) Forced Choice Checklist- In these five statements are given for each trait. Two out of these are most descriptive, two least and one is neutral. The rater is required to check one statement, each from the most descriptive and least descriptive ones. The aim here is to minimize the rater's personal bias.

Forced Choice List

Regularity on the job	Most	Least
(a) Always regular		

Forced Choice List

Regularity on the job

(a) Always regular

(b) Informs in advance for absence/delay

(e) Never regular

(d) Remains absent

(e) Neither regular nor irregular

Checklist is a descriptive technique and is an improvised method of evaluation. But it is time consuming and expensive as different checklists must be developed for each job category. Also, it is difficult to assemble, analyze and weight several statements that properly describe job related behavior and performance. Lastly, different raters might interpret statements differently.

8. Critical Incident method

This method was developed as a result of research conducted by the armed forces in the United States during World War II. The basis of this method is the principle that " there are certain significant acts in each employee's behavior and performance which make all the difference between success and failure on the job." The supervisor keeps a written record of critical (either good or bad) events and how different employees behaved during such events. The rating of an employee depends on his positive or negative behavior in response to the critical events. E.g. sudden breakdown of machinery, redressal of customer complaint etc.

Critical Incident Record

Responsibility

(a) Passed up the chance for additional training

(b) Gave misleading, incorrect instructions.

(c) Took additional information on the job or department.

(d) Took additional outside training.

(e) Trained and instructed other employees.

(f) Ensured co-operation among employees.

Critical incidents are based on actual records of behavior and performance on the job. Feedback is provided about the incidents during performance review session. But this method suffers from several limitations.

(i) It is time consuming and cumbersome for supervisor to maintain written record of events.

(ii) There is loss of important information in case of quoting incidents after considerable time lapse.

(iii) Continuous record is not available because the incidents occur infrequently.

(iv) The supervisor's bias is not eliminated and employees will focus more on reporting than on actual work.

9. Group Appraisal Method

In this method, employees are rated by an appraisal group which consists of an immediate supervisor, other supervisors having knowledge and close contact with the employee's work, head of the department in which employee works and a personnel expert. The group determines standards of performance for job, measures actual performance, analyses the causes for poor performance and offers suggestions. This method is free from personal bias as people from diverse areas evaluate an employee but at the same time it is very time _consuming.

10. Field Review Method

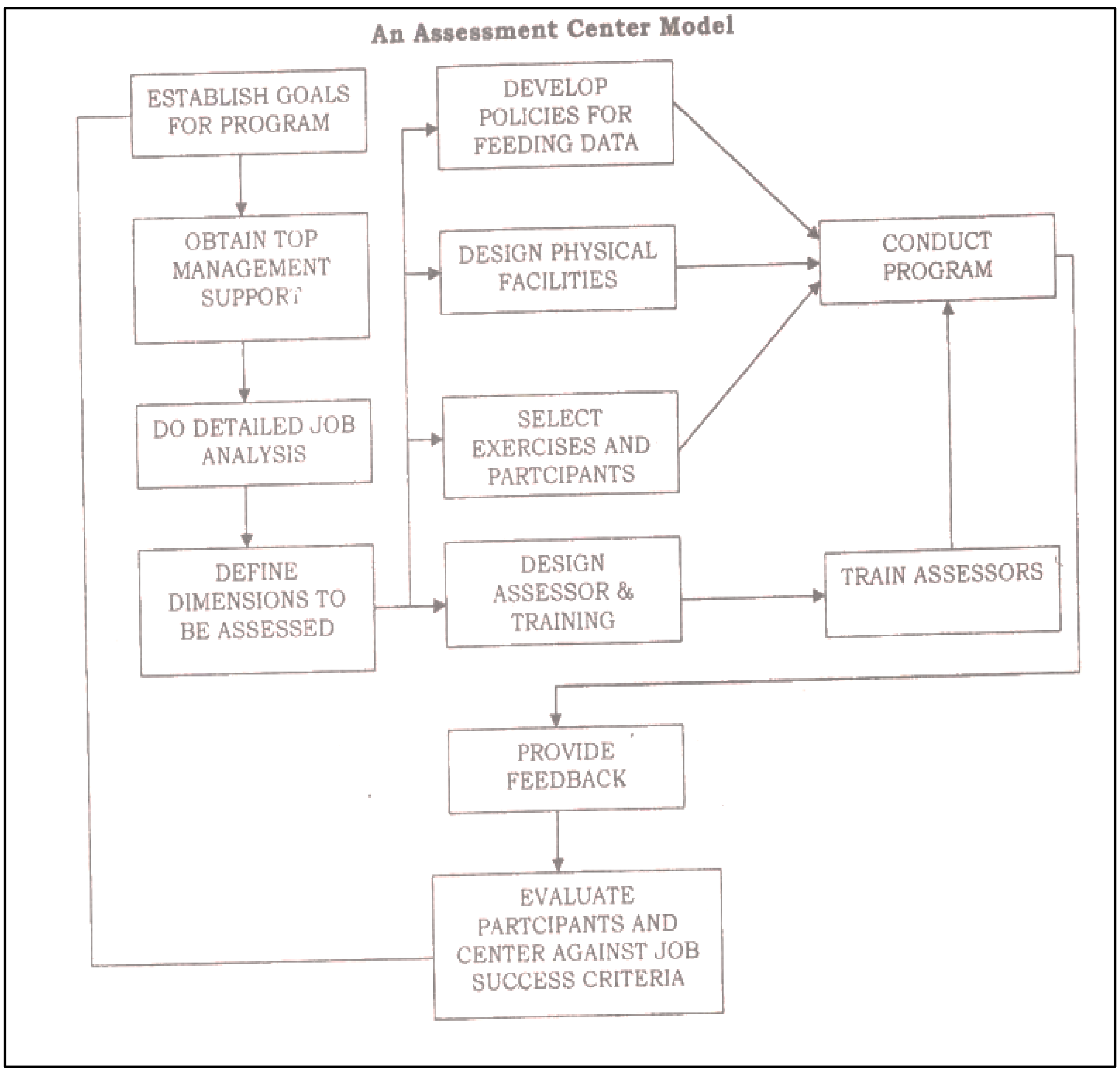
Under this method, a training officer from the human resource department interviews line supervisors .to evaluate their respective subordinates_ The interviewer prepares the questions in advance. The supervisor answers these questions by giving his opinion about performance level of the subordinates, work progress, strengths and weaknesses, promotion potential etc. The interviewer records the opinions and keep them in the employee's personal service file. The ratings are generally classified into three categories- Outstanding, Satisfactory, and Unsatisfactory.

Major advantage of this method is that there is less burden on supervisor and it reduces supervisor's bias. But this method is highly subjective and time consuming.

14.4.2 MODERN METHODS

1. Assessment Centre Method

The assessment centre concept was initially applied to military situations by Simonet in the German Army in the 1930s and the War Office Selection Board of the British Army in 1960s.The purpose of this method is to test candidates in a social situation, using a number of assessors and a variety of procedures. In this method, the performance of the employees as well as potential for new job is evaluated by assessing the performance on the job-related simulations. These simulations involve characteristics that managers feel are important for job success. A group of employees is drawn from different work units and they together work on an assignment just like the one they will be handling on the job. It involves paper and pencil test, interviews and situational exercises. Some of the important features of the Assessment centre are:



i. The simulation techniques like role playing, business games, in basket exercises etc are used to evaluate employees.

ii. Employees are evaluated both individually and collectively on job related characteristics, which are considered important for job success.

iii. Personal interviews and projective tests are used to assess work motivation, career orientation and dependence on others. Paper and pencil tests are used to measure intellectual capacity.

iv. A group of evaluators is formed by selecting experienced managers with proven ability at different levels of management.

v. A summary report is prepared and feedback on face-to-face basis is administered to all the candidates who ask for it.

Assessment Centre generally measures interpersonal skills, ability to plan, organize etc. Raters personal bias is greatly reduced because a team of trained assessors under job related conditions evaluate employees. But it is a time consuming and expensive method. Further, a negative report from assessment centre could be demoralizing to employees.

2. Human Resource Accounting Method

Human resources are considered a valuable asset of an organization. Hence human resources can be valued in terms of money. Under this method, performance is judged in terms of costs and contributions of employees. Costs of HR consist of expenditure on HR planning, recruitment, selection, induction, training compensation etc. Contribution is the money value of labour productivity or value added by HR. Difference between cost and contribution reflects the performance of employees. This method is still in the transitionary stage and is, therefore, not popular at present.

3. Behaviourally Anchored Rating Scale (BARS)

This method is a combination of graphic rating scales and critical incident method. Critical areas of job performance and most effective behaviour for getting results are determined in advance. Employee’s actual job behavior is judged against the desired behavior by comparing the observable job behavior of an employee with BARS. The steps for constructing BARS are:

1. **Identify Critical Incidents:** Persons with knowledge of the job to be appraised (job holders/supervisors) are asked to describe specific critical incidents of effective performance behavior.

ii. Develop Performance Dimensions: These people then cluster the incidents into smaller set of performance dimensions. Each cluster or a performance dimension is then defined.

iii. Reallocate Incidents: Any group of people acquainted with the job then reallocates the original critical incidents. They are given the cluster's definitions and critical incidents and are asked to redesign each incident to the dimension it best describes. A critical incident is retained if some percentage (usually 50% to 80%) of this group assigns it to the same cluster as the previous group did.

iv. Assign Scales to Incidents: This second group rates each incident on a seven or nine-point scale. Rating is done on the basis of how well the behavior described in the incident represents performance on the appropriate dimensions. Means (averages) and standard deviations are then calculated for the scale values assigned to each incident. In incidents that have standard deviations of 1.5 or less are included in the final anchored scales.

v. Develop Final Instrument: A subset of incidents (usually 6 or 7 per cluster) are used as behavior anchors for the performance dimensions. A final BARS instrument includes a series of vertical scales (one scale per dimension) endorsed by the included incidents. Each incident is positioned on the scale according to its mean value.

BARS for interpersonal skills

Extremely Good Performance	7	could be expected to explain to patient how to call nurse.
Good performance	6	Could be expected to remain calm And polite when confronted with an abrupt visitor.
Slightly Good performance	5	
Neither good nor poor Performance	4	rarely feels for weaker subordinates.
Slightly poor performance	3	becomes frustrated in meetings.
Poor Performance	2	resents assistance by co-worker
Extremely Poor performance	1	speaks rudely to customer Queries.

BARS method has several advantages:

a. A more accurate gauge- BARS is designed, administered and evaluated by experts in the technique, hence results are sufficiently accurate.

b. Clear standards- the critical incidents along the scale help to clarify what is meant by extremely good, average or poor performance.

c. Feedback- the use of critical incidents is very helpful in providing feedback to the people being appraised.

d. Independent dimensions- systematically clustering the critical incidents into 5 or 6 performance dimensions helps in making the dimensions more independent of one another.

e. Rater Independence- the technique is free from rater’s personal bias of the rater.

BARS method also suffers from some weaknesses. Firstly, it is very time consuming and expensive to develop BARS for every job. Secondly, behaviors used are more activity oriented than results oriented.

14.4.3 APPRAISAL BY RESULTS OR MANAGEMENT BY OBJECTIVES (MBO)

The concept of MBO was given by Peter Drucker in 1954. He named it 'management by objectives and self-control'. MBO is potentially a powerful philosophy of managing and an effective way for operationalising the appraisal process. It is also known as Goal Setting Approach to appraisal.

Management by Objectives can be defined as " a process whereby the, superior and subordinate managers of an organization jointly identify its common goals, define each individual's major areas of responsibility in terms of results expected out of him and use these measures as guides for operating the unit and assessing the contributions of each of its members.

Performance Appraisal through MBO

There are five steps involved in the process of evaluation using MBO:

i. Set organisational- Goals of the organisation in key areas of performance are laid down. These goals are expressed clearly and concisely and can be measured accurately. Goals should be challenging i.e. high enough to provide motivation yet attainable. These goals are defined after a thorough SWOT analysis i.e. analysis of internal environment (Strengths and weaknesses) and external environment (opportunities and threats) of an organization

ii. Defining Performance Targets - Performance standards for each employee are. defined on the basis of organizational goals. Organization charts and job descriptions are used to decide the responsibilities of an employee. The manager and his or her subordinate jointly agree upon the performance goals. The subordinate and the manager decide upon the final performance goals only after discussion with each other. Thus, employees at all levels are actively involved in goal setting. The level of performance considered satisfactory to achieve the goal is defined. Action plans required to achieve the goals are also decided through mutual consultation between an employee and his superior. Joint goal setting and joint action planning are essential elements of appraisal through MBO.

iii. Performance Reviews- frequent performance review meetings between the_ manager and the subordinate are held. Initially monthly reviews may be used and then extended to quarterly reviews. In these meetings, progress is assessed, weaknesses and constraints are identified and steps to be taken to improve performance are decided. The review process involves active -participation by the employee, leading to self-control by the employee.

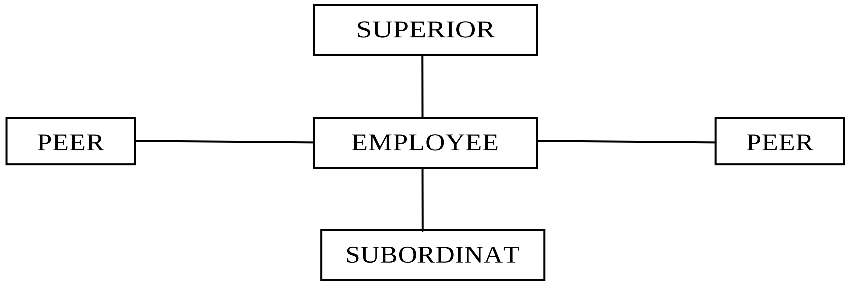
iv. Feedback The employees who get frequent feedback concerning them performance are generally highly motivated. A specific, relevant and timely feedback helps people to know where they stand.

Appraisal through MBO has many benefits. First of all, the performance targets developed in MBO provide objective criteria for evaluating performance. Employees are considered part of the appraisal process starting from setting goals to evaluating performance. Also, judgmental role of the superior is avoided and subordinates are provided the opportunity for self-appraisal.

14.4.4 THE 360-DEGREE APPRAISAL TECHNIQUE

In order to make appraisal process moreobjective, transparent and parti alive, concepts of self-appraisal, peer appraisal, subordinate appraisal and appraisal by customers (both internal and external) were introduced. These form the basis for the 360-degree method of performance appraisal.

360-degree method involves evaluation of manager by everyone above, alongside and below him or her. Structured questionnaire, which measures several parameters related to performance and behavior, are used to collect information about a manager from bosses, peers and subordinates. Several organizations like General Electric, Reliance Industries, Wipro, Infosys, etc use this technique for appraisal.



14.4.5 Self check exercise

Q.1 What is linked with performance appraisal?

(a) Job Design

(b) Job Analysis

(c) Development

(d) None of the above

Q**.2 Which of the following is an alternate term used for performance appraisal?**

(a) quality and quantity of output

(b) job knowledge

(c) employee assessment

(d) none of the above

Q. 3__________________ is the step where the management finds out how effective it has been at hiring and placing employees.

(a) Performance Management

(b) Performance analysis

(c) Performance appraisal

(d) Performance evaluation

As shown in the figure, the employee occupies the central position in this system and on the 4 corners are the entities, which play important role in employee's work. The four integral components of 360-degree appraisal are:

I. Self-Appraisal

Self-appraisal is a critical component of the overall appraisal system. In addition to providing an opportunity for assessing performance, it gives the employee absolute freedom to look at his/her strengths objectively and identify areas of development. Also, employees can share their development areas with their superiors based on self-appraisal data and together work out an action plan keeping in mind the organizational realities like resource availability, time etc. thus, it contributes towards self-renewal and development of an employee. It also provides an opportunity to the employee to express his/her career plans. It is in the interest of organization to know on the first-hand basis the aspirations of its employees.

IL Superior's Appraisal

The role of superior here is not of fixing the employee at the time of appraisal. Rather, role of superior now is to provide constructive feedback on employee's performance and his development areas in the review period, to facilitate goal setting in an inspiring way that not only takes care of organizational objectives but also stretches the employee effort, provides challenge and opportunity to be creative. Another significant element of superior's appraisal is to put the career aspirations of the employee in proper perspective.

III. Subordinate's Appraisal

It is a distinctive feature of 360-degree appraisal. It recognizes the fact that employee's subordinates play a vital role in his performance and it expresses that feedback is a two-way process. The purpose of subordinate's appraisal is to get first hand assessment of how the subordinates perceive their superior to be in terms of style of functioning. Basically, it assesses the subordinate's perception of the superior's ability to

a. Delegate the work.
b. Motivate the people around.
c. Communicate effectively.
d. Build team.
e. Act as a role model for them.

The ability of the superior to act as a role model is the most significant of all the above as it encompasses the overall effectiveness of an employee with his/her subordinates.

TV. Peer Appraisal

This appraisal also has important role in the 360-degree appraisal because peers play a critical role in the life of any employee in an organization. One of the major concerns in peer appraisal is to select the right peers for getting the appraisal done. They must include peers from within the department as well as from the departments, which are directly connected with the working of employee's department. Peer appraisal mainly focuses on getting the feedback on employee's working style and may include ability to appreciate other people's view an appreciation of:

a. Other departments functioning sensitivity towards others.
b. Cooperation and collaboration.
C. Ability to work as a team member.

There arethe four components complete the 360 degrees, each one representing 90 degrees of the appraisal.

14.3 APPRAISAL OF POTENTIAL

Appraising potential is different from assessing performance. Potential refers to the abilities, present but not currently utilized. It is the latent capacity to discharge higher responsibilities infuture roles. On the other hand, performance implies the extent to which these requirements of the presently held job are being met by the employee. The potential of employees can be judged by:

a. Reviewing the present performance.
b. Analysing personality traits.
c. Relooking at past experience.
d. Considering age and qualifications.
e. Explaining unused knowledge and skills of an employee.

14.6 SUMMARY

The chapter explains the concept and importance of performance appraisal in an organization. Performance appraisal is the process of systematically assessing the performance of a person on the present job and his potential for higher level jobs in future. There are traditional methods for appraising performance. These methods are highly subjective as assessment is done solely by the superior. Secondly, the objective criteria for establishing performance dimensions are absent and there is very little or no participation by the employee being appraised. Hence, traditional techniques are highly biased. Modern methods on the other hand provide an objective evaluation criterion and hence are preferred to traditional ones

14.7 Self check exercise

Q. 4 Which of the below is not an objective of Performance appraisal
(a) assessment of performance
(b) Measuring the efficiency
(c) maintaining organisational control
(d) Designing Organisational goal
Q.5 ________________ is to identify the strengths and weaknesses of employeesto place right men on right Job.
(a) Recruitment
(b) Performance Appraisal
(c) Selection
(d) feedback
Q. 6 **The performance Appraisal method BARS stands for a**

(a) BehavioralAttitude ranking System
(b) Behavioral Aptitude Ranking System
(c) BehavioralAnchored Ranking Scale
(d) Behaviour aptitude ranking scale

Q. 7 The concept of MBO was developed bya.
(a) Elton Mayo
(b) F.W. Taylor
(c) Peter Drucker
(d) Philip Kotler

14.8 Short answer type question

Q.1 What is performance appraisal?

Q.2 Explain the importance of performance appraisal in human resource management.

14.9 Long answer type question

Q.1 Discuss the process of evaluating performance of an employee.

Q.2 Explain in brief the traditional methods of performance appraisal. What are the weaknesses in these methods?

14.10 Key words

Performance appraisal: is a process for evaluating and documenting how well an employee is carrying out his or her job.

14.11 Reference

- Gupta, C.B., *Human Resource Management,* Sultan Chand 8r, sons, New Delhi, 7th Edition, 2006.
- Dessler Gary, Human *Resource Management,* Prentice Hall, New Delhi, 7th Edition.

14.12 SELF CHECK EXERCISE (ANSWER KEY)

1(b), 2(c), 3(c), 4(d), 5(b), 6(c), 7(c)

Lesson No. 15 **AUTHOR: DR. SIMRANJEET KAUR**

MANAGING BASIC REMUNERATION AND JOB EVALUATION

STRUCTURE

15.0 OBJECTIVES

After reading this chapter, the student should be able to:

1. Understand the meaning and objectives and factors affecting wage and salary administration
2. To understand the meaning of Job evaluation
3. To know about the principles and methods of Job evaluation

15.1 INTRODUCTION

Wage and salary administration affect levels of employee commitment to the organization. However, fascinating the individual's job assignment is, the employee must be paid. Pay affects the way people work-how much and how well. A large part of tb compensation that people receive from work is monetary. Although managers are expected to conserve money and distribute it wisely, many employees feel that they should get more of it for what they do. Wages, salaries and many employee benefits and services are forms of compensation.

Contemporary employment reward systems attach great prominence to wages and salaries. In the evolution of economics, the role of financial rewards has grown. The sophistication of wage and salary administration has increased as industrialized economics have become more complex.

15.2 MEANING OF WAGE AND SALARY ADMINISTRATION

Administration of employee compensation is called wage and salary administration.

According to D.S. Beach, "Wage and Salary Administration refers to the establishment and implementation of sound policies and practices of employee compensation. It includes such areas as job evaluation, surveys of wage and salaries, analysis of relevant organizational problems, development and maintenance of wage structure, establishing rules for administrating wages, wage payment incentives, profit sharing, wage changes and adjustment, supplementary payments, control of compensation costs and other related items."

According to S.P. Robbins, "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;

Thus, wage and salary administration aim to establish and maintain an equitable wage and salary structure and an equitable labour cost structure.

15.3 OBJECTIVES OF WAGE AND SALARY ADMINISTRATION

A sound plan of wage and salary administration seeks to achieve the following objectives:

1. To establish a fair and equitable compensation offering similar pay for similar work. 2. To attract competent and qualified personnel.
3. To retain the present employees by keeping wage levels in tune with competitive units.
4. To keep labour and administrative costs in line with the ability of the organization to pay.
5. To improve motivation and morale of employees and to improve union management relations.
6. To project a good image of the company and to comply with legal needs relating to wages and salaries.
7. To establish job sequences and lines of promotion wherever applicable.
8. To minimize the chances of favouritism while assigning the wage rates.

15.4 PRINCIPLES OF WAGES AND SALARY ADMINISTRATION

The following principles should be followed for an effective wages and salary administration:

1. Wage policy should he developed keeping in view the interests of all concerned parties viz, employer, employees, the consumers and the society.
2. The wage and salary structure should be flexible so that changing conditions can be easily met. Prompt and correct payments of the dues of the employees must be ensured and arrears of payment should not accumulate.
3. There should be definite plan to ensure that differences in pay for jobs are based upon variations in job requirements, such as skill effort, responsibility or job or working conditions, and mental and physical requirements.
4. There should be a clearly established procedure for hearing and adjusting wage complaints. This may be integrated with the regular grievance procedure, if it exists.

5. The general level of wages and salaries should be reasonably in line with that prevailing in the labour market. The labour market criterion is most commonly used.
6. The plan should carefully distinguish between jobs and employees.
7. A job carries a certain wage rate, and a person is assigned to fill it at that rate. Exceptions sometimes occur in very high-level jobs in which the job holder may make the job large or small, depending upon his ability arid contributions.
8. Equal pay for equal work i.e., if two jobs have equal difficulty requirements, the pay should be the same, regardless of who fills them.
9. An equitable practice should be adopted for the reorganization of individual differences in ability and contribution.
10. For some units, this may take the form of rate ranges, with in-grade increases, in others, it may be a wage incentive plan. In still others, it may take the form of closely integrated sequences of job promotion.
11. The employees and the trade union, if there is one, should be informed of his own position, and of the wage and salary structure. Secrecy in wage matters should not be used as a coverup for haphazard and unreasonable wage programme.
12. The wage should be sufficient to ensure for the worker and his family reasonable standard of living. Workers should receive a guaranteed minimum wage to protect them against conditions beyond their control.
13. For revision of wages, a wage committee should always be preferred to the individual judgment, however unbiased, or a manager.

15.5 FACTORS INFLUENCING WAGE AND SALARY ADMINISTRATION

A number of factors influence the remuneration payable to employees. These can be categorized into:

(i) External factors

(ii) Internal factors.

15.5.1 External Factors

Factors external to an organization are labour market, cost of living, labour unions, government legislations, the society and the economy.

1. **Labour Market:** Demand for and supply of labour influence wage and salary fixation. A low wage may be fixed when the supply of labour exceeds the demand for it. A higher wage will have to be paid when the demand exceeds supply, as in the case of skilled labour. In the words of Mescon, the supply and demand compensation criterion are very closely related to the prevailing pay, comparable wage and ongoing wage concepts since, in essence all of these remuneration standards are determined by immediate market forces and factors.

   Cost of Living: The wage rates are directly influenced by cost of living of a place. The workers will accept a wage which may ensure them a minimum standard of living. Wages will also be adjusted according to price index number. The increase in price index will erode the purchasing power of workers and they will demand higher wages. When the prices are stable then frequent wage increases may not be undertaken.
3. **Labour Unions:** The wage rates are also influenced by the bargaining power of trade unions. Stronger the trade union higher will be the wage rates. The strength of a trade union is judged by its membership, financial position and type of leadership

Union's last weapon is strike which may also be used for getting wage increases. If the workers are disorganized and disunited then employer will be successful in offering low wages.

4. **Government Legislation:** To improve the working conditions of workers, government may pass a legislation for fixing minimum wages of workers. This may ensure them a minimum level of living.
5. **Economy:** Economy also has its impact on wage and salary fixation. While it may be possible for some organizations to thrive in a recession, there is no doubt that economy affects remuneration decisions. A depressed economy will probably increase the labour supply. This, in turn, should lower the going wage rate.

Technological Development: With the rapid growth of industries, there is a shortage of skilled resources. The technological developments have been affecting skills levels at faster rates. Thus, the wage rates of skilled employees constantly change and an organization has to keep its level up to the mark to suit the market needs.

15.5.2 INTERNAL FACTORS

The internal factors are:

1. **Ability to Pay:** The ability to pay of an enterprise will influence wage rates to be paid. If the concern is running into losses, then it may not be able to pay higher wage rate. A profitable concern may pay more to attract good workers. During the period of prosperity, workers are paid higher wages because management wants to share the profits with labour.
2. **Management Strategy:** The overall strategy which a company pursues should determine the remuneration to its employees. Where the strategy of the organization is to achieve rapid growth, remuneration should be higher than what competitors pay. Where the strategy is to maintain and protect current earnings, because of the declining fortunes of the company, remuneration level needs to be average or even below average.
3. **The Employee:** Several employee-related factors interact to determine his or her remuneration. These include performance, seniority, experience, potential, and even sheer luck.

Performance is always rewarded with a pay increase. Rewarding performance motivates the employee to do better. Management prefer performance to effect pay increases but unions view seniorityas the most objective criterion for pay increases. *Experience* makes an employee gain valuable insights and should therefore be rewarded. *Potential* is useless if it never realized. Yet, organizations do pay some individuals based on their potential. Young managers are paid more because of their potential to perform even if they are short of experience. Some people have luck to be at the right place at the right time.

Job Requirements: Basic wage depend largely on the difficulty level and physical and mental effort required in a particular job. The relative worth of a job can be estimated through job evaluation. Simple, routine tasks that can be done by many people with minimum 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.

15.5.3 Self check exercise

Q. 1 The purpose of Job Evaluation is to determine

(a) Worth of a job in relation to other jobs

(b) Time duration of a job

(c) Expenses incurred to make a job

(d) None of the above

Q. 2 Basis of Job Evaluation is

(A) Job design

(B) Job ranking

(C) Job analysis

(D) Any of the above

Q.3 The important objectives of a job evaluation programme.

(a) Establishment of sound wage differentials between jobs.

(b) Maintenance of a consistent wage policy.

(c) Installation of an effective means of wage control.

(d) All of the above

Q.4 Job Evaluation tries to make a systematic comparison between

(a) Workers

(b) Jobs

(c) Machines

(d) Departments

15.6 MEANING OF JOB EVALUATION

Job evaluation is a systematic way of determining the value/worth of a job in relation to other jobs in an organization. It tries to make a systematic comparison between jobs to assess their relative worth for the purpose of establishing a rational pay structure. Job evaluation rates the job and not the man. It considers the demands of the job in terms of efforts and abilities but does not take into account individual abilities and efforts. Once the worth of the job is determined, it becomes easier to fix the wage structure that will be fair and remunerative.

15.7 DEFINITIONS AND FEATURES OF JOB EVALUATION

Job evaluation has been defined by different authors as follows:

According to Kimball and Kimball, "Job evaluation is an effort to determine the relative value of every jell, in a plant to determinate what the fair basic wage for such a job should be."

According to Edwin B. Filippo, “Job evaluation is a systematic and orderly process of determining the worth of a job in relation to other jobs."

According to International Labour Organization, “Job evaluation may be defined as an attempt to determine and compare the demands which the normal performance of particular job makes on normal workers without taking into account the individuals’ abilities or performance of the workers concerned."

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

From the above definitions, it becomes very clear that job evaluation is a method of finding out comparative worth of various jobs in the organization, for fixing the wage rate to be paid for performing them. So, 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 as:

1. It tries to assess jobs, not people.
2. The standards of job evaluation are relative, not absolute.
3. The basic information on which job evaluations are made is obtained from job analysis.
4. Job evaluations are carried out by groups, not by individuals.
5. Some subjective element is there in job evaluation.
6. Job evaluation does not fix pay scales, but merely provides a basis for evaluating a rational wage structure.

15.8 PRINCIPLES OF JOB EVALUATION

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

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

15.9 PROCESS OF JOB EVALUATION

The process of job evaluation involves the following steps:

1. Gaining Acceptance

Before undertaking job evaluation, top management must explain the aims and uses of the programme to the employees and unions. To elaborate the programme further, oral presentations could be made. Letters, booklets could be used to clarify all relevant aspects of the job evaluation programme.

2. Creating Job Evaluation Committee

It is not possible for a single person to evaluate all the key jobs in an organization. Usually a job evaluation committee consisting of experienced employees, union representatives and HR experts is created to set the ball rolling.

3. Finding the Jobs to Be Evaluated

Every job 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.

4. Analysing and Preparing Job Description

This requires the preparation of a job description and also an analysis of job needs for successful performance.

5. Selecting the Method of Evaluation

The most important method of evaluating the jobs must be identified, keeping the job factors as well as organizational demands in mind.

6.Classifying Jobs

The relative worth of various jobs in an organization may be found out after arranging jobs in order of importance using criteria such as skill requirements, experience needed, under which conditions job is performed, type of responsibilities to be shouldered, degree of supervision needed, the amount of stress caused by the job, etc. Weights can be assigned to each such factor. When we finally add all the weights, the worth of a job is determined. The points may then be converted into monetary values.

7. Installing the Programme

Once the evaluation process is over and a plan of action is ready, management must explain it to employees and put it into operation.

8. Reviewing Periodically

In the light of changes in environmental conditions (technology, products, services, etc.) jobs need to be examined closely. For example, the traditional clerical functions have undergone a rapid change in sectors like banking, insurance, 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.

15.10 METHODS OF JOB EVALUATION

Job evaluation methods can be divided into two categories i.e., non-quantitative methods and Quantitative methods. The former are known as such because qualitative aspects of jobs are considered for ranking them while in the later quantitative techniques are used in

listing the jobs. There, are three basic methods of job evaluation in non-quantitative methods or qualitative methods:

15.10.1 RANKING METHOD

Perhaps the simplest method of job evaluation is the ranking method. According to this method, jobs are arranged from highest to lowest, in order of-their value or merit to the organization. Jobs 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 following table is a hypothetical illustration of ranking of jobs.

Table: Array of Jobs According to the Ranking Method

Rank	Monthly Salaries
1. Accountant	Rs. 3,000
2. Accounts clerk	Rs. 1,800
3. Purchase assistant	Rs. 1,700
4. Machine-operator	Rs. 1,400
5. Typist	Rs. 900
6. Office boy	Rs. 600

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

15.10.2 CLASSIFICATION METHOD

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

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

The job classification method is less subjective when compared to the earlier ranking method. The system is very easy to understand and acceptable to almost all employees without hesitation. One strong point in favor 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:

1. Even when the requirements of different jobs differ, they may be combined into a single category, depending on the status a job carries.
2. It is difficult to write all-inclusive descriptions of a grade.
3. The method oversimplifies sharp differences between different jobs and different grades.
4. When individual job descriptions and grade descriptions do not match well, the evaluators have the tendency to classify the job using their subjective judgments.

15.10.3 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, supervisory responsibility, working conditions and other relevant factors (for instance, know-how, problem solving abilities, accountability, etc.). Pay will be assigned in this method by comparing the weights of the factors required for each job, i.e., the present wages paid for key jobs may be divided among the factors weighed by importance (the most important factor, for instance, mental effort, receives the highest weight). In other words, wages are assigned to the job in comparison to its ranking on each job factor.

The steps involved in factor comparison method may be briefly stated thus:

1. Select key jobs (say 15 to 20), representing wage/salary levels across the organization. The selected jobs must represent as many departments as possible.
2. Find the factors in terms of which the jobs are evaluated (such as skill, mental effort responsibility, physical effort, working conditions, etc.).
3. Rank the selected jobs under each factor (by each and every member of the job evaluation committee) independently.
4. Assign money value to each factor and determine the wage rates for each key job.
5. The wage rate for a job is apportioned along the identified factors.
6. All other jobs are compared with the list of key jobs and wage rates are determined.

Table: Merits and Demerits of Factor Comparison Method

Merits	Demerits
1. Analytical and objective. 2. Reliable and valid as each job is compared with all other jobs in terms of key factors, 3. Money values are assigned in a fair way based on an agreed rank order fixed by the job evaluation committee. 4. Flexible as there is no upper limitation on the rating of a factor	1. Difficult to understand explain and operate. 2. Its use of the same criteria to assess all jobs is questionable as jobs differ across and within organizations. 3. Time consuming and costly.

15.10.4 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 the order of importance. The points are summed up to determine the wage rate for the job. Jobs with similar point totals are placed in similar pay grades. The procedure involved may be explained thus:

1. **Select key jobs:** Identify the factors common to all the identified jobs such as skill, effort, responsibility, etc.
2. **Divide each major factor into a number of sub factors:** Each sub factor is defined and expressed clearly in the order of importance, preferably along a scale.

The most frequent factors employed in point systems are:

1. Skill(keyfactor): Education and training required, Breadth/depth of experience required, Social skills required, Problem-solving skills, Degree of discretion/use of judgment, Creative thinking;
2. 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;
3. Effort: Mental demands of a job, Physical demands of a job, Degree of potential stress.
4. The educational requirements (sub factor) under the skill (key factor) may be expressed in the order of importance.

Degree Define

1. Able to carry out simple calculations; High School educated
2. Does all the clerical operations; computer literate; graduate
3. Handles mail, develops contacts, takes initiative and does work independently; post graduate

Assign point values to degrees after fixing a relative value for each key factor.

Table: Point Values to Factors alone a Scale

	Point values for Degrees					**Total**
Factor	1	2	3	4	5	
Skill	10	20	30	40	50	150
Physical effort	8	16	24	32	40	120
Mental effort	5	10	15	20	25	75
Responsibility	7	14	21	28	35	105
Working condition	6	12	18	24	30	90

Maximum total points of all factors depending on their importance to job = 540 (Bank Officer)

4. Find the maximum number of points assigned to each job (after adding up the point values of all sub-factors of such a job). This would help in finding the relative worth of a job. For instance, the maximum points assigned to an officer's job in a bank come to 540. The manager's job, after adding up key factors + sub factors point, may be getting a point value of, say 650 from the job evaluation committee. This job is now priced at a higher level.
5. Once the worth of a job in terms of total points is expressed, the points are converted into money values keeping in view the hourly/daily wage rates. A wage survey, usually, is undertaken to collect wage rates of certain key jobs in the organization. Let's explain this:

Table: Conversion of Job Grade Points into Money Value

Point range	Daily wage rate (Rs)	Job grades of key bank officials
500-600	300-400	1 Officer
600-700	400-500	2 Accountant
700-800	500-600	3 Manager I Scale
800-900	600- 700	4 Manager II Scale
900-1,000	700-800	5 Manager III Scale

MERITS AND DEMERITS OF POINT METHOD

The point method is a superior and widely used method of evaluating jobs. It forces raters to look into all key's factors and sub-factors of a job. Point values are assigned to all factors in a systematic way, eliminating bias at every stage. It is reliable because raters using similar criteria would get more or less similar answers. The methodology underlying the approach contributes to a minimum of rating error. 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.

15.11ADVANTAGES OF JOB EVALUATION

Job evaluation has the following advantages:

1. Job evaluation is an objective method of ranking jobs. It helps in removing inequalities in wages structures.
2. It helps in fixing new jobs in wages structures.
3. It leads to greater uniformity in wage rates, thus simplifying wage administration.
4. The grievances arising out of relative wages are easily removed because these are based on a definite criterion. It also helps in improving management employee relations.
5. Any dispute arising for wages can be settled by referring it to job evaluating committee.
6. The information collected for job evaluation may also help in improving selection, transfer, promotion procedures on the basis of comparative job requirements.
7. It also provides a sound basis for bonus schemes and helps in job classification and work simplification.

15.12LIMITATIONS OF JOB EVALUATION

Job evaluation system suffers from the following drawbacks:

1. Though many ways of applying the job evaluation techniques are available, rapid changes in technology and in the supply and demand of particular skills have given rise to problems of adjustment. These need to be probed.
2. Substantial differences exist between job factors and the factors emphasized in the market. These differences are wider in cases in which the average pay offered by a company is lower than that prevalent in other companies in the same industry or in the same geographical area.
3. A job evaluation frequently favours groups different from those, which are favoured by the market. This is evident from the observations of Kerr and Fisher. They observe, the jobs which tend to rate high as compared with the market are those of janitor, nurse and typist, 'while craft rates are relatively low. Weaker -groups are better served by an evaluation plan than by the market; the former places the emphasis not on force but on equity.
4. Job factors fluctuate because of changes in production technology, information system, and division of labour and such other factors. Therefore, the evaluation of a job today is made on the basis of job factors, and does not reflect the time job value in future. In other words, continuing attention and frequent evaluation of a job are essential.
5. Higher rates of pay for some jobs at the earlier stages than other jobs or the evaluation of a higher job higher in the organizational hierarchy at a lower rate than another job relatively lower in the organizational hierarchy often give rise to human relations problems and lead to 'grievances among those holding these jobs.
6. When job evaluation is applied for the first time in any organization, it creates doubts and often fear in the minds of those whose jobs are being evaluated. It may also disrupt the existing social and psychological relationships.
7. A large number of jobs are called red circle jobs. Some of these may be getting more and others less than the rate determined by job evaluation.
8. Job evaluation takes a long time to install, requires specialized technical personnel, and may be costly.
9. When job evaluation results in substantial changes in the existing wage structure, the possibility of implementing these changes in a relatively short period may be restricted by the financial limits within which the firm has to operate.

15.13 SUMMARY

Employee remuneration has different connotations for different people. For an employee, it means status and standard of living; for the employer it adds to the cost; and to the HRM administration of remuneration is an important activity. External and Internal factors have an impact on an employee’s pay package. Factors external to an organization include labour market, cost of living, labour unions, labour laws, society and the economy. Internal factors, on the other hand includes the company's ability to pay, job evaluation and. performance appraisal and worker himself.

Job evaluation refers to the process of determining the relative worth of each job for the purpose of establishing satisfactory wage and salary differentials. A job evaluation scheme should be chosen cautiously. It should he devised and administered on the basis of employment market, demand for labour, bargaining power of the parties 86 job conditions.

15.14 Self check exercise

Q. 5 The Ranking method is best suited for ______

(A) Complex organizations

(B) Large organizations

(C) Small organizations

(D) Any of the above

Q.6 Point method is suitable for_______

(A) Small size organization

(B) Mid-size organization

(C) Large organization

(D) Both (B) and (C)

Q.7 In Factor-Comparison method, each factor is ascribed a______

(a) Money value

(b) Ranking

(c) Scale

(d) None of the above

Q.8 The Ranking method is best suited for______

(A) Complex organizations

(B) Large organizations

(C) Small organizations

(D) Any of the above

15.15 Short answer type question

1.What is Job Evaluation?

2.Explain the objectives of job evaluation?

15.16 Long answer type question

1.Outline the external as well as internal factors of employee remuneration?

2. Considering all methods, why is the point method the most widely used for job evaluation?

15.17 Keywords

- **Employee Compensation:** All forms of pay or rewards accruing to employees and arising from their employment.
- **Job Evaluation:** A systematic way of assessing the relative worth of a job.

15.18 References

- DessIer, G., *"Personnel/Human Resource Management",* New Delhi
- Caseio, Wayne F., *"Managing Human Resources",* New York: McGraw Hill

15.19 Answer key self-check exercise

1(a),2(c),3(d)4(b),5(a),6(a),7(a),8(a)

Lesson No. 16 **AUTHOR: ANJU PURI**

MOTIVATION IN ACTION: EMPOWERMENT, QUALITY OF WORK LIFE, PROBLEM EMPLOYEES

STRUCTURE

16.0 OBJECTIVES

After reading this chapter the student should have a good understanding of

- The specific ways which could help the HR manager motivate his/her subordinates
- How quality of work-life, empowerment, and the like can help motivate the employees.

16.1 INTRODUCTION

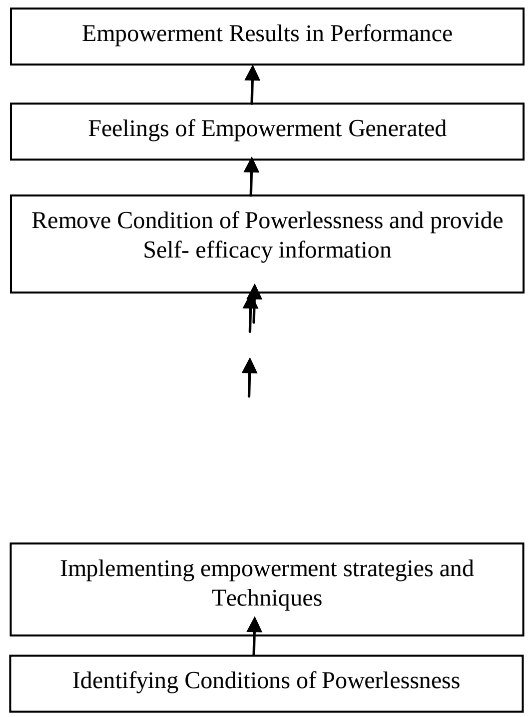
A manager must know specific ways which help him/her to motivate his/her subordinates. There are several practices and applications for motivating employees. Some of them are empowerment, motivation of problem people, and quality of work life.

EMPOWERMENT

More than monetary rewards, it is the feeling that employee 'owns' the job that motivates him or her nowadays. Empowerment may be understood as "a process of enhancing feelings of self-efficacy among organizational members through the identification of conditions that foster powerlessness an through their removal by both formal organizational practices and informal techniques of providing efficacy information. Empowered employees are energetic and passionate. They aspire to do better job because they get personally rewarded for doing so.

Empowerment consists of five stags. The first stage involves identifying the conditions existing in the organization that lead to feelings of powerlessness on the part of organizational members.; These conditions manifest through poor communication, centralized resources, and authoritarian styles of leadership, low incentive value rewards, low task variety and unrealistic performance goals. Diagnosis being completed as suggested above, the next stage is to introduce empowerment strategies and techniques. Use of participative management, implementing merit pay systems and job enrichment are examples of possible empowerment practices.

Fig. 16.1: Empowerment Stages



The use of the programmers (stated above) is designed to accomplish two objectives in the third stage. One is simply to remove the conditions identified in the first stage as contributing to powerlessness. The second, and more important, is to provide self-efficacy information to subordinates. Self-efficacy describes a belief in one's effectiveness. Individuals high in self-efficacy tend to be confident and self-assured and feel they are likely to be successful in whatever endeavours they Undertake.

Receiving such information results in feelings of empowerment in the fourth stage. This is because increasing self-efficacy straightens effort-performance expectancies. Finally, the enhanced empowerment feelings from stage four are translated into performance in the fifth and final stage. These behavioral consequences of empowerment include increased activity directed towards task accomplishment.

Empowerment occurs when power of decision making and authorities to share resources go to employees who then experience a sense of ownership and control over jobs. Empowered employees know that their jobs being to them. Given a say on how things are done, employees feel more responsible. When they feel responsible, they show more initiative in their work, get more done and enjoy the work more.

PROBLEM EMPLOYEES

Managers need to understand that it is very difficult to control the actions of problem people. It is also impossible to change them.

Four principles need to besatisfied; they are:

1. Everyone has motivational energy. Although many problem employees display a marked lack of drive and commitment in their jobs, these qualities are usually alive and well in other areas of their lives;
2. The energy which the problem employees possess is often blocked in the workplace. The blockage may occur because of new and sudden stress at home or frustrated dreams or broken promises at work;
3. Removing blockage of energy requires people's participation. To motivate an

employee to work towards organizational goals, it is necessary to find his or her locus of energy and leverage it. Instead of pushing solutions on people with the force of argument, the manager should pull solutions out of them;

Beyond a certain point, there is no need to show mercy to problem people. The following are some tips to deal with problem employees:

1. Try to reach out to the employee even if it appears to be a climb down on the boss' part. This is necessary in the interest of the organization. Failing this, think of the next.
2. Change the place of work. Probably anew boss, new peers and a new environment may change the employee. Failing this, think of the next.
3. Issue verbal threats of Severe actions. Severity of actions contemplated to vary from workers to managers. Higher the hierarchy, graver the severity. Failing this, think of the next.
4. Translate threats into actions. If problem employees are workers, suspension may work. If the problem employees are managers, sack them.

16.4 QUALITY OF LIFE

The 'term quality of work life (QWL) has different connotations to different persons. For example, to a worker in an assembly line, it may just mean a fair day pay, safe working conditions, and a supervisor who treats him/her with dignity. To a young new entrant, it may mean opportunities for advancement, creative tasks and a successful career.

To academics it means the degree to which members of work organization are able to satisfy important personal needs through their experiences in the organization.

There are many factors which can contribute to QWL. They are:

1.Adequate and fair compensation, adequacy to the extent to which the income from a full-time work meets the needs of the socially determined standard of living.

2.Safety and healthy working conditions, including reasonable hours of work and rest pauses, physical working conditions that ensure safety, minimize risk of illness and occupational diseases and special measures for protection of women and children.

3. Security and growth opportunity, including factors like security of employment, and opportunity for advancement and self-improvement.

4. Opportunity to use and envelop creativity such as work autonomy, nature of supervision, use of multiple skills, workers' role in the total work process and his/ her appreciation of the outcome of his/her own efforts and self-regulation

5. Respect for the individuals' personal rights, such as application of the principles of natural justice and equity, acceptance of the rights, to free speech, and right to personal privacy in resps5 to the workers off-thejob behavior.

6. Work, and family life including transfers, schedule of hours of work, travel requirements, overtime requirements and so forth.

16.5 SUMMARY

Mere knowledge about the theories of motivation will not help managers motivate their subordinates. They need to have certain techniques that can help them motivate employees.

16.6 Self check exercise

Q.1 Motivation is the process of stimulating people to accomplish __________

a) Desired goals

b) Desired homework

c) Desired assignment

d) Desired homework and assignment

Q.2 Which of the following is not an important aspect of employee involvement?

a) Employee motivation

b) Employee empowerment

c) Team and Teamwork

d) Keeping employee morale down

Q. 3 Quality of work life is the relationship between the____

a) Employees

b) The workplace

c) Both a and b

d) None of these

Q. 4 According to the text, quality of work life is defined in term of:

A. employee perceptions of their well-being at work.

B. the level of productivity achieved by employees.

C. objective indices of employee well-being at work.

D. the degree to which an organization adopts Japanese managerial principles.

16.7 Short answer type question

Q.1 Explain how empowerment can be a motivator?

16.8 Long answer type question

Q.1 How do you handle problem employees?

16.9 KEYWORDS

- **Empowerment:** is the process of enhancing feeling of self-efficiency and a sense of owing a job.
- **Quality of Work Life:** Quality of work life is ensured when members of an organization are able to satisfy their important personal needs through their experiences in the organization

16.10 REFERENCES

- Aswathappa, K., *Human Resource Management,* McGraw-Hill, New York, 5th Edition, 2008
- Rao, V.S.P., *Human Resource Management,* Excel Books, New Delhi, 2nd Edition, 2005.

16.11 SELF CHECK EXERCISE (ANSWER KEY)

1(a),2(d),3(c),4(c)

Lesson No. 17 **AUTHOR: DR. SIMRANJEET KAUR**

INCENTIVES, SHARING PRODUCTIVITY GAINS AND PROFITS, ESOP'S

STRUCTURE

17.0 OBJECTIVES

After reading this chapter, the student should be able to :

- Understand the meaning and need of paying incentives.
- To know about the various types of incentive schemes.

17.1 INTRODUCTION

Management is an art of getting the work done through and with the people engaged in an organization. It is well known fact that when a person works, there are some motives which indues him to work. In industrial psychology, such motives are known as incentives. Incentives are monetary benefits paid to workmen in recognition of their outstanding performance. They are defined as "Variable rewards granted according to variations in the achievement of specific results".

It has been generally experienced that the workers do not work to their full capacity. They produce only 70% out of their total capacity. If they are given some incentives, they can be induced to work more. These incentives may be given to them in terms of money or in terms of kinds. Thus, the scope of incentives is quite broad and includes basic compensation as well. The term 'Incentive' has been defined as under:

George R. Terry, "Incentive means that which incites or has a tendency to incite action".

De, Earnest Dicher, Incentive is a stimulus or a reason for producing action. Almost all of the human motivations can serve as incentive anxiety, worries, fear, hope, prestige, money, security and so on are all actual or potential incentives in our 6,4 life".

Burack and Smith, 'An incentive scheme is a plan or programme to motivate individuals for good performance. An incentive is most frequently built on monetary rewards (incentive pay or a monetary bonus), but may also include a variety of non-monetary rewards or prizes."

Based on the above definition, we may identify the following features of an incentive scheme:

1. The incentives are in direct monetary form or measurable in monetary worth.
2. The use of incentives is to motivate people for better performance.
3. The incentives are linked to performance either on individual basis or on group basis, either directly or indirectly. However, a direct linkage provides more motivation.

17.2 IMPORTANCE OF INCENTIVES

The primary advantage of incentives is the inducement and motivation of workers for higher efficiency and greater output. It may not be difficult to get people for fixed wages and salaries. But with fixed remuneration, it is difficult to motivate workers to show better performance. Fixed remuneration removes fear of insecurity in the minds of employees. A feeling of secured income fails to evoke positive response. Positive response will surely come when incentives are included as a part of the total remuneration.

Earnings of employees would be enhanced due to incentives. These are instances where incentive earnings exceed two to three times the time-rated wages or salaries. Increased earnings would enable the employees to improve their standard of living.

There will be reduction in the total as well as unit cost of production, through incentives. Productivity would increase resulting in greater number of units produced for given inputs. This would bring down the total and unit cost of production.

The other advantages of incentive payments are reduced supervision, better utilisation of equipment, reduced scrap, reduced lost time, reduced absenteeism and turnover, and increased output.

17.3 TYPES OF INCENTIVES

Incentives can be classified as:

1. Individual Incentives
2. Group or Team Based Incentives
3. Organization Wide Incentive Plans

17.3.1 INDIVIDUAL INCENTIVES

Individual incentive plans are the most widely used pay for performance plans in industry. These plans are:

(I) Halsey Premium Plan.
(II) Halsey Weir Premium Plan.
(III) Rowan Premium Plan.
(IV) The Bedeaux point plan.
(V) Taylor's Differential Piece Rate Plan.
(VI) Merrick's Multiple Piece Rate Plan.
(VII) Gnatt Task Plan.
(VIII) Emerson Efficiency Plan.

(I) HALSEY PREMIUM PLAN

This is a time saved bonus plan which is ordinarily used when accurate performance standards have not been established. Under this plan, it is optional for a workman to work on the premium plan or not. His day's wage is assured to him whether he earns a premium or not, provided that he is not so incompetent as to be useless. A standard output within a standard time is fixed on the basis of previous experience. The bonus is based on the amount of time saved by the worker. He is entitled to a bonus calculating on the basis of 33/3 percent of the time saved. He thus gets wages on the time rate basis of a time wage. The plan is a combination of the day wage and the piece wage in a modified form.

Example: Suppose the standard time is 20 hours, the number of units to be completed is 10, and the hourly rate is 25 paise. Then, the working of the scheme will be:

Time taken (hrs)...	14
No. of hrs saved...	
Amt. Of wages recd...	Rs. 3.50
Amt. Of bonus...	Rs. 0.75
Total earnings...	Rs. 4.25

Merits

The merits of the plan are:

- It guarantees a fixed time wage to slow workers and, at the same time, offers extra pay to efficient workers.
- The cost of labour is reduced because of the percentage premium system; the piece rate of pay gradually decreases with increased production.
- The plan is simple in design and easy to introduce.
- As the wages are guaranteed, it does not create any heart burning among such workers who are unable to reach the 0standard.

Demerits

The disadvantages of the plan are:

- It depends upon past performance instead of making new standards.
- The workers can beat the game by spurting on certain jobs to capture a premium and soldering on other jobs to rest under the protection of the guarantee of day wages.
- The worker is left alone **to** decide whether or not to produce more **after** the standard has been reached.

(II) HALSEY-WE1R PREMIUM PLAN

This plan is similar to the Halsey Premium Plan except that 50 percent of the time saved is given as premium to worker.

Bonus =Time Saved x Hourly Rate

(III) ROWAN PREMIUM PLAN

This plan differs from the Halsey Plan only in regard to the determination of the bonus. In all other respects, the two are the same. In the Rowan Plan, the time saved is expressed as a percentage of the time allowed, and the hourly rate of pay is increased by that percentage so that earnings of the worker are the total number of hours multiplied by the increased hourly wages. The plan aims at ensuring the permanence of the premium rate, which is often cut by the employer when the worker's efficiency increase beyond a certain limit. The premium is calculated on the basis of the proportion which the time saved bears to standard time. 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.

Bonus = (Time Saved / Standard time or time allowed) x (Time taken) x (Hourly Rate) Total Earnings = Time Taken x Hourly Rate + Bonus

Merits

1. It assures minimum time wages. It is more liberal then Halsey plan in that it provides incentive to work and earn extra renumeration.
2. As the increase in effort is much less regarded after certain stage an automatic check for limiting production of inferior quality of goods is ensured.
3. This automatic check enables the worker to earn a fair wage, because there is less chance of rate cutting by the employer, as he is not paying extra ordinary wages.

Demerits

1. The ordinary worker may find the bonus calculation a bit difficult.
2. Like Halsey plan, this plan does not encourage extra ordinary efficiency.

(IV) BEDEAUX **PLAN**

Under this plan, every operation or job is expressed in terms of so many standard minutes, which are called 'Bandeaux points or "B's", each B representing one minute through time and motion study. Up to 100% performance, i.e., up to 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 foreman. For example, if the standard time is 10 hours, actual time taken is 8 hours and rate per hour Re. 1, the worker will get:

= 8 hours at Re 1 + 75% of 120 (points saved) x 1/60

= Rs 9.50

Piece Rates: These refer to amount usually determined through wage survey; may be base plus piece rate above standard rate

(V) TAYLOR'S DIFFERENTIAL PIECE RATE SYSTEM

F W Taylor, the Father of Scientific Management, originated this system. The main features of this plan are:

- There shall be two-piece work rates, one is lower and the other is higher.
- The standard of efficiency is determined either in terms of time or output based on time and motion study.
- If 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.

(VI) MERRICK'S MULTIPLE PIECE RATE SYSTEM

This system too is based on the principle of a low piece rate for a slow worker and a higher piece rate for higher production; but this plan differs from Taylor's Plan in that, it offers three graded piece rates instead of two.

1. Up to, say 83% of standard output a piece rate 10% of time rate as bonus;
2. Above 83% and up to 100% of standard output same piece rate + 20% of time rate; and
3. Above 100% of standard output- same piece rate but no bonus.

Such a scheme is usually introduced in an organization where the performance level is already high and management is aiming at 100% efficiency. Management has some discretion in distributing the 20% of time rate over 17% of production above 83%.

(VII) THE GNATT TASK AND BONUS PLAN

This plan has been devised by H.L. Gnatt and is the only that pays a bonus percentage multiplied by the value of standard time. Under this system, fixed time rates are guaranteed. Output standards and job within the standard time or in less time receive wages for the standard time plus a bonus which ranges from 20 per cent to 50 per cent of the time allowed and not time saved. When a worker fails to turn out the required quantity of a product, he simply gets his time rate without any bonus.

Under this plan, there are also three stages of payment:

- Below the standard performance, only the minimum guaranteed wage is to be paid.
- At the standard performance, this wage + 20% of time rate will be paid as a bonus; and
- when the standard exceeded, a higher piece rate is paid there is no bonus.

(VIII) EMERSION EFFICIENCY PLAN

Under this system, a standard time is established for a standard task. The day wage is assured. There is no sudden rise in wages on achieving the standard of performance. The remuneration based on efficiency rises gradually. Efficiency is determined by the ratio between the standard time fixed for a performance and the time actually taken by a worker. Thus, if the period of 8 hours is the standard time for a task and if a worker performs it in 16 hours, his efficiency is 50 percent. He who finishes the task in 8 hours has 100 per cent efficiency, at which stage he receives a nominal bonus. This bonus goes on increasing till, when he achieves 100 per cent efficiency, the bonus comes to 20 per cent of the guaranteed wage. At 120 per cent efficiency, a worker receives a bonus of 40 per cent and at 140 per cent efficiency the bonus is 60 per cent of the day wage.

17.3.2 GROUP OR TEAM BASED INCENTIVE PLANS

Team based incentive plans reward all team members equally based on overall performance of the team members. Performance is evaluated using an objective' standard. Some of the important team-based incentive plans are:

1. **Priestman's Production Bonus:** Under this system, a standard is fixed in terms of units or points. If actual output, measured similarly, exceeds the standard, the workers will receive bonus in proportion to the increase. Therefore, this system can operate in a factory where there is mass production of a standard product with little or no bottleneck.
2. **Rucker Plan:** In this plan, employees receive a constant proportion of the 'added value'. The term 'added value' means the change in market value resulting from an alteration in the form, location or availability of a product or service, excluding the cost of bought out materials or services.

   In this plan, ratio between earnings and 'added value' is ascertained and any reduction to the ratio of earnings to added value will, result in proportionate bonus payment. This plan presupposes a great deal of consultation between management and workers so that the effort could be made more effective.
3. **Scanlon Plan:** Under this plan, constant proportion (i.e, ratio of wages to sales value) of the added value of output is paid to the workers who are responsible for the addition of the value. The added value is the change in market (including

profit) resulting from an alteration in the form, location or availability of product service, excluding the cost of purchased materials or services used in production.

4. **Towne Plan:** The main objective of this plan is to bring about cost reduction by foreman and workers. However, bonus is paid upon a reduction in labour cost alone. A standard labour cost per unit for a particular period is determined and actual labour cost is distributed among workers and foreman in proportion to their wages.
5. **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 level 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.

17.3.3 ORGANIZATION WIDE INCENTIVE PLANS

Organization wide incentive plans reward employees on the basis of the success of the organization over a specified time period. These plans seek to promote a 'culture of ownership' by developing a sense of belongingness, cooperation and teamwork among all employees. There are three basic types of organization wide incentive plans: profit sharing, gain sharing and employee stock ownership plans.

17.3.3.1 PROFIT SHARING

Profit sharing is regarded as a stepping stone to the industrial democracy. Prof. Seager observes: "profit-sharing is an arrangement by which employees receive a share, fixed in advance of the profits." The International Co-operative Congress held in Paris in 1889 considered the issue and defined profit-sharing as "an agreement (formal or informal) freely entered into, by which an employee receives a share fixed in advance of the profits.

Profit sharing usually involves the determination of an organization's profits at the end of the fiscal year and the distribution of a percentage of the profits to workers qualified to share in the earnings. The percentage to be shared by the workers is often predetermined at the beginning of the work period and is communicated to the workers so that they have some knowledge of their potential gains. To enable the workers to participate in profit-sharing, they are required to work a certain number of years and develop some seniority. The theory behind profit-sharing is, that management feels its workers will fulfil their responsibilities more diligently if they realize that their efforts may result in higher profits, which will be returned to the workers through profit-sharing.

Features of Profit-sharing

The main features of profit-sharing schemes are

- The agreement is voluntary and based on joint consultation made freely between the employers and the employees.

- The payment may be in the form of cash, stock of feature credits of some amount over- and above the normal remuneration that would otherwise be paid to employees in a given situation.
- The employees should have some minimum qualifications, such as tenure or satisfy some other condition of service which may be determined by the management.
- The agreement on profit-sharing having been mutually accepted, is binding and there is no room on the part of the employer to exercise discretion in a matter which is vital to the employees.
- The amount to be distributed among the participants is computed on the basis of some agreed formula, which is to be applied in all circumstances.
- The amount to be distributed depends on the profits earned by an enterprise.
- The proportion of the profits to be distributed depends on the profits earned by an enterprise.
- The proportion of the profits to be distributed among the employees is determined in advance.

Thus, Profit sharing provides an important means of increasing employee loyalty and tying employee compensation to company performance. Profit sharing is a particularly attractive option for newer small businesses with uncertain profit levels, as it allows business owners to share the wealth during good times without obligating them to do so during lean years.

Profit-sharing is a distinctly progressive measure towards industrial harmony. It may be considered as a step short of joint consultation or co-partnership schemes. Wage business affairs are managed and shared on a footing of equality. Essentially this means "the creation of a mental climate in which a strong sense has to grow that the business is the business of all, since it is the joint effort of the workers and the management and since the one cannot carry on a business without the help of the other. This is the inner essence of profit sharing which has often been overlooked."

Types of Profit Sharing

Employee profit sharing is often regarded by employers as a supplementary benefit programme. There are several types of plans, and these plans differ widely as to specific details, three basic types of profit-sharing plans plans are in use

1. Current Profit Sharing: Some plans simply give employees directly a certain share of the company profits regardless of the performance of individuals or teams in cash or by cheque or in the form of stock (e.g., monthly, quarterly, biannually or annually)
2. Deferred profits are credited to employee accounts to be paid at the time of retirement or in particular circumstances (i.e, disability, death, severance or under withdrawal provisions during employment.)
3. Combination by which a part of the profits is paid in cash and a part is deferred and placed in the employees account in a trust fund.

Objectives of Profit Sharing

Profit sharing is more than just another employee benefit. **It** may be the most important part of a progressive personal policy. It may incorporate incentives features and produce results not possible by the implementation of other programmes. Companies which offer this incentive have realized higher profits and increased efficiency, and have created a climate for better employee relations.

The critical ingredient in profit-sharing is the desire of the employees and the management to ensure the success of a programme. The programme is formulated at the top because profit-sharing is first and foremost, a principle and technique of leadership.

The real objective of profit sharing is to foster "the unity of interest and the spirit of cooperation." From the point of view of the employees, profit sharing may serve multiple objectives, depending upon the type of plan which is adopted. A cash plan contributes directly to an employee's immediate economic gain. Deferred plans and combination plans contain features very similar to benefit plans which provide for retirement benefits and against loss of income following disability, for benefits to dependents in the event of the death of an employee, and for other related benefits. From the view point of the organization, employee productivity is the overriding objective of profit sharing. At the same time, it may contribute to employee satisfaction because profit sharing provides for rewards which are related to employee needs.

A profit-sharing scheme is generally introduced to achieve the following objectives:

- To promote industrial harmony and stabilization of the work force;
- To eliminate waste in the use of materials and equipment's;
- To instil a sense of partnership among employees and employers and to increase employee interest in the company in which he works;
- To attract desirable employees and retain them, thereby reducing the rate of turnover;
- To encourage employee thrift;
- To provide a group incentive for a larger output;
- To ensure employee security; and
- To demonstrate some measure of social justice to employees.

Forms of Profit Sharing

Profit sharing may be on

- Industry Basis: Here the profit of a number of industrial units in the same industry may be pooled together to determine the share of the labourers. Such a scheme has the advantage of putting the whole labour force in a particular industry on a uniform basis. Moreover, if a certain industrial unit somehow shows a loss in a particular year, its workers are not deprived of their remuneration because other units have made a good profit.
- Locality Basis: Industrial units in a particular locality may pool their profits to Determine labour remuneration by way of profit sharing. However, if there are heterogeneous industrial units in locality, where labour work is for a widely divergent nature, there may be great difficulties about an adjustment in their share.
- Unit Basis: This is the simplest way of giving a labourer a share in the profits of the individual undertaking in which he is employed. This mode of profit sharing establishes a close relationship between the effort of labour and rewards it receives. In the first two schemes, the reward of workers depends on the combined efforts of all in a number of units.
- Department Basis: Sometimes the various departments of an industrial unit may

have their separate profit-sharing schemes. The workers in a particular department share in the profits made by that department. This aims at bringing about an even closer relationship between a worker's efforts and the reward he receives.

- Individual Basis: A worker receives a proportion of the profit which may have been earned by a business through the efforts of that particular worker. This aims at bringing about a direct and most intimate relationship between individual effort and reward. In practice, it is impossible to determine such profits.

17.3. 3. 2 EMPLOYEES STOCK OWNERSHIP PLANS

Employee Stock Ownership Plan (ESOP) is an employee benefit plan. ESOP originated in the USA in early 90s. Under employee stock option plan, the eligible employees are allotted company's shares below the market price. The term stock option implies the right of an eligible employee to purchase a certain amount of stock in future at an agreed price. The eligibility criteria may include length of service, contribution to the department/division where the employee works, etc. The company may even permit employees to pay the price of the stock allotted to them in instalments or even advance money to be recovered from their salary every month. The allotted shares are generally held in trust and transferred to the name of the employee whenever he or she decides to exercise the option. The stock empowers the employee to participate in the growth of the company as a part owner. It also helps the company to retain talented employees and make them more committed to the job.

Employee stock options are welcomed everywhere due to their in-built motivating potential. Some of the powerful benefits offered by ESPOS may be catalogued thus:

- Stock options are a tremendous motivator because they directly link performance to the market place. The underlying rationale is to let employees add value to a company and benefit from it on the same terms as any other provider of risk capital.
- Employees remain loyal, and committed to the company. To become part owners, everyone has to stay for a while, contribute their best and then share the resultant gains according to an agreed criterion. Stock options motivate people to give their best to the company because individual performances will translate into share price increases only if it is part of a larger collective effort.
- By transforming your employee into a stockholder, stock options foster a long-term bond between the employee and the company. Employees begin to look at themselves as real owners in place of just paid servants of the company. ESOP's give employees a 'piece of the action so that they can share in the growth and profitability of their company. Everyone also loves the concept of employee ownership as a kind of 'People's capitalism'.
- ESOP's underscore the importance of team effort among employees.
- Better industrial relations, reduced employee turnover, lesser supervision, increased dividend income, etc., are other incidental benefits.

ESOP's have their critics as well who attack the method on the following grounds:

1. Only profitable companies can use the tool
2. Stock prices do not always reflect fundamentals.
3. Falling share price could mean losses for employees
4. The inability to cash in quickly can dampen interest.
5. Lack of transparency can earn accusations of favouritism.

Employees sharing the platform with owners, evidently can be a disadvantage because they may feel forced to join, thus placing their financial future at great risk. Another drawback is that ESOPs could be used by management to fend off unfriendly takeover attempts. Holders of stock options often align with management to turn down bids that would benefit outside shareholders but would replace management and restructure operations.

17.3.3.3 GAIN SHARING

Gain sharing is a technique that compensates workers based on improvements in the company's productivity. Workers voluntarily participate in management to accept responsibility for major reforms. This type of pay is based on factors directly under a worker's control. Gains are measured and distributions are made frequently through a predetermined formula.

17.4 SUMMARY

Employees are paid incentives in addition to wages and salaries. Incentives are linked to performance. This leads to better motivation among employees. Reduced cost, reduced supervision, reduces scrap and the like are the other benefits of incentives.

17.5 Self check exercise

Q.1 Incentives lead to corruption and conspicuous consumption. TRUE/FALSE

Q.2Which of the below given options is a pre - requisite for an effective incentive system?

a. Increased need for planning
b. Co-operation of workers
c. Management's commitment to the cost and time necessary to administer incentive schemes
d. All of the above

Q.3 Match the following types of incentives with respective incentive schemes.

1) Earnings vary in the same proportion as output ---- A. High Piece Rate
2) Earnings vary less proportionately than output ---- B. Merrick Differential Piece Rate
3) Earning vary proportionately more than output ---- C. Standard Hour
4) Earnings differ at different levels of output ---- D. Barth Scheme

a. 1-C.2-D.3-A.4-B
b. 1-D.2-C.3-A.4-B
c. 1-C.2-D.3-B.4-A
d. 1-B,2-C,3-D,4-A

Q.4 In Taylor's differential piece rate system an inefficient worker is paid only ___ of the piece rate.

a. 120%
b. 75%
c. 80%
d. None of the above

Q.5 What is the percentage of bonus received by a worker against the number of points earned?

a. 50%
b. 75%
c. 25%
d. None of the above

Q.6 The four categories of incentives are listed by _______.

a. The International Labour Organisation
b. The International Labour Office
c. World Health Organisation
d. None of the above

Q.7 Which of the below given options is a pre - requisite for an effective incentive system?

a. Increased need for planning
b. Co-operation of workers
c. Management's commitment to the cost and time necessary to administer incentive schemes
d. All of the above

17.6 Short answer type question

1.What do you understand by incentive plans?

17.7 Long answer type question

1.Describe the various types of incentive plans

2.Why would an employee stock ownership plan be seen by employees both as an attraction and as a risk.

17.8 KEYWORDS

- **Incentive Wages**: Incentive wages are the extra payments for superior performance.
- **Profit-Sharing:** A scheme wherein employees agree to pay a particular portion of net profits to eligible employees.

17.9 References

- L. Berger, *"Handbook of Wage and Salary Administration",* 2ndeci., New York, McGraw-Hill.

17.10 SELF CHECK EXERCISE (ANSWER KEY

Q. 1(TRUE), 2(d),3(a), 4(c),5 (b),6(a),7(d),

Lesson No. 18 **AUTHOR: DR. SIMRANJEET KAUR**

EMPLOYEES BENEFITS AND SERVICES

STRUCTURE

18.0 OBJECTIVES

After reading this chapter, the student should be able to:

(i) To know the meaning of employee benefits & services.

(ii) To know the monetary rewards and non-monetary rewards to employees.

(iii) To know the administration of benefits and services.

(iv) To have the knowledge of problems in administration and the future of fringe benefits

18.1 NATURE OF BENEFITS & SERVICE

Employee benefits & services include any benefits that the employee receives in addition to direct remuneration. Benefits & service however are indirect compensation because they are usually extended as a condition of employment &, are not directly related to performance. Employee benefits are alternatively known as fringes, service programmes, employee benefit or hidden payroll.

Definition: Employees Benefits'& service include any benefits that the employee receives in addition to direct remuneration.

18.2 WHY BENEFITS AND SERVICES?

Nearly every organisation in our country provides benefits and services to its employees. These fringes continue to grow in their importance. Several reasons account for this trend.

They represent increased earnings to employees. In fact, employees prefer indirect remuneration to direct pay. Any increase in direct pay only adds to one's taxable income.

But most benefits are not taxed and hence are advantageous to employees.

More than salary structures and financial arrangements, there is a need to attract and retain competent personnel. An employee joins and stays with an organisation which guarantees attractive fringe benefits besides, vacations along with holidays and rest breaks help employees mitigate fatigue and enhance productivity during the hours actually employees' work. Similarly, retirement, health care and disability benefits may allow workers to be more productive by freeing them of concerns about medical and retirement costs. So, it is quite accurate to state that indirect remuneration may:

1. Mitigate fatigue
2. Discourage labour unrest,
3, Satisfy employee objectives
4. Aid recruitment,
5. Reduce turnover, and
   Minimise overtime costs.

Fringe benefits help in build up a good corporate image. Schemes like housing, educational institutions, and recreations activities bring benefits to the society at large. Thus, an organisation, with the introduction of fringes, seeks to enhance employee morale, remain cost effective, and introduce changes without much resistance.

18.3 BENEFITS AS INCENTIVES

Group benefits along with other factors such as working conditions into the 'hygiene' area are needed, and the human appetite for them is limitless. Yet, they do not motivate people to perform better. In Maslow's need structure; benefits may affect the various aspects of 'security' (e.g. individual needs to cover hospital costs, retirement, support when unemployed, or life insurance money for the family's protection in case of death) but little else. In fact, if one views the major dimensions of job satisfaction, such as satisfaction with the supervisor, coworkers, the job itself, pay and work environment, the benefit is seen as entering into little of this and, therefore, may have little effect on the employee.

Fringe benefits may fail in their motivational effect, as they are not tied to employee performance but to organizational membership. In addition, most employees perceive benefits and services provided by an organisation as a part of their larger social responsibility actions.

The arguments about motivational effect of benefits and services apart, fringe benefits have come to stay and hence they need proper administration by HR experts.

Demerits of fringe benefits should not be ignored. Fringe benefits, for example, could result in unhealthy competition among employees-work may interfere with the personal likes of employees. They may fail to work if monetary incentives are inadequate, and could demotivate employees if implementation is not transparent.

18.4 TYPES OF EMPLOYEE BENEFITS AND SERVICES

Employee benefits and services include a motley crowd of fringes starting from accident compensation plans to paid holidays. To hold that a benefit is a fringe, three criteria need to be fulfilled:

1. It should be computable in terms of money.
2. The amount of benefit is not generally predetermined.

3. No contract, indicating when the sum is payable, should exist.

4. Going by the three criteria, many items are included in the category of fringes. Following is the list of fringes.

18.4.1. Monetary Rewards or Fringes

1. Legally Required Payments

(i) Old age, survivors, disability, and health insurance

(Commonly known as social security)

(ii) Worker's compensation

(iii) Unemployment compensation

2. Contingent and deferred benefits

(i) Pension plans

(ii) Group life insurance

(iii) Group health insurance

(a) Medical expenses (hospitalisation and surgical)

(b) Disability income (short-term and long-term)

(iv) Guaranteed annual wage

(v)Prepaid legal plans

(vi) Military leave and pay

(vii)Jury duty and bereavement paid leave

(viii) Maternity leave

(ix) Child care leave

((x) Sick leave

(xi) Dental benefits

(xii) Tuition aid benefits

3. Payments for time not worked

(i) Vacations

(ii) Holidays

(iii) Voting pay allowance

4. Others Benefits

18.4. Non-monetary Rewards Treats

- Free lunches
- Festival bashes
- Coffee breaks
- Picnics
- Dinner with boss
- Dinner for the family
- Birthday treats

knick-Knacks

- Desk accessories
- Company watches
- Tie-pins, brooches
- Diaries/Planners
- Calendars
- Wallets

- T-shirts

Awards

- Trophies
- Plaques
- Citations
- Certificates
- Scrolls
- Letters of appreciation

Office Environment

- Redecoration
- Office with a window
- Piped music
- Flexible hours

Social Acknowledgement

- Informal recognition
- Recognition at office get-togethers
- Friendly greeting, smiles, e-mail
- Solicitation of advice, suggestions
- Membership of recreation clubs
- Use of company facilities for personal projects

Tokens

- Movie tickets
- Vacation trips
- Coupons redeemable at stores
- Early time-offs
- Anniversary, dating and birthday allowances/presents

On the Job

- More responsibility
- Job rotation
- Special assignments
- Training
- Representing the company at public fora

18.5. PRINCIPLES OF FRINGES:

The following principles must govern the administration of fringe benefits

1. Benefits and service must be provided to the employees on the basis of a genuine interest in the protection and promotion of their well-being. The managements should not feel that the fringes are thrust upon them. Nor should the managements feel that they are providing the benefits as a matter of charity.
2. The benefit must satisfy a real need. Employees resist or are indifferent to any benefit, which is not liked by them.
3. The benefit must be cost-effective.
4. The benefit should be as broad-based as possible.
5. Administration of the benefits should be preceded by sound planning.
6. The wishes of employees as expressed by their union representatives and the

7. bargaining power of the union must be considered.
8. Employees should be educated to make use of the benefits.

18.6 SIGNIFICANT BENEFITS AND SERVICE PROGRAMMES

Payment for Time not worked

Companies provide payment for time not worked, 'both on- and off-the-job. On-the-job free time includes lunch periods, rest periods, coffee breaks, wash-up times and get-ready times. Off-the-job time includes vacations, sick leaves, public holidays, and personal or casual leaves.

Insurance Benefits

Organisations offer life and health insurance programmes to their employees. Most organisations offer insurance at a cost far below what individuals would have to pay to by insurance by themselves.

Compensation Benefits

Disability and worker's compensation benefits are also offered to employees. Employers contribute funds to assist workers who are ill or injured and cannot work owing to occupational injury or ailment. These benefits are regulated by the Workmen's Compensation Act.

Pension Plans

Most organisations offer plans to provide supplementary income to employees after they retire. These are either company-paid or joint employee-and-company-paid programmes meant to supplement social security.

Along with pensions, organisations pay gratuity to employees attaining superannuation. There is, however, a ceiling on gratuity, which may not be justified. If an employee has served an organisation for a long time, there is no reason why he or she should be denied the benefit of higher gratuity.

18.7 ADMINISTRATION OF BENEFITS AND SERVICES

Organisations fumble while administering employee benefits and services. Yielding to the pressure of unions, employees demand or in deference to social response trends, companies have added newer benefit and services to the list, which is already lengthy, Organisations have seldom established objectives, systematic plans and standards to determine the appropriateness of the programmes. This patchwork of benefit and services has caused several problems.

18.8 PROBLEMS IN ADMINISTRATION

The main problem in indirect remuneration is the lack of employee participation. Once a fringe benefit programme is designed by the company, employees have little discretion. For example, the same pension usually is granted to all workers. Younger employees see pensions as distant and largely irrelevant. Old female workers feel that maternity benefits are not needed. The uniformity of benefits fails to recognise workforce diversity. Admittedly, uniformity leads to administrative and actuarial economies, but their employees receive benefits they neither want nor need, these economies are questionable.

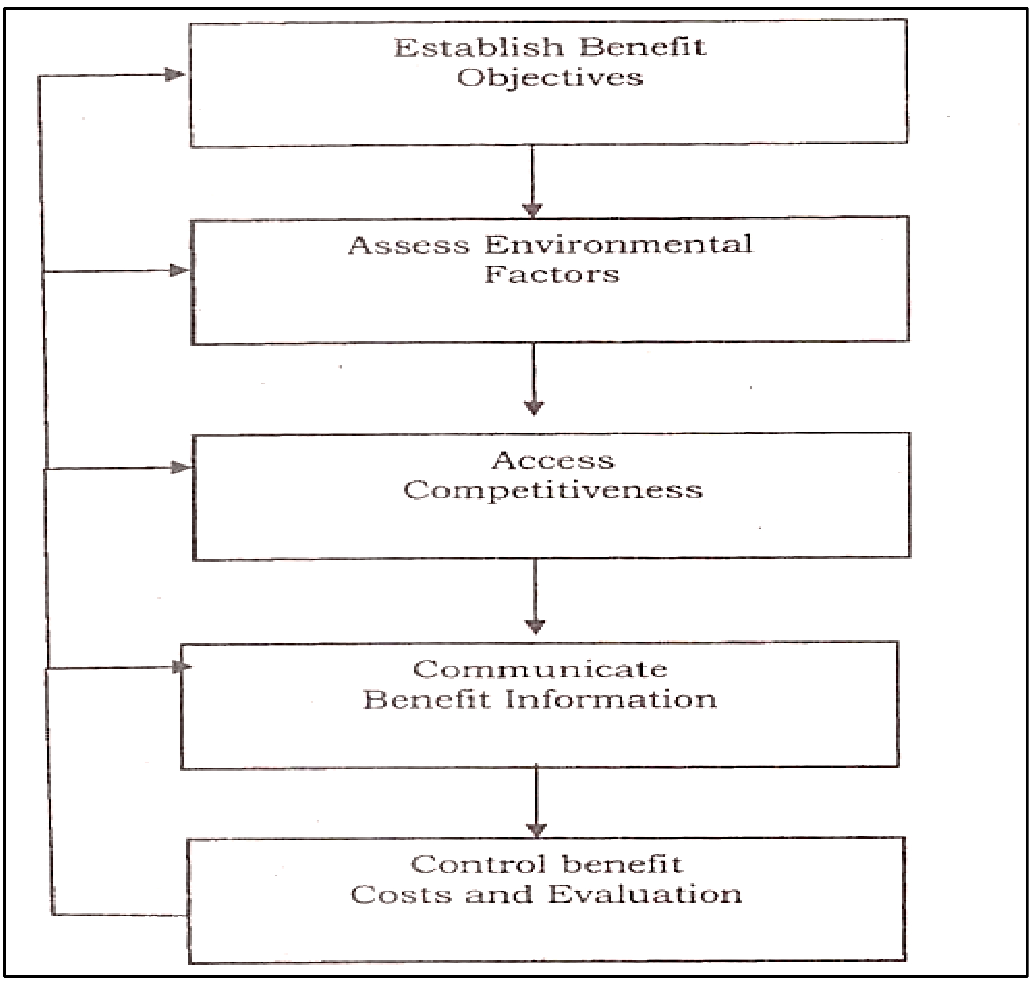
Managers, too, have little interest in the benefits programmes and trade unions are almost hostile to the schemes. Managers are not even aware of the company's policy towards benefits and their contribution to the quality of corporate life. Trade unions entertain a feeling of alienation as the benefits are likely to erode their base.

Since employees have little choice in their benefit packages, most workers are unaware of all the benefits to which they are entitled. This lack of knowledge often causes employees to request for more benefits to meet their needs. For example, older workers may want improve retirement plans, while younger workers seek improved insurance coverage for dependents. The result is often a proliferation of benefits and increased employer costs. And perhaps even worse, employee confusion can lead to complaints and dissatisfaction about their fringe benefit packages, particularly employee not have to contribute financially.

These problems can be avoided if the following lines are taken while administering indirect remuneration. The steps are:

1. Establishing benefit objectives,
2. Assessing environmental factors,
3. Assessing competitiveness,

Table 18.1: Administration of Fringe Benefits



4. Communicating benefit information,
5. Controlling benefit costs and evaluation.

The above table shows how a company can administer its employee benefits and services with the setting up of objectives of benefits and services. Then with the assessment of environments and competitiveness whatever the benefits are framed it should be communicated to the employees. With the controlling process evaluation of benefits is made. Such process is again helpful to redefining benefit objectives. Detail of these steps is as follows:

Establishing Benefit Objectives

It is essential for the management to establish objectives for its benefit programmes. In establishing objectives, the management may consider several factors. One such consideration is employee preference for benefits. Personnel/HR outcomes-attendance, length of service, and performance should also receive due attention in the objective setting process.

Assessing Environment

External as well as internal factors influence a company's indirect remuneration programmes. Among the external factors are included such aspects as government policies, regulations, unions, and economic factors. The major government policies which influence employee benefits and service are wage regulations, tax policies and specific benefit laws.

On the other hand, competition in the labour market to attract and retain production employees creates pressure to match the benefits offered by others.

Assessing Competitiveness

More often than not, organisations offer benefits to match or outstrip those offered by competitors. How to ascertain the competitors, benefit packages? There are assessed through market surveys conducted by professional associations and consultants. These surveys provide data on the various benefits offered, their coverage, eligibility and costs. The data allow employers to assess the competitiveness of their benefits and cost, with those offered by others.

Communicating the Benefits

Benefit programmes must be communicated to employees through booklets, brochures, slide presentations, and regular employee meetings. An effective technique is to use employee calendars which communicate the total remuneration components. Each month of the calendar shows a company employee receiving a benefit. For example, one month may feature a photo of an employee building a new home, made possible through the company's savings plan. Another month may feature the usefulness of the company's medical plan.

Communications helps remove ignorance of employee (and of employers too) about indirect remuneration. Further, employer might be able to increase the productivity and the advantages of good employee benefits by making employees aware of what the company does for them that does not appear on their pay slips.

Evaluation and Control

One way of assessing the usefulness of fringes is to ascertain how far the advantages claims in favour of indirect monetary schemes have really benefited the employees. The questions relevant in this context are. (i) Have the earnings of employees improved?

(ii) Have the benefits been able to attract and repair competent people? (iii) Has the morale of employees gone up? (iv) Have industrial relations improved? The answers to these and other related questions help HR managers assess the effectiveness of fringe benefits and also to redefine benefit objectives.

Effect on costs

Cost of fringe benefits is a reliable test of their effectiveness. Employee benefit costs can be computed on the following lines:

1. Total cost of benefits annually for all employees.
2. Cost per employee per year
3. Percentage to annual payroll.
4. Cost per employee per hour.

18.9 THE FUTURE OF FRINGE BENEFITS

Current benefit package have evolved over the years from plans that addressed the basic needs of the workers and provided minimum benefits to the individuals. Today, we see a much more complex pattern of plans with enhanced flexibility, tailored to meet the needs of individuals and costing public sector and private sector organizations dearly in terms of rupee. Employees in general are more educated, more sophisticated and more demanding concerning remuneration including fringe benefit. Employers are, therefore, required to devise newer benefit plans to attract and retain competent personnel, keeping a watch on the benefits costs. Certain guidelines to make benefit programmes more effective are given here.

18.10GUIDELINES TO MAKE BENEFIT PROGRAMMES MORE EFFECTIVE

1. Fringe benefit programmes should be looked at as a worthwhile corporate instrument in HRM.
2. Future policy planning in this area will have to keep in view some fresh reference points. Non-unionisation and skills shortage are no more relevant for policy considerations.
3. Any meaningful package of benefits must reflect some perspective planning. Inflexibility brings stagnation.
4. Separate programmes directly beneficial to workers from those that are directed towards community welfare. Clubbing them together adds to their cost. This may not be liked by workers. It is advisable not to have a facility rather than neglecting it in its administration.
5. Poor internal communication hurts the programme in at least three ways: more money is spent for officer welfare; (ii) excess money spent on corporate Image building at the cost of more bonus; (iii) priority to officers' children in admissions to schools. Therefore, make the internal communication system effective.
6. Devise new ways to involve workers and their representatives at all levels of planning and implementation.

18.11 SUMMARY.

Fringes refer to all those monetary benefits that the employees receive in addition to direct remuneration. Fringe benefits are popular because they enhance employee earnings, help attract and retain competent personnel, reduce fatigue, minimise overtime costs and discourage labour unrest. Irrespective of the types of remuneration, fringe benefits need to be administered, satisfying certain principles. Genuine commitment, matching an employee's felt need, cost-effectiveness and sound planning are some such principles.

The future of fringe benefits is clear there will be more and more demand for them and the employers must be prepared to meet the growing demand.

18.12 Self check exercise

Q.1 Compensation can be _____ benefits.

a. Monetary

b. non-monetary

c. both ‘a’ and ‘b’

d. None of the above

Q. 2. Wages represents _____ rates of pay

a. Hourly

b. Daily

c. Weekly

d. Monthly

Q.3-_______ are also called ‘payments by results’

a. allowances

b. claims

c. incentives

d. fringe benefits

Q.4 Incentives depends upon

a. productivity

b. sales

c. profits

d. All of the above

18.13 Short type answer

1. Define fringe benefits. Monthly Bring out their importance.

18.14 Long answer type question

1. Bring out the various employee benefits and services. Describe each in brief.
2. Explain the various steps in the benefits administration.

18.15 KEYWORDS

1. **Compensation Benefits** Employers contribute funds to assist workers who are ill or injured and cannot work owing to occupational injury or ailment. These benefits are regulated by the Workmen's Compensation Act.
2. **Pension plans** = These are either company-paid or joint employee-and-company-paid programmes meant to supplement social security.
3. **Fringe benefits** = Fringes refer to all those monetary benefits that the employees receive in addition to direct remuneration.

18.16 References

- Chatterjee, N.N, *"Industrial Relations in India",* New Delhi. Allied.

18.17 SELF CHECK EXERCISE (ANSWER KEY)

1. (c),2(a),3(c),4(d)

Lesson No. 19 AUTHOR: HARKIRTAN KAUR

INTRODUCTION TO LABOUR WELFARE AND SOCIAL SECURITY

STRUCTURE

19.0 OBJECTIVES

After reading this chapter, the student should be able to:

(i) To know the meaning, features and objectives of labour welfare.
(ii) To know the types of labour welfare services
(iii) To know the meaning and scope of social security.
(iv) To have the knowledge about the various social securities provided in India like Employee's State Insurance, gratuity, provident fund, family pension and deposit linked insurance.

19.1 MEANING OF LABOUR WELFARE AND SOCIAL SECURITY

The modern concept of labour welfare entails all those activities of the employer which are directed towards providing the employees with certain facilities and services in addition to wages or salaries. Welfare services are merely maintenance factors and not motivators, yet they are essential for the health of the organization since they bear a close connection with the productivities of the labour force.

According to the Labour Investigation Committee (1946), 'Employee welfare means anything divine for intellectual, physical, moral and economic betterment of the workers, whether by employers, government or by other agencies, over and above what is laid down by law or what is normally expected on the part of the contracted benefits for which workers may have bargained."

Thus, labour welfare is a very comprehensive term which may include any activity which is connected with the social, moral and economic betterment of workers provided by any agency. Such activities may differ from country to country and from region to region or from organisation to organisation. Labour welfare has the following objectives:

I. To provide better life and health to the labour force.

II. To make the workers happy, satisfied and efficient.

III. To improve intellectual, cultural and material conditions of living of the labour and to relieve them from industrial fatigue.

19.2 FEATURES OF LABOUR WELFARE:

It has following features.

It includes various services for improving health, efficiency, economicbetterment and social status of the employees.

(ii) Welfare measures are in addition to regular wages and other economic benefits available to workers under legal provisions and collective bargaining.

(iii) Labour welfare is dynamic in nature varying from country to country, region to region and organisation to organisation.

(iv) Labour welfare is a flexible and ever-changing concept as new welfare measures are added from time to time to the existing measures.

(v) Welfare measures may be introduced by the employers, government, employees or by any social or charitable agency.

(vi) The basic purpose of labour welfare is to improve the lot of the working class, bring about the development of the whole personality of the worker to make him a good worker and a good citizen.

19.3 SIGNIFICANCE OF LABOUR WELFARE:

The basic objective of labour welfare is to enable workers to live a richer and more satisfactory life. Labour welfare is in the interest of the labour, the employer and the society as a whole. The main benefits of labour welfare services are given below:

I. Benefits to the Workers

(i) Welfare facilities provide better physical and mental health to the workers and make them happy. Welfare facilities like housing, medical benefits, education and reaeration facilities for the worker's families -help to create contended workers.

(ii Improvement in material, intellectual and cultural conditions of life protect workers from social evils like drinking, gambling, etc.

2. Benefits to the Employers

(i) Labour welfare facilities help to increase employee productivity or efficiency by improving their physical and mental health.

(ii) Welfare measures help to improve the goodwill and public image of the enterprise. Ili) Welfare services serve to maintain Some peace with the employee's unions.

Employee welfare also helps to improve industrial relations and maintain industrial peace.

(iv) Employee turnover is reduced due to the provision of welfare facilities. Employees take active interest in their jobs and work with a feeling of involvement and satisfaction.

(v) Employers secure the benefits of high efficiency, cordial industrial relations and low labour absenteeism and turnover.

3. Benefits to the Society

Labour welfare is also in the interest of the larger society because the health, efficiency and happiness of each individual represent the general wellbeing of all well housed, well fed and well looked after labour. It is not only an asset to the employer but serves to raise the standards of industry and labour in the country.

19.4 TYPES OF LABOUR WELFARE SERVICES

Broadly labour welfare services can be classified into two categories:

(i)**Within the Organisation Services (Intra-mural):** The services provided within the organisation include medical aid, recreational facilities, libraries, canteens, rest rooms, washing and bathing facilities etc.

(II) Outside the Organisation Services (Extra-mural): Outside the organization welfare arrangements include housing accommodation, transport, children's education, sports fields, holiday homes, leave travel facilities, interest free loans, etc.

The welfare facilities are further classified into three basic categories:

1. Economic Services

Economic services provide for some additional economic security over and above wages or salaries, Examples of economic services are pension, life insurance, credit facilities etc. Proper pension programmes reduce dissatisfaction in the area of economic smecticity. Some establishments have a scheme of family pension also, which provides for payment of pension to the family members of the employee in case of his death. The employer may also pay the premium on the life insurance policies of the employees. The employers can give loans to the employees for purchase of consumer goods, or at the time of any marriage or other functions in the family of the employees. The loan to be repaid by the employees in the form of monthly instalments to be deducted from their salaries. Some organisations help the employees to start cooperative credit societies to meet the urgent financial needs of the employees.

2. Recreational Services

Management may provide recreational facilities to the employees. Recreation in the form-of music, sports, games art and-theatre can play a very important role in the physical and mental development of employees. The employees generally get bored by the routine and monotonous jobs which they perform every day. Their attitude improves when the routine is broken occasionally. This will improve the cooperation and understanding among the employees. Management can provide for reading rooms, libraries, TV's etc. for the recreation of employees. There can be provision for indoor games like table tennis, carom etc. in the common room of the employees. Big organisations can also make arrangements for outdoor games and can induce the workers to prepare teams to play matches with other similar teams.

3. Facilitative Services

These are the facilities which are generally required by the employees and provided by the employers.

(i) **Housing Facilities:** Housing is an important part of employee welfare in India. Some organisations construct houses, flats for the employees and provide the same to them either free of cost or at nominal rents. Some organisations give house rent allowances to the employees. So that they can get the houses on rental basis. Some organisations provide loans to the employees at concessional rates to enable them to construct their own houses/flats.

(ii) Medical Facilities: Health is a very important thing for the employees. Within the factory premises the employees must make provision for first aid facilities. In addition, medical schemes are generally in operation, which provide for the reimbursement of actual medical-expenditure incurred by the employees. The organisations may also prescribe some doctors from whom the employees may get services in case of need. Large organisations can have their own dispensaries or hospitals for providing medical facilities to the employees.

(Hi) Education: The National Commission on Labour and the Committee on Labour Welfare have recommended that facilities should be provided for educating the worker and in running schools for children of the workers. Instead of starting a school, the organisation may give education allowance for the children to the employees or reimburse the educational expenditure of the children of the employees.

(iv) Transportation: The organisation should provide proper transport facilities to the employees to and from the factory. With the growth of industries, the distance between work place and residence of workers has increased considerably. This facility has, therefore, become very important, as it will help in reducing strain and absenteeism. The Committee on Labour Welfare recommended the provision of adequate transport facilities to workers to enable them to reach their work place without loss of much time and without fatigue.

Sometimes, if the employers do not provide transport facilities, they give conveyance allowance to the employees. The employers can also give interest free or concessional loans to employees for the purchase of vehicles.

The Indian Labour Conference in 1963 adopted scheme for setting up consumer cooperative stores in all industrial establishments including plantations and mines employing 300 or more workers. **The Industrial Truce Resolution 1962** aimed at. keeping prices of essential commodities low through cooperative stores and fair price shops for workers.

19.5 MEANING OF SOCIAL SECURITY:

According to Encyclopaedia of Social Work, Vol-I

"Social security is the endeavour of community as a whole, to afford itself too the utmost extent possible to any individual during periods of physical distress consequent on illness or injury and from the economic distress consequent on reduction or loss of earnings due to illness, disablement, maternity, unemployment, old age or death of the working members."

The concept of social justice is primarily an instrument of social and economic justice. It is essentially related to the high ideals of human dignity and social justice. The social security system of a country consists of its social insurance and social assistance schemes and a clear-cut demarcation cannot be made between these two.

On the basis of the above-mentioned definitions, the following characteristics of social security can be listed:

(1) Social security is an instrument of ensuring social and economic justice.

(2) In a welfare state, social security is an essential part of public policy.

(3) Social security is not static; it is a dynamic concept which changes with the change in social and economic conditions prevailing in a country at a particular point of time.

(4) The basic aim of social security is to provide protection to people of small means against risks or contingencies.

(5) The contingencies, which may impair a person's ability to support himself and his family, may include sickness, old age, invalidity and unemployment.

(6) Social security measures are generally guided by social legislations.

(7) Social security measures provide for cash payment to affected persons to partly compensate them for the loss of income due to any of the contingencies mentioned in point.

(8) Social security is a must for the protection and stability of the labour force. Social security is a wise investment, made by the state which yields good social dividends in the long run.

19.6 SCOPE OF SOCIAL SECURITY

The scope of social security is very wide. Even though the social security measures differ from country to country, they have some basic features in common. Generally, the social security schemes are of the following types:

1. Social Insurance

Under social insurance, workers and employers make periodical contribution to a fund, with or without a subsidy from the government. Out of these contributions benefits are provided to the contributories necessary for satisfying wants during old age, sickness, unemployment and other contingencies of life.

2. Social Assistance

Social assistance includes non-contributory benefits towards the maintenance of children mothers, invalids, the aged, the disabled and others like the unemployed. Under this scheme, the government provides benefits to persons of small means in sufficient quantity so that their minimum standards of needs can be satisfied

The Social Security (Minimum standards) Convention No. 102 of the International Labour Organisation prescribes the following components of social security:

(a) Medical care
(b) Sickness benefit
(c) Old age or retirement benefits
(d) Employment injury benefit
(e) Family benefit
(f)Maternity benefit
(g)Invalidity benefit
(h)Survivor's benefit

3. Public Service

Public service programmes are usually financed directly by the government from its general revenue in the form of cash payments or services to every member of the community falling within a defined category.

19.7 SOCIAL SECURITY IN INDIA:

Although social security measures had been introduced in many countries' decades ago, in India they were introduced only after the independence of the country. It was partly due to lack of official sympathy and the comparative weakness of the trade unions in pressing their demands for such measures. After independence, India declared itself a welfare state under the constitution and as such several social security measures were introduced.

According to Article 41 of the Constitution of India the Fate shall within the limits of its economic capacity and development make effective provision securing the right to work, to education and to public assistance in case of unemployment, old age, sickness and disablement and other cases of unserved wants'.

Social security is an important step towards the goal of welfare state. Many State Governments have introduced old age assistance schemes and other types of social assistance benefits. Several laws have been enacted since independence in the country to provide for social security to the workers. Some of the important social security laws are given below:

19.7.1. The Workmen's Compensation Act, 1923

In 1923 the Government of India passed the Workmen's Compensation Act. This Act, marked the beginning of social security system in India. The main object of this Act is to impose upon the employers an obligation to pay compensation to workers for accidents arising out of and in the course of employment.

Under this Act, the employer is liable to pay, the compensation in case of personal injury caused by accident arising out of and in the course of employment. No compensation is, however, payable if the incapacity does not last for more than 3 days or if it is caused by the default of the worker, not resulting in death. Besides, body injuries, compensation is also payable in the case of certain occupational diseases. The amount of compensation payable depends upon the nature of injury and the average monthly wages of the worker concerned. For this purpose, injury has been divided under three categories (i) Causing death (ii) total or partial permanent disablement (iii) temporary disablement.

19.7.2. The Employee’s State Insurance Act, 1948

The Employee's State Insurance Act was passed in 1948 to provide medical facilities and unemployment insurance to industrial workers during their illness. This Act provides medical benefits in the form of medical attendance, treatment, drugs and injections to insured persons and 10 members of their families where the facility has been extended to the families also. The ESI Act is applicable to all non-seasonal factories run with power and employing 20 or more persons. It covers all types of employees-manuals, clerical, supervisory and technical-not drawing a salary of Rs. 1000 p.m. This amount was raised to Rs. 1,600 p.m. w.e.f. January 1985 and to Rs. 6,500 p.m. w.e.f. January 1997). This Act is a land mark in the history of social security in India and its objective is to introduce social insurance for workers.

The Employees State Insurance Scheme introduced under this Act is compulsory and contributory. Compulsory in the sense that all workers covered under this Act must be insured and contributory in the sense that it is financed by the contributions from employees and employers.

The Scheme provides for five types of benefits to the injured workers and their dependents. These benefits are:

(1) Sickness Benefit

Sickness benefit consists of cash payment for a maximum period of 91 days per year to the sick worker. The daily rate of sickness benefit is calculated at half of average daily wages. The insured worker who is getting this benefit must be under the medical treatment at a dispensary or hospital maintained by the Corporation. The benefit is useful to a worker who is unable to attend his work due to sickness.

(ii) Maternity Benefit

An insured woman is entitled to receive cash benefit for confinement, miscarriage or sickness arising out of pregnancy.

(iii) Disablement Benefit

Disablement benefit is given in case of temporary as well as permanent disablement. An insured person is entitled to receive disablement benefit for any injury arising out of and in the course of employment which lasts for not less than 3 days excluding the date of accident.

(iv) Dependent Benefit

This benefit is given to the dependents of an insured deceased person. If a person dies as a result of employment accident, his widow and children are entitled to pension.

(v) Medical Benefits

This benefit is given to a worker claiming sickness benefit, maternity benefit or disablement benefit. This benefit is also available to the family members of the worker. It consists of free medical treatment at dispensary or hospital run by the corporation or at home of the sick.

19.7.3. The Maternity Benefits Act, 1961

The Maternity Benefits Act, 1961 was enacted to provide uniform standards for maternity protection. It applied in the first instance to all factories, mines and plantations except those to which the Employee's State Insurance Act applied. This Act was amended in 1976 to extend the benefit to all women workers covered by the ESI Act. The main purposes of this Act are:

(a) To regulate the employment of women in certain establishments for certain specified periods before and after child birth.

(b) To provide for the payment of maternity benefits to women workers and

(c) To provide for certain benefits in case of miscarriage, premature birth or illness arising out pregnancy,

19.7.4. The Employees Provident Fund Act, 1952

Retirement benefits in the form of provident fund, family pension and deposit linked insurance are available to the employees under the Employees' Provident Fund (and miscellaneous Provisions) Act 1952, The Act is applicable to a factory in any industry specified in Schedule I and in which 20 or more persons are employed or which the Central Government notifies in the official Gazette. The Act does not apply to cooperative societies employing less than 50 persons and working without the aid of power. It also does not apply to new establishments for 3 years from the date of establishment. The Government is empowered to grant exemption from the operation of this Act to any class of establishments under certain conditions.

The schemes under this Act are administered by a Tripartite Central Board of

Trustees, consisting of representatives of employers, employees and the Government. The Act provides for the following benefits.

(i) Provident Fund Scheme

Under the contributory provident fund scheme, monthly deductions from the employee's salary are made. The employer contributes an equivalent amount. The total contributions are deposited with the provident fund commissioner or invested in the prescribed manner. An employee can obtain advances, and permanent withdrawals (after 15 years of service) for construction of house, higher education, marriage of children, purchase of car etc. On retirement, death, migration, leaving service, etc., the full balance at his credit with interest is payable.

(ii) Employees' Family Pension Scheme, 1971

Under the Employee's Family Pension Scheme, pension is paid to the widow/children of the employee who dies while in service. Under the new pension scheme, pension is payable to the employee after his retirement in place of provident fund. According to the new regulations all new employee will have to opt for pension scheme.

(iii) Employee's Deposit Linked Insurance Scheme, 1976

The Employee's Deposit linked Insurance Scheme 1976 was introduced for the members of the Employee Provident Fund with effect from August 1976. On the death of the member, the person entitled to receive the provident fund accumulations would be paid an additional amount equal to average balance in the provident fund account of the deceased.

19.7.5. The Payment of Gratuity Act, 1972

This Act is applicable to all factories, mines, oil fields, plantations, ports, railways, ships or, establishments in which 10 or more workers are employed. All persons employed in these establishments are entitled to receive gratuity irrespective of the amount of their wages. The Central Government is empowered under the Act to extend this Act to any establishment. Gratuity is payable on retirement or death of the employee if he has rendered minimum 5 years of continuous service with the same employer.

19.7.6. Group Life Insurance

Group life insurance may be defined as a plan, which provides coverage for the risks on the lives of a number of persons under one contract. The basic feature of this scheme is the coverage of a number of persons under one contract. Group insurance facility is provided to the employees working with one employer. The important features of this scheme are as follows:

i. Insurance is provided to all employees working under one employer without any evidence of insurability.
ii. This scheme provides risk coverage to the employees so long as they remain in the service of the employer.
iii. Group life insurance is a contract between the employer and the insurance company. The policy issued to the employer is called Master contract.
iv. The premium is paid jointly by the employer and the employees.
v. The amount of premium is payable at a flat rate without any regard of the age and the salary of the employees.

. vi. In case of injury or death of an employee, the claim received by the employer is paid to the employee or his nominee.

19.8 SUMMARY

As labour plays a very important role in the industrial production of the country, to get cooperation of the labour force is possible only when they are fully satisfied with their employer and the working condition on the job. For that various welfare activities are conducted. Labour forces are given social security like Employee's State Insurance, gratuity, provident fund, family pension and deposit linked insurance etc.

19.9 Self check exercise

Q.1. What does the modern concept of labour welfare encompass?

a. Basic wages only

b. Facilities and services in addition to wages

c. Overtime benefits

d. Statutory deductions

Q.2. According to the Labour Investigation Committee (1946), how is employee welfare defined?

a. Anything for the economic betterment of workers only

b. Anything provided by employers only

c. Anything divine for intellectual, physical, moral, and economic betterment of workers

d. Anything laid down by law for workers

Q.3. What is the basic purpose of labour welfare?

a. To reduce productivity

b. To maintain industrial conflicts

c. To improve the whole personality of the worker

d. To decrease worker satisfaction

Q.4. Which of the following is a feature of labour welfare?

a. Static and unchanging

b. Unconnected with economic betterment

c. Dynamic and ever-changing concept

d. Limited to legal provisions

Q.5. What is the significance of labour welfare for employers?

a. Decreases employee turnover

b. Creates dissatisfaction among employees

c. Negatively impacts industrial relations

d. Has no effect on employee productivity

Q. 6. Which type of labour welfare service includes housing accommodation, transport, and education for children outside the organization?

a. Economic Services

b. Recreational Services

c. Facilitative Services

d. Outside the Organization Services (Extra-mural)

Q.7. What is the scope of social security?

a. Limited to economic justice

b. Static and unchanging

c. Varies from country to country

d. Only applicable to specific industries

Q.8. Which social security scheme provides cash payment for sickness and covers medical attendance, treatment, and drugs?

a. Social Insurance

b. Social Assistance

c. Public Service

d. Employee's State Insurance

Q. 9. The Employees Provident Fund Act, 1952, provides retirement benefits in the form of:

a. Gratuity

b. Family Pension

c. Provident Fund

d. Maternity Benefit

Q. 10. Under the Payment of Gratuity Act, 1972, when is gratuity payable to an employee?

a. After one year of service

b. After three years of service

c. After five years of continuous service

d. After ten years of service

19.10 Short answer type question

1. What agencies are engaged in labour welfare work?

2.What is the fundamental objective of labour welfare, and how does it contribute to the overall well-being of workers, employers, and society?

19.11 Long answer type question

1.Explain the various kinds of facilities which are usually provided by the employees for the welfare of the employees?

Q.2 Explain the concept and scope of social security in the modern context?

19.12 Keywords

1. **ESI** - Employee's State Insurance.
2. **Employees Family Pension Scheme** = Employee's Family Pension Scheme pension is paid to the widow/children of the employee who dies while in service.

19.13 References

- *Human Resource Management* by Gerry Dessler 1. What does the modern concept of labour welfare encompass?

19.14 Self check exercise (ANSWER KEY)

1 (b), 2 (c),3(c),4 (c),5 (a),6 (d),7(c),8 (d),9(c),10(c)

.

Lesson No. 20 **AUTHOR: SHILPI GOEL**

GRIEVANCE HANDLING

STRUCTURE

20.0 OBJECTIVES

After reading this chapter, the student should be able to:

- Understand the importance of grievance handling in the field of industrial relations.
- Outline the adverse effects of grievances on employer, the organization and the employees.
- Get an insight into the methods used to handle grievances and learn about the grievance handling procedure.

20.1 INTRODUCTION

Sometimes, employees get dissatisfied with many aspects of their working life such as attitude of the manager, policies of the organization, working conditions or the behaviour of the colleagues. At times, the employers try to suppress grievances but they cannot be suppressed for long. An aggrieved employee becomes a potent source of indiscipline and poor working of the organization.

To understand what a grievance is, it must be clearly differentiated from dissatisfaction and complaint.

Dissatisfaction anything that disturbs an employee, whether or not the unrest is expressed in words.

Complaint a spoken or written dissatisfaction brought to the attention of the supervisor or the shop steward.

Grievance a complaint that has been formally presented to a management representative or to a union official.

Thus, a grievance is a specific, formal dissatisfaction expressed through an identified procedure.

According to Julius, "A grievance is any discontent or dissatisfaction, whether expressed or not, whether valid or not, arising out of anything concerned with the company that the employee thinks, believes or even feels, is unfair, unjust or inequitable".

According to Dale S. Beach, "A grievance is any dissatisfaction or feeling of injustice in connection with one's employment situation that is brought to the attention of the management'.

20.2 FEATURES

a. A grievance refers to any form of discontent or dissatisfaction with any aspect of the organization.

b. The dissatisfaction must arise out of employment and not due to personal or family problems.

(c) The discontent can arise out of real or imaginary reasons. The reasons may be valid, or invalid, legitimate or irrational, justifiable or ridiculous.

(d) The discontent may be voiced or unvoiced. But it must find expression in some form.

(e) A grievance arises only when an employee feels that injustice has been done to him.

(f) Grievances if not redressed in time tend to lower the morale and productivity of the employees.

20.3 CAUSES OF GRIEVANCES

Grievances may arise out of. the following reasons:

I. Work Environment

(1) poor physical conditions of work place
(2) very tight production standards
(3) non-availability of proper tools and machines
(4) unplanned changes in schedules and procedures
(5) failure to maintain proper discipline
(6) mismatch of the worker with the job.

2. Management Policy

(i)wage rates and methods of wage payment
(ii) overtime and incentive schemes
(iii seniority
(iv) transfers
(v) promotion, demotion and discharge
(v) lack of opportunities for career growth
(vii) penalties imposed for misconduct
(viii) leave
(ix) hostility towards trade union

3. Supervision

(i) attitude and behaviour of the supervisor
(ii) perceived notion of bias, favouritism
(iii) method of supervision

(iv) caste affiliations, regional feelings etc.

4. Work Group

(i) non-adjustment with the colleagues

(ii) feelings of neglect

(iii) victimization

5. Alleged Violation of

(i) the collective bargaining agreement

(ii) company rules and regulations

(iii) past practice

(vi) central or State laws

(v) responsibilities of the management

20.4 EFFECTS OF GRIEVANCES

Grievances, if not identified and redressed, may adversely affect the workers, managers and the organization. The effects include:

1. On production

(i) low quality of production

(ii) low productivity

(iii)increase in wastage of material, spoilage of machinery

(iv) increase in the cost of production per unit

2. **On employees**

(i) increased rate of absenteeism and turnover

(ii)reduced level of commitment, sincerity and punctuality WO

(iii)Increased incidence of accidents

(iv) reduced level of employee morale

3. On managers

(i) strained superior-subordinate relationships

(ii) increased degree of supervision, control and follow up OW

(iii) Increased disciplinary action cases

20.5 THE DISCOVERY OF GRIEVANCES

Grievances can be uncovered in a number of ways. The methods are discussed below:

(a) Aar Observation: A manager or supervisor can usually track the behaviour of people working under him. The obvious signs of a grievance may include not getting along with people, spoiling material due to carelessness, showing indifference to commands, reporting late for work, remaining absent etc. Since the supervisor is close to the scene of action, he can always spot such unusual behaviour and report promptly.

(b) Gripe Boxes: a gripe box may be kept at prominent places in the factory for lodging anonymous complaints pertaining to any aspect relating to work. Since the complainant need not reveal his identity, he can express his feelings of injustice or discontent frankly and without any fear of victimization.

(c) Open door policy: it implies an informal meeting with the manager when the employee can express his feelings openly about any work-related grievance. The manager can cross check the details of the complaint through various means at his disposal.

(d) Exit interview: an interview of every employee who quits the organization can -reveal employee grievances. Most of the employees quit the company due to some dissatisfaction.

(e) opinion Survey: a survey may be conducted to elicit the opinion of the employees regarding the organization and its management. Group meetings, periodical interviews with the workers and collective bargaining sessions are also helpful in knowing employee discontent before it becomes a grievance.

20.6 ESSENTIAL PREREQUISITES OF A GRIEVANCE HANDLING PROCEDURE

Every organization should have a systematic grievance procedure to redress the grievances effectively. The grievance procedure should possess certain prerequisites:

(a) Conformity with statutory provisions: Due consideration must be given to the prevailing legislation while designing the grievance handling procedure.

(b) Unambiguity: Every aspect of the grievance handling procedure should be clear and unambiguous. All employees should know whom to approach first when they have a grievance, whether the complaint should be written or oral, time for redressal of grievance etc. The redressing officer should also know the limits within which he can take the required action.

(c) Simplicity: The procedure should consist of as few steps as possible. Channels for handling grievances should be carefully developed. Information about the procedure should be communicated to the employees.

(d) Promptness: The grievance of the employee should be promptly handled and necessary action must be taken immediately. This can be ensured in the following ways:

I. As far as possible the grievance should be settled at the lowest level

2. There should be only one appeal

3. Time limits should be prescribed and rigidly enforced at each level

4. Different types of grievances may be referred to appropriate authorities

(e) Training: The supervisors and the union representatives should be properly trained in all aspects of grievance handling procedures.

(9 Follow Up: The Personnel Department should keep track of the effectiveness and the functioning of grievance handling procedure and make necessary changes to improve it from time to time.

20.6.1 ADVANTAGES OF A GRIEVANCE PROCEDURE

A systematic grievance handling procedure provides the following benefits to an organization:

I. It brings grievances into the open so that the management can know them and take necessary action to settle them.

2. It helps in preventing grievances from assuming dangerous proportions. Management can solve a grievance before it becomes a dispute.

3. It enables the management to know the feelings and attitudes of the employees regarding the policies, rules and practices of the organization.

4. It provides the workers a formal opportunity for expressing their fears, anxiety and dissatisfaction.

5. It helps to maintain cordial relations in the industry.
6. It serves as a check upon arbitrary and biased action on the part of management.

20.6.2 STEPS IN THE GRIEVANCE PROCEDURE

(a) Identify Grievances: Employee dissatisfaction or grievance should be identified by the management if they are not expressed. If they are ventilated, management has to promptly acknowledge them.

(b) Define Correctly: The management has to define the problem properly and accurately after it is identified.

(c) Collect Data: Complete information should be collected from all the related parties related to the grievance.

(d) Prompt Redressal: The grievance should be redressed by implementing the solution.

(e) Implement and follow up: The implementation of the solution must be followed up at every stage in order to ensure effective and speedy implementation.

20.6.3 Self check exercise

Q.1 In organizations, the employee dissatisfaction is indicated by

A) complaint
B) employee ownership
C) grievance arbitration
D) grievance strike

Q.2 The situation in which the disputes arose from the labour's contract and different interpretations are settled by third party is called

A) grievance conciliation
B) grievance procedures
C) grievance arbitration
D) grievance ratification

Q.3 The formal written complaint of employees is called

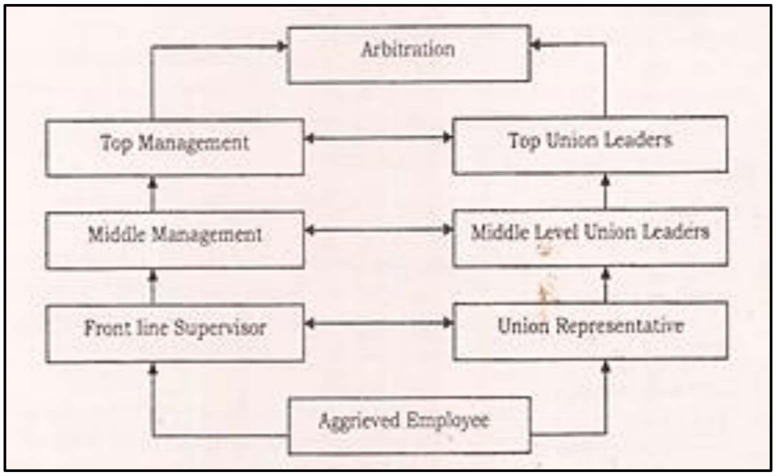
A) grievance arbitration
B) grievance strike
C) grievance
D) employee ownership

Q.4 The formal communication channels that are used to resolve employee grievances are classified as

A) grievance conciliation
B) grievance procedures
C) grievance arbitration
D) grievance ratification

20.7 GRIEVANCE HANDLING MACHINERY

Grievance handling procedure is a formal process of settling grievances and it usually consists of a number of steps arranged in a hierarchy. The number of steps may vary with the size of the organization. In small organizations, grievance procedure may consist of only two steps while in large organizations, there may be five or six steps. A typical grievance procedure is as shown in the figure:



Grievance Redressal Procedure

As shown in the figure, the front-line supervisor is given the first opportunity to handle grievances. If the company is unionized, a representative of the trade union also joins the supervisor in handling the grievance. But some grievances are beyond the authority and competence of the supervisor. In the second step, the human resource officer or some middle level executive with a higher-level union officer attempt to tackle the grievance. In the third step, the top management and top union leader sit together to settle grievances involving companywide issues. If the grievance remains unsettled, it is referred to an outside arbitrator

20.7.1 MODEL GRIEVANCE PROCEDURE

The model grievance procedure suggested by the National Commission on Labour involves the following successive time-bound steps each leading to the next, in case of dissatisfaction.

(i) An aggrieved employee shall first present his grievance verbally in person to the officer nominated or appointed by the management for this purpose. The officer must give his answer within forty-eight hours of the presentation of the complaint.

(ii) If an employee does not receive an answer within the stipulated time or he, is not satisfied with the answer, he shall, either in person, or with his departmental representative, present his grievance to the head of the department designated for this purpose. The departmental head is required to furnish his answer within three days of the presentation of the grievance.

(iii) If the employee is not satisfied with the answer, he can approach Grievance Committee which shall evaluate the case and make its recommendations to management within seven days of presentation of the case. The employee would be communicated the recommendation within three days.

(iv) If the committee fails to take decision within the stipulated period or the employee is not satisfied with the decision, he can make an appeal for revision to management. Management is supposed to communicate its decision within seven days of the worker's revised petition.

(v) If the employee is unsatisfied with the management's decision, union and 'management may refer the grievance to voluntary arbitration within a week of the receipt of management's decision by the aggrieved employee for redressal.

20.8 GRIEVANCE REDRESSAL IN INDIAN INDUSTRY

At present, there are three legislations dealing with grievances of employees working in industries.

1. **The Industrial Employment (Standing Orders) Act, 1946:** It provides that every establishment employing 100 or more workers should frame standing orders which should contain, among other matters, provisions for means of redressing the workers against unfair treatment or wrongful exactions by the employer or his agents or servants.

2. **The Factories Act, 1948:** It provides for the appointment of Welfare Officers in every factory wherein 500 or more workers are ordinarily employed. These officers are generally entrusted with the task of dealing with grievances and complaints.

3. **The Industrial Disputes Act, 1947:** This law provides:

(i) The employer in relation to every industrial establishment in which 50 or more workmen are employed shall provide for a Grievarice Settlement Authority for the settlement of industrial disputes connected with an industrial workman employed in the establishment. The provisions of this authority shall be in accordance with rules made in that behalf.

(ii) Where an industrial dispute connected with an individual workman arises in an establishment referred to above, a workman or any trade union of workmen of which such workman is a member may refer such dispute to the Grievance Settlement Authority for settlement.

(iii) The Grievance Settlement Authority shall follow such procedure and complete its proceedings within such period as may be prescribed.

(iv) No reference shall be made to Boards, Courts or tribunals of any dispute referred to in this section unless such dispute has been referred to the Grievance Settlement Authority concerned and the decision of the authority is not acceptable to any of the parties to the dispute.

20.9 SUMMARY

The chapter focused on the importance of grievance handling in an organization. Grievances, if not redressed, assume great proportions and may have many adverse effects on the employer as well as the employees. The grievances may be identified by observation, gripe boxes, open door policy, exit interviews, opinion surveys etc. The number of steps in the grievance handling procedure depends on the size of the organization.

20.10 SELF CHECK EXERCISE

Q.5 An organization with a good employee relations program provides fair and consistent treatment to ____________

a. Managers

b. Customers

c. all employees

d. Workers Grievance.

Q.6 Grievance arising from working condition includes
a. bad physical conditions
b. unrealistic targets
c. Poor wages
d. overtime

11. Grievance arising from management policy does not include
a. Overtime
b. poor wages
c. Role conflicts
d. Autocratic leadership style

13. Disparity between skill of worker and job responsibility comes under grievance arising from
a. Working condition
b. Management Policy
c. inter-personal factor
d. None of the above

20.11 hort answer type question

1. Define the term a Grievance
2. Discuss the various causes and effects of grievances in an organization.

20.12 Long answer type question

1. Discuss the methods of identifying the grievances in an organization. Enlist the essentials and advantages of grievance handling procedure.
2. Describe the steps in a grievance handling procedure. Explain the grievance handling machinery.

20.13 KEYWORDS

- **Complaint** - a spoken or written dissatisfaction brought to the attention of the supervisor or the shop steward.
- **Grievance**a complaint that has been formally presented to a management representative or to a union official.

20.14 REFERENECS

- Gupta, C. B., *Human Resource Management,* Sultan Chand and Sons, New Delhi, 8th Edition, 2007.
- Singh, B. D., *Industrial Relations: Emerging Paradigms,* Excel Books, New Delhi, 1st Edition, 2004.

20.15 Self check exercise (ANSWER KEY)

1(a),2(c),3(c),4(b),5(d),6(a),7(d),8(b)

Lesson No. 21 AUTHOR: DR. RITU LEHAL

DISCIPLINING & COUNSELLING

STRUCTURE

21.0 OBJECTIVES

The chapter includes two very important aspects of Human Resource Management viz, Disciplining &, Counselling. After going through the chapter, you would be able to understand the meaning, nature and causes of indiscipline in majority of the organizations. Some mechanism to maintain discipline has also been explained. The second part of the chapter would give an idea about meaning, types and importance of counselling and also about the qualities which a good counsellor should possess.

21.1 INTRODUCTION

The problems related with discipline and handling of grievances are increasing day by day. Whenever so many individuals join their hands together for attainment of some common goals, they tend to have behavioural problems. No two persons are alike in this world in nature, behaviour or attitude. Some people are aggressive in nature and some are very cool and calm. This temperament of nature creates so many disciplines related problems. It's not a concept which can be ignored every time. Most of the time stress can adversely affect the efficiency and effectiveness of an employee. These stress related problems of employees demand quick attention from management side and they need to be solved by providing proper counselling to the employees.

21.2 MEANING OF DISCIPLINE

Discipline is required for both the individuals and smooth running of the organization. It is needed to regulate the behaviour of people, maintain peace and to channelize their energy in proper direction. In India unfortunately people lack self-discipline and self-control and for them. Theory X of McGregor is more suitable which says that people are not self-controlled, so they should to compelled to do the job through threatening and punishment approach. External control is necessary for bringing order and smoothness in operation in any organization.

Discipline is not a glamorous term. It is always taken by employees as something related with fear, suspicious and punishment. Bramblett has defined discipline as follows:

"Discipline in a broad sense means orderliness - the opposite of confusion. It simply means working, cooperating, and behaving in normal and orderly way, as any responsible person would expect an employee to do". Spiegel and Schultz have defined discipline as a force which is as follows:

"Discipline is a farce that prompts an individual or a group to observe the rules, regulations, and procedures which are deemed to be necessary to the attainment of an objective; it is force or fear of force which restrains an individual or a group from doing things which are deemed to be destructive of group objectives".

Based on the above definitions, we can derive the following features of discipline:

1. Discipline is a mode of behaviour which is consistent with group or organizational prescriptions either explicit or triplicity. It is based on practices. However, prescribed modes offer better guidelines for disciplined behaviour.

2. Disciplined behaviour may emerge from within an individual based on self-check or it may emerge out of the use of external forces or threat of use of force. However, self-discipline is more desirable which can be inculcated through training and counselling.

Discipline can be of following types:

21.2.1 Negative Discipline

This is also known as autocratic, corrective and enforced discipline. It is thought to be a check on performance and restraint on the freedom of a person. It is referred to as imposing penalties for wrong behaviour.

21.2.2 Positive Discipline

Positive discipline, also known as preventive, determinative or self-discipline, involves actions taken to encourage employees to follow rules and standards so that problems and confusions do not occur. Prevention is best done by making organizational rules and standards known and understood. The objective is to encourage the employees to maintain self-discipline. In this way, the employees maintain their own discipline rather than have management impose it.

21.3 CAUSES OF INDISCIPLINE

The various factors which are responsible for indiscipline can be grouped into three categories, environmental, organizational and personal,

21.3.1 Environment Factors

Organisations cannot operate in isolation. Environment in which they are operating, affects organizational process. People oriented process leads to indiscipline. The society in which business is operating would affect the general patterns of discipline. All factors like family, educational institutions, general political, conditions, and even religious institutions play their roles in creating indiscipline in the organizations.

21.3.2 Organisational Factors

So many factors within the organisation are also responsible for discipline, like organization climate, ineffective leadership style, poor supervision, discriminatory practices of management, unclear rules and regulations, etc.

21.3.3 Personal Factors

There are many individual factors which are responsible for bad shape of discipline in any organization. Individual differences and conflicts, cultural conflicts and other problems caused by personality, behaviour, attitude, values and social background, etc. also lead to indiscipline.

On the basis of above-mentioned broad categories of factors, following can be the probable reasons for indiscipline:

1. Wrong ‘placement of employees by not following the principle of right men at right place. If job is not suitable to the qualifications of a persons, he will get frustrated.
2. Undesirable behaviour of seniors, if they have already set a pattern of behaviour.
3. Favouritism and discrimination.
4. Poor communication
5. Dissatisfaction for Job
6. The leadership which is not effective, incompetent, distrustful, and flexible, will lead to indiscipline.
7. Lack of proper policies and set procedures.
8. Poor supervision
9. Wrong judgement given by the superior.
10. Divide 86 rule policy of management.
11. Personal problems of workers like - If he is mentally upset; his fears, insecurity, hopes, expectations, ambitions and lack of confidence, etc.
12. Illiteracy and unawareness among workers
13. Less coordination between management and workers

21.3.4 Self check exercise

The second step in positive discipline approach is

A) final warning

B) discharge

C) counselling

D) written documentation

Q.2 The individual who solve different issues of employees and management and is outside the usual chain of command is called

A) procedural justice

B) constructive justice

C) arbitration

D) ombudsman

Q.3 The third step in positive discipline approach is

A) counselling

B) written documentation

C) final warning

D) discharge than cure

21.4 HOW TO MAINTAIN DISCIPLINE?

'Prevention is better than cure'. If rules and regulations are clearly mentioned, there are less chances of indiscipline. So, preventive measures should be taken by the organization, so that any kind of indiscipline can be avoided.

There should be a proper code of conduct and it should be made clear to all the employees that what type of behaviour is expected from them. Code of conduct should be practicable and acceptable to all concerned parties.

Proper training and counselling is the other remedy to remove the causes of indiscipline. It will help the employees in developing a positive attitude and more a responsible behaviour.

Grievance handling machinery should be very effective. Grievances should not be ignored but they should be handled timely and effectively.

All the employees should be treated on equal footing by the management. There should be no discrimination among employees regarding the matters related with discipline. It conveys a wrong meaning to them.

In order to create a better disciplined environment at lower level employees, top management should adopt a disciplined approach at their level and for themselves. Demonstration effect is always more effective for giving a right direction to behaviour.

21.5 DISCIPLINARY ACTIONS

There are some guidelines mentioned for taking disciplinary action. To make the system more effective, there should be clearly specified behaviour which will be counted as indiscipline. A minor error or mistake by an employee should not be considered as a case of indiscipline. The action should be taken quickly and immediately after occurring of the offence. Unreasonable delay in action will be responsible for ineffectiveness. The action should also be based on the principle of natural justice. There should be no biasness and favouritism on the part of the management. Sometimes an action is needed to be taken publicly so that it. can teach a lesson to others also and sometimes the action should be taken in private to avoid unnecessary resentment.

21.6 HOT STOVE RULE OF DISCIPLINE

Hot stove rule of discipline, proposed by McGregor and expanded by Sayles and Strauss, implies that if the rules and penalties for indiscipline are clear and well understood, a violation produces some natural consequences just as the penalty for touching the hot stove (violation) burns the finger (penalty) immediately. There are two other features of hot stove: impartiality and impersonality. Impartiality implies that the hot stove burns equally the parts of the body which touch it. Impersonality implies that all persons will get equal burns without any discrimination. In the same way, the discipline rule should have impartiality and impersonality and not the principle of you shows me the person. I will show the rule as some managers follow. The hot stove rule prescribes the following guidelines for disciplinary action:

I. The action should occur immediately following the offence or error.

2. The action should occur with advance warning to the employees in the form of likely consequences of indiscipline.

3. The action should occur consistently against all employees who commit the same mistake under the same conditions.

4. The action should occur impersonally in that the personalities are not criticized, but the deed or action receives the corrective or punitive attention

21.7 PROCEDURE FOR DISCIPLINARY ACTION

There is a set procedure for taking disciplinary actions against employees. The proper process and steps involved should be followed otherwise it will make the punishment invalid. This procedure is properly mentioned in standing orders formulated by the organisation.

(I) **Issuing a Letter of Charge to the Employee Calling upon him for Explanation:** When the management of the establishment comes to the conclusion that an act of misconduct committed by an employee warrants disciplinary action, the concerned employee should be issued a charge-sheet. The charge-sheet should indicate the charges of indiscipline or misconduct clearly and precisely. Explanation should also be called from the delinquent employee and for that sufficient time should be given to the employee. The charge sheet may be given personally or by post.

(ii) **Consideration of the Explanation:** When the delinquent employee admits, in an unqualified manner, about his misconduct, there is no need for conducting any enquiry further, and also when the employer is satisfied with the explanation given by the delinquent action. On the contrary, when the management is not satisfied with the employee's explanation, it may serve a show-cause notice.

(iii) **Show-Cause Notice:** In the show-cause notice, the employer provides another chance to the employee to explain his conduct and rebut the charges made against him. This notice is issued by the manager, who decides to punish the employee. Besides, a notice of enquiry should be sent to the employees and this should indicate clearly the name of the enquiring office, time, date and place of enquiry into the misconduct of the employee.

(iv) **Holding of a Full-fledged Enquiry:** The enquiry should be in conformity with the principles of natural justice, that is, the delinquent employee must be given a reasonable opportunity of being heard. The enquiry officer should record his findings in the process of an enquiry. He may also suggest the nature of disciplinary action to be taken. The important steps in domestic enquiry are: preparing and serving the charge-sheet and supervision in grave cases. This includes obtaining a reply to the charge-sheet, selecting enquiry officer, conducting enquiry proceedings, holding of enquiry in the free environment, recording of the findings, submitting enquiry officer's report to the disciplinary authority, decision of the disciplinary authority and communication of the order or punishment.

(v) **Considering the Enquiry Proceedings and Findings and Making Final Orders of the Punishment:** When the misconduct of an employee is proved, the manager may take disciplinary action against him. While doing so, he may give consideration to the employee's previous record, precedents, effects of this action on other employees, consulting others before giving the punishment. No inherent right to appeal has been provided unless the law provides it. In case the employee feels the enquiry is not proper and action is unjustified, he must be given a chance to make an appeal.

(iv) **Follow-up:** After taking disciplinary action, there should be proper follow-up. The disciplinary action should not make the employee repeat his mistake. It should be a lesson for him, not to do so again in future.

21.8 TYPES OF PUNISHMENT

Different types of punishments resulting from various types of omissions or misconduct are as follows:

(i) **Oral Warnings:** Whenever an employee commits minor omissions, he may be given an oral reprimand by the superior concerned. In such cases, the superior should enlighten the employee as to how to prevent their recurrence. Since repeated warnings may bring down drastically the level of morale of the employee, oral warnings should be used carefully.

(ii) Written Warnings: Whenever oral warnings fail to achieve the desired behaviour on the part of an employee, written warnings, which are the first formal state of progressive discipline, may be resorted to. Written warnings are also referred to as "pink slips" which indicate that certain rights would be withdrawn in case the employee continues his omission or misconduct.

(iii) Loss of Privileges and Fines: If an employee leaves the work, without taking the permission of the superior, he may not be allowed to select good tools and machines for himself and to move freely in the company. All these might have been the privileges which the employee was enjoying. Further, if the contract of employment provides for imposition of fines by the employer on the delinquent employee, the employer may resort to them.

(iv) Punitive Suspension: Under punitive suspension, the employer prohibits the employee from performing the tasks assigned to him and the wages are withheld or withdrawn during the period of such prohibition.

(v) Withholding the Increments: This is a major punishment. Under this method, the employer withholds the annual increments of the delinquent employee in a graded scale.

(vi) Demotion: Under this kind of punishment, an employee is reduced to a lower grade from the grade enjoyed by him earlier. Normally this method is resorted to when an employee is promoted by mistake and he is not able to perform the job.

(vii) Termination: The employee's service can be terminated in the following forms: (a) discharge simpliciter; (b) discharge and (c) dismissal.

21.9 COUNSELLING

Many employees work together in any organization. They have different ways of doing the job, different attitudes and mentalities, perception etc. It may create individual differences, which is not a favourable sign for a business. It is the duty of a manager to get rid of that problem by counselling the employees i.e., to discuss the emotional problem of the parties concerned. It can affect the output of the organisation also. Points which are included in counselling are as follows: -

1. It is concerned with emotional problems only (not with technical or occupational or legal problems)
2. It involves discussion and communication related with emotional problems.
3. It's objective is to reduce emotional disorders.

   e.g. If we are simply discussing the problem of two students, it’s not counselling. But if we are trying to find out the way out to remove the problem only then it becomes counselling. In some simple cases, even manager can solve such problems but, if problem is severe, trained counsellors can be appointed. Counselling will include (1) Advice, (2) Re-assurance giving courage to employee to face the problem (3) Communication (4) Removal of Tension (5) Clear Thinking after removal of tension.

21.10 TYPES OF COUNSELLING

Stress is the result of modern complex life. There are many reasons of stress and tension like losing one's spouse, divorce, losing one's job, retirement, change in working hours or even minor violations of law.

So, professional counselling can minimize damage to human and also the impact of stress. Stress creates imbalance related to psychology.

(i) Directive Counselling: The counsellor controls the discussion. He already has a series of questions with him. A series of questions by counsellor is used in discovering the source of trouble. Major tools with counsellor are advise, warning, praise, reassurance, encouragement, boosting up of morale etc. All these actions show the superiority of counsellor and employee generally remains passive and dependent

(Ii) Non-Directive Counselling: This approach believes in the ability of person to solve his problems. If a person listens to your symphatically half of your problem gets solved automatically. So here, the role of counsellor is to understand the problem. No superior-inferior relationship is there:

its main features are as follows:

(i) Friendly atmosphere

(ii) Helpful statements may be issued by counsellor

(iii) Release of tension

(iv) Formation of new plans and choices

(v) Change in attitude of employee

If we compare these two types of counselling, non-directive counselling is more effective than directive counselling. It depends upon the seriousness of the offence that whether some professional counsellor's services are required to solve the problems or supervisor will be able to provide counselling. In case, supervisor tries to help the employee, it will become directive counselling. In theoretically terms, non-directive counselling seems to be more helpful and effective, but practically, and in case of majority of Indian companies, the relationship of management with employees is not satisfactory and in case of non-directive counselling the employee may give so many negative comments on supervisor or the organisation rather than focussing on his own problem.

(iii) Cooperative Counselling: In between directive and non-directive counselling, another type is, cooperative counselling. In such type of counselling were, both the parties apply their knowledge and perspectives to solve the problem. It starts with listening to the problems of the employee patiently and as the discussion proceeds, the role of counsellor increases in diagnosing the causes.

21.11 QUALITIES OF A GOOD COUNSELLOR

1. No favouritism with any employee during performance evaluation.
2. Becoming a role Model.
3. He should not play politics in the organisation.
4. No Unfair means for career advancement 85 promotions.
5. No misusing of finance of the organisation.
6. He should try to avoid Halo effect. Generally, we try to draw impression about an individual on the basis of a single characteristic, which is known as halo effect.
7. Imposition of rules 86 regulations fairly and impartially, especially in case of compensation or remuneration payments.

S. Should get involved in fair competition.

9. Not to misuse his position in solving union/management conflicts.

10. To use his skill, talent and ability to the maximum in solving the problem.
11. He should have encouraged attitude.
12. No involvement in bribe/embezzlement etc.
13. Not to misuse company's property.

21.12 SUMMPIRY

The lessons cover some important issues related with human resource management. Discipline refers to a condition or attitude prevailing among the employees with respect to rules and regulations of an organisation. It is related with orderliness. It simply means working, cooperating and behaving in a normal and peaceful way as a responsible employee.

Counselling is another dimension of Human Resource Management which has wide application both within and outside the organisational context. It is a kind of discussion about some problem of an employee that has an emotional content and help him in coming out of his stressful condition. Counselling includes, advice, reassurance, communication, release of emotional tension, clarified thinking and reorientation.

21.13 Self check exercise

Q.4 The reasonable justification for taking the actions related to employment is classified as

A) constructive discharge

B) just cause

C) distributive discharge

D) due process discharge

Q.5 **Which steps in the disciplinary action process involves issuing a Letter of Charge to the employee, calling upon them for an explanation?**

A) Consideration of the Explanation

B) Show-Cause Notice

C) Holding of a Full-fledged Enquiry

D) Follow-up

Q.6 Which quality of a good counsellor involves avoiding the Halo effect, where an impression about an individual is drawn based on a single characteristic?

A) Becoming a role model.

B) Imposition of rules and regulations fairly and impartially.

C) No favouritism during performance evaluation.

D) He should not play politics in the organisation.

Q.7 What is a key feature of Non-Directive Counselling?

A) The counsellor controls the discussion.

B) It involves a series of questions to discover the source of trouble.

C) It emphasizes the ability of the person to solve their problems.

D) It creates a cooperative atmosphere where both parties contribute to problem-solving.

21.14 Short answer type question

Q.1.What are the types of Discipline?

Q.2.What are the main causes of indiscipline?

21.15 Long answer type question

Q.1.Explain the procedure followed in taking disciplinary action. Q.4.What are the types of counselling?

Q.2.Explain the qualities of a good counsellor.

21.16 KEYWORDS

- **Delinquent** - Failing in one's duty
- **Embezzlement-** Manipulation of funds
- **Isolation**-being alone
- **Suspicious**- something not open and clear

21.17 References

(i) *Human Resource Management* by Gerry Dessler.

(ii) *Personnel* Management by C.B. Memoria

(iii) *Human Resource Management* by L.M. Prasad

(iv) Human *Resource Management* by K. Aswathappa

21.18 Self check exercise (Answer key)

Q.1(c),2(d),3(c),4(b),5(a),6(c),7(c)

CONCEPT & PRESENT STATE OF INDUSTRIAL RELATIONS

STRUCTURE

STRATEGIC OVERVIEW

Harmonious industrial relations between labour and management are essential to achieve industrial peace and higher productivity. When the industrial relationship between the parties is not cordial, discontentment develops and conflicts erupt abruptly. It is not always easy to put out the fires with the existing dispute- settlement-machinery, created by the government. Hence both labour and management must appreciate the importance of openness, trust and collaboration in their day-to-day dealings.

22.0 OBJECTIVES

After reading this chapter, you should be able to:

- Define industrial relations
- List the objectives of industrial relations
- Outline the various approaches to industrial relations
- Describe the HRD approach to industrial relations

22.1 INTRODUCTION

Economists have traditionally identified four factors of production, viz, land,labour, capital and organization. The role of labour as a factor of production is becoming increasingly important in the modern society. Capital and natural resource endowments, no doubt, are vital elements in the production process but it is labour which contributes most to the wealth of a company. "Human beings are the active agents who accumulate capital, exploit natural resources, build social, economic and political organizations and-carry forward national development." Growing industrialization and the rapid expansion of the service sector resulted in the galloping demand for skilled labour after 50s. The emergence of the concept of human relations, human resource management and human resource development contributed to the growing importance of labour. The. issue of industrial relations arose from the issue of divorce of **the** workers from the ownership and management of the introduction process. This has brought about a sense of deprivation and loss of independence on the part of workers and probably file primary cause of industrial disputes. Industrial work has drastically reduced the independence of workers and made them mere cogs in the machine- a kind of 'second class citizens'. The disciplinary rules for work have become quite harsh and arbitrary. The heterogeneous nature of workers, illiteracy and politicization of trade unions made it impossible for the workers to bargain for their rights unitedly. All these factors have led to growing unrest among the ranks of workers.

22.2 OBJECTIVES OF INDUSTRIAL RELATIONS

The term 'industrial relations refers to relationships between management and labour or among employees and their organizations that characterize or grow out of employment. Theoretically speaking, there are two parties in the 'employment' relationship labour and management. Both parties need to work in a spirit of cooperation, adjustment and accommodation. In their own mutual interest certain rules, The co- existence are-Termed and adhered to. Over the years, the state has also come to play a major role in industrial relations-one, as an initiator of policies and the other, as an employer by setting up an extremely large public sector.

The term 'industrial relations' has been defined by different authors in different ways. Dale Yoder defined it as "a relationship between management and employees or among employees and their organizations that characterize and grow out of employment."

According to R. A. Lester, industrial relations "involve attempts to have workable solutions between conflicting objectives and values, between incentive and economic security, between discipline and industrial democracy, between authority and freedom and between bargaining and cooperation."

According to ILO, "industrial relations deal with either the relationships between the state and the employers and the workers' organization or the relation between the occupational organizations themselves." The ILO uses the expression to denote such matters as "freedom of association and the protection of the right to organize, the application of the principles of the right to organize, and the right of collective bargaining, collective agreements, conciliation and arbitration and machinery for cooperation between the authorities and the occupational organizations at various levels of the economy.

The following points emerge from a close examination of the above definitions:

1. **Employer**: Employee interactions: industrial relations arise out of employer-employee interactions. These relations cannot exist without the basic building blocks, i.e., the employer on one side and the employees on the other side.
2. **Web of Rules**: Industrial relations are a 'web of rules' formed by the interactions of the government, the industry and the labour. They include the relations between employer and employees and between employer's associations, trade unions as well as the state.
3. **Multidimension:** Industrial relations are fairly multi-dimensional in nature as they are influenced', by a complex set of institutional, economic and technological factors.

Factors Influencing Industrial Relations

Industrial relations are influenced by various factors viz., institutional factors and technology:

(1) **Institutional Factors:** These factors include government policy, labour legislation, voluntary courts, collective agreements, employee courts, employer's federations, social institutions like community, caste, joint family, attitude of workers, system of power, status, etc.

(2) **Economic Factors:** These factors include economic organization, like capitalist, communist, mixed etc. the structure of labour force, demand for and supply of labour force. Etc.,

(3) **Technological Factors:** These factors include mechanization, automation, rationalization, computerization, etc.

(4) **Dynamic and Changing:** Industrial relations change with the times, generally keeping pace with the expectations of employees, trade unions, employers' associations and other economic and social institutions in a society. Apart from legal framework these societal forces generally influence the direction of industrial relations within a country.

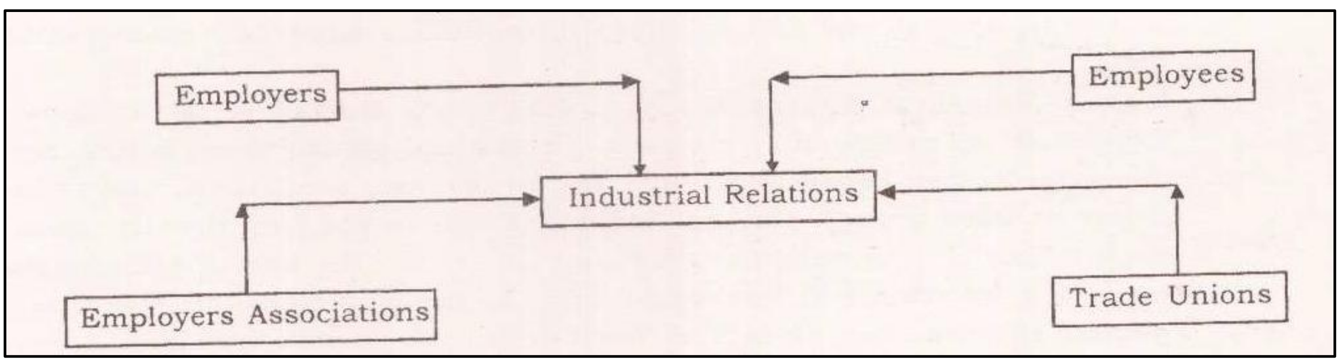
(5) **Spirit of compromise and accommodation:** The industrial relations system is characterized by forces of conflict and compromise on either side. In the larger interests of society, both the employers and employees must dissolve the disagreement amicably and get along with each other in the spirit of compromise and accommodation. The individual difference and disagreements must be dissolved through persuasion and even pressure. The factors responsible for conflict situations need to be resolved through constructive means.

(6) **Government Roles:** The government influence and shapes industrial relations with the help of laws, rules, agreement, awards of courts and emphasis on usage, customs, traditions, as well as the implementation of its policies and interference through executive and judicial machinery.

(7) **Wide Coverage:** The scope of industrial relations is wide enough to cover a vast territory comprising of grievances, disciplinary measures, ethics, standing orders, collective bargaining, participatory schemes, dispute settlement mechanisms, etc.

(8) **Interactive and Consultative in Nature:** Industrial relations include individual relations and joint consultation between labour, management, unions, the states etc. It pinpoints the importance of compromise and accommodation in place of conflicts and controversy in resolving dispute between labour and management.

Industrial Relations: Major Influences



22.2 OBJECTIVES OF INDUSTRIAL RELATIONS

The fundamental objective of industrial relations is to maintain sound relation between employees and employers. The other objectives can be drawn from this objective. They are:

- To enhance the economic status of the workers;
- To regulate the production by minimizing industrial conflicts through state control;

- To provide the opportunity to the workers to have a say in the management and decision making.
- To improve the workers strength with 'a view to solve their problems through mutual negotiations and consultation with management;
- To encourage and develop trade unions in order to improve the workers collective strength;
- To avoid industrial conflicts and their consequences; and
- To extend and maintain industrial democracy.

22.3 APPROACHES TO INDUTRIAL RELATIONS

Industrial relations are the result of several socio-economic, psychological and political factors. Various approaches have, therefore, been used to explain the multidimensional nature of industrial relations:

- **Psychological Approach:** According to psychologists, the problems of industrial relations are attributable to the difference in the perception of labour and management. Both parties tend to look at factors influencing their relations-i.e. wages, benefits, working conditions etc. in different ways. Dissatisfaction with pay, benefits, services, conditions of work compel workers to turn aggressive and resort to strikes, gheraos, etc. Employers adopt rigid postures and draw the shutters down when they find the regulatory framework to be restrictive, workers to be highly demanding and market forces to be unmanageable. Apart from economic issues, motives such as the need to gain prestige, power, status, recognition also compel people to go in different directions, sacrificing the broader organizational interests.
- **Sociological Approach:** A number of sociological factors such as the value system, customs, and traditions-affect the relations between labour and management. Problems such as urban congestion, chronic shortage of affordable dwelling units, convenient transportation system, pollution disintegration of joint family system, etc. add misery to the lives of the workers. Accepted societal norms, traditions and customs are pushed to the wall in such a scenario. Culture pollution sets in, rubbing workers the wrong way.

  Such sociological changes impact industrial life significantly, forcing parties to assess, analyze and find solutions to conflicting situations on a continuous basis.
- **Human Relations Approach:** According to the human relations approach, individuals are motivated by a variety of social and psychological factors, not just earnings. Human behavior is influenced by feelings, sentiments, and attitudes. Informal work groups play an important role in shaping the attitudes and performance of individual workers People do not like the idea of being treated as machines. To reduce friction and conflict in the workplace, managers need to possess effective social skills. They must explain why a particular job is important, allow workers to participate in work processes fully, encourage work groups to flourish and try their best to keep workers happy. Economic and non-economic rewards must be used to meet the physiological and psychological requirements of workers from time to me. Every attempt must be made to integrate the individual

objectives with overall organizational objectives to avoid conflict and controversy in industrial life.

- **Giri Approach:** According to V.V.Giri (Former President of India) collective bargaining and joint negotiations be used to settle disputes between labour and management. Outside interference must be avoided at all costs while resolving differences between the parties. Trade unions should use voluntary arbitration in place of compulsory adjudication to resolve disputes. Girl observed that there should be bipartite machinery in every industry and every unit of the industry to settle differences from time to time with active encouragement of government. Outside interference should not encroach upon industrial peace'.

22.4 HRD APPROACH TO INDUSTRIAL RELATIONS

Human Resource Development involves (1) ways to better adjust the individual to his job and environment, (2) the deepest involvement of an employ in various aspects of his work and (3) the greatest concern for enhancing the capabilities of the individual. The HRD approach recognizes employees as the greatest assets in an organization; believes that they can be developed to an unlimited extent with proper incentives, atmosphere and treatment. It is possible to integrate human needs with organizational requirements.

The underlying assumptions of industrial relations HRD may best be summarized thus:

Basic Assumption of Industrial Relations and HRD

Industrial Relations
Employer-employee relations are contractual and enveloped by economic factors
The emphasis is on Extrinsic rewards
The focus is not on developing the employees
Follow the code book and put out the fires as quickly as you can
Pluralist
Managerial task vis-à-vis labour
Institutional, unhealthy and is at the core of industrial relations, reach temporary truces
Restricted flow
Division of labour
Negotiation

The manager in HRD approach wears many hats, i.e., of a developer, counsellor, coach, mentor, and problem solver. He tries to integrate work and trains and educate people, act as a change agent and provides a conducive, healthy work environment. The traditional role as a policemen, supervisor, appraiser, legal adviser and fire fighter as evidenced in companies characterized by troubled industrial relations, thus undergo a radical transformation where the labour-management relation is built around mutual trust, understanding and cooperation.

HRD intervention such as work redesign and job enrichment could be used effectively to make jobs more interesting to employees. To avoid role conflicts, role analysis could be taken up. To build cooperation among employees and between labour and management, team-building exercises could be undertaken. To tackle trouble markers, counselling and coaching sessions could be arranged from time to time. A climate of open, transparent communication would put out fire quite easily. Training and feedback session would help solve many other industrial relations problems smoothly. To overcome some of the troubling IR issues, managers should force on aspects like

- clarify goals
- Rewards Performance
- Empower people at all levels
- Treat people properly
- Follow two-way communication channels
- Settle issue in an atmosphere of trust and understanding.

22.5 ESSENTIAL CONDITIONS FOR SOUND INDUSTRIAL RELATIONS

The establishment of good industrial relations depends on constructive attitude on the part of both management and the union. The constructive attitude in its turn depends on all the basic policies and procedures laid down in any organization for the promotion of healthy industrial relations. It depends on the ability of the employers and trade unions to deal with their mutual problems freely and independently with responsibility. They should put their faith in collective bargaining rather than in collective action. For better industrial relations, it is also necessary that fair labour standards are laid down, a feeling of equality should be prevalent, with which the management should enter into collective bargaining with the labour, and there should be realization on the part of management to promote worker's welfare. The existence of strong, independent, responsible, democratic trade unions, the promotion of collective bargaining - a fair and independent machinery for the peaceful settlement of industrial disputes, the existence of good human relations, and lack of any kind of discrimination are certainly the essentials for a healthy industrial relations situation.

It is not easy to promote and maintain sound industrial relations. Certain conditions should exist for the maintenance of harmonious industrial relations. They are:

1. Existence of strong, wellorganised and democratic employees' unions: Industrial relations will be sound only when the bargaining power of the employees' unions is equal to that of management. A strong trade union can protect the employee's interest relating to wages, benefits, job security, etc.
2. Existence of sound and organized employers' unions: These associations are helpful for the promotion and maintenance of uniform personnel policies among

various organizations and to protect the interests of weak employers.

3. Spirit of collective bargaining and willingness to resort to voluntary negotiations:
The relationship between an employee and the employer will be congenial only when the differences between them are settled through mutual negotiation and consultation rather than through the intervention of a third party. Collective bargaining is a process through which employee issues are settled through mutual-discussions and negotiations, through a 'give and take approach. If the issues are not settled through collective bargaining, they should be referred to voluntary arbitration but not to adjudication, in order to maintain congenial relations.

4. Maintenance of industries peace: Permanent industrial peace in an organization can ensured through the following measures:
   a. Establish machinery for prevention and settlement of industrial disputes. This includes legislative and non-legislative measures. Preventive measures include works committees, standing orders, welfare officers, shop councils, joint councils and joint management councils and joint management councils. Settlement methods include voluntary arbitration, conciliation and adjudication.
   b. Governmentshould be provided with requisite **authority for settling the industrial disputes wherever necessary.**
   c. Provision for the bipartite and tripartite committees in order to evolve personnel policies, code of conduct, code of discipline, etc.
   d. Provision for the various committees to implement and evaluate the collective bargaining agreements, court orders and judgments, awards of voluntary arbitration, etc.

22.6 SIGNIFICANCE OF INDUSTRIAL RELATIONS

Good Industrial Relations implies peaceful, harmonious, fruitful relations between labour and management. In such a situation, both labour and management realize their mutual obligations toward each other and resort to actions that promote harmony and understanding. The following benefits accrue from such a productive relationship:

Industrial Peace: Unilateral actions disappear, both parties consult each other before initiating any action; they primarily focus on goals that are realizable without overstepping their territories. This leads to peaceful co-existence.

2. Industrial Democracy: The process of joint consultation paves the way for industrial democracy. This motivates workers to give their best to the organization and share the fruits of progress jointly with management.

3. Improved Productivity: A cordial relation between labour and management ensures uninterrupted production and single-minded pursuit of pre-determined goals-. It becomes easy to realize even difficult targets in such an atmosphere. The excellent track record of Sundaram Fasteners (A TVS Group company which won the prestigious GM award for the fourth successive year in 1999 as a quality supplier of radiator caps) is worth mentioning here. It is known for zero breakdowns, zero accidents and zero defects. Not a single day 'has so far been

lost due to a strike in the company. It is the first company to get the ISO certification (in1990). The per-employee productivity is comparable to the best in the world. One study rates the company among the 20 most competitive companies in Asia. (The Week, May 28, 2000). Another group company, Sundaram Clayton received the Deming prize in1998 making it the only Indian company that has ever received the award outside Japan. The 45-years-old CEO, Venu Sreenivasan hires every worker for both companies but allows managers to be appointed by his chief operating officers. During 1998-
99 he has taken al0 per cent cut in his salary in order to avoid having to lay off workers!

4. **Benefits to Workers:** Cordial labour-management relations ensure higher productivity. The company would be in a position to offer fair economic and non-economic incentives to its employees. This, in turn, would spur people to realize targets and get ahead productively. It becomes easy for management to initiate needed changes quickly in line with market demands and improve the lot of workers continuously. Sound industrial relations enable a company to take full advantage of technological advancements and pass on some of these benefits to workers as well.

22.7 Self check exercise

Q.1 What is the primary focus of industrial relations in creating a conducive work environment?

a) Maximizing profits for management

b) Minimizing conflicts through state control

c) Promoting strict disciplinary rules

d) Encouraging individual competition

Q.2 What is the key outcome of good industrial relations in terms of actions between labour and management?

a) Increased unilateral actions
b) Limited consultation before actions
c) Focused goals without overstepping territories
d) Escalation of conflicts

Q.3 What does the process of joint consultation in industrial relations contribute to?

a) Increased conflicts
b) Industrial autocracy
c) Industrial democracy
d) Unilateral decision-making

Q.4 What does a cordial relation between labour and management ensure?

a) Continuous strikes
b) Improved productivity
c) Decreased consultation
d) Limited goal pursuit
b) Improved productivity

Q.5 Which company is mentioned for its excellent track record in the paragraph?

a) Sundaram Fasteners
b) Deming Prize
c) Sundaram Clayton
d) TVS Group

Q.6 What is the significance of the CEO, Venu Sreenivasan's decision to take a 10% salary cut?

a) To increase profits

b) To lay off workers

c) To avoid industrial peace

d) To maintain job security for workers

Q.7 What do sound industrial relations enable a company to do in relation to technological advancements?

a) Ignore technological advancements

b) Delay technological implementation

c) Take full advantage of technological advancements

d) Impede technological progress.

22.8 Short answer type question

1. Define the term industrial relations

2.What are its various approaches?

22.9 Long answer type question

1.Discuss the factors influencing industrial relations?

2.Differentiate the basic assumptions of industrial relations and HRD?

22.10Keywords

- **Industrial Peace:** Collaborative decision-making between labour and management, ensuring mutual goals and avoiding unilateral actions for harmonious co-existence.
- **Industrial Democracy**: Joint decision-making, encouraging worker participation and shared progress in organizational development.
- **Improved Productivity**: Enhanced efficiency and goal attainment due to positive labour-management relations, enabling effective use of technology for mutual benefit.

22.11 REFERENCES

- Gupta, C.B., *"Human Resource Management",* 7th Edition, 2006.
- Memoria, C.B., *"Personnel Management",* 24th edition, 2004.
- Rao, V.S.P., "Human *Resource Management"* (Text and Cases), 2nd Edition, 2007.

22.12 Self check exercise (ANSWER KEY)

1(b),2 (a),3 (b),4(c),5(a),6(b),7(c)

Lesson No. 23 **AUTHOR: HARKIRTAN KAUR**

A BRIEF IDEA OF TRADE UNIONISM

STRUCTURE

23.0 OBJECTIVES

After reading this chapter, the student should be able:

(i) To know the meaning, objectives and principles of trade unions.
(ii) To know the various functions performed by trade unions. (iii)
(iii) To know the present status of trade unions in India.
(iv) To know the problems/obstacles of trade unions in India.

23.1 INTRODUCTION

In the early stages of industrialization, there was lack of legal protection for workers. The workers felt exploited at the hands of the employers. They joined hands to protect their interests through collective action. A trade union is an organized expression of the needs, attitude and expectations of the workers. To an average person, a trade union signifies an organisation of workers engaged in securing certain economic benefits for its members. In the modern context, however trade unions activities are not confined to mere securing the economic benefits. The purview of activities now includes even the political and welfare activities undertaken by it for the benefits of its members., It has many facets like social, economic and political.

23.2 DEFINITION OF TRADE UNION

According to Sec. 2(b) of the Trade Unions Act, 1926, "A trade union is any combination of persons, whether temporary or permanent, primarily for the purpose of regulating the relations between workers and employers, or between workers and workers, and for imposing restrictive conditions on the conduct of any trade or business and includes the federation of two or more trade unions."

According to V.V. Gin, "Trade union is a voluntary organisation of workers formed to promote and protect their interests by collective action".

To summarize, it can be said that a trade union is an organisation of employees formed on a continuous basis for the purpose of securing diverse range of benefits.

An analysis of the above definitions reveals the following characteristics of a trade union

(i) Trade union is an association of **employers,** employees or independent workers.

(ii) Trade union is generally a permanent combination. It is not a temporary or casual combination of **workers.**

(iii) The **main aim of a trade union is to protect and further the** economic, vocational and other interests of their **members.**

(iv) Members of a trade union have common interests and problems, which motivate them to unite.

(v) Trade unions always act collectively i.e. **through united** action of members.

(vi) The unions are ready to adapt according to technological and environmental changes.

23.3 OBJECTIVES OF TRADE UNIONS

According to the Trade Unions Act, 1926, **"A** trade union must work to protect and promote the interests of the workers and the conditions of their employment." To be specific, the trade unions generally pursue the following objectives:

1. **Employee Compensation:** The subject which drew the major attention of the trade unions is the wages and salaries of the workers. This item relates to the policy matter of the enterprise. As wages and salaries are the root cause of many industrial conflicts and unrest. However, differences may arise in the process of their implementation. In the case of unorganized sector, trade unions play a crucial role in bargaining the pay scales.
2. **Working Conditions:** Trade unions aim **to** improve working conditions by securing shorter working hours, better leave facilities, adequate social security, better housing and education and other welfare benefits.
3. **Rationalisation of Personnel Policies:** The economic security of an employee is determined not only by the level of wages and duration of his employment but also by the management's policies in respect of recruitment, selection, promotions, transfers, training etc. If such decisions are governed by statutory rules and rational policies, there is greater assurance of fair treatment and equal justice; otherwise, there is no security for workers.
4. **Harmonious Relations:** A trade union should also strive for harmonious relations between the employees and employer. Trade union, being the representative of all the workers, may carry out continuous negotiations with the management with a view to promote industrial peace.
5. **Recognition and Participation:** Another objective that unions seek to achieve is winning recognition for workers that they are equal partners with management in the task of production. The unions try to secure for workers a say in the management and industrial democracy thereby bringing about a new social order.
6. **Gaining Legislative Enactments:** To provide legal sanctions to its demands, the unions attempt to get these framed in the form of Acts so that they become

permanent features **of the** contract between the employers and the workers. For this purpose, the unions may take recourse to political action in terms of supporting some political party or forming their own political party.

7. **Miscellaneous Services:** Modern trade unions also engage in providing educational, medical and other facilities for the development and welfare of their members, if they have sufficient funds at their disposal.

23.4. PRINCIPLES OF TRADE UNIONS

The trade unions have the following principles:

1. **Unity is Strength:** The strength of trade unions is their unity. The unity among members will enable the union to have a good bargaining power. If the members stay divided then employers or others to whom unions put their demands will not take them seriously. So, the unity in the association will **be** its strength.
2. **Equal Pay for equal Work: The** unions strike on the principle of equal pay for **equal** work **of the same type. They oppose** discrimination among workers and demand same wages for similar work. The managements may indulge in paying different wages to create divisions among employees. The International Labour Organization (ILO) charter also suggests that men and women should receive equal remuneration for work of equal value.
3. **Security of Service:** The security of service of employees is the other principle of trade unions. The continuity of service will ensure social and economic security **for union tomboys.**

23.5. FUNCTIONS OF TRADE UNIONS

The functions of modern **unions are** comprehensive. These functions can be categorised as:

(i) Intramural functions

(ii) Extramural functions

(iii) Political functions

(iv) Social **functions**

1. **Intramural Functions:** These functions are termed as militant functions too because unions may resort to strikes and other pressure tactics to get their demands implemented. Intramural functions includewage rises, proper working conditions, sanitation safety, continuity in employment and so on. The unions try to resolve these issues through collective bargaining. If discussions and meetings do not help in resolving these issues then unions use strike and other pressures as tools in getting these demands accepted.
2. **Extramural Functions:** Trade unions also undertake functions which are required for the welfare of their members. These functions include provision of educational, recreational and housing facilities. The unions raise funds in the form of subscription from members and spend them for the welfare of workers. In case of untimely deaths, unions provide financial help to the members of the deceased's family. Extramural functions are very important as they inculcate the spirit of cooperation among members.
3. **Political Functions:** The trade unions indulge in political activities in order to help in improving the economic conditions of workers through legislative and

administrative measures. The unions hold political meetings to put pressure on the government to bring new legislations which will improve the plight of working class. The unions may also collect funds for political functions.

4. **Social Functions:** These functions include carrying out social service activities, discharging social responsibilities through various sections of the society like educating the customers.

23.6. TRADE UNION TACTICS

Trade unions employ certain tactics to deal with the management. These are:

1. **Organizing Drive:** Organizing drive is one of the major instruments of force that unions employ. Organizing drive is nothing but forming a union where none exists. The mere threat of a union may bring the management to terms. The organizer tries to capitalize on employee dissatisfaction and promises workers that their dissatisfaction would be removed if they join the union
2. **Strike:** The most important union tactic is strike. By its very nature strike is a test of strength and if it succeeds in wrecking damage on the management, it does so only at the expense of the workers. Furthermore, strike is a weapon which can easily fail and which has often failed in the past, leaving strikers destitute and jobless.
3. **Political Pressures:** Unions often invoke political patronage to beat the management. Several unions own their recognition and patronage to political parties and it is not surprising that employee organisations look to them for direction and sustenance.
4. **Blackmailing:** Unions often blackmail the management, at some critical point of time to get their demands met.

23.7 PRESENT POSITION OF TRADE UNIONS IN INDIA:

There are five central organisations, which dominate the trade unions in India. These organisations are briefly discussed here.

1. **Indian National Trade Union Congress (INTUC):** This organisation which was formed by Congress Party in 1947 has 3153 affiliated trade unions with a total membership of over 30 lakh workers. It has strong roots) in West Bengal. Assam, Gujrat, Bihar and Maharashtra. The largest numbers of workers in this organisation belong to textile, jute, tea plantation, hosiery, transport and mining industries.
2. **The All India Trade Union Congress (AITUC):** AITUC which is affiliated to Communist Party of India is considered to be the second largest federation of trade unions with over 26 lakh members. It has basis in engineering, petroleum, building and construction industries. AITUC is strong in West Bengal, Kerala, Tamil Nadu, Andhra Pradesh, Punjab and Delhi.
3. **The Hind Mazdoor Sabha (HMS):** HMS is the labour wing of Prajna Socialist Party. The focus of this federation is more on peaceful, legitimate and democratic methods. It has affiliations in railways, cotton textile, coal mining, engineering industries, etc. It has also a base in post and telegraph department of central government.
4. **The United Trade Union Congress (UTUC):** Some socialist leaders formed UTUC in April 1949 with an objective to establish a workers and peasants' state in

India. It has influences in West Bengal, Bihar, Kerala and Tamil Nadu. Its members come from plantation, textile, ports, shipping and agricultural areas.

5. **The Centre of Indian Trade Unions (CITU):** It was formed by CPM members in 1970. CITU believes that the exploitation of the working class can be ended only by socializing all means of production, distribution and exchange and establishing a socialist state. CITU claims a membership of over 12 lakh workers.

23.8. THE TRADE UNIONS ACT, 1926

The Trade Unions Act,1926, legalizes the formation of trade unions by allowing employees the right to form and organize unions.

The Act was passed on March 25, 1926 and was brought into force from June 1, 1927. It extends to whole of India. The main objective of the Act is to provide for the registration of trade unions and to give registered trade unions a legal status and immunity to their office bearers and members from civil and criminal liability in respect of legitimate trade union activities. As per the recommendations of The National Commission on Labour, the union with 100 or more members should be recognized, if there is more than one union then the one with more members should be recognized. The number of outsiders in a union should be limited to 30%.

23.9. PROBLEM OF TRADE UNION MOVEMENT IN INDIA

The position of trade unionism is not very sound. This is because of the fact that the Indian trade unions suffer from many problems. A brief discussion of these problems is as follows:

1. **Uneven Growth:** Trade unions are concentrated more or less in major metropolitan cities in India and traceable only in large scale units especially in cotton textile industry. The degree of unionism also varies from industry to industry like iron and steel, tobacco, railways, cement, banking, insurance etc. There is very little trade union activity in small scale sector, agricultural sector and domestic sector.
2. **Low Membership:** Most of the unions have low membership. Though the number of unions and union membership is increasing, average membership is inadequate. Because of their small size, unions suffer from lack of adequate funds and **it** difficult to engage the services of experts to aid and advise members in times of need. They can't bargain with employers effectively on their own.
3. **Weak Financial Position:** Most of the trade unions in India suffer from lack of adequate funds. This unsound financial position is mostly due to low membership and low rate of membership fee. Due to the financial weakness, most of the unions are not in a position to undertake welfare programmes for their workers.
4. **Political Leadership:** Most of the trade unions in India have professional political leadership. The leadership of politicians is interested in exploiting workers for their political response. Strikes are organized and prolonged for personal prestige and negotiations with employers break down due to political considerations. The interest and welfare of the workers are very often ignored. Thus, the political leadership is very harmful to the trade union movement in India.
5. evigultip1icity **of Unions:** Multiple unions both at the plant and industry levels are responsible for unhealthy growth of trade union movement. There exists several'

unions in the same establishment or industry. The existence of this phenomenon can be attributed partly to the domination of outside leaders and partly to the labour laws.

6. **Inter-Union Rivalry:** Due to the multiplicity of unions, interunion rivalry takes place. Unions try **to play down each other in a** bid to gain greater influence on the workers. In the process, they do more harm than good to the cause of unionism as a whole.
7. **Problems of Recognition:** Many a times, the employers refuse recognition to trade unions on the contention that unions consist of only a small number of workers or because of multiplicity of union. Employers are under no obligation to give recognition to unions.
8. **Absence of Paid Office Bearers:** Weak finances and political leadership don't permit unions **to engage the** services of full **time,** paid office bearers. Union **activists, who work on a part-time basis, neither have the time nor** the energy to take up union activities sincerely and diligently.
9. **Heterogeneous Nature of Labour:** Workers come to the factories with varying backgrounds, therefore, it is difficult for them to put a joint front in case of trouble. Employers exploit the situation, under the circumstances, by dividing workers on the basis of race, religion, language etc.
10. **Lack of Interest:** In order to make the trade union movement succeed, the members of the trade union should take keen interest in the union affairs. But majority of worker do not take interest **in union activities. The attendance at** the **general meetings of -unions is very poor.**
11. **Limited Stress au Welfare:** Many unions in India undertake only limited welfare activities. They feel that their major activity is to fight with the employer for more wages and allowances. Moreover, paucity of funds also hampers the welfare activities of the unions. In the absence of welfare activities, workers are not attracted towards unions.
12. **Lack of Public Support** The general public is adversely affected due to strikes, go slow policy and other practices of unions. As a result, public support or sympathy is not available to the unions.

23.10 MEASURES FOR STRENGTHENING TRADE UNION MOVEMENT

1. **United Labour Front:** Unions must put a joint front. To develop a strong trade union, it is necessary to expand the trade union movement to unorganized sector and small towns. The membership of unions should also be increased.
2. **Single Union:** The principle of one union in one industry should be adopted to avoid multiplicity of unions and inter union rivalry. This will help in eliminating the problems created by multiplicity of unions.
3. **Financial Stability:** The financial problems of the unions can be solved by raising the membership and collecting fees from all the members. The membership fees should be raised as the amount of the wages of the workers increases.
4. **Efficient Leadership:** Political leadership has developed due to the absence of internal leadership. Outside leadership is the main cause of multiple problems of the trade unions. These problems can be removed through the development of leadership talents from within. Management should encourage internal workers to

lead their own movement. Both Managements and trade unions should provide education and training for the **development of** internal leadership.

5. **Paid Union Officials:** Paid union officials should be employed who are persons of proven integrity and who are competent and sincere. They should be able to evaluate workers aspirations and strong enough to negative with employers on equal basis.
6. **Recognition of Trade Unions:** It should be made obligatory on the part of the employers to give recognition to the trade unions. **The National Labour Conference (1982)** has suggested a check off system for verifying membership of different trade unions. Under this, workers will authorize managements to deduct, from their wages, dues to any of the unions of their choice. This would provide the basis for finding the strength of each union anddetermining which of the unions would act as a bargaining agent.
7. **Expansion of Union Activities: Unions should** widen the scope of their activities provide certain benefits and facilities to the workers. This will attract more workers towards unions and will make the unions strong and popular.

23.11 SUMMARY

Trade unions have emerged as an essential feature in every country. Trade union can help management and country in several ways. It must always act collectively and it must adopt according to technological and environmental changes in the society. This lesson is helpful to have the knowledge of objectives, principles and functions of trade unions. In India the Trade Union Act 1926 is working. but present position of trade unionism is not very sound. This is because of the fact that the Indian trade unions suffer from many problems. Efficient Leadership, financial stability, etc can help in strengthening trade union movement.

23.12 Self check exercise

Q.1 What is the primary purpose of a trade union?

A) Political activism

B) Economic benefits for members

C) Social welfare programs

D) Environmental protection

Q.2 According to the Trade Unions Act, 1926, what is the definition of a trade union?

A) Any political organization

B) Any group of workers engaging in strikes

C) Any combination of persons for economic benefits

D) Any business organization

Q.3 What is the focus of "Intramural Functions" of trade unions?

A) Political activities

B) Social services

C) Militant functions for workers' demands

D) Recognition and participation in management

Q.4 Which principle is emphasized by trade unions, promoting equal wages for similar work?

A) Unity is Strength

B) Equal Pay for Equal Work

C) Security of Service

D) Political Pressures

Q.5 What is the main objective of the Trade Unions Act, 1926?

A) To restrict the formation of trade unions

B) To provide legal status to registered trade unions

C) To ban trade unions

D) To promote political activities of trade unions

Q.6 Which central organization formed by the Congress Party has a strong presence in West Bengal, Assam, Gujarat, Bihar, and Maharashtra?

A) AITUC

B) HMS

C) INTUC

D) UTUC

Q.7 What is a major problem faced by many trade unions in India due to low membership?

A) Lack of political support

B) Weak financial position

C) Inter-union rivalry

D) Limited stress on welfare

Q.8 Which measure is suggested to eliminate the problem of inter-union rivalry?

A) Uneven Growth

B) Recognition of Trade Unions

C) Multiple unions in one industry

D) Political Leadership

Q.9 What is the role of the Centre of Indian Trade Unions (CITU), formed by CPM members in 1970?

A) Focus on peaceful and democratic methods

B) Strive for a workers and peasants' state

C) Provide financial help to members

D) Engage in political patronage

Q.10 According to the National Labour Conference (1982), what system is suggested for recognizing trade unions?

A) Political system

B) Recognition based on union size

C) Check-off system

D) Inter-union system

23.13 Short answer type question

23.14 Long answer type question

1. **Trade** union movement in India has not developed on healthy lines." Discuss.
2. Why do workers join trade unions? Discuss and analyse the objects of trade unions.

23.15 Keywords

1 **INTUC** = Indian National Trade Union Congress.
2. **AITUC** = All India Trade Union Congress
3. **Intramural Functio**ns = these functions are termed as militant functions.
4. **Extramural Functions** = these functions which are required for the welfare of their members of trade unions.

23.16 References

• Verma, Pramod, " *Trade Union* **in India", New** Delhi: Oxford.

23.17 Self check exercise (Answer key)

1.(b),2(c),3(c),4(b),5(b),6)(c),7(b),8(c),9(b),10(c)

Lesson No. 24 AUTHOR: Ms. SHILPI GOEL

INDUSTRIAL UNREST AND REMEDIAL MEASURES

STRUCTURE

24.1 OBJECTIVES

After reading this chapter, the student should be able to :

- Understand the meaning and causes of industrial disputes.
- Outline the various forms of industrial unrest.
- Get an insight into the methods used to prevent the industrial disputes.

24.2 INTRODUCTION

Relations between labour and management do not always remain cordial. There may be a variety of reasons for the same. Divergent views, opposite stands, contrasting demands may cause conflicts in the industrial relations. Employees want more jobs whereas management wants to reduce staff, raise productivity and save on all fronts. Management wants to computerize and introduce latest technology gradually in order to reduce the dependence on manual force but labour and unions cannot afford to let this happen by keeping silent. Labour wants a fair share of the productivity gains but the management wants to demonstrate those gains as fruits of risky investments. There may be several other reasons like these but the survival of both the parties in the industrial activity depends on how appreciatively they look at each others problems and get along without rubbing each other the wrong way.

Industrial conflicts are the symptoms of industrial unrest and constitute a militant and organized protest against existing industrial conditions. The Industrial Disputes Act, 1947, defines an industrial dispute as "any dispute or difference between employees and employees, or between employees and employers, or between employers and employers, which is connected with the employment, or non-employment, or the terms of employment or with the conditions of work of any person". Thus, the term is characterized by the following factors:

- There should be a difference or dispute
- The dispute could be between employer-employer, employee-employee, or employer employee.
- The dispute must pertain to some work related issue.
- Dispute between one or two workmen and their employers is not an industrial dispute; instead, it Must be raised by a group or class of workmen.

24.2 FORMS OF INDUSTRIAL DISPUTES

The various forms of industrial disputes may be stated as:

24.2.1 Strikes

A strike is a spontaneous and concerted withdrawal of labour from production temporarily. It is a collective stoppage of work for pressurizing their employers to accept certain demands. The Industrial Disputes Act, 1947 has defined a strike as "an assertion of work by a body of persons employed in an industry acting in combination, or a concerted refusal under a common understanding of any number of persons who are or have been so employed to continue to work or to accept employment. Strikes are of several types:

- **Sympathetic Strike:** When a strike is undertaken to show sympathy with workers in other industries.
- **General Strike:** It is a strike by all or most of the unions in an industry or a region.
- **Unofficial Strike:** It is a strike undertaken without the consent of the unions
- **Sectional Strike:** It is the refusal of a section of a given class of workers to perform their normal duties.
- **Sit down Strike (also called stay-in, tool down, pen down strike):** It is a strike in which workers cease to perform their duties but do not leave the place of work.
- **Slow Down Strike:** known as 'go slow tactic, the workers do not stop working but put breaks to the normal working of the things
- **Lightning Strike:** Out of provocation, workers may go on strike without notice or at very short notice. There is an element of surprise in such strikes.

24.2.2 Lock-outs

Lock-out is the counter part of strike. It is the weapon available to the employer to close down the factory till the workers agree to resume work on the condition laid down by the employer. The Industrial Disputes Act, 1947 defined it as "the closing of a place of an employment, or the suspension of work or the refusal of an employer to continue to employ any number of persons employed by him". If it is impossible to meet the demands of the workers, employers may decide to go for lock-out. An employer may also pull down the shutters so as to bring psychological pressure on the workers to agree to his conditions or face closure of the unit.

24.2.3 Gherao

Gherao means to surround. In this method, a group of workers initiate collective action aimed at preventing members of the management from leaving the office. This can happen outside the factory premises too. The persons who are gheraoed are not allowed to move for a long time, sometimes even without food or water. The National Commission on Labour, while refusing to accept it as a form of industrial protest, opined that gheraos tend to inflict physical duress on the persons affected and endanger not only industrial harmony but also create problems of law and order.

24.2.4 Picketing and Boycott

When picketing, workers often carry/display signs, banners and placards) in connection with the dispute), prevent others from entering the place of work and persuade others to join the strike.

Boycott aims at disrupting the normal functioning of an enterprise. Through forceful appeals and negative behavioural acts, striking workers prevent others from entering the place of work and persuade them not to cooperate with the employer.

24.3 CAUSES OF INDUSTRIAL DISPUTES

Industrial dispute arises due to several reasons, some of which are given below:

- **Wages and Allowances:** Demands for increase in wages and allowances is the most important cause of industrial disputes. Due to inflation and rising costs of living, workers and their unions periodically put up a demand for increase in their remuneration so as to maintain their real income. Employers do not accept the demand easily and this leads to strikes and other types of disputes in industry.
- **Bonus:** Workers and trade unions want a share in the profits of the industry. Employer's refusal to share the profits results in disputes.
- **Personnel and Retrenchment:** Victimization of workers, refusal by employers to
- recognize trade union, communication gap between employers and employees, suspension and dismissal of workers fall in this category.
- **Leave and hours of work:** Poor working conditions and violation of Factories Act, 1948 provisions concerning leave and working hours is another cause of industrial un rest.
- **Indiscipline and Violence:** Lack of discipline among workers and violence on the part of the employers, trade union leaders and workers result in serious disputes.
- **Other Reasons:** Inter-union rivalry, multiplicity of unions, political pressure on workers, petty quarrels, miss behavior, automation and other similar factors lead to industrial disputes.

24.4 INDUSTRIAL UNREST IN INDIA

Since independence, industrial disputes have been common and frequent in India. On account of the Industrial Truce Resolution, 1947, the number of industrial disputes came down temporarily. The First Five Year Plan launched in 1951 stressed the need to develop closest collaboration between employers and employees through Works Committees at the plant level. The plan also stressed upon the need to encourage collective bargaining, mutual settlement and voluntary arbitration to the fullest extent. The Second Five Year Plan suggested in 1956 that the public sector undertakings should act as model employers for comprehensive labour welfare measures. In 1958 a Voluntary Code of Discipline was adopted by employers and trade unions. The Third Five Year Plan underlined the need to make the code of Discipline successful. The plan also advocated the strengthening of the Works Committees and Joint management Councils. The Industrial Truce Resolution, 1962 suggested several measures to minimize industrial unrest. The Fourth Five Year Plan underlined the need to promote trade union movement, collective bargaining and cooperation between labour and management. The Fifth plan stressed the need for better enforcement of labour laws, resolution of disputes through conciliation and greater involvement of labour in management. Sixth plan-observed that industrial relations cannot be regarded as a matter of interest only to employers and workers but are of vital concern to the community as a whole. The Plan suggested making consultative machinery, grievance procedures and workers' participation in management more effective. The National Commission on Labour,1969 made several recommendations for healthy industrial relations. Subsequent Five-Year Plans and Industrial Policy Resolutions have all stressed upon the need for industrial peace through mutual negotiations and voluntary measures.

Industrial Disputes in India

Year	No. of Disputes	Workers Involved (in lakhs)	Mandays lost (in lakhs)
1951	1,071	6.91	38.19
1961	1,357	5.12	49.19
1971	2,752	16.15	165.46
1981	2,589	15.88	365.84
1991	1,810	13.42	264.00
2001	674	69.00	237.30
2004	477	N.A.	238.70

24.5 PREVENTION OF INDUSTRIAL DISPUTES

The following measures can be taken to avoid disputes in an industry:

24.5.1 Model Standing Orders

The purpose of these orders is to prescribe guidelines for regulating relations between employers and employees under the Industrial Employment (Standing Orders) Act, 1946. Every factory employing 100 or more workers is required to frame standing orders in consultation with the workers. These orders must be certified and displayed properly by the employer for the information of workers. The Central and State Governments have farmed model standing orders which can be adopted by any industrial establishment.

Standing orders define and regulate terms and conditions of employment and bring about uniformity in them. These also specify the duties and responsibilities of both employers and employees and regulate standards of their conduct. Therefore, standing orders can be a good basis for maintaining harmonious relations between employers and employees.

24.5.2 Code of Industrial Discipline

The Second Five Year Plan suggested that both employees and employers must formulate and abide by a voluntary Code of Discipline. In pursuance of this suggestion, the

Fifteenth Indian labour Conference suggested a Code of Discipline in 1957. The Central National Labour Organizations (INTUC, AITLIC, HMS, and UTUC) and Employers' Associations (EFI, AIOIE, and AIMO) have agreed to enforce the code with effect from June 1, 1958. The code aims at preventing disputes through negotiations without the interference of an outside agency. The principles regulating the conduct of the employer and the employees, as provided for in the code, may be listed thus:

Obligations of both parties:

- It restrains both employers and employees from unilateral action. Both parties must recognize each other's rights and obligations and settle disputes through the existing machinery for the settlement of disputes.
- The parties should not indulge in strikes and lock-outs without notice or without exploring possibilities to resolve disputes through negotiations.
- Neither party will resort to coercion, intimidation, victimization or litigation or adopt unfair labour practices (e.g. go slow, sit down strike, etc.)
- Both employers and unions will educate workers regarding their obligations and agree to follow a mutually agreed grievance procedure.

Obligations of Employer

Management agrees not to increase workload without prior agreement with workers, discourage unfair labour practices, take prompt action to redress grievances, displays the code in prominent places, agrees to implement all awards and agreements, take disciplinary action against officers/members who instigate workers and agrees to recognize a representative union.

Obligations of Unions

Unions agree not to indulge in physical duress, not to permit employees to do union work during working hours, discourage negligence of duty, careless operations, damage to property, insubordination and take action against office bearers who work against the spirit of the code.

The code does not have any legal sanction. However, the central workers and employers' organizations agree to impose certain moral sanctions against erring members such as seeking explanations for infringement of provisions, criticizing them for not following the code, give wide publicity to the fact that a particular unit is working against the code, etc.

24.5.3 Grievance Procedure

A grievance may be defined as any real or imagined feeling or personal injustice which an employee has concerning his employment relationship". Grievances have to be redressed promptly. Any attempt to suppress them may backfire and may find expression in violent forms later on. A model grievance procedure, as suggested by the Indian Labour Conference, 1958, has more or less been widely accepted now in India. Under this model, both the employer and the workers are expected to follow certain steps so as to put out the frictions between them.

24.5.4 Collective Bargaining

Collective bargaining is a process in which the representatives of the employer and of the employees meet and attempt to negotiate a contract governing the employer-employee-union relationship. It involves discussion and negotiation between two groups as to the terms and conditions of employment. The main objectives of collective bargaining are to maintain cordial relations between the employer and the employees; to protect the interests of the workers through collective action and preventing unilateral action on the part of the employer; to ensure participation of trade unions in industry and to avoid the need for government intervention.

24.5.5 Works Committee

As per the provisions of the Industrial Disputes Act,1947, works committees have to be set up in all those industrial units which employ 100 or more persons and are composed of an equal number of employers and employees' representatives. The committees are given the responsibility of removing the causes of friction between labour and management in the day-to-day functioning of a unit. A works committee is a purely consultative body and not a negotiating body. The committee offers:

- Greater participation to workers in day-to-day affairs
- Ensures close mutual interaction between labour and management
- Generates a cooperative atmosphere for negotiations between the two parties
- Opens the door for unions to have a clear view of what is going on in the unit
- Strengthens the spirit of voluntary settlement of disputes

24.5.6 Joint Management Councils (JMCs)

In the Industrial Policy Resolution 1956, the need for joint management councils consisting of representatives of management, technicians and workers was emphasized. Management must supply facts regarding the working of a unit and the council discusses various matters across the table and recommends steps for improving the efficiency the main features of the scheme are given below:

- The scheme is voluntary, not obligatory
- The JMC should consist of equal number of representatives of workers and employers (minimum 6 and maximum 12)
- JMCs should look after three areas: (i) information sharing (ii) consultation (iii) Administration Matters relating to welfare, safety, training, holiday schedules, formulation of standing orders, etc. come under these three categories.
- The decisions of the JMC should be unanimous and should be implemented without any delay
- The JMCs should not encroach on the jurisdiction of the works committees
- The JMC members should be given proper training
- Representatives of workers to the JMCs should be based on nominations by the recognized union
- Initially JMCs should be constituted in a large number of public and private sector units being over 500 or more workers where there is a strong trade union and where the labour management relations are sound.

24.5.7 Suggestion Schemes

Under this system, workers are invited and encouraged to offer suggestions for improving the working of the enterprise. A suggestion box is installed. Any worker can write his suggestions and put it into the box. Periodically all the suggestions are scrutinized by the Suggestions Committee. Good suggestions are accepted for implementation and suitable rewards are given to the concerned workers. Suggestion schemes encourage workers' interest in the functioning of the enterprise.

24.5.8 Joint Consultative Machinery

Service conditions in the government sector are dealt with at National Council (for Central Government Employees), Departmental Councils and Regional or Office Councils.

24.5.9 Tripartite Bodies

Several tripartite bodies have been constituted at Central and State levels. The Indian Labour Conference, Standing Labour Committees, Wage Boards and Industrial Committees operate at the Centre. At the State level, State Labour Advisory Boards have been set up. All these bodies play an important role in reaching at agreements on various labour matters. The recommendations of these bodies are advisory in nature but vary a weight on employers, trade unions and the Government. All these bodies constitute the consultative machinery for the private sector.

24.5.10 Labour Welfare Officer

The Factories Act, 1948 provides for the appointment of a Labour Welfare Officer in every factory employing 50 or more workers. The officer looks after all the facilities in the factory provided for the health, safety and welfare of workers. He keeps liaison with both the employer and the workers and serves as a communication link. He may contribute towards healthy industrial relations through proper administration of standing orders, grievance procedures, etc.

24.6 SUMMARY

The chapter focused on the nature, causes and forms of industrial unrest. Industrial unrest may assume the form of strikes, lock-outs, gheraos, boycott and picketing. The industrial disputes may be prevented by adopting various measures such as Model Standing Orders, Code of Industrial discipline, Collective Bargaining, Works Committee, Joint management Councils, Suggestion schemes, Tripartite bodies, etc.

24.7 Self check exercise

Q.1What is the definition of an industrial dispute according to the Industrial Disputes Act, 1947?

A. Any disagreement within a company

B. Any dispute between two or more industries

C. A dispute between employers and employees connected with employment conditions

D. A disagreement between government and industry

Q.2. What is a sympathetic strike?

A. A strike initiated by workers to show support for workers in other industries

B. A strike caused by disagreement within the management

C. A strike aimed at disrupting the normal functioning of an enterprise

D. A strike without notice or short notice due to provocation

Q.3. What is the counterpart of a strike?

A. Boycott

B. Gherao

C. Lock-out

D. Picketing

Q.4. What is the purpose of Gherao in industrial disputes?

A. To initiate collective action to prevent members of the management from leaving

B. To surround and prevent workers from entering the workplace

C. To encourage workers to participate in strikes

D. To promote peaceful negotiations between employers and employees

Q.5. What is the main objective of Collective Bargaining?

A. To promote inter-union rivalry

B. To maintain cordial relations between employers and employees

C. To encourage boycotts and picketing

D. To impose legal sanctions against industrial disputes

Q.6. How does a Works Committee contribute to industrial relations?

A. By imposing legal sanctions

B. By encouraging strikes

C. By providing a platform for negotiation and cooperation

D. By promoting inter-union rivalry

Q.7. What is the voluntary Code of Discipline aimed at achieving?

A. Encouraging inter-union rivalry

B. Preventing disputes through negotiations without external interference

C. Encouraging strikes without notice

D. Discouraging joint management councils

Q.8. What is the role of Joint Management Councils (JMCs)?

A. Encouraging strikes

B. Handling information sharing, consultation, and administration matters

C. Promoting inter-union rivalry

D. Imposing legal sanctions against industrial disputes

Q. 9. Which body is responsible for dealing with service conditions in the government sector?

A. Joint Consultative Machinery

B. Works Committee

C. Tripartite Bodies

D. Labour Welfare Officer

Q.10. What is the purpose of the Labour Welfare Officer in a factory?

A. Encouraging strikes

B. Providing health and safety facilities for workers

C. Promoting inter-union rivalry

D. Initiating collective bargaining

24.8 Short answer type question

1.Define the term industrial dispute.

2.Discuss the various forms and causes of industrial unrest.

24.9 Long answer type question

2. Discuss the various methods of preventing industrial disputes.

24.10 Keywords

- **Industrial conflicts -** the symptoms of industrial unrest constitute a militant and organized protest against existing industrial conditions.
- **Industrial dispute -** any dispute or difference between employee and employees, or between employees and employers, or between employers and employers, which is connected with the employment.

24.11 References

- Gupta, C. B., *Human Resource Management,* Sultan Chand and Sons, New Delhi, 8th Edition, 2007.
- Rao V.S.P., *Human Resource Management,* Excel Books, New Delhi, 2nd Edition, 2005.

24.12 Self check exercise (Answer key)

1.(c),2(a),3(c),4(a),5(b),6(c),7(b),8(b),9(a),10(b)

Lesson No. 25 **AUTHOR: Ms. DEEPIKA JINDAL**

ETHICAL ISSUES IN HUMAN RESOURCE MANAGEMENT

STRUCTURE

25.1 OBJECTIVES

After reading this chapter, you should be able to:

- Understand the nature, need, source of business ethics.
- Know the importance of ethics.
- Areas of ethical misconduct in personnel function.
- Managing ethics
- Improve ethical decision making

25.2 INTRODUCTION

HR managers confront ethical issues often. Many a times the HR manager shoulders the responsibility of providing ethical leadership to his or her firm. This chapter is devoted to a detailed discussion on the nature of ethics and the manner in which ethical issues relate to HR situations.

25.2.1 Ethics-Nature and Need

Ethics refers to a system of moral principles-a sense of right and wrong, and goodness and badness of actions and the motives and consequences of these actions. As applied to business firms, ethics is the study of good and evil, right and wrong, and just and unjust actions of businessman.

Business ethics does not differ from generally accepted norms of good and bad practices. If dishonesty is considered to be unethical and immoral in the society, then any businessman who is dishonest with his or her employees, customers, shareholders or competitors are unethical and immoral people. If protecting others from any harm is considered to be ethical, then a company which recalls a defective or harmful product from the market is an ethical company. To be considered ethical, businessman must draw their ideas about' what is desirable behaviour from the same sources as anybody else would draw. Businessman should not try to evolve their own principles to justify 'what is right and what is wrong'. Employees and employers may be tempted to apply special or weaker ethical rules to business situations. But the society does not condone such exceptions. People who are in business are bound by the same ethical principles that apply to others.

Two theories are pertinent when one talks about the nature of ethics.

The theories of moral unity essentially advocate the principle that business actions should be judged. by the general ethical standards of the society. There exists only one set of ethical standards which applies to business and non-business situations.

Opposite to this is the theory of amorality, which argues that a business can be amoral, and actions of businessmen need not be guided by general ethical standards. Managers may act selfishly because the market mechanism distils their actions into benefits to shareholder and the society at large. Adam smith argued that," the invisible hand of the market assures that by pursuing his own interest (a merchant) frequently promotes that of the society more effectively than when he really intends to promote it". In this way, capitalism provides moral justifications to the pursuit of profit through a behaviour which is not purposefully ethical.

However, the theory of amorality is not acceptable to anybody. Every one agrees that business actions should he subject to the same ethical standards as are applicable to the society in general.

25.3 SOURCES OF BUSINESS ETHICS

HR managers in every society are influenced by three repositories of ethical values-religion , culture and law. These repositories contain unique systems of values that exert varying degrees of control over managers. A common thread-idea of reciprocity or mutual help-runs through all the value systems. This idea reflects the central purpose of all ethics, which is to bind the vast majority of individuals in the society into a cooperative whole. Ethical values constitute a mechanism that controls behaviors in HR situations and in other walks of life. Ethics-driven restraints are more effective than restrictive controls such as police, law suits, or economic incentives. Ethical values channelise the individual energies into pursuits that are benign to others and beneficial to the society.

25.3.1 Religion

One of the oldest sources of ethical inspiration is religion. More than 1,00,000 different religions exist across the globe. Despite doctrinal differences, the major religions converge on the belief that ethics is an expression of divine will that reveals the nature of right and wrong in business and other walks of life. The world's great religions are also in agreement on the fundamental principles, which are similar to the building block of a secular ethical doctrine. The principles of reciprocity towards one's fellow human beings is found in all major religions such as Hinduism, Buddhism, Christianity, Islam, Judaism, and Confucianism. The great religions preach the necessity for an orderly social system and emphasize social responsibility with an objective to contribute to general welfare. Built upon such verities are many other rules of conduct_

25.3.2 Cultural Experience

Culture refers to a set of values, rules and standards transmitted among generations and are aimed at modelling behaviors so that they fall within acceptable limits. These rules and standards always play an important part in determining values, because individual anchor their conduct in the culture of the group in which they belong. Civilisation itself is a cumulative culture experience in which people have passed through three distinct phases of moral codification. These phases correspond to the changes in economic and social arrangements.

For hundreds of generations, during the hunting and gathering stage of human development, ethics was adapted to conditions in which our ancestors had to be ready to fight, face brutal foes, and suffer the hostile forces of nature. Under such circumstances, a premium was placed on pugnacity, appetite, greed and sexual readiness, since it was often the strongest who survived. Brute force and violence were thus accepted norms of trade ethics in this early phase of civilization.

Civilization passed into an agriculture stage approximately 10,000 year ago, beginning at a time when industriousness was more important than ferocity, temperance paid greater dividends then violence, monogamy became the prevailing sexual custom and peace came to be valued over wars, which destroyed crops and animals. These new values were codified into ethical systems which guide the managers even today.

Two centuries ago, the society entered into an industrial stage of cultural experience and ethical systems, which once again began evolving to reflect the changing, physical, culture, institutional, and intellectual environment. Large factories and corporations, growth of population, capitalist and socialist economic doctrines, and technology have all replaced the ethical standards of the agrarian stage. Industrialism has not created any distinct ethics, but it has secreted tensions with ethical systems based on the values of agricultural societies. It has done this by changing values related to 'what is good and what is bad.' For example, the copious production of material goods from factories has encouraged materialism and consumption at the expense of older virtues such as moderation. Managers run an industrial enterprise on the cutting edge of cultural experience. The tensions that their actions create make businesses ethically more complex. For instance, the widespread uses of computers for data storage and communication have raised security-related issues.

25.3.3 The Legal System

Laws are rules of conduct, approved by legislatures that guide human behavior in any society. They codify ethical expectations and change as new evils emerge. But laws cannot cover all ethical expectations of the society. Law is reactive-new statute and enforcement always lags behind the opportunity for corporate expediency.

Whatever ethics the law codifies, it is binding on businesses. The society expects businesses to abide by the law. Obeying the law is presumed to be ethical behavior. Although the society expects businesses to be law abiding, seldom do the businesses adhere to the rules. Law breaking in business is common. Taxes are evaded, hundreds of employees die because of occupational diseases, many Perish because of industrial accidents and million others receive disabling injuries on the job. The blame for these death and injuries had to be shared by careless employees and employers who fail to adhere to occupational health and safety laws.

Consumers suffer because of poor quality and high-priced products supplied by businessmen. Businessmen that degrade the environment by disregarding environment protection laws cause misery to the society.

25.4 WHY IS ETHICS IMPORTANT?

Ethics is important to business in general and HR in particular, for several reasons as stated below:

1. Ethics corresponds to basic human needs. It is man's basic nature he desires to be ethical; not only in his private life but also in his business affairs where, being anmanager, he knows that his decisions may affect the lives of thousands of employees. Moreover, most people want to be a part of an organization which they can expect and be proud of, because they perceive its purpose and activities to be honest and beneficial to the society. Most HR managers would like to respond to this need of their employees and they (managers) themselves feel an equal need to be genuinely proud of the company they are directing. These basic ethical needs compel the organizations to be ethically oriented.
2. Values create credibility with the public. A company perceived by the public to be ethically and socially responsive will be honoured and respected even by those who have no intimate knowledge of its actual working. There will be an instinctictiveprejudice in favour of its products, since people believe that company offers value for money. Its public issue will attract an immediate response.
3. Values give the management credibility with its employees. Values are supposed to be a common language to bring the leadership and its people together.

   Organizational ethics, when perceived by employees as genuine, create common goals, values and language. The HR management can have credibility with its employees simply because it has credibility with the public. Neither a sound business strategy, not a generous compensation policy and fringe benefits can win employee credibility, but perceived moral and social uprightness can.
4. Values help better decision making. Another point of great importance is that an ethical attitude helps the management make better decisions, that is, decisions which are in the interest of the public, their employees, and the company's own long-term good, even though the decision making is slower. This is so because respect for ethics will force a management to take various aspects-economic, social and ethical-in making decisions.
5. Ethics and profit go together. A company which is inspired by ethical conduct is also, profitable. Value-driven companies are most likely to be successful in long

run, though in the short run, they may lose money.

6. Law cannot protect the society, ethics can. Ethics is important because the government law and layers cannot do everything to protect the society. Technology develops faster than the government can regulate. People in an industry know the dangers in a particular technology better than the regulatory agencies. Further the government cannot always regulate all activities which are harmful to the society. Where law fails, ethics can succeed. An ethically-oriented management takes measures to prevent pollution and protect worker's health even before being mandated by the law. An ethically sound HR manager, who can reach out to agitated employees, will quell a trouble more effectively than the police.

25.5 ARE BUSINESSMEN ETHICAL?

Many businessmen do not follow basic ethics. As is too well- known, most businessmen are lured by the fast buck culture, that is, to earn as much money and as fast as possible. Ends justify the means for these businessmen.

Unethical practices were found even in our ancient culture. Not only rate of interest were exorbitant (60 per cent, 2520 per cent and 240 per cent) but were charged differently to different castes. Manu and some other law gives laid down a sliding scale of interest for unsecured loans, according to the class of debtors-Brahmins 24 percent, Kshatriyas 36 percent, Vaisyas 48 per cent, and Sudras 60 per cent per year?

Debtors were imprisoned or enslaved by creditors until they paid of their debts. There were instances of debtors committing suicide who were unable to bear the harassment by creditors. We read the stories about the atrocities committed by Sresti and Setty, the trader in his village. These stories may be mare tales, but they could have been inspired by real situations which existed centuries ago.

25.6 ETHICAL DILEMMAS

Several ethical dilemmas confront an HR manager. The ethical dilemmas arise from three sources-face-to-face ethics, corporate policy ethics, and functional-area ethics.

25.6.1 Face to face ethics

These arise mainly because there is a human element in most business transactions. For example, a purchasing agent of acompany develops personal relationship with the sales representative who sells supplies to the company. They may address one other on first name basis, have lunch together, and talk often on the phone. A company's best customer may be one known to the people in the production department as it helps to ensure that the company's products fit the customer needs.

Because business is composed of these human transactions, it should not be surprising that face to face ethical dilemmas arise often.

It is likely that the quality assurance man overlooks a minor defect and approves a lot delivered by a supplier because of the personal relationship that the two enjoy. It is also not unlikely thata supervisor overrates the performance of an employee because of the similar relationship that exits between the two.

25.6.2 Corporate-policy ethics

Companies are often faced with ethical dilemmas that affect their operations across all departments and divisions. Following conflicting situations are typical:

I. Your R&D department has modernized one of your products. It is not really new and improved". But you know printing these statements on the package and using it advertisements will increase its sales. What would you do?

2. You are interviewing a former product manager who just left a competitor's company. You are thinking of hiring him. He would be more than happy to tell you the competitor's plan for the coming years. What would you do?

3. You have a chance to win a big account that will mean a lotto you and your company assistance recommends sending a coloured television to his home. What would you do?

Another issue relates to the consequences of employment contraction in labour intensive basic industries because of the improved methods of production. Modern technology has replaced older methods of production which has in turn resulted in hundreds being rendered jobless. The issue therefore is-global economic competitiveness or local social psychological stability?

The ethical burden of deciding corporate policy matters normally rests upon a company's HR management. The HR managers and directors are responsible for making policies and implementing them too. The ethical content of their policies can have enormous impact throughout the company. It can set an ethical tone and send right signals to all employees as well as external stakeholders.

25.7 FUNCTIONAL-AREA ETHICS

Functional areas of a business are likely to confront ethical issues. Accounting is a critical function of any business. Accounting statements reveal to the manager and owners the financial soundness of a company. Managers, investors, regulating agencies, tax collectors, and trade unions rely on accounting data to make decisions. Honesty, integrity and accuracy are absolute requirements of the accounting functions. Professional accounting organizations have evolved generally accepted accounting standards (GAAPs) whose purpose is to establish uniform standards for reporting accounting data. When they are followed, these standards ensure a high level of honest and ethical accounting disclosers. Rarely are they followed in the factories.

Ethical dilemmas crop up in purchasing departments where strong pressures are felt to obtain the lowest possible prices from suppliers and where suppliers too feel a similar need to bag lucrative contracts. Bribes, kickbacks, and discriminatory pricing are temptations to both the parties.

Marketing is another area of ethical issues. Pricing, promotions, advertising, product information, relation between the ad agencies and their clients, and marketing research have potential areas of ethical dilemmas.

Then there is the area of today's sophisticated communications technology which is grossly abused or misused to realize one's ambitions.

HR ethical issues are aplenty as the next section shows.

25.8 HR ETHICAL ISSUES

Ethical issues abound in HR activities. Areas of ethical misconduct in the personnel function include employment, remuneration and benefits, labour relations, health and safety, training and development, and HRIS.

25.8.1 Cash and Incentive Plans

These include base salaries, annual incentive plans, long-term incentive plans, executive perquisites, and separations agreements.

Base Salaries: The HR function is often presumed to justify a higher level of base salaries, or a higher percentage increase than what competitive practice calls for. In some cases, pressure is exerted to re-evaluate the position to a higher grade for the purpose of justifying a large-than-normal increase.

Annual Incentive Plans: The HR manager is often forced to design and administer top management incentive plans, at higher rates than what the individual deserve. A common rationale presented to the HR executive for bending the rules is the fear of losing the outstanding executives, if higher incentives are not paid.

Long Term Incentive Plans: Just as with annual incentive plan, many HR executives have the responsibility of designing and administering the firm's long-term incentive plans, but in consultation with the CEO and an external consultant. Ethical issues arise when the HR executive is put to pressure to favour top management interests over those of other employees and investors.

Executive Perquisites: Executive perquisites make the ethical stand of the HR executive difficult because their cost is often out-of-proportion to the value added. The responsibility of administrating these programs falls on the HR executives who must live with the excesses that often are practiced. Excesses often sound bizarre, as for example, the transport of a CEO's pet Germen shephered as the sole passenger, carried on the manifest has "G.Shephered'. Another story relates to a Bangalore-based, loss-making public sector undertaking, whose CEO spent Rs 20 lakh to get a swimming pool built at his residence.

25.8.2 Performance Appraisal

Performance appraisal lends itself to ethical issues. Assessment of an individual's performance is based on observation and judgments. HR managers are expected to observe the performance (or understand the potentials) in order to judge its effectiveness. Yet, some HR managers assign performance rating based on unrelated factors (for example, the employee is not loyal to the rater, or the rate belongs to a different caste or religion).

Ethics should be the cornerstone of performance evaluation, and the overall objective of high ethical performance reviews should be to provide an honest assessment of the performance and mutually develop a plan to improve the ratee's effectiveness.

25.8.3 Race, gender, age and disability

The practice of treatment of employees according to their race, ethnic origin, sex or disability has largely been stopped. A framework of laws and regulations has evolved that has significantly improved workplace behaviour. The threat of litigation and the attendant costs have spurred employers to introduce several programmes designed to train managers and supervisors to avoid discriminatory practices. No enterprise today would dare to publicly state that it denies minorities, women, and the disabled opportunities for employment, remuneration, and growth prospects different from those given to others.

In this environment the role of HR functions is to:

I. Monitor the principles and norms of the enterprise to ensure that they reflect the values of the society as expressed in its laws.

2. Monitor the selection, reward, development, and appraisal systems to ensure that they are consistent with the principles and norms.

3. Vigorously pursue violations and, when necessary, vigorously work to defend the enterprise against unfounded allegations.

A demanding ethical challenge arises when there is pressure to protect the firm or an individual at the expense of someone else during an investigation.

25.8.4 Employment Issues

While discrimination and harassment situations receive most publicity, HR practitioners are more likely to face ethical dilemmas in the areas of employee hiring. One challenge commonly encountered is pressure to hire a relative or a friend of a highly placed executive.

Another area related to employment is that of faked credentials submitted by the job applicant. While discovery of this kind of fabrication usually leads to termination of the employment, the choice becomes difficult when the applicant has a rare blend of skills set and a proven track record with his or her previous employers

The challenge becomes more intense when it is discovered that an employee who has been with the firm for some time, a rare blend of skills set has established a successful record, lied about his or her educational credentials.

25.8.5 Privacy Issues

Privacy refers to protecting a person's private life from intrusive and unwarranted actions. The employees believe that his or her religious, political, and social beliefs as well as personal life-style and private matters and should be safeguarded from being snooped or analysed. Exceptions are permitted grudgingly only when job involvement is clearly involved. For example, it may not be inappropriate to intrude into an employee's private matters if it is suspected that he or she discusses with a competitor, through e-mail messages, the specification of a newly developed product not yet launched into the market.

At least five areas pose ethical dilemmas to employers pertaining to privacy of employees or job applicants. The first elates to information technology. A firm's need for information particularly about employees while on-work may be at odds with the employee’s privacy. There are regulations prohibiting third-party interception of e-mails without prior authorisation, but interception by insiders is not covered by any law, and no absolute privacy exists in the computer-based system. Employees are viewed on close-circuit TV, phones are tapped, and computer files are read without his or her knowledge or consent. Such intrusions do breach the privacy of employees and constitute an ethical dilemma for the HR practitioner.

Another ethical conflict relates to AIDS testing. AIDS has become a major public health problem. Emerging first among homosexual males and drug users, the AIDS epidemic now affects all segments of the world population.

For the HR manager the disease raises two issues. Whether a new hire be subject to AIDS test? What treatment should be meted out to an employee who is affected with the disease? Opponents of AIDS testing argue that new hires should not be tested for the presence of HIV because it would be an invasion of privacy. They also argue that the available tests are frequently inaccurate and the tests do not reveal whether a person having AIDS antibodies will ever develop the disease. With regard to the issue, firms do not discriminate against the HIV positives. In 1990, the American Federal Government, for example, passed the strongest anti-AIDS discrimination legislation. More than 30 states in the country have laws that bar job discrimination against people with AIDS. It is generally understood that since AIDS cannot be contracted by casual and normal workplace contacts, employees with the illness should not be segregated from others, nor should they be restricted in performing job for which they are qualified.

The third area of ethical concern for the HR managers relates to whistle blowing. Like the blowing of a whistle by referee to indicate violations of the rules on a playing field, whistle-blowing in a business setting refers to disclosure by former or current organization members of any illegal, immoral, or illegitimate practices involving their employers. Employees either make organizational misconduct public or inform it to top-level official of the company.

Whistle-blowing has both defenders and opponents. Those defending whistle-blowing point to the crores of worth of fraudulent activities detected. Opponent of whistle-blowing however cite the hundreds of unsubstantiated cases often used by disgruntled workers seeking to blackmail employers.

How is whistle-blowing an ethical issue? Generally, employees are not expected to speak against their own employers because there is public interest in allowing firms to operate without harassment from insiders. Company information is generally considered to be proprietary and private. If employee based on their personal points of view, are freely allowed to expose issues to the public, the company may be thrown into turmoil and be unable to operate efficiently. On the other hand, there may be situations in which the society's interests override those of the company. So, an employee may feel it obligatory to blow the whistle. The following sequence of actions morally justify whistle-blowing:

1. An unreported act that would be serious and would cause considerable harm to the people.
2. Once such an act has been identified, the employee has reported the act to his or her immediate supervisor and has made the moral concern known.
3. If the immediate supervisor does nothing, the employee tries other internal pathways for reporting the problem.

Only after each of these conditions has been met, should the whistle-blower go public.

25.8.6 Safety and Health

Suffice it is to state that much of industrial work is hazardous. This is because of the extensive use of high-speed and noisy machinery, production processes requiring high temperature, an increasing reliance on chemical compounds, and the nature of the such works as construction, underground and under-water tunnelling, drilling and mining. Accidents, injuries, and illness are likely to occur under these circumstances. -

Over the past decade, new categories of accident and illness have emerged, including the fast-growing job-safety problem of office injuries. Stress from the rising productivity pressure and escalating job demands can cause cumulative trauma and disorder, such as the wrist pain which is sometimes experienced by super-market checkers, meat cutters, or keyboard operators. The number of health problems attributed to the use of video display terminal and computer keyboards and to tasks requiring repetitive motion has increased by ten folds in the last decade.

Legislations have been created mandating managers and the government to compensate victims of accidents and occupational hazards. Ethical dilemmas of managers, of HR practitioners in particular, come into focus when justice is denied to the victims as happened to thousands died in the Bhopal gas tragedy. Though it has been 24 years since the tragedy took place, we are nowhere near rendering justice to the victims. Union carbide and successive Indian governments have shown gross insensitivity to the miseries of the victims.

25.8.7 Restructuring and Layoffs

Restructuring activities in the past several years, and the lay-offs that have resulted, cannot be considered unethical as such. Restructuring and consequent lay-offs have become relevant because of poor management, but incompetence does not become unethical.

However, there are ethical implications in the process by which termination decisions are made and actions taken. For example, if restructuring requires closing of a plant, the process by which that plant is chosen, how the news will be communicated, and the timeframe for completing the lay-offs are ethically important. If conducted in an atmosphere of fairness and equity and with the dignity of the affected individuals in mind, the action is ethical.

To start with, alternatives to lay-off may be tried before terminating services of employees. All employees may be asked to voluntary take reductions in remuneration in order to keep everyone working. Employees may also agree to take voluntary time off which enables the employer to cut his payroll and avoid the need for a lay-off. Yet another alternative is to offer redundancy training to surplus staff. Mechanical engineers, if found surplus, may be trained in electronics and their services could be used in electronics, instead of laying them off. Finally, supplemented employees may be hired with the understanding that their work is of a temporary nature and they may be laid-off at any point of time. When lay-off comes, the first rounds of people to go are the supplemental workers.

25.9 MANAGING ETHICS

In the past, it was assumed in most firms that ethics was a matter of individual conscience. But the scenario has changed. Today, many businesses are using managerial techniques that are designed to encourage ethical behavior. Some of the managerial interventions to ensure ethical conduct are worth stating in this context.

25.9.1 Top management

It is the CEO who should take the initiative in ensuring ethical standards in his or her organization. The words of J.R.D. Tata are worth recollecting in this context. " *Has also worked against our growth. What would have happened if our philosophy was like that of some other companies, which do not stop* at any *means to attain their ends? I have often thought of that and I have come to conclusions that if we were like these others groups, we would be twice as big as we are today. What we have sacrificed is an IOU percent growth."*

In addition, the top management must avoid adopting business strategies, schedules and reward systems that place unreasonable pressure on employees.

25.9.2 Code of Ethics

Code of ethics has become popular. These codes vary from book-length formulations to succinct statements in one or two pages and express a general philosophy for managing conflicts. Nearly 95 percent of the fortune 500 companies have codes, and a trend is visible in the corporate sector in India also.

Industry associations to have evolved codes pf conduct of their own. For example, the Council for Fair Business Practices (CFBP), established in1916, by leading private sector industrialists in western India, adopted a code of fair business practices.

The code constitutes a primary-level, self-regulating character of enlightened citizenship amongst business entities. The CFBP has initiated set of prizes and awards called 'Jamnalal Bajaj Uchit VyavaharPurasker (or Jarnnalal Bajaj Prize for Fair Business Practices) to promote exemplary application of above norms. The CFBP president claimed that sustained pressure from his council has resulted in the creation of the Advertising Standards Council of India (ASOI) and in the promulgation of the Consumer Protection Act
(CPA), 1986

The Federation of Indian Chambers of Commerce and Industry (FICCI, which includes the MNCs) has recently issued a declaration or norms of business ethics consisting of ten points. The Punjab, Haryana and Delhi Chamber of Commerce has also lately formulated a Code of Ethics.

Whoever evolves the code, its purpose is to provide guidance to managers and employees when they face ethical dilemma. The most effective codes are those drawn up with the co-operation and widespread participation of employees. An internal enforcement mechanism, including penalties for violating the code, adds teeth to the code.

25.9.3 Ethics committees

Many companies have ethics committees to advice on ethical issues. Such a committee can be a high level one comprising the board of directors, chaired by the CEO of the company.
The committees field questions from employees help the company in establishing polices in new or uncertain areas, advice the board of directors on ethical issues, and oversee the enforcement of the code of ethics.

Ethics Hot Line — In some companies, when employees are troubled about some ethical issues but may be reluctant to raise it with their immediate supervisor, they can call on the company's 'ethics hot line'. A member of the ethics committee receives the confidential call and then quickly investigates the situation. Elaborate steps are taken to protect the identity of the caller, so as to encourage more employees to report any such deviant behavior. This technique is advantageous in as much as the matter is settled internally, which is better for the company than to have a situation where disgruntled employees take their ethical complaints to the media.

25.9.4 Ethics training programmes

Nearly all companies, which take ethics seriously, provide training in ethics to their managers and other employees. In such training programmes, company personnel are made familiar with the official company policy on ethical issues, and it is shown how those policies can be translated into the specific everyday decision making. Often, simulated cases based on actual events in the company are used to illustrate how to apply ethical principles to on the-job problems.

Generally speaking, training in ethics is most effective when it is conducted by the company managers themselves rather than external agencies. To make such a training effective, it is important that it is steered away from abstract philosophical discussions and focuses on specifics of the work environment of those attending.

25.10 ETHICS AND LAWS

Law and ethics have a common aim-defining proper and improper behaviour. But the two are not quite the same. Laws are the society's attempt to formalize-that is to reduce to written rules-ideas about what is right and what is wrong in various walks of like. However, it is rarely possible for written rules to capture all the subtle variations that people give to ethics. Ethical concepts are more complex than written rules. Ethics deals with human dilemmas that frequently go beyond the formal language of law and the meanings given to legal rules.

Similarities and differences apart, legal rules help promote ethical behaviour in organization. Some of the acts which seek to ensure fair business practices in our country are the following

- The Foreign Exchange Regulations Act, 1973, now replaced by FEMA.
- The Companies Act, 1956
- The Monopolies and Restrictive Trade Practices Act, 1969.
- The Consumer Protection Act, 1986
- The Environment Protection Act, 1986
- The Essential Commodities Act, 1955.

25.11 SELF-ASSESSMENT QUESTIONS

25.11.1 In human resource management, _____________ refers to the fair treatment of all employees, regardless of their background or characteristics.

25.11.2 To ensure ethical behavior in HRM, organizations should establish clear _____________ that outline acceptable conduct for employees and management.

25.11.3 _____________ involves making employment decisions based on an individual's abilities and qualifications rather than personal biases.

25.11.4 The practice of _____________ in HRM involves keeping employee information confidential and respecting their privacy rights.

25.11.5 _____________ in human resource management requires providing employees with accurate and honest information about their job, benefits, and performance.

26.12 SUMMARY

Ethics, in general, refers to a sense of right or wrong, and goodness and badness of actions. The same meaning applies to business ethics too. Business ethics stems from religion, cultural, experience and the legal system. An HR specialist faces certain ethical dilemmas. More important of them are: face-to-face ethics, corporate policy ethics, and functional area ethics. Certain ethical issues are unique to HR functions. Areas of ethical misconduct in the personnel function include employment, remuneration and benefits, labour relations, health and safety, training and development, and HRIS.

27.13 KEYWORDS

- Confidentiality: HR professionals have access to sensitive information about employees, such as medical records and disciplinary actions. It is important for HR professionals to keep this information confidential and only share it on a need-to-know basis.
- Discrimination: HR professionals must ensure that all employees are treated fairly and equally, regardless of their race, ethnicity, gender, sexual orientation, or any other protected characteristic.
- Privacy: Employees have a right to privacy in the workplace. HR professionals should only collect and use employee data for legitimate business purposes, and they should obtain employee consent before doing so.
- Safety: HR professionals have a responsibility to ensure that the workplace is safe for all employees. This includes taking steps to prevent workplace violence, harassment, and discrimination.

- Transparency: HR professionals should be transparent in their dealings with employees. This means being clear about the company's policies and procedures, and being honest and upfront with employees about their performance and career opportunities.

28.14 SHORT ANSWERS QUESTIONS

What are some of the most common ethical issues that HR professionals face?

1. What are some of the key challenges to ethical decision-making in HR?
2. What are some of the best practices for ethical HR management?
3. What are the consequences of unethical HR practices?
4. How can HR professionals play a role in promoting ethical behavior in the workplace?

29.15 LONG ANSWERS QUESTIONS

1. Discuss the ethical implications of the use of artificial intelligence in HR decision-making.
2. Analyse the ethical challenges posed by employee surveillance in the workplace.
3. Explore the ways in which HR professionals can promote diversity and inclusion in the workplace ethically.
4. Evaluate the ethical implications of different approaches to performance management.
5. Assess the role of HR in preventing and mitigating workplace harassment and discrimination.

30.16 SUGGESTED READINGS

• *Human Resource Management* by K. Aswathappa.

31.17 SELF-ASSESSMENT QUESTIONS ANSWERS

25.11.1 Equal employment opportunity
25.11.2 Codes of ethics
25.11.3 Merit-based hiring
25.11.4 Confidentiality
25.11.5 Transparency