



ALAGAPPA UNIVERSITY

[Accredited with 'A+' Grade by NAAC (CGPA:3.64) in the Third Cycle
and Graded as Category-I University by MHRD-UGC]

KARAIKUDI – 630 003



B.Com.



HUMAN RESOURCE MANAGEMENT

II - Semester



ALAGAPPA UNIVERSITY

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(A State University Established by the Government of Tamil Nadu)

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HUMAN RESOURCE MANAGEMENT

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INTRODUCTION

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In all organizations today, there is a separate department that takes care of the welfare and performance of all those who are part of the organizations' operations. Depending on the size of the organization, there is usually an individual or a team of people involved in organizing programmes, putting processes in place and setting policies that directly affect all those working with or associated with the organization. Such a team is said to be in charge of Human Resource Management. The Human Resource Management team is involved in a lot of activities including setting rules, establishing operation policies and processes, outlining disciplinary procedures, recruiting new employees, organizing training and educational programmes for the existing employees and deciding on the compensation.

With increasing globalization of economy, the marketplace has become increasingly complex, highly uncertain, competitive and transformational. What makes the ultimate difference is whether an organization is able to develop and establish competitive differentiation or not. It is here that people provide organizations with a sustained competitive advantage. Organizations are required to adopt proactive development programmes towards the attainment of corporate objectives by nurturing a development oriented culture. Human Resource Management deals with creating conditions that enable people to get the best out of themselves and their lives.

This book, *Human Resource Management*, is divided into fourteen units that follow the self-instruction mode with each unit beginning with an Introduction to the unit, followed by an outline of the Objectives. The detailed content is then presented in a simple but structured manner interspersed with Check Your Progress Questions to test the student's understanding of the topic. A Summary along with a list of Key Words and a set of Self-Assessment Questions and Exercises is also provided at the end of each unit for recapitulation.

BLOCK - I
BASICS OF HUMAN RESOURCE MANAGEMENT

*Introduction to Human
Resource Management*

**UNIT 1 INTRODUCTION TO
HUMAN RESOURCE
MANAGEMENT**

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Structure

- 1.0 Introduction
- 1.1 Objectives
- 1.2 Human Resource Management: Features, Scope and Development
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1.0 INTRODUCTION

Human resource management (HRM) is the management of an organization's workforce or human resources. It is responsible for the selection, training, assessment, rewarding and retaining of employees. It is also responsible for overseeing organizational leadership and culture, and ensuring compliance with employment and labour laws.

In this unit, you will study the objectives and functions of HRM in organizations. Organizational objectives, individuals and social goals influence the objectives of HRM. Integration of the interests of both the employer and the employees is important in order to attain these objectives. Furthermore, you will learn that the basic functions of HRM involve operative and managerial functions, each of which cannot function without the other.

The unit will also discuss the role and structure of HRM in organizations. The role of personnel managers is influenced by factors such as size, nature and location of the business or industry. In terms of the changing environment, some of the important roles of HR managers are:

- Reactive/proactive roles
- Business partner role

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- Strategist's role
- Interventionist's role
- Innovation role
- Internal consultancy role
- Monitoring role

You will also learn that the organizational structure of the Human Resources Department (HRD) has a pyramid-like shape with the HRD Manager or HRD Director at the head. Right below the HRD Manager, there is another level with personnel officers who report directly to the HRD Manager.

The unit will also explain the challenges in HRM, some of which are managing globalization, developing leadership skills, developing work ethics, retaining talent, managing workforce stress and employment relations, managing workforce diversity, etc.

The unit will conclude by discussing the approaches to HRM, with a focus on the significance of HRM.

1.1 OBJECTIVES

After going through this unit, you will be able to:

- Discuss the definition and concept of human resource management (HRM)
- Explain the features, objectives and functions of HRM
- Discuss the scope and development of HRM
- Analyse the importance of HRM and human resource practices

1.2 HUMAN RESOURCE MANAGEMENT: FEATURES, SCOPE AND DEVELOPMENT

Different experts in the field have defined it differently. It is a task that facilitates the most effective use of people to achieve organizational and individual goals. Human Resource Management (HRM) seeks to bring together and develop an effective organization enabling the employees to do their best both as an individual and as a member of a working group. The scope of HRM, on the other hand, is vast. It embraces a wide range of activities. The importance of HRM lies in the fact that along with financial and material resources, it contributes to the production of goods and services in an organization. The functions of human resource management include operative and managerial functions, personnel management policies and strategic challenges for HR.

1.2.1 Definition, Importance and Objectives of HRM

Definitions of HRM: According to Ivancevich and Gluck, ‘Human resource management is the function performed in organizations that facilitates the most effective use of people (employees) to achieve organizational and individual goals.’

Byars and Rue say: ‘Human resource management encompasses those activities designed to provide for and coordinate the human resources of an organization.’

According to Dale Yoder, ‘The management of human resources is viewed as a system in which participants seeks to attain both individual and group goals.’

According to Flippo, HRM is ‘the planning, organizing, directing and controlling of the procurement, development, compensation, integration, maintenance and reproduction of human resources to the end that individual, organizational and societal objectives are accomplished.’

In the words of Michael J. Jucious, human resource management ‘may be defined as that field of management which has to do with planning, organizing and controlling the functions of procuring, developing, maintaining and utilizing a labour force, such that the (i) objectives for which the company is established are attained economically and effectively, (ii) objectives of all levels of personnel are served to the highest possible degree; (iii) objectives of society are duly considered and served.’

Objectives of HRM: Objectives are preset goals towards which all individuals or groups direct their activities in an organization. The objectives of HRM are affected by not only organizational objectives but also individual and social goals. Every organization has certain objectives and each part of it make some contribution, whether direct or indirect, to achieve these predetermined objectives. The character of an organization can be judged by its objectives. These objectives form the basis for voluntary cooperation and coordination among all employees. Objectives also form the bases for deciding benchmarks or standards for performance evaluation. The primary aim of HRM is the promotion of effectiveness of the employees in performance of the duties assigned to them. This can be done by substituting cooperation instead of the hostility characteristic employer-employee relations. According to Indian Institute of Personnel Management, ‘Personnel management (Human Resource Management) aims to achieve both efficiency and justice, neither of which can be pursued successfully without the other. It seeks to bring together and develop an effective organization, enabling men and women who make up an enterprise to make their best contribution to its success both as an individual and as a member of a working group. It seeks to provide fair terms and conditions of employment and satisfying work for all those employed.’

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Objectives of human resource management are derived from the basic objectives of an organization. In order to achieve organizational objectives, integration of the employer's and employees' interests is necessary. The objectives of human resource management may be summarized as follows:

1. To improve the services rendered by the enterprise by building better employee morale which leads to more efficient individual and group performance. Thus, HRM seeks to manage change to the mutual advantage of individuals, groups, organization and society.
2. To establish in the minds of those associated with the enterprise—employees, shareholders, creditors, customers and the public at large—the fact that the enterprise is rendering the best service it is capable of and distributing the benefits derived from the fairly and contributing success of the enterprise.
3. To create and utilize an able and motivated workforce for accomplishing the basic organizational goals.
4. To understand and satisfy individual and group needs by providing adequate and equitable wages, employee benefits, status, social security, incentives, prestige, recognition, challenging work and security. Thus, an organization can look into and realize the individual and group goals by offering appropriate monetary and non-monetary incentives.
5. To employ the skills and knowledge of employees efficiently and effectively, i.e., to utilize human resources effectively in achieving the organizational goals.
6. To fortify and acknowledge the human assets continuously by providing training and developmental programmes. These programmes help the organization in attaining its goals by providing well-trained and well-motivated employees.
7. To keep the moral of the employees high and maintain sound human relations by sustaining and improving the various conditions and facilities.
8. To increase job satisfaction and self-actualization of employees by encouraging and assisting every employee to realize his full potential.
9. To make available good facilities and working environment and generate a favourable atmosphere for maintaining the stability of employment.
10. To identify and satisfy individual needs and group goals by offering appropriate monetary and non-monetary incentives.
11. To create and enforce a quality of work life (QWL) that makes employment in organization comfortable.

Maximum development of individual, good working relationship and optimum utilization of human resources are the primary aims of HRM.

Management has to create a comfortable and suitable environment and provide necessary preconditions for the attainment of the objectives

Scope of HRM: The scope of personnel management is indeed vast. All the major activities in the working life of an employee from the time of his joining an organization till he leaves come under the scope of personnel management (Figure 1.1).

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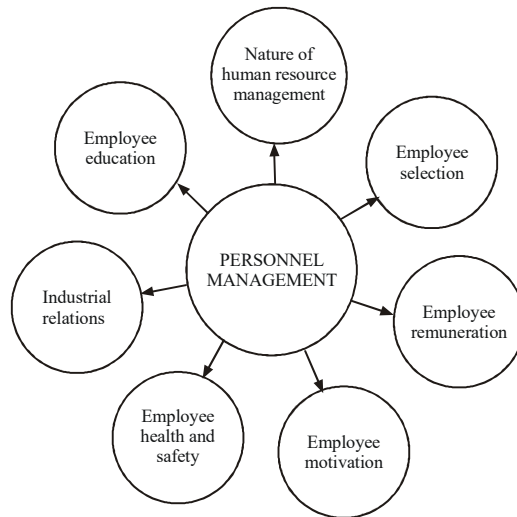


Fig. 1.1 Scope of Personnel Management

HRM embraces a very wide field of activities. Its scope is so wide and varied that the HR department and the personnel executives perform a variety of roles in accordance with the needs of a situation. The HR manager plays multiple roles like that of a researcher, counsellor, bargainer, mediator, peacemaker, problem solver, and so on. The functional areas of HRM as outlined by Northcott are:

- (i) employment
- (ii) selection and training
- (iii) employee services
- (iv) wages
- (v) industrial relations
- (vi) health and safety
- (vii) education

It has, therefore, been rightly observed by Peter Drucker that ‘management is a multipurpose organ, which has three jobs, two of which are directly related to personnel: managing a business; managing managers; and managing workers and the work.’ The personnel executives play an important role in a business organization. They not only help in determining the rules of the organization, but also play a significant role in interpreting and apply-

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ing the rules of the system itself. They are expected to enjoy the confidence of the management which is crucial to the efficient and effective operation of the business organization. The focus of human resource management is on people at work. It is indeed a wide area and covers a broad spectrum of activities. A manager, whether he is in charge of production or marketing function, deals with human beings and gets his job done through people.

In the past, a lot of attention has been paid to the significance of HRM in establishing a firm's competitive advantage. Randall Schuler have identified the factors that have caused businesses to focus increased attendance on HRM. These factors were as follows:

- Rapid change
- High levels of uncertainty about basic business conditions
- Rising costs
- Rapid technological changes
- Changing demographics
- More limited supplies of highly trained labour
- Rapidly changing government legislation and regulations
- Increased globalization of industries

These transformations in the business environment present a number of competitive trials that differ from those confronted by firms in earlier times. Several researches have shown that there is a strong connection between the manner in which firms manage their people and the economic results achieved by them. Following high-performance work practices can significantly affect a firm's economics. High-performance work practices provide important basis for increased organizational performance. People work more because they are increasingly involved and committed. This commitment comes from having more control on their work. They are smarter at work because of the encouragement they receive to build skills and competence. HR systems have an important practical effect on the existence and economic performance of the firms and on the productivity and quality of work of its employees.

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

- 1. Corporate:** Good human resource practices help to attract and retain the best people in the organization. Planning alerts the company to the types of people it will need in short, medium and long run. HRM can aid an enterprise to attain its goals in a more well-organized and effective way by:
 - Inviting and keeping talent through effective human resource planning, employment, selection, compensation and promotion policies:
 - Developing the necessary talent and right outlook among the employees through training
 - Securing cooperation of employees through motivation
 - Effectively utilizing the available human resources
- 2. Professional:** Optimum management of human resource helps to further improve the quality of work life. It plays an important role in the professional growth in the following ways by:
 - Making available adequate opportunities for personal development of each employee
 - Allocating work properly and scientifically
 - Maintaining healthy relationships between individuals and groups in the organization
- 3. Social:** Sound human resource management has a great significance for society. Society, as a whole is the major beneficiary of good human resource practices in the following ways:
 - Employment opportunities multiply.
 - Scarce talents are put to best use.
 - Organizations that pay and treat people well are always ahead of others and deliver excellent results.
 - Maintain an equilibrium between the jobs available and job seekers in terms of numbers, qualifications, needs and aptitudes.
 - Provides appropriate employment that ensures social and psychological contentment to people.
- 4. National:** Human resources and their organization plays an important role in the development of a nation. There is a wide disparity in development among countries with similar resources due to qualitative differences among their peoples. Development of a country depends primarily on the talent, mental framework and habits of its human resources. Efficient management of human resources helps to fasten the process of economic development, which in turn leads to higher standards of living and fuller employment.

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1.2.2 HRM Functions

The basic functions of HRM or personnel management involve two categories of functions: operative and managerial.

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1. Operative functions: The operative functions essentially belong to activities concerned with procurement, development, compensation, utilization and maintenance of an efficient workforce.

(i) *Procurement:* The term 'procurement' means recruitment of the required number of employees possessing the right qualifications and experience, keeping in mind the importance of achieving the established objectives of the organization. It is primarily concerned with recruiting the most suitable people to fill positions, at the right time. Procurement involves activities such as planning, selecting and placing manpower.

(ii) *Development:* This term refers to activities aimed at increasing the efficiency and skills of the workers by educating and training the employees. Development-related activities include conducting workshops, training sessions, seminars, group discussions and educational programmes.

(iii) *Compensation:* This includes activities dealing with the technique and standard of remuneration and terms of employment.

(iv) *Utilizing:* This term refers to the use of employees' services to the maximum and in the best possible manner. This includes not only incentive schemes but also schemes to share the profits from higher productivity.

(v) *Maintaining:* This is all about maintaining good, comfortable and amicable working conditions for the employees. This means not just preparing but also implementing health and safety schemes, etc.

2. Managerial functions: These functions include activities such as planning, organizing, coordinating, directing and controlling the employees. These functions are performed by all managers. Therefore, these common functions are referred to as managerial functions. In other words, they are performed by all types of managers including personnel managers.

(i) *Planning:* When the process of management is reviewed, the very first function that a manager performs is planning. A personnel manager is responsible for beginning a programme for developing personnel. This can only be done through planning. A plan is a predetermined course of action for the achievement of established objectives. Planning leads to specification of the whats and hows for the performance of the personnel functions.

- (ii) *Organizing*: You already know that planning helps the management decide what to do and how. Organizing is an effective tool to achieve the plans. Organizing requires grouping of personnel activities and assigning them to different individuals.
- (iii) *Coordinating*: Coordination is concerned with action directed towards a common goal in a harmonious and unified effort/action. Coordination makes sure that all groups and persons work in an efficient, economical and harmonious manner. Inter-personal communication is very effective in achieving coordination.
- (iv) *Directing*: Directing is a function involving the management of managers, workers as well as the work by motivating, leading, communicating effectively and coordinating. A personnel manager is expected to develop the capability to command as well as direct others.
- (v) *Motivating*: Motivation is a managerial function to inspire and encourage people to take required action. Motivation involves guiding and supervising the personnel. Motivation can help manage any enterprise successfully and smoothly. A personnel manager should be able to not only inspire but also persuade workers to appreciate the policies of the organization and see the positive side of everything. Motivation can help an individual to perform certain tasks properly. A personnel manager should guide employees towards improving performance and motivating the team to perform with enthusiasm and confidence.
- (vi) *Controlling*: Control is the process of measurement of actual results with certain standards of performance. It involves investigation why there are deviations of actual results from desired ones and taking corrective action whenever necessary. Therefore, controlling facilitates the realization of plans.

These two functions are significant because one cannot work without the other. The personnel manager has to mix both to an extent desired.

Personnel management policies

A policy is a statement or a general guideline for employees to make decision with respect to any course of action. Personnel policies provide guidelines for a variety of employment relationships and identify the organization's intentions in recruitment, selection, development, promotion, compensation, motivation, and so on. According to Armstrong, 'personnel policies are continuing guidelines on the approach the organization intends to adopt in managing its people. They define the philosophies and values of the organization on how people should be treated and from these are derived

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principles upon which managers are expected to act when dealing with personnel matters.’

The objectives of HR or personnel policies is described by Peter Drucker in the following words: ‘The management must gear its policies and objectives in such a fashion that the employees perform their work and do their assigned tasks.... It also means a acknowledgement that human resources, unlike any other resources, have attributes like personality, citizenship, control over where they work, how much and how well. ... And it is the management alone, that can satisfy these requirements.’

HR or personnel policies are required in the following areas:

- Acquisition of personnel
- Training and development
- Appraisal and compensation of human resources
- Human resource mobility
- Working conditions and work schedules
- Industrial relations

1.2.3 HRM Challenges

Human resource element works towards the vision, mission and goals of an organization. The three major roles of HRM in any organization are transactional, transformational and transitional. The challenges faced by human resource managers in an organization are naturally evolving with the ever-transforming scenario in the corporate world.

Organizations face several challenges in human resource management, some of which are listed as follows:

- Strategic challenges for HR
- Challenges for organizations and HRM professionals
 - o Changing workforce demographics
 - o Implications for HRM professionals
 - o The need for lifelong learning
 - o Competing in a global economy
 - o Facilitating organizational learning
 - o Eliminating the skills gap

1.3 HUMAN RESOURCE PRACTICES

HR practices are significantly different from human resources functions. Functions are comprised of transactional activities that can be handled within the organization or easily outsourced. Practices are part conceptual,

part implementation of an HR strategy, comprised of systems that follow the normal or customary way of doing business. The term “best practices” refers to the HR systems that have the highest impact on the employees and the organization. Generally, HR recruitment and selection practices are based on the workplace culture and the organization’s mission. For example, employers that recognize and acknowledge the value of workplace diversity, embrace recruitment practices designed to attract diverse applicants. Recruitment practices underlie recruiting activities and functions such as sponsoring career fairs at colleges and universities with diverse student populations, advertising job vacancies across several venues to reach a broad audience.

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Check Your Progress

1. Define human resource management.
2. What are objectives?
3. What all come under the scope of personnel management?
4. What do you understand by procurement?

1.4 ANSWERS TO CHECK YOUR PROGRESS QUESTIONS

1. Human resource management encompasses those activities designed to provide for and coordinate the human resources of an organization.
2. Objectives are preset goals towards which all individuals or groups direct their activities in an organization.
3. All the major activities in the working life of an employee from the time of his joining an organization till he leaves come under the scope of personnel management.
4. The term ‘procurement’ means recruitment of the required number of employees possessing the right qualifications and experience, keeping in mind the importance of achieving the established objectives of the organization.

1.5 SUMMARY

- According to Ivancevich and Gluck, ‘Human resource management is the function performed in organizations that facilitates the most effective use of people (employees) to achieve organizational and individual goals.’

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- According to Dale Yoder, 'The management of human resources is viewed as a system in which participants seeks to attain both individual and group goals.'
- Objectives are preset goals towards which all individuals or groups direct their activities in an organization. The objectives of HRM are affected by not only organizational objectives but also individual and social goals.
- These objectives form the basis for voluntary cooperation and coordination among all employees.
- Objectives of human resource management are derived from the basic objectives of an organization.
- The scope of personnel management is indeed vast. All the major activities in the working life of an employee from the time of his joining an organization till he leaves come under the scope of personnel management.
- The HR manager plays multiple roles like that of a researcher, counsellor, bargainer, mediator, peacemaker, problem solver, and so on.
- It has, therefore, been rightly observed by Peter Drucker that 'management is a multipurpose organ, which has three jobs, two of which are directly related to personnel: managing a business; managing managers; and managing workers and the work.'
- Randall Schuler have identified the factors that have caused businesses to focus increased attendance on HRM.
- Human resources, along with financial and material resources, contribute to the production of goods and services in an organization.
- Good human resource practices help to attract and retain the best people in the organization.
- HRM can aid an enterprise to attain its goals in a more well-organized and effective way by inviting and keeping talent through effective human resource planning, employment, selection, compensation and promotion policies.
- Optimum management of human resource helps to further improve the quality of work life.
- Human resources and their organization plays an important role in the development of a nation.
- There is a wide disparity in development among countries with similar resources due to qualitative differences among their peoples.
- The basic functions of HRM or personnel management involve two categories of functions: operative and managerial.

- The operative functions essentially belong to activities concerned with procurement, development, compensation, utilization and maintenance of an efficient workforce.
- The term 'procurement' means recruitment of the required number of employees possessing the right qualifications and experience, keeping in mind the importance of achieving the established objectives of the organization.
- A policy is a statement or a general guideline for employees to make decision with respect to any course of action.
- Personnel policies provide guidelines for a variety of employment relationships and identify the organization's intentions in recruitment, selection, development, promotion, compensation, motivation, and so on.
- According to Armstrong, 'personnel policies are continuing guidelines on the approach the organization intends to adopt in managing its people.
- HR practices are significantly different from human resources functions. Functions are comprised of transactional activities that can be handled within the organization or easily outsourced.

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1.6 KEY WORDS

- **Management:** It refers to the process of dealing with or controlling things or people.
- **Corporate:** It means relating to a large company or group.
- **Organization:** An organization or organization is an entity comprising multiple people, such as an institution or an association, that has a collective goal and is linked to an external environment.

1.7 SELF ASSESSMENT QUESTIONS AND EXERCISES

Short Answer Questions

1. Briefly explain the scope of HRM.
2. Why is HRM important? Discuss its significance at various levels.
3. Write a short note on personnel management policies.
4. Briefly describe human resource practices.

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Long Answer Questions

1. Discuss the meaning, purpose and objectives of human resource management.
2. Explain the operative and managerial functions of HRM in detail.
3. Organizations face several challenges in human resource management. Critically comment.

1.8 FURTHER READINGS

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UNIT 2 HRM AND PERSONNEL MANAGEMENT

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Structure

- 2.0 Introduction
- 2.1 Objectives
- 2.2 Concept of Personnel Management
- 2.3 Personnel Management in India
- 2.4 Functions of the Labour Welfare Officer
- 2.5 Difference Between Personnel Management and HRM
- 2.6 Answers to Check Your Progress Questions
- 2.7 Summary
- 2.8 Key Words
- 2.9 Self Assessment Questions and Exercises
- 2.10 Further Readings

2.0 INTRODUCTION

In this unit, you will get an overview of personnel management. As its name suggests, the concern of personnel management is the ‘people’ dimension. It refers to the philosophy, policies and programmes with regard to the management of people in an enterprise. Since all organizations comprise people, acquisition of their services and development of their skills are important. They should be motivated to achieve higher performance levels. Besides, how committed people are to their organization is equally important for achieving organizational objectives. It is a well-established fact that the organizations are more effective and efficient if they succeed in acquiring, developing, stimulating and keeping motivated workers. Organizations that fail to achieve this, lag behind. Hence, it is the management of human assets that makes or breaks an organization. If human resources are neglected or mismanaged, the organization is unlikely to do well.

2.1 OBJECTIVES

After going through this unit, you will be able to:

- Discuss the concept of personnel management
- Analyse personnel management in India
- Describe the functions of the Labour Welfare Officer
- Explain the difference between personnel management and HRM.

2.2 CONCEPT OF PERSONNEL MANAGEMENT

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Personnel management has evolved due to enlightened employers trying hard, over the years, to improve the lot of their workers. According to Kautilya, a systematic management of human assets was very much in existence in the fourth century bc. Moses originated the principle of division of labour in 400 bc. The Babylonians had a code for incentive wage plans in 1800 bc. Thus, personnel management in some form or the other has been practised in various parts of the world since the dawn of civilization. With the onset of the Industrial Revolution, the position underwent a radical change.

Industrial Revolution refers to changes that occurred in England during 1760–1850. It brought about far reaching changes in the economic life of people. Numerous inventions took place during that period which changed the entire system of production and distribution. The use of machines involved a change in the methods of industrial organization and brought about a change from the domestic system to the factory system of production involving a large scale and complex division of labour. The discovery of steam as an important source of power helped to increase the production many times over. The use of machines necessitated large amount of capital, which led to concentration of economic power and growth of large enterprises.

It is against this background that we trace the origin of modern personnel management. Figure 2.1 mentions the various stages in the evolution of personnel management.

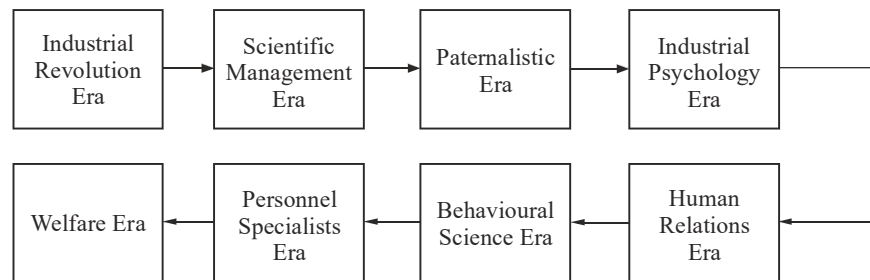


Fig. 2.1 Stages in the Evolution of Personnel Management

1. Industrial revolution era

The industrial revolution consisted essentially of the development of machinery. This brought about mass production of goods. Large-scale production brought about increased output and the accumulation of capital. Business and commerce were greatly accelerated, and the owners of businesses and entrepreneurs did well. But labour fared poorly and was considered a commodity to be bought and sold.

But the consequence of grouping workers into shops and factories, and of the specialization of labour, was a gradual emergence of more systematic attention to the design of jobs, to the choice of workers for those jobs (selection), to the provision of pay and benefits (compensation) and to the welfare of employees both on and off the job. In the late 1800s when unions were battling for recognition and violent strikes become a significant concern, these developments in management practices accelerated. By the early 1900s, the foundation of several features of modern personnel management had been laid.

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2. Scientific management era

The scientific management of the late 1800s and early 1900s concentrated particularly on job design, selection and compensation. The name most closely associated with this movement is Fredrick W Taylor who worked in the steel industry in the late 1870s. Taylor believed in the same techniques used by scientist in the laboratory—experimentation, forming and testing hypotheses and proposing theories based on research and testing—could be used by management to increase efficiency in the workplace.

The scientific management movement owes its origin to Frederick W Taylor, the father of scientific management. He was the first to recognize and emphasize the need for adopting a scientific approach to the task of managing an enterprise. He started his experiments in the steel industry in the Midvale and Bethelam plants.

According to Taylor, ‘Planning should be the result of cooperation between the management and workers and that a provision should exist for compensating the personnel with financial incentives’. The ideas of Taylor led to a separate discipline called ‘Human Engineering’.

Contributions of scientific management

The chief contributions of scientific management are:

- Emphasis on rational thinking on the part of management
- Focus on the need for better methods of industrial work through systematic study and research
- Emphasis on planning and control of production
- Development of cost accounting
- Development of incentive plans of wage payment based on systematic study of work
- Focus on the problem of fatigue and rest in industrial work
- Focus on the need for a separate personnel department

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But after thirty years, this approach began to lose its popularity. Many management thinkers were tempted to modify the views of Taylor. The most important among them are Henry Gantt, Frank and Lilian Gilbreth. They made scientific management more humanized and meaningful to followers of Taylor. Henry Gantt propounded the 'Gantt Chart and the Task and Bonus Wage System'. Frank Gilbreth formulated the 'Laws of Efficient Motion'. His wife, Lilian Gilbreth, is credited with applying the principles of psychology in the scientific management of human assets.

3. Paternalistic era

Robert Owen, a British industrialist, is considered to be a great scholar of management thought. He was the manager of different cotton textile mills between 1800 and 1828. He brought many social changes and was the first person who gave due emphasis to labour welfare. Robert Owen, the father of personnel management, emphasized and developed the spirit of cooperation between employees and employers. He advocated that the investment in developing human resources was much more profitable than in machinery and equipment. He worked for the betterment of workers and tried to improve their working conditions.

4. Industrial psychology era

Applications of psychology to business and industry (industrial psychology) began to emerge in the 1890s and 1900s as psychologists studied selling techniques and ways of testing job candidates. The most notable industrial psychologist was Hugo Munsterberg, whose major contributions were:

- The analysis of jobs in terms of their physical, mental and emotional requirements
- The development of testing devices for selecting workers.

In the industrial psychology era, greater emphasis was given to individual and group relationships in the work place. The role of psychology and sociology in the understanding of individual and group behaviour in an organization was emphasized. German-American psychologist, Hugo Munsterberg, is regarded as the father of industrial psychology. His contributions to industrial management were particularly notable in the field of emotional requirements of workers. Top management personnel began to realize that 'human resources are the most valuable assets that any organization possesses and that without these, other resources are useless'.

5. Human relations era

What came to be called the human relations' movement has been a major influence on modern personnel management. This movement is characterized by its focus on group behaviour and workers' feelings as they relate to productivity and morale. Experiments were conducted by Elton Mayo

and Co. of the Harvard Graduate School of Business Administration at the Hawthorne plant of the Western Electric Company. The important features of the Hawthorne experiment are:

- A business organization is primarily a social system. It is not just a techno-economic system.
- An employee can be motivated by psychological and social wants because his behaviour is also influenced by feelings, emotions and attitudes. Thus, economic incentives are not the only method to motivate people.
- Management should not just depend on command; it should develop cooperative attitudes.
- Participation becomes an important instrument in human relations' movement. In order to achieve participation, an effective two-way communication network is essential.
- Productivity is linked with employee satisfaction in business organizations. Therefore, management must take greater interest in employee satisfaction.
- Group psychology plays an important role in any business organization. We must therefore rely more on informal group effort.
- The industrial psychological era emphasises that man is a living machine and he is far more important than the inanimate machine. Hence, the key to higher productivity lies in employee morale. High morale results in higher output.

The findings of the Hawthorne Experiment put emphasis on the importance of understanding the needs of both the management and the workers. The basic conclusion was that sociological and psychological phenomena often exerted even greater influences on output than the physical conditions of work. Therefore, management must be mainly concerned with the informal and spontaneous behaviour of work groups and the sentiments and attitudes of employees.

6. The behavioural science era

Further on the basis of further enquiries and experiments, It was concluded that Employees' team spirit and cooperative attitude had a great bearing on the productivity. There were several factors which determined the cooperation and enthusiasm of workers, such as supervisors' and experimenters' positive attitude towards workers, the avoidance of force and coercion against workers and the workers' participation in decision-making in areas affecting them.

Human relationists made very significant contribution to management thought by bringing into limelight human and social factors in organization. The behavioural science movement was a byproduct of the human relations

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studies. The behavioural science era extensively used data obtained from experiments, observations and surveys done in the various fields, such as sociology, anthropology and psychology. The various theories formulated in the behavioural science era are:

(i) Maslow's Need Hierarchy Theory or Deficit Theory of Motivation

According to Abraham Maslow, who propounded the need hierarchy theory, 'There is a series of needs some of which are lower in the scale or system of values, in individual or social context and some are higher. Higher needs cannot be satisfied or even felt if the lower needs remain unsatisfied. A satisfied need is not a motivator'.

The features of his theory are as follows:

- People have a variety of needs, which work as a strong motivation for them.
- There are five types of human needs: physical needs, safety or security needs, affiliation or social needs, esteem needs and self-actualization needs.
- It is not impossible to arrange human requirements into a hierarchy. In this hierarchy, the needs that are physical in nature occupy the base. Self-actualization needs, on the other hand, occupy the top.
- It is observed that people first satisfy their physical needs. When these needs are satisfied, they strive for the next higher level of needs.
- In order to realize the higher level of needs, it is essential that the lower level needs are satisfied.
- People are not motivated by the satisfaction of a need; a satisfied need only generates the desire to fulfil the next higher level of needs.

(ii) Herzberg's Two Factors Theory of Motivation

Herzberg propounded the two-factor theory of motivation. According to this theory, motivation and dissatisfaction of workers are the results of two separate sets of conditions. Satisfiers or motivational factors have a direct bearing on the job content itself. Motivational factors include achievement, recognition, the work itself, advancement, etc. The dissatisfiers, maintenance and hygiene factors do not provide motivation. They avoid unpleasantness and are necessary to maintain current status of satisfaction. Of all the maintenance factors identified by Herzberg, significant ones include the interpersonal relationship among the management, supervisors and subordinates; wage and security of job; status in the organization and working conditions.

(iii) McGregor's Theory X and Theory Y

McGregor propounded two management views with regard to the nature of man. These two views were of contrasting nature and were classified into hard and soft approaches. The hard approach is called McGregor's 'Theory X', while the soft or permissive approach is called McGregor 'Theory Y'.

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Theory X

It is the traditional theory of human behaviour. According to McGregor's theory, management is accountable for organizing the elements of productive enterprises, such as money, material, equipment and people, to meet economic ends. Theory X makes certain assumptions about human nature, such as:

- With reference to people, management refers to a process of directing their efforts, motivating them, controlling their actions, modifying their behaviour in order to be in conformity with the needs of the organization.
- If there is no intervention by the management, people are bound to be passive. They can even be resistant or indifferent to organizational needs. Thus, the management needs to persuade, reward, punish (if necessary) and direct workers.
- The average human being dislikes work and tends to avoid it if he can.
- The average human being is not ambitious, dislikes responsibility and opts to be led.
- The average human being is inherently self-centered and is not interested in organizational needs.
- The average human being is by nature resistant to change.
- The average human being is innocent.

Theory Y

According to McGregor, theory Y makes the following assumptions:

- 'Work is as natural as play or rest if the conditions are favourable. It is not true that the average human being inherently dislikes work.
- External control and the threat of punishment are not the only tools for making people work towards organizational objectives. Man can exercise self-control and self-direction to meet the objectives he is committed to.
- The rewards associated with the achievement of objectives bring a sense of commitment among people. People set goals for themselves in the hope of some reward, material or even psychological.
- The average human beings, in favourable circumstances, accept responsibility and even look for it.

- The capacity to exercise a relatively high degree of imagination, ingenuity and creativity to solve organizational problems is universally distributed in the population.’

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Table 2.1 Comparison between Theory X and Theory Y

Theory X	Theory Y
1. Theory X assumes human beings to be inherently opposed to work.	1. Theory Y assumes that work is as natural as play or rest.
2. Theory X emphasizes that people do not have ambitions and they shirk responsibility.	2. Theory Y assumes just the reverse.
3. Theory X assumes that people in general have little capacity for creativity.	3. According to Theory Y, the capacity for creativity is widely distributed in the population.
4. While in Theory X, people lack self-motivation and need to be externally controlled and closely supervised in order to get maximum output.	4. According to Theory Y, people are self directed, creative and prefer self-control
5. Theory X emphasises upon the centralization of authority.	5. Theory Y emphasises decentralization and greater participation in decision making process.

McGregor suggested advocating the carrot and stick approach to motivate people in the workplace.

7. Personnel specialist era and welfare era

With the introduction of the factory system, a large number of persons were employed by an organization. These employees were to be controlled if the goals of that organization were to be achieved. With the increase in the number of employees, a separate personnel specialist had to be appointed. A personnel specialist has the following three responsibilities:

- (i) He should assist the line managers so that the optimum efficiency of the workforce is maintained.
- (ii) He should help management in its efforts to maintain good human relations and labour–management relations. Developing a sound and just personnel policies and procedures is also his responsibility.
- (iii) He should manage all welfare services meant for employees.

2.3 PERSONNEL MANAGEMENT IN INDIA

The history of the evolution and growth of personnel management in India is not very old. As compared to the developed nations, the personnel

management system developed late in India. The growth of personnel management in India may be divided into the following stages:

1. Report of the Royal Commission on Labour in India

Personnel management in India dates back to the Report of the Royal Commission on Labour in India (1929–31). The Commission made several important recommendations, which included the appointment of labour officers to keep a check on corrupt practices in recruitment of industrial workers.

- (i) The jobber should be excluded from the engagement and dismissal of labour and that, instead, a labour officer should be appointed for the purpose.
- (ii) The qualities required of the labour officer should be integrity, personality, energy and the ability to understand individuals and he should have a linguistic skill. If he is a right person, the workers will have confidence in him and regard him as their friend.
- (iii) All labourers should be engaged by him, and none should be dismissed without consulting him.
- (iv) The labour officer should fulfil many duties and should particularly initiate and administer welfare measures.

2. Appointment of Labour Officers

Following the recommendation of the Royal commission of Labour, labour officers were appointed by many industries. Labour officers were entrusted with the responsibility of promoting welfare activities. They functioned as industrial relations officers to handle grievances. The Bombay Mill Owners Association, for example, appointed labour officers to settle grievances and disputes.

3. The Second World War

During the Second World War, the need for enlisting labour support for the war efforts was considered imperative. This led to the appointment of welfare officers, who were generally entrusted with the handling of welfare and labour administration. They were to deal with working conditions, canteens, ration shops, recreation facilities, medical facilities, housing facilities, etc. The Second World War resulted in welfare officers being appointed by the government as well as industries. The function of the welfare officers included welfare activities, personnel activities and industrial relations.

4. Enactment of the Industrial Disputes Act

The enactment of the Industrial Disputes Act, 1947 made adjudication compulsory. This made the welfare officers handle disputes and adjudication

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relating to conditions of service, wages, benefits, etc. The welfare officers thus became industrial relations officers. As a result, employers hired welfare officers with a legal background.

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5. Enactment of the Factories Act

Section 49 of the Factories Act, 1948 made it obligatory for factories employing 500 or more workers to appoint welfare officers. A welfare officer had a list of duties laid down for him. He had to perform activities concerned with welfare, personnel administration and industrial relations.

6. 1960 and after

Till 1960, recruitment of labour was not governed by any law. However, the rapid growth of industry and the consequent demand for skilled and semi-skilled workers led to the enactments of the Employment Exchange Act, 1959 to regulate the recruitment of workers and the Apprentice Act, 1961 to regulate the training of workers to some extent.

Thus, later, personnel officers were appointed as 'labour welfare officers' to satisfy statutory requirements. Next, the role of a personnel officer was converted into that of an 'industrial relations officer'. Today his role is that of a 'human resource manager'. He has to work in three areas of labour: welfare, industrial relations and personnel administration.

Professionalization of Personnel Management

A professional subscribes to certain ethical standards. He is more loyal to the profession than to the employer. With the emergence of professional personnel managers, the growth of personnel management has accelerated. A professional has knowledge and judgement, which he uses to make his decision. He is not controlled or directed by his employer. Thus, professionalization makes a business enterprise more efficient, dynamic and socially responsible. The growth of personnel management education in India has contributed to professionalization of personnel management.

Social Responsibilities of Business

Employees should be treated as human beings and their cooperation must be achieved for the realization of organizational goals. The business should fulfil the following obligations towards their employees:

- (i) **Fair wages:** Business should pay reasonable salaries so that their employee's may lead a good life and satisfy their needs.
- (ii) **Adequate benefits:** Employees should be provided benefits like housing, insurance cover, medical facilities and retirement benefits.
- (iii) **Good working conditions:** Good working conditions are necessary to maintain the health of the workers.

- (iv) **Opportunity for growth:** Business should give the employees opportunity to develop their capabilities through training and education.
- (v) **Recognition of worker's rights:** The business should recognize the worker's right to fair wages, to form trade unions, to collective bargaining, etc.
- (vi) **Cooperation:** The business must win the cooperation of workers by creating the conditions in which workers are willing to put forward their best efforts towards the common goals of the business.

Therefore, business organizations have made a conscious attempt by contributing to the well-being and upliftment of the community in which it is situated.

Change of Government Attitude

The relationship between the state and the economy has a chequered history since the days of the planner economist Adam Smith. During the time of Adam Smith, the doctrine of Laissez Faire was widely accepted as the guiding principle of economic activity. The State was expected to concern itself only with problems relating to law and order. It scrupulously avoided any interference in the working of private business. Laissez faire was the era of free enterprises. The doctrine of laissez faire was based on the assumption 'that every individual acting as a rational being tries to get the greatest satisfaction from life for himself and in the process contributes towards the greatest possible satisfaction to society'. Thus, the classical economist fondly believed that the principle of non-interference with the economic and business matters led to 'the greatest good of the greatest numbers'.

Prior to Independence, the British Government followed a laissez-faire attitude to labour-management relations. But after Independence the National Government took upon itself the pledge to establish a welfare state. The Government therefore enacted many laws for the benefit of the workers.

Factors Impeding the Growth of HRM in India

The various factors which have impeded the growth and progress of Personnel Management in India, are:

1. Late Arrival of the Factory System

Personnel management is conditioned by industrial development. In India, modern industry started with the development of the railways. Even after the progress of industry, personnel management was unheard of. It was the Royal Commission of Labour which recommended in 1931 the appointment of labour officers to deal with the recruitment of labour and to settle their grievances. Thus, the slow growth of personnel management in India can be linked to the late arrival of large-scale industry.

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2. Abundance of Cheap Labour

In India, the main source of labour supply has been the growth of population. Modern industrial sector in India attracts labour from the agricultural sector. Industrial centres draw on their surrounding rural areas for recruitment of workers. The rapid increase of population, low degree of industrialization and widespread unemployment, both in rural and urban areas, have resulted in an abundant supply of labour to the industries. Since labour is in abundance, good human relations are not necessary in India and there are arbitrary dismissals and layoffs.

3. Weak Labour Movement

The Indian working class is generally passive and depends on outside politicians for leadership. This outside leadership has failed to understand the needs of the working class. Instead of awakening social consciousness among the workers, the politicians in fact use the workers to achieve their political ends.

The migratory character of Indian labour leads to unhealthy growth of trade unions. Many workers do not take an active part in the formation of unions and do not like to pay their subscriptions because they do not come to the cities to live permanently.

No trade union will be strong unless it gets legal recognition. The recommendation of the Royal Commission on Labour favoured the recognition to a trade union even if it represented only a handful of employees. It said that 'the fact that unions consist of only a minority of employees is not adequate reason for withholding recognition'. In view of this, the Trade Unions ACT, 1926 was amended in 1947. The amendment made it obligatory on the part of the employer to recognize a union under certain conditions. However, the amendment could not be implemented. Thus, the lack of legal recognition to small trade unions hampered the growth of labour movement in India.

4. Highly Authoritarian Culture

The Indian society has a highly authoritarian culture. This makes the worker depend on his superiors. Freedom is not a value in India. This culture thus discourages participative style of management and free communication. These two conditions are the bases for ideal human relations, which is lacking in the Indian conditions.

5. Technological Backwardness

Technological environment influences business in terms of investment in technology, consistent application of technology and the effects of technology on markets. The immense technological progress in the West has raised the standard of living of their workers. This is not so with the Indian workers

because of their technological backwardness. Technological progress has an important role to play in the economic development of a country. No backward country can hope to march ahead on the road of economic development without adopting newer techniques of production.

6. Instability in Employment

The Indian workers are attracted to the cities by the lure of higher wages but the instability of their employment, chronic housing shortage and high house rents prevent them from settling down in the cities with their families. Thus, an industrial worker would not remain in industry if he could secure sufficient food and clothing in the village. 'It is truly said that industrial workers are pushed, not pulled to the city'.

Future of Personnel Management in India

The personnel professional's role should be to aid and assist the line managers in such a way that the human resource is put to its optimum use. Areas like wage negotiations, collective bargaining, recruitment and social welfare need the professional skill and strategy of a personnel professional. By virtue of their education and training, personnel professionals are the most suited persons to handle these delicate matters. According to Prof. Manoria, 'In a fast-changing society as our own, self-development in professional field is a continuing feature which must be kept up at all levels lest obsolescent would eat our vitalities'.

The function of a personnel manager has undergone many changes. Following the recommendations of the Royal Commission on Labour, the job of a welfare officer was 'dealing with employment matters and labour grievances'. After the enactment of the Factories Act, 1948 (sec 49), the personnel manager was identified with the paternalistic labour welfare officer. However, his role remained very much within the legalistic boundaries, as he owed his origin to labour legislation. Since good labour welfare is not a substitute for poor management, organizations were forced to develop an interest in the social wellbeing of the workers. As a result, the scope of the personnel functions expanded; new dimensions were added, and the emphasis was shifted. With these changes, role modification of the personnel manager also became necessary. Thus, cultural, social and economic changes have made inroads into the personnel management field. The greater emphasis on human dignity and a stronger and more enlightened labour movement have created a favourable climate for the development of personnel management in India. The consequences of these changes are discussed below:

1. Greater demand for joint decision-making

The paternalistic efforts to help needy employees solve their personal problems. Industrial organizations in India have moved to a joint consultative

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process of decision-making which influences employees. This has been brought about by voluntary acceptance by the employers, strong trade unions and governmental legislation. The attitude of employers and the trade unions towards each other has gradually improved. The profile of the Indian workforce is changing with education and an increasing awareness of its rights. This greater awareness of its rights will result in a greater demand for joint participation in management.

2. Greater emphasis on human resource development

A personnel manager is likely to be more concerned about the development of human resources than the administration of personnel service. He will advice management on the relationship between individual development and the achievement of organization goals. He will engage himself in planning meaningful personnel research with a view to assist the line managers regarding the current management practices.

3. Change in the profile of workers

Educated workforce should demand greater autonomy and discretion in the workplace. The needs and aspirations of the educated people are different from those of uneducated people. Therefore, the challenge faced by the personnel manager is varied. Similarly, the employment of women in large numbers has changed the sex composition of the workforce. These women workers have begun to assert themselves and resist 'discrimination' against them. These factors have resulted in changing the existing personnel policies.

4. Change in attitude of top management

The scope of personnel management function depends, to a large extent, on its importance in the organization and the attitude of the top management.

5. Increasing role of government

Changes in the personnel function depend to a large extent on the needs dictated by the socio-economic and legal changes in the country. Enactment of various labour laws has made it necessary to appoint a personnel manager who is a specialist in law to advice the management on the changing legal obligations on the part of the organizations.

6. Better method of performance appraisal

Performance appraisal or merit rating is one of the oldest and more universal practices of management. It refers to all the formal procedures used in working organizations to evaluate personalities and contributions and potential of group members. Permanent performance appraisal records of employees help the management to give up sole reliance upon personal knowledge of

supervisors. Performance appraisal thus serves as a means for evaluating the effectiveness of workers. Workers would value a closer connection between pay and performance and would certainly work harder to achieve better compensation for the work done.

7. More importance to motivation

Motivation concern itself with the will to work. It seeks to know the incentives for work and tries to find out the ways and means whereby their realization can be helped and encouraged. According to M. J. Jucious, motivation is 'the act of stimulating someone or oneself to get a desired course of action'. The traditional system of motivation, the 'carrot and stick' policy, is no longer effective, as the element of fear is no longer as potent as it was in the past. Today, many positive and psychological rewards, such as better wages, interesting and challenging work and participative management, act as better motivators.

8. Changing work ethics

A personnel manager's action often represents the position he holds or the office he occupies rather than his personal beliefs. A personnel manager, being a professional, should depend on certain rules of conduct and behaviour. The decisions and actions of a professional are guided by certain ethical considerations. Therefore, personnel manager would be called upon to set up and enforce good quality standards. He should be committed to the workers, changing needs.

We can conclude on the future role of personnel management in India by using the words of S.N. Pandey who observed that:

Just as the business of finance men is to manage the finances of the organization to get the optimum return on investment, just as it is the business of production men to utilize the various resources at their disposal in such manner that optimum output is obtained, so is the business of personnel men to manage human resource ensuring harmony, motivation, satisfaction and commitment.

Thus, the future trends of personnel management in Indian industries will modify the role of the personnel manager. His functions will definitely be enlarged from traditional areas such as management of manpower planning, selection, recruitment, training, and welfare. With growing personnel needs, new dimensions will be added.

Check Your Progress

1. What does industrial revolution refer to?
2. What is human relations' movement?
3. What is two-factor theory of motivation?

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2.4 FUNCTIONS OF THE LABOUR WELFARE OFFICER

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This section discusses the functions of the Labour Welfare Officer.

One of the major aspects of national programmes towards betterment of the majority of labour creating population is labour welfare. The term 'labour welfare' is very dynamic, flexible as well as comprehensive. Welfare work aims at providing the workers with basic facilities and amenities of life which they themselves cannot provide thus enabling them to enjoy a richer and fuller life. Labour welfare improves the morality and efficiency of worker and ultimately the productivity of industrial worker and organization.

The Labour Welfare Officer looks after the implementation of labour laws and the maintenance of proper working conditions. The officer concerns himself with matters relating to the workers' well-being; with industrial peace and harmonious labour relations.

The main objectives of a Labour Welfare Officer are to eliminate the evils of the jobber system in the recruitment of labour and to develop and improve the labour administration in mills and factories. The role of a Labour Welfare Officer is to serve as a liaison with the State Labour Commissioner. The Malaviya Committee's Report on Labour Welfare in 1969, following the model rules framed under the Factories Act of 1948, has specified the following duties of welfare officers:

- (a) Supervision
- (b) Advice
- (c) Liaison
- (d) Counselling

2.5 DIFFERENCE BETWEEN PERSONNEL MANAGEMENT AND HRM

Since the 1980s the nature of personnel management is undergoing change and personnel function is shifting the locus of its focus. Amongst personnel specialists, the term, 'Personnel Management' is being substituted by that of 'Human Resources Management'. It is felt that Personnel Management is being directed mainly at company employees and is not being completely identified with managerial needs.

Personnel men have all along been mediating in between the management and the employees communicating the needs of each to the other. To maintain credibility with employees mediating personnel men have to look after their welfare. At the same time to justify their existence with

management, they must show to their managers, a concern for the efficiency of labour utilization as well as ensure that staff interests are always subservient to those of organizational effectiveness.

Human Resources Management, by contrast, is directed mainly towards managerial needs for people resources in organizations, with greater emphasis being placed on planning, monitoring and control rather than on problem solving and mediation. Whereas traditional Personnel Management is committed to the idea that employees' needs should be looked after, since employees are effective only when their needs are satisfied, Human Resources Management reflects a different set of beliefs. These are that deploying of human resources in correct numbers with the right skills at the right price is more important than a patronizing involvement with people's personal affairs.

HRM (Human Resources Management) is significantly different from Personnel Management. HRM is proactive rather than reactive, is system-wide rather than piecemeal, treats labour as social capital rather than as a variable cost, is goal-oriented rather than relationship-oriented and is ultimately based on commitment rather than compliance.

Torrington has argued that Personnel Management has grown through assimilating a number of additional emphases to produce an ever-richer combination of expertise. HRM is no revolution but a further dimension to a multi-faced role. While Personnel Management is supply-driven, HRM is demand-driven.

Personnel Management is directed mainly at the employees of the organization—finding and training them, arranging their pay and contracts of employment, explaining what is expected of them, justifying what the management is doing and trying to modify any management action that could produce an unwelcome response from the employees. In contrast, the human resource manager starts not from the organization's employees, but from the organization's need for human resources; with demand rather than the supply.

At first sight, a revolution seems to be taking place in Personnel Management all over the world. Not only are there major changes in practice which go far beyond the choice of this or that technique, there is also said to be a paradigm shift occurring in the thinking on Personnel Management which shows a new theoretical sophistication. The new paradigm seems capable of both describing and explaining the changes in practice and of providing the rationale for elevating Personnel Management or to use the more modern term, HRM to strategic importance in the running of organizations. Basically, it sees management, faced with ever increasing competition in the context of the globalization of the economy, forced to rethink the sources of competitive advantage and to make strategic choices about future directions. No economy can compete with Japan; they would have to lower wages and living standards of the workers to socially and politically unacceptable levels

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which would not be possible. Instead, they should place emphasis on the quality of goods and services. Quality goods and services require a quality workforce. From this it follows that people and the way they are managed, are the major sources of competitive advantage.

The challenge of HR managers today is to recognize talent and nurture the same carefully and achieve significant productivity gains over a period of time. The enterprise is nothing but people. Some will be intelligent, others not so intelligent; some are committed to jobs, others are not; some will be outgoing, others reserved and so on. 'The point is that these differences demand attention so that each person can maximize his effectiveness so that the society as a whole can make the wisest use of its human resources.'

The role of an HR manager is shifting from one of a protector and screener to that of a planner and change agent. In the present-day competitive world, highly trained and committed employees are often a firm's best bet. HR professionals can help an organization select and train employees for emerging roles. Only people who are involved and intelligent can make a difference. Charles Creer has pointed out that 'in a growing number of organizations human resources are now viewed as a source of competitive advantage ... Increasingly it is being recognized that competitive advantage can be obtained with a high-quality workforce that enables organizations to compete on the lines of market responsiveness, product and service quality, differentiated products and technological innovations.'

In the future, the principal issues will be how the HRM function can transform its outlook from a traditional to a modern one: from being functionally-oriented internally focused, reactive, activity-driven, centralized and control-oriented to being business-oriented, customer-focused, proactive, effectiveness-driven, decentralized and empowerment-oriented.

Moreover, organizations will need to be concerned with extending their recruiting efforts, developing careful screening procedures, training employees to adapt to change, providing appropriate and sufficient educational programmes and accounting for their investment in recruiting, selecting and training employees. The new generation of employees will weigh salary and benefits packages against their personal needs and values. Therefore, compensation and benefits packages will offer greater flexibility in order to meet individual needs.

Check Your Progress

4. What is the role of a Labour Welfare Officer?
5. State one challenge faced by HR managers today.

2.6 ANSWERS TO CHECK YOUR PROGRESS QUESTIONS

1. Industrial Revolution refers to changes that occurred in England during 1760–1850.
2. Human relations' movement is characterized by its focus on group behaviour and workers' feelings as they relate to productivity and morale.
3. According to the two-factor theory of motivation, motivation and dissatisfaction of workers are the results of two separate sets of conditions.
4. The Labour Welfare Officer looks after the implementation of labour laws and the maintenance of proper working conditions.
5. The challenge for HR managers today is to recognize talent and nurture the same carefully and achieve significant productivity gains over a period of time.

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2.7 SUMMARY

- Personnel management has evolved due to enlightened employers trying hard, over the years, to improve the lot of their workers.
- Industrial Revolution refers to changes that occurred in England during 1760–1850. It brought about far reaching changes in the economic life of people.
- The use of machines necessitated large amount of capital, which led to concentration of economic power and growth of large enterprises.
- The scientific management of the late 1800s and early 1900s concentrated particularly on job design, selection and compensation.
- The scientific management movement owes its origin to Frederick W Taylor, the father of scientific management.
- According to Taylor, 'Planning should be the result of cooperation between the management and workers and that a provision should exist for compensating the personnel with financial incentives'.
- Robert Owen, a British industrialist, is considered to be a great scholar of management thought. He was the manager of different cotton textile mills between 1800 and 1828.
- Human relationists made very significant contribution to management thought by bringing into limelight human and social factors in organization.
- Herzberg propounded the two-factor theory of motivation.

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- According to McGregor's theory, management is accountable for organizing the elements of productive enterprises, such as money, material, equipment and people, to meet economic ends.
- Personnel management in India dates back to the Report of the Royal Commission on Labour in India (1929–31).
- The Commission made several important recommendations, which included the appointment of labour officers to keep a check on corrupt practices in recruitment of industrial workers.
- Following the recommendation of the Royal commission of Labour, labour officers were appointed by many industries.
- The enactment of the Industrial Disputes Act, 1947 made adjudication compulsory.
- HRM (Human Resources Management) is significantly different from Personnel Management.
- HRM is proactive rather than reactive, is system-wide rather than piecemeal, treats labour as social capital rather than as a variable cost, is goal-oriented rather than relationship-oriented and is ultimately based on commitment rather than compliance.
- The challenge of HR managers today is to recognize talent and nurture the same carefully and achieve significant productivity gains over a period of time.

2.8 KEY WORDS

- **Personnel:** It refers to the people employed in an organization.
- **Administration:** It is the process or activity of running a business, organization, etc.
- **Compliance:** It is the process of defining both individual and group behaviors to ensure the organization's applicable laws and policies are followed.
- **Decentralize:** It means to move departments (of a large organization) away from a single administrative centre to other locations.

2.9 SELF ASSESSMENT QUESTIONS AND EXERCISES

Short Answer Questions

1. Write a note on the evolution and history of personnel management.
2. Write short notes on:

- (a) Herzberg's Two Factors Theory of Motivation
- b) McGregor's Theory X and Theory Y
3. What do you understand by personnel management?
4. Write a short note on the duties of a Labour Welfare Officer.
5. Differentiate between personnel management and HRM.

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Long Answer Questions

1. Describe growth of personnel management during human relations era and behavioural science era.
2. Give a detailed description of Maslow's Need Hierarchy Theory or Deficit Theory of Motivation.
3. Give a detailed explanation of personnel management in India. Discuss the factors impeding the growth of HRM in India in detail.
4. What is the future of personnel management in India?

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UNIT 3 HUMAN RESOURCE PLANNING

NOTES

Structure

- 3.0 Introduction
- 3.1 Objectives
- 3.2 Concept and Process of Human Resource Planning (HRP)
- 3.3 Factors in Human Resource Planning
- 3.4 Answers to Check Your Progress Questions
- 3.5 Summary
- 3.6 Key Words
- 3.7 Self Assessment Questions and Exercises
- 3.8 Further Readings

3.0 INTRODUCTION

Since every organization is made up of people, acquiring their services, developing their skills, motivating them to higher levels of performance and ensuring that they continue to maintain their commitment to the organization are essential to achieve organizational objectives. Those organizations that are able to acquire, develop, stimulate and keep outstanding workers will be both effective and efficient. On the other hand, those organizations that are ineffective or inefficient have the risk of stagnating or going out of business. Human resource thus creates organizations and makes them survive and prosper. If human resources are neglected or mismanaged, the organization is unlikely to do well. Human resource planning has thus become a crucial requirement in every organization. It involves predetermining the future path of action selected from a number of different courses of action to acquire, build up, administer and stimulate the human element of enterprise. It identifies a deliberate choice of patterns of the humanization of work milieu in an organization.

This unit explains the concept, objectives and importance of HR planning, including the process, strategies, advantages and limitations of it.

3.1 OBJECTIVES

After going through this unit, you will be able to:

- Discuss the concept of Human Resource Planning (HRP)
- Explain the factors in HRP
- Describe the process of HRP

3.2 CONCEPT AND PROCESS OF HUMAN RESOURCE PLANNING (HRP)

Human resource planning is the predetermination of the future course of action chosen from a number of alternative courses of action for procuring, developing, managing, motivating, compensating, career planning, succession planning and separating the human element of enterprise. It determines a conscious choice of staffing decisions in an organization.

Characteristics of HR Planning

According to Geisler, 'HR planning is the process (including forecasting, developing and controlling) by which a firm ensures that it has the right number of people and the right kind of people at the right places at the right time doing work for which they are economically most useful.'

According to Wendell French, human resource planning may be defined as "the process of assessing the organization's human resources needs in the light of organizational goals and making plans to ensure that a competent, stable workforce is employed."

From the above definitions, we can gather some general characteristics of human resource planning as follows:

1. Human resource planning must incorporate the human resource needs in the light of organizational goals.
2. A human resource plan must be directed towards well-defined objectives.
3. Human resource planning must ensure that it has the right number of people and the right kind of people at the right time doing work for which they are economically most useful.
4. Human resource planning should pave the way for an effective motivational process.
5. A human resource plan should take into account the principle of periodical reconsideration of new developments and extending the plan to cover the changes during the given long period.
6. Adequate flexibility must be maintained in human resource planning to suit the changing needs of the organization.

The HR manager must follow a systematic process for HR planning as given in Figure 3.1.

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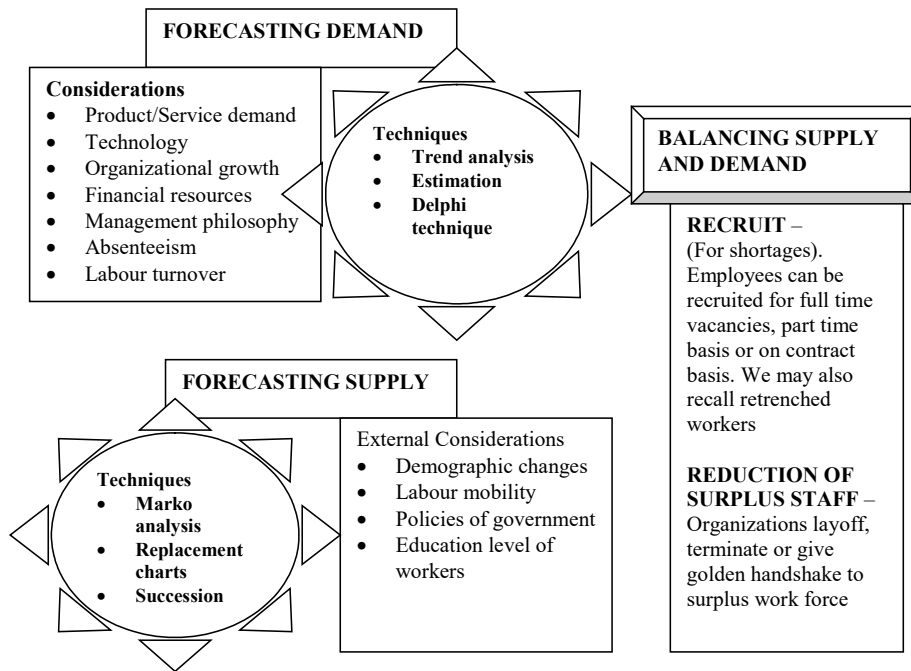


Fig. 3.1 Flow Chart Depicting 'Human Resource Planning Model'

Objectives of HR planning

From Figure 3.1, it is clear that the failure in HR planning will be a limiting factor in achieving the objectives of the organization. If the number of persons in an organization is less than the number of persons required, then, there will be disruptions in the work—production will be hampered, the pace of production will be slow and the employees burdened with more work. If on the other hand, there is surplus manpower in the organization, there will be unnecessary financial burden on the organization in the form of a large pay bill if employees are retained in the organization, or if they are terminated the compensation will have to be paid to the retrenched employees. Therefore, it is necessary to have only the adequate number of persons to attain the objectives of the organization.

In order to achieve the objectives of the organization, the HR planner should keep in mind the timing and scheduling of HR planning. Furthermore, the management has to be persuaded to use the results of manpower planning studies.

Manpower planning can also be used as an important aid in formulating and designing the training and development programmes for the employees because it takes into account the anticipated changes in the HR requirements of the organizations.

Importance of HR planning

HR planning is a highly important and useful activity. Without clear-cut planning, an estimation of the organization's human resource needs is reduced to mere guesswork. If used properly, it offers a number of benefits. These are:

1. Planning defines future manpower needs and this becomes the basis of recruiting and developing personnel.
2. Employees can be trained, motivated and developed in advance and this helps in meeting future needs for high-quality employees.
3. Change in technology has attached more importance to knowledge and skill resulting in surplus manpower in some areas and shortage in other areas. HR planning helps in creating a balance in such a situation.
4. Jobs are becoming more and more knowledge-oriented. This has resulted in a changed profile of HR. Because of increased emphasis on knowledge, recruitment costs have also increased. To avoid the high cost of recruitment, proper HR planning is necessary.
5. The organization can have a reservoir of talent at any point. People with requisite skills are readily available to carry out the assigned tasks.
6. Planning facilitates the preparation of an appropriate manpower budget for each department. This in turn, helps in controlling manpower costs by avoiding shortages/excesses in manpower supply.
7. Systematic HR planning forces top management of an organization to participate actively in total HR management functions. When there is active involvement of top management, they will appreciate the real value of human resources in achieving organizational effectiveness.
8. Systematic HRP forces top management of an organization to participate actively in total HRM functions. When there is active involvement of top management, they will appreciate the real value of human resources in achieving organizational effectiveness.

Process of HR Planning

With the expansion of business, adoption of complex technology and professional management techniques, the process of HR planning has assumed greater significance. It consists of the following stages.

(i) Analysing organizational plans and deciding on objectives

Before undertaking the HR planning of an organization the short-term and long-term objectives should be analysed. The process of HR planning should start with analysing the organizational plans and programmes. They help in forecasting the demand for human resources as it provides the quantum of future work activity.

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(ii) Analysing factors for manpower requirements

The existing job design and analysis may be reviewed thoroughly keeping in view the future capabilities, knowledge and skills of present employees. The job design and analysis should reflect the future human resources and organizational plans. The factor for manpower requirements can be analysed in two ways:

- (a) *Demand forecasting* – Forecasting the overall HR requirements in accordance with the organizational plans.
- (b) *Supply forecasting* – Obtaining the data and information about the present inventory of human resources and forecast the future changes in present human resource inventory.

Demand and supply forecasting are discussed in detail in section 1.5.

(iii) Developing employment plans

After determining the number of personnel for each job in the organization, the HR department has to spell out the job description and job specification.

- (a) *Job description*: A job description generally describes the work to be performed, the responsibilities involved, the skill or training required, conditions under which the job is done, relationships with other jobs and personal requirements on the job.
- (b) *Job specification*: Job specification is an output of job description and states the minimum acceptable qualifications that the newcomer must possess to perform the job satisfactorily and successfully.

(iv) Developing human resource plans

Net HR requirements in terms of number and components are to be determined in relation to the overall HR requirement. After estimating the supply and demand of human resources, the management starts the adjustment. When the internal supply of employees is more than the demand, that is, there is a human resource surplus; then the external recruitment is stopped. If there is a human resource deficit, then the planners have to rely on external sources.

Advantages of HR Planning Programmes

As the manpower planning is concerned with optimum use of HR, it can be of great benefit to the organization in particular and to the nation in general. At the national level, it would be concerned with factors like population, economic development, educational facilities and labour mobility. At the level of the organization it is concerned with personnel requirements, sources of availability, the welfare of HR, etc. The advantages of HR planning are discussed below:

(a) Improvement of labour productivity

Manpower or HR as a factor of production differs from other factors of production. As it is subject to its free will, the productivity of labour can be improved if the workers are kept satisfied. In other words, just as the satisfied workers can be productive, dissatisfied workers can even be destructive. Therefore, through proper HR planning we can improve the morale of the labour and thereby labour productivity.

(b) Recruitment of qualified HR

Talented and skilled labour has become a scarce resource, especially in developing countries. Therefore, for the survival of the firm it is essential to recruit the best labour force through proper manpower planning.

(c) Adjusting with rapid technological changes

With the advancement in technology, job and job requirements are changing. Therefore, it is necessary to forecast and meet the changing manpower, which can withstand the challenges of the technological revolution. This can be done through effective manpower planning.

(d) Reducing labour turnover

Labour turnover refers to the mobility of labour out of the organization due to various factors, such as dissatisfaction, retirement, death, etc. Due to labour turnover a firm loses experienced and skilled labour force. This loss can be minimized through efficient manpower planning.

(e) Control over recruitment and training costs

Highly skilled personnel are in short supply and it is costly to hire, train, and maintain them. A company has to incur heavy costs in processing applications, conducting written tests, interviews, etc., and in the process providing adequate training facilities. In consideration of these costs it is essential to plan carefully vis-à-vis manpower so as to minimize costs.

(f) Mobility of labour

Today, it is difficult to retain qualified personnel in an organization as they move from one job to another in search of better prospects. In a free society, people enjoy unrestricted mobility from one part of the country to the other. Therefore, in order to reduce the loss of experienced and skilled labour, every organization must have a sound system of manpower planning.

(g) Facilitating expansion programmes

In these days of rapid industrial development every company goes for expansion of its activities. With the increase in company size, the demand

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for HR also increases. This necessitates proper manpower planning so as to ensure the continued supply of the required manpower for the firms' activities.

(h) To treat manpower like real corporate assets

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Today it is being increasingly felt by the practicing managers and psychologists that employees in an organization must be treated as the most significant assets. The productivity of a company can be improved only through manpower planning, recognizing the significance of the human factor in business. A proper manpower planning is based on the realization that satisfied workers can contribute to the overall profitability of the firm through improved productivity.

Limitations of HR Planning

The main hurdles in the process of HR planning are:

- (a) Inaccuracy:** HR planning involves forecasting the demand for and supply of HR. Projecting manpower needs over a period of time is a risky task. It is not possible to track the current and future trends correctly and convert the same into meaningful action guidelines. Longer the time taken, greater is the possibility of inaccuracy. Inaccuracy increases when departmental forecasts are merely aggregated without critical review. Factors such as absenteeism, labour turnover, seasonal trends in demand, competitive pressures, technological changes etc., may reduce the rest of manpower plans as fashionable, decorative pieces.
- (b) Uncertainties:** Technological changes and market fluctuations are uncertainties, which serve as constraints to HR planning. It is risky to depend upon general estimates of manpower in the face of rapid changes in environment.
- (c) Lack of support:** Support from management is lacking. The latter is unwilling to commit funds for building an appropriate HR Information System. The time and effort involved with no tangible and immediate gains often force them to look the 'other way'.
 - HR planning grows slowly and gradually. In some cases, sophisticated technologies are forcefully introduced just because competitors have adopted them. These may not yield fruit unless matched with the needs and environment of the particular enterprise.
 - Planning is generally undertaken to improve overall efficiency. In the name of cost cutting it also helps management weed out unwanted labour at various levels. The few efficient ones that survive such frequent onslaughts complain about increased workload.

Support from management is lacking. The latter is unwilling to commit funds for building an appropriate HR information system. The time and effort involved – with no tangible, immediate gains – often force them to

look the 'other way'. HR planning grows slowly and gradually. In some cases, sophisticated technologies are forcefully introduced just because competitors have adopted them. These may not yield fruit unless matched with the needs and environment of the particular enterprise.

- (d) **Numbers' game:** In some companies, HR planning is used as a numbers' game. The focus is on the quantitative aspect to ensure the flow of people in and out of the organization. Such an exclusive focus overlooks the more important dimension, i.e. the quality of human resources. HR planning, in the long run, may suffer due to an excessive focus on the quantitative aspects. Aspects such as employee motivation, morale, career prospects, training avenues, etc may be totally discounted.
- (e) **Employees resistance:** Employees and trade unions feel that due to widespread unemployment people will be available for jobs as and when required. Moreover they feel that HR planning increases their workload and regulates them through productivity bargaining.
- (f) **Employers resistance:** Employers may also resist HR planning on the ground that it increases the cost of manpower.
- (g) **Lack of purpose:** Managers and HR specialists do not fully understand the human planning process and lack a strong sense of purpose.
- (h) **Time and expense:** Manpower planning is a time-consuming and expensive exercise. A good deal of time and costs are involved in data collection and forecasting.
- (i) **Inefficient information system:** In most of the organizations, human resource information system has not been fully developed. In the absence of reliable data, it is not possible to develop effective HR plans.

Responsibility for HR planning

HR planning is the responsibility of the personnel department. The department has to recommend relevant personnel policies in respect of HR planning, devise methods and procedures and determine the quantitative aspects of HR planning. Geisler has enumerated the responsibility of the personnel department with regard to HR planning in the following words:

1. To assist, counsel and pressurise the operating management to plan and establish objectives.
2. To collect and summarise data in total organizational terms and to ensure consistency with long-range objectives and other elements of the total business plan.
3. To monitor and measure performance against the plan and keep the top management informed about it.
4. To provide the research necessary for effective manpower and organizational planning.

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Different Approaches to HRP

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The starting point of effective human resource planning is the organizations' overall purpose or mission. Strategic plans are as unique as the organizations that develop them, but underlying most organizational strategies is the determination of some unfulfilled need for products or services that the organizations can satisfy. Satisfying these products or services then becomes a part of the organization's goals. An organizational goal is a long-term broad purpose or aim. A part of strategic planning is the development of organizational goals and objectives.

To a great extent, organizational goals influence the nature of all managerial processes and of human resource management in particular. This means that the structure of the organization, the specific jobs to be performed and the financial and technological resources needed, and the number and qualifications of people employed will consistently reflect the organizational goals. Thus, human resource planning is the ongoing planning of the organization's human resources philosophy, policies and programmes in the context of the overall strategic plans and the changing conditions within and outside the organization.

Role of HR strategy in strategic management

One of the major problems with existing HR systems is that they are fragmented, incomplete and sometimes built on faulty assumptions about human or organizational growth. Grundy (1997) argues that strategic human resource development and planning involves linking business strategy of the organization to the current and emerging pool of management skills, thus identifying the key shifts and gaps and areas for intervention. Figure 3.2 explains this.

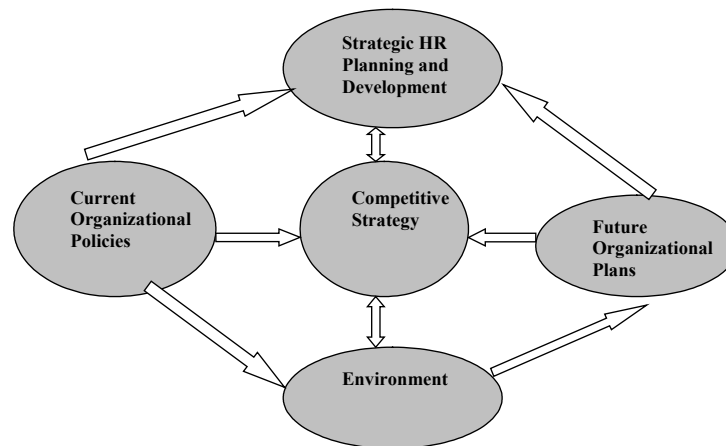


Fig. 3.2 Strategic Human Resource Planning and Development Organization and Strategy

Source: Grundy, Tony. 'Human Resource Management: A Strategic Approach', *Long Range Planning*, 30: 507–17.

Figure 3.2 shows how competitive strategy influences the current position of the organization. It also shows the linkages between the strategic human resources planning and development with the competitive strategy. The absence of a clear HR strategy linked to corporate strategy may adversely affect organizational effectiveness.

Strategies for Human Resource Planning

The objective of manpower planning is to help the organization to achieve its goals. For this purpose, the manpower planners have to develop some strategies. Stainer has suggested the following nine strategies for the benefit of manpower planners:

1. They should collect, maintain and interpret relevant information regarding human resources.
2. They should report periodically the manpower objectives, requirements and existing employment and allied features of manpower.
3. They should develop procedures and techniques to determine the requirements of different types of manpower over a period of time, from the standpoint of organization's goals.
4. They should develop measures of manpower utilization as component of forecasts of manpower requirement along with independent validation.
5. They should employ suitable techniques leading to the effective allocation of work with a view to improving the manpower utilization.
6. They should conduct research to determine the factors hampering the contribution of individuals and groups to the organization with a view to modifying or removing these handicaps.
7. They should develop and employ methods of economic assessment of the human resources, reflecting its features as income-generator and its expenditure and accordingly improve the quality of decisions affecting the manpower.
8. They should evaluate the procurement, promotion and retention of the effective human resources; and
9. They should analyse the dynamic process of recruitment, promotion and loss to the organization and control these processes so as to maximise the individual and group performance without involving high cost.

Types of HRM strategies

The success of HRM lies in its flexibility in reorienting itself in tune with the changing internal and external forces of the organizations. Stace and Dunphy have proposed four HRM strategies. These strategies are summarized in the Table 3.1.

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Table 3.1 HRM Strategies and their Conditions for Use

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HRM Strategy type	Conditions for use
Task-Focused HRM Strategy	
HRM strategy strongly focused on the business unit <ul style="list-style-type: none"> • Strong bottom line orientation • Emphasis on workforce planning, job redesign and work practice reviews • Focus on tangible reward structures • Internal or external recruitment • Functional skills training and formalized multi-skilling • Formalized industrial relations procedures • Strong business unit culture 	Used when market/products/services are undergoing major change and niche strategies are prevalent. HRM strategies must deliver the capacity for rapid structural systems, skill and cultural changes. Strong emphasis on business unit autonomy, maximum devolution, right-sizing (continuous redeployment) outsourcing of labour
Development Strategy	
HRM strategy is jointly carried out by the corporate HR unit and the business units <ul style="list-style-type: none"> • Emphasis on developing the individual and the team • Internal recruitment, where ever possible • Extensive development programmes • Use of intrinsic rewards • Corporate organizational development given high priority • Strong emphasis on corporate culture 	Used when markets are growing and product/market innovation is desired. HRM strategies must create cross-organizational synergy and a market-leader culture. Strong emphasis on individual development, corporate culture management, developing strong internal labour market (promotions/appointments) and team skills.
Turnover HRM Strategy	
HRM strategy is driven for a short period by the executive leadership, characterized by challenging, restructuring or abolishing HR systems, structures and methodologies. <ul style="list-style-type: none"> • Major structural changes affecting the total organization and career structures. • Downsizing retrenchments • Lateral recruitment of key executives from outside • Executive team building, creating a new mindset • Breaking away from the old culture 	Used when the business environment changes dramatically, i.e., when the organization is not compatible with its environment. Also used when the business strategy of the organization radically changes. HRM strategies must break and abolish redundant HRM practices, structures and redefine a new culture. Strong emphasis on forced downsizing, lateral recruitment, new HRM systems and radical work and job restructuring.
Paternalistic HRM Strategy	
HRM Practice is centrally administered <ul style="list-style-type: none"> • Centralist personnel orientation • Emphasis on procedures, precedent and uniformity • Organization and methods studies • Inflexible internal appointments policy • Emphasis on operational and supervisory training • Industrial awards and agreements set the HR framework 	Used only in very limited mass production situations where the organization has an absolute monopoly on stable markets/products. HRM strategies are used as devices for control and uniformity of procedures/operations. Strong emphasis on formal employer-employee industrial relationships and industrial awards.

Source: Stace, D. and D. Dunphy 'Beyond Traditional Paternalistic and Developmental Approaches to Organizational Changes and Human Resource Strategy' *International Journal of Human Resource Management*, 2(3): 263–83 (1991).

Business HRM alignment

A large number of HRM professionals and strategic and corporate planners insist that there must be a sharp linkage between the business plans and the

HRM plans in an organization. They believe that such an association not only strengthens the organizational functioning but also positions the HRM in a strategic role. Tomas Garavan, Noreen Heraty and Pat Costine have identified ten approaches that organizations can follow to establish the said linkage. These approaches are described below:

- 1. Top-down approach: This approach involves:**
 - (a) identification of the business plan,
 - (b) formulation of HRM strategy corresponding to the business plan, and
 - (c) designing HRM activities based on HRM strategy.
- 2. Market-driven approach:** Here employees are grouped depending on their skill and knowledge. It is necessary to assess the skills available and predict what skills the employees require to meet the organizational market demands.
- 3. Career planning approach:** The existence and growth of every employee proceeds from the business plans of the organization. Here, the career plans of each employee is linked to the business plan.
- 4. The futuring approach:** In the strategy formulation stage, HRM becomes a major focus and ingredient of the business plan.
- 5. Performance diagnosis approach:** This approach proposes that linkage between the two can be achieved through HRM playing the facilitator role in the formulation and execution of the business plans.
- 6. Artificial experience approach:** HRM practitioners in this approach create simulation of future business plans and develop ways of HRM alignment.
- 7. Pulse-taking approach:** Here survey technique and training and development interventions are employed to gauge the effectiveness of the business plans.
- 8. The educational approach:** The linkage achieved in this approach mainly includes offering training and knowledge of strategic thinking, methods to prepare business plans and also equipping them with implementation skills.
- 9. Interpersonal approach:** This approach is based on the premise that a substantial percentage of corporate strategy is informal and dynamic. Therefore, it is the HRM professionals, who with their interpersonal approach can institutionalize this informal strategy in a planned and formal way.
- 10. The rifle approach:** This approach is based on troubleshooting. HRM should be used to identify the problems and constraints in the implementation of business plans and also to resolve them.

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Strategic and operational control**NOTES**

Strategic control is the process of taking into account the changing premises on which the strategy is based, continuously evaluating the strategy as it is being implemented and taking corrective actions to adjust the strategy to the new requirements. This process is necessary because there is a time lag between strategy formulation and its implementation requiring changes in the strategic formulation itself.

Operational control is concerned with action or performance and is aimed at evaluating the performance of the organization as a whole or its different components. Operational control is used by almost every organization in some form or the other.

Harold Koontz et al. have given the difference between strategic and operation control which is shown in the Table 3.2.

Table 3.2 Difference between Strategic and Operational Control

Factors	Strategic Control	Operational Control
1. Basic question	Are we moving in right direction?	How are we performing?
2. Aim	Proactive continuous questioning of the basic direction of the strategy	Allocation and use of organizational resources
3. Main concern	Steering the future direction of the organization	Action control

Source: Koontz Harold, Cyrill O'Donnell and Heiz Weihrich, *Management*. McGraw-Hill, New York, (1980).

Procedure

Procedures are plans which help establish methods for handling future activities. They prescribe basically the chronological sequences of action required to achieve an objective. It is a standing plan acting as a means of implementing a policy. For example the sales department lays down a policy to execute all orders within 48 hours. The procedure of execution of the orders will prescribe a sequence of steps that must be followed after the receipt of the order, till the dispatch of goods to the customer. These chronological series of steps or tasks constitute a procedure.

According to Terry and Franklin — ‘A procedure is a series of related tasks that make up the chronological sequence and the established way of performing the work to be accomplished’.

Procedures provide the guidelines for performing an action. They include how each task in the organization should take place, when it should take place and by whom it should to be performed.

Characteristics of a good procedure

Since procedures are the standing plans which can be used frequently in performing the work, these should be framed very carefully. Normally a procedure or set of procedures with the following characteristics contributes in a positive way to the organization:

1. A procedure should be based on adequate facts of the particular situation. It should be such that it does not hinder the efficiency of the organization.
2. A procedure should possess stability. A stable procedure provides continuity in the action and people get well-versed with the system.
3. Flexibility of a procedure is desirable in order to cope with a crisis or emergency. Therefore, a balance should be maintained between the stability and flexibility of the procedure.
4. There should be a continuous review of the procedures so that their utility is ascertained.
5. The procedures should small otherwise they become more important than the results themselves.

Advantages of procedure

A procedure has the following advantages:

- It ensures uniformity of action.
- It decreases the need for further decision-making by laying down a standard path to follow.
- It increases coordination among the personnel in the organization and its departments.
- It provides a good standard for the manager to appraise his employees.
- It is an important aid for communication because they communicate the steps to be followed to complete a particular piece of work.
- It often leads to the simplification of the work flow and elimination of unnecessary steps.
- It ensures uniformity and consistency of action under recurring situations.

Disadvantages of procedures

- A procedure lays down the fixed way of doing a particular job and thus creativity is lost.
- They bring about rigidity in the performance of operations.
- They need to be reviewed and updated constantly.
- They discourage the search for any improvement.

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3.3 FACTORS IN HRP

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Some of the steps that may be taken to improve the effectiveness of HRP are as follows:

- **Objectives:** The HR plan must fit in with the overall objectives of the organization. Important aspects, such as working conditions, human relationships, etc., must be kept in mind while developing the plan. The HR plan should be balanced with the corporate plan of the enterprise. The methods and techniques used should fit the objectives, strategies and environment of the particular organization.
- **Top management support:** The plan must meet the changing needs of the organization and should enjoy consistent support from top management. Before starting the HRP process, the support and commitment of top management should be ensured. Moreover, the exercise should be carried out within the limits of the budget. There is no use formulating plans which cannot be implemented due to financial constraints.
- **Appropriate time horizon:** The period of a HRP should be appropriate to the needs and circumstances of the specific enterprise. The size and structure of the enterprise as well as the changing aspirations of the people should be taken into consideration.
- **Manpower inventory:** The quantity and quality of human resources should be stressed in a balanced manner. The emphasis should be on filling future vacancies with the right people rather than merely matching existing people with existing jobs. The organization must have an up-to-date employee skills inventory showing previous jobs held, tenure on current job, educational and training qualifications, specific knowledge and skills, prior work performance, past and current compensation and mobility factors. The Markov analysis (an approach to forecast the internal supply of manpower tracking past patterns of personnel movements) may be pressed into service while preparing the manpower inventory. Upward mobility of existing staff needs to be considered carefully.
- **Human resource information system:** An adequate database should be developed for human resources to facilitate HRP. To manage employee skills inventories, organizations should maintain computerized human resource information systems containing data on: individuals, demographics, career progression, appraisals and skills.

Check Your Progress

1. Define human resource planning.
2. State one benefit of HR planning.
3. What is demand forecasting?
4. Mention one limitation of HR planning.
5. Why is strategic control needed?

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3.4 ANSWERS TO CHECK YOUR PROGRESS QUESTIONS

1. Human resource planning is the process of assessing the organization's human resources needs in the light of organizational goals and making plans to ensure that a competent, stable workforce is employed.
2. Planning defines future manpower needs and this becomes the basis of recruiting and developing personnel.
3. Demand forecasting means forecasting the overall HR requirements in accordance with the organizational plans.
4. Technological changes and market fluctuations are uncertainties, which serve as constraints to HR planning.
5. Strategic control is necessary because there is a time lag between strategy formulation and its implementation requiring changes in the strategic formulation itself.

3.5 SUMMARY

- Human resource planning is the predetermination of the future course of action chosen from a number of alternative courses of action for procuring, developing, managing, motivating, compensating, career planning, succession planning and separating the human element of enterprise.
- According to Geisler, 'HR planning is the process (including forecasting, developing and controlling) by which a firm ensures that it has the right number of people and the right kind of people at the right places at the right time doing work for which they are economically most useful.'
- HR planning is a highly important and useful activity. Without clear-cut planning, an estimation of the organization's human resource needs is reduced to mere guesswork.

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- Change in technology has attached more importance to knowledge and skill resulting in surplus manpower in some areas and shortage in other areas. HR planning helps in creating a balance in such a situation.
- Before undertaking the HR planning of an organization, the short-term and long-term objectives should be analysed.
- The process of HR planning should start with analysing the organizational plans and programmes.
- The existing job design and analysis may be reviewed thoroughly keeping in view the future capabilities, knowledge and skills of present employees.
- After determining the number of personnel for each job in the organization, the HR department has to spell out the job description and job specification.
- Manpower or HR as a factor of production differs from other factors of production.
- HR planning involves forecasting the demand for and supply of HR. Projecting manpower needs over a period of time is a risky task.
- Technological changes and market fluctuations are uncertainties, which serve as constraints to HR planning.
- The plan must meet the changing needs of the organization and should enjoy consistent support from top management.
- An adequate database should be developed for HR to facilitate HR planning.
- A separate manpower planning division must be created, especially in large organizations to coordinate manpower planning exercise at various levels.
- HR planning is the responsibility of the personnel department.
- The department has to recommend relevant personnel policies in respect of HR planning, devise methods and procedures and determine the quantitative aspects of HR planning.
- The success of HRM lies in its flexibility in reorienting itself in tune with the changing internal and external forces of the organizations.
- Strategic control is the process of taking into account the changing premises on which the strategy is based, continuously evaluating the strategy as it is being implemented and taking corrective actions to adjust the strategy to the new requirements.

3.6 KEY WORDS

- **Employee:** It refers to a person employed for wages or salary, especially at non-executive level.
- **Manpower:** It is the number of people working or available for work or service.
- **Compensation:** It refers to something, typically money, awarded to someone in recognition of loss, suffering, or injury.

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3.7 SELF ASSESSMENT QUESTIONS AND EXERCISES

Short Answer Questions

1. State the characteristics and objectives of HR planning.
2. Why is HR planning important?
3. Discuss the limitations of HR planning.
4. Who is responsible for HR planning?

Long Answer Questions

1. Discuss the process of HR planning in detail. What are the advantages of HR planning programmes?
2. What is the role of HR strategy in strategic management? Discuss the various types of HRM strategies.
3. What are procedures? Explain the characteristics of a good procedure. Also discuss the advantages and disadvantages of procedures.
4. Discuss some of the steps that may be taken to improve the effectiveness of HRP.

3.8 FURTHER READINGS

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UNIT 4 JOB ANALYSIS AND DESIGN

NOTES

Structure

- 4.0 Introduction
- 4.1 Objectives
- 4.2 Job Analysis and Job Design
- 4.3 Job Description
- 4.4 Job Specification
- 4.5 Answers to Check Your Progress Questions
- 4.6 Summary
- 4.7 Key Words
- 4.8 Self Assessment Questions and Exercises
- 4.9 Further Readings

4.0 INTRODUCTION

Job analysis is the process by means of which a description of the methods and procedures of doing a job, the physical conditions under which the job is done and the relation of the job to other jobs and conditions of employment are developed. The first outcome of a job analysis is a job description. The job description defines the scope of a job, its major responsibilities as well as its positioning in the organization. Recruitment is another critical HR function. It is the process of identifying qualified and skilled persons for actual or anticipated vacancies in organizations. It is important for organizations to have a recruitment policy. Selection can be of two kinds — internal or external. It is the process of selecting a certain number of people, from a large number of applicants, who are most likely to perform their jobs with maximum effectiveness and remain with the company. After selecting a candidate, he/she should be placed in a suitable job. Placement is an important HR activity and involves assigning a specific rank and responsibility to an employee.

This unit covers the fundamentals of job analysis, job description and job specification.

4.1 OBJECTIVES

After going through this unit, you will be able to:

- Discuss the role and uses of job analysis and job design
- Explain the components and uses of job description
- Describe how to write a job description
- Analyse job specification

4.2 JOB ANALYSIS AND JOB DESIGN

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Job analysis is the process through which a description is developed of the present methods and procedures of doing a job, physical conditions in which the job is done, relation of the job with other jobs, and other conditions of employment. The purpose of job analysis is not to describe the ideal but to show the management how at the moment the constituent parts of its business are being carried out. Thus, job analysis helps in the development of the present method and procedure of doing a job, the physical conditions in which it is done the relation of the job with other jobs and other conditions of employment.

Uses of Job Analysis

Job analysis is of fundamental importance to manpower management programme. The following are the possible uses of job analysis:

- (i) *Provides complete knowledge of the job:* It provides complete knowledge about the job. Therefore, it is helpful in organizational planning.
- (ii) *Helps in recruitment and selection:* By indicating the specific requirements of each job, job analysis provides a realistic basis for recruitment and selection of employees. It is the best means of discovering the essential traits and personal characteristics leading to success or failure on the job.
- (iii) *Establishes a base for compensation of employees:* By indicating the qualifications required for doing a specified job and the risk and hazards involved in doing a job, job analysis helps in establishing a basis for compensation. It precedes job evaluation that measures the worth of jobs within the organization for the purpose of establishing a base for wages. A satisfactory evaluation of jobs is not possible without a comprehensive job analysis.
- (iv) *Job re-engineering:* Job analysis provides information that enables us to change jobs in order to permit their being manned by personnel with specific characteristics and qualifications. It helps to rearrange the work flow and to revise existing procedure.
- (v) *Employee development:* Job analysis provides the necessary information for employee development. When considering an employee for promotion, it may facilitate his easy consideration for the job.
- (vi) *Performance appraisal:* Job analysis helps in establishing clear-cut standards. This helps the employees as they can know what is expected of them. It also helps the managers to appraise the performance of their subordinates.

- (vii) *Training*: Job analysis reveals the required skills and knowledge for doing a job. This helps in providing suitable training for the workers by determining the content and subject matter for the training course.

Role analysis and Job design

Role Analysis is the process whereby information related to the requirements of various roles is collected, analysed and recorded to form the basis of a role profile. Role analysis focuses on what is expected of the role holders, that is, what they are expected to know and how they are expected to perform. As the name suggests, role analysis has the concept of a role at its core. Role here, refers to the part people play in fulfilling the objectives of their work through efficient operation. It also includes the manner in which people are able to perform with sufficient flexibility in keeping with the structure, goals and processes of the organization.

In case of a job, no matter who the job holder is, his/her responsibilities and duties are fixed. Systematic analysis of roles and jobs is done to find out their relative size. This is referred to as job evaluation. The terms job evaluation and role evaluation are often used interchangeably.

Role analysis can be said to be a branch of job analysis and is generally done through interviews along with some competency analysis technique. Role analysis focusses on the identification of the KRA or key result areas. It helps define the behavioural and occupational competencies that job holders must possess and their importance in smooth operations. It analyses the relationship of the job holders with their team members, team leaders, clients, suppliers and all those they are required to deal with outside the organization. Role analysis helps to define the manner in which job holders fit into the structure of the organization, the initiatives they are expected to take and the manner in which they set priorities.

Importance of role analysis in an organization

Role analysis and job evaluation are aimed at establishing the relative value or size of jobs or roles. It provides the relevant information for designing and maintaining equitable pay structures and grades. Role analysis helps to place roles and jobs within a grade structure in the most objective manner possible. It also facilitates consistent decisions regarding the grading of jobs or roles to ensure that the organization fulfills the ethical requirements with regard to pay. Role analysis helps organizations avoid discrimination on the basis of sex, religion, disability or race.

Advantages of role analysis

- It allows judgements about relative size of job and gradings to be made objectively.

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- Judgements can be made on the basis of facts without relying on opinions.
- It allows evaluation of the job and not the person.
- Evaluations ignore the job holder's personal characteristics.
- Evaluations do not directly take into consideration the volume of work.
- Role analysis does not take into account market rates.

Management in various organizations, work at different levels along with their subordinates to identify goals and set objectives that are consistent with the goals of the organization. They work hand-in-hand to achieve these organizational goals.

Measurement of performance is done against objectives and deviations are discussed. The existing objectives are reviewed by superiors as well as subordinates and new objectives are defined following discussions on deviations. Management by objectives or MBO is a self-evaluation technique wherein the process of setting goals is extremely participative.

MBO is essentially a method of self-evaluation. Goal-setting is a highly participative process with self-established role prescriptions. Since job analysis does not cover all the activities of tasks performed by the seniors and subordinates under MBO, here, role analysis is preferred to cover the task performed under MBO programmes by the employees.

In view of the criticism against job analysis, Edwin B Flippo was of the opinion that role analysis should include the different roles played by an employee. A role would comprise the job holder's pattern of expected behaviour, interactions as well as sentiments. The concept of role goes beyond that of a job. Usually, a job holder is expected to play different roles in the process of discharging his duties. A manager, for instance, is expected to also act as an individual who protects the interests of subordinates. The subordinates, in the same way, are expected to work towards maximizing sales/profits/ productivity. At times, employees are expected to play various roles, informally. Such roles are not included in job analysis.

In a boundary spanning job, the incumbent is assigned the task of dealing with an element of the outer environment. Employees holding boundary spanning jobs, such as personnel managers, are required to interact with trade union leaders, government officers, management associations, etc. Therefore, they are required to possess verbal skills, a certain degree of sensitivity to the values of external individuals and employees, counselling skills and interpersonal relations. The personnel manager, therefore, plays many different roles—roles that conflict with one another, roles that are in addition to the personnel manager's duties as outlined in the job description.

Therefore, in modern organizations, the job designers try to take into account the concept of role analysis while designing jobs.

MBO with regards to HR forms the basis for performance appraisal and at the end of the specified period performance evaluation. The superior in setting up the objectives tries to include all possible roles of the incumbent. MBO is a broader term for an organization and even overall strategy for short term and long term formulated by the directors also covered by this. In this article we have discussed the MBO in relation to superior and incumbent in their work-related area.

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Check Your Progress

1. State one use of job analysis.
2. Define role analysis.

4.3 JOB DESCRIPTION

Job description is an important document, which is basically descriptive in nature and contains a statement of job analysis. It provides both organizational information (location in structure, authority, etc.) and functional information (what the work is). It defines the scope of job activities, major responsibilities and the positioning of the job in the organization. It provides the worker, analyst and supervisor with a clear idea of what the worker must do to meet the demands of the job.

Job description is different from performance assessment. The former is concerned with functions such as planning, coordinating and assigning responsibility; while the latter is concerned with the quality of performance itself. Though job description is not assessment, it provides an important basis for establishing assessment standards and objectives.

Job description describes the 'jobs,' not the 'job holders.' The movement of employees due to promotion, quits, etc., would create instability to job descriptions if people rather than jobs are described.

Uses of Job Description

Job description has several uses, such as:

- (i) Preliminary drafts can be used as a basis for productive group discussion, particularly if the process starts at the executive level.
- (ii) It aids in the development of job specifications, which are useful in planning recruitment, in training and in hiring people with required skills.
- (iii) It can be used to orient new employees towards basic responsibilities and duties.

- (iv) It is a basic document used in developing performance standards.
- (v) It can be used for job evaluation, a wage and salary administration technique.

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A job description enables the manager to frame suitable questions to be asked during an interview. It is particularly helpful when the application form is used as a tool for eliminating unfit personnel. According to *Zerga*, a job description helps in:

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

Components or Contents of Job Description

A job description contains the following data:

- (i) *Job identification or organizational position* which includes the job title, alternative title, department, division, plant and code number of the job. The job title identifies and designates the job properly. The department, division, etc., indicate the name of the department where it is situated - whether it is the maintenance department, mechanical shop, etc. The location gives the name of the place. This portion of job description gives answers to two important questions: to what higher level job is this job accountable; and who is supervised directly?
- (ii) *Job summary* serves two important purposes. First, it provides a short definition which is useful as an additional identification information

when a job title is not adequate. Second, it serves as a summary to orient the reader towards an understanding of detailed information which follows. It gives the reader a ‘quick capsule explanation’ of the content of a job usually in one or two sentences.

- (iii) *Job duties and responsibilities* give a comprehensive listing of the duties together with some indication of the frequency of occurrence or percentage of time devoted to each major duty. It is regarded as the heart of a job. It tells us what needs to be done, how it should be done, and why it should be done. It also describes the responsibilities related to the custody of money, the supervision of workers and the training of subordinates.
- (iv) *Relation to other jobs*: This helps to locate the job in the organization by indicating the job immediately below or above it in the job hierarchy. It also gives an idea of the vertical relationships of work flow and procedures.
- (v) *Supervision*: Under it is given the number of persons to be supervised along with their job titles, and the extent of supervision involved — general, intermediate or close supervision.
- (vi) *Machine, tools and equipment* define each major type or trade name of the machines and tools and the raw materials used,
- (vii) *Working conditions* usually give information about the environment in which a job holder must work. These include cold, heat, dust, wetness, moisture, fumes, odor, oily conditions, etc. present inside the organization.
- (viii) *Hazards* give us the nature of risks to life and limb, their possibilities of occurrence, etc.

Writing a Job Description

Opinions differ on how to write job descriptions. Some experts are of the view that these should be written in detail and in terms of workflow. Others feel that these should be written in terms of goals or results to be achieved, in other words as performance standards (or what is popularly known as ‘management by objectives’). The prevalent thinking is that job descriptions should be written in terms of duties and responsibilities, i.e., in terms of functions performed.

Job descriptions are written by the personnel department or its representatives.

Although there is no set way of writing a job description, the following pattern is fairly typical, and used by many companies:

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- (i) A paragraph is allocated to each major task or responsibility.
- (ii) Paragraphs are numbered and arranged in a logical order, task sequence or importance.
- (iii) Sentences are begun with an active verb, e.g., 'types letters', 'interviews the candidates', 'collects, sorts out, routes and distributes mail.'
- (iv) Accuracy and simplicity are emphasized rather than an elegant style.
- (v) Brevity is usually considered to be important but is largely conditioned by the type of job being analysed and the need for accuracy.
- (vi) Examples of work performed are often quoted and are useful in making the job description explicit.
- (vii) Job descriptions, particularly when they are used as bases for training, often incorporate details of the faults which may be encountered in operator tasks and safety check-points.
- (viii) Statements of opinion, such as 'dangerous situations are encountered', should be avoided.
- (ix) When job descriptions are written for supervisory jobs, the main factors (such as, manning, cost control, etc.) are identified and listed. Each factor is then broken down into a series of elements with a note on the supervisor's responsibility.

The British Institute of Management publication adds four more guidelines:

- (i) Give a clear, concise and readily understandable picture of the whole job.
- (ii) Describe in sufficient detail each of the main duties and responsibilities.
- (iii) Indicate the extent of direction received and supervision given.
- (iv) Ensure that a new employee understands the job if he reads the job description.

Limitations of Job Description

In any use of job descriptions, it should be remembered that these descriptions are not perfect reflections of the job. 'The object of a job description is to differentiate it from other jobs and set its outer limits.' Further, executives tend to carry work patterns with them into new jobs, thus modifying the job drastically.

To avoid such problems, care must be exercised in writing a job description to make it as accurate as possible, and at the managerial or professional level, it should be reviewed and discussed after the job. Jobs tend to be dynamic, not static, and a job description can quickly go out of date. Therefore, a job should be constantly revised and kept up-to-date and the personnel and other departmental heads should be apprised of any changes.

4.4 JOB SPECIFICATION

Job specification states the bare minimum acceptable qualities important to job performance satisfactorily. Making job description as its base, it lays down the abilities and qualities that a worker should possess in order to hold the job in question. Job specifications translate the job description into terms of the human qualifications which are required for a successful performance of a job. A job specification or man specification is a statement of the minimum acceptable human qualities necessary to perform a job satisfactorily. It tells what kind of person to recruit and for what qualities that person should be tested. These specifications relate to:

- (i) *Physical characteristics*: height, weight, vision, voice, etc.
- (ii) *Personal characteristics*: emotional stability, good and pleasing manners, skill in dealing with others, etc.
- (iii) *Psychological characteristics*: analytical ability, mental concentration and alertness, mechanical aptitude, etc.
- (iv) *Responsibilities*: responsibility for the safety of others, responsibility for generating confidence and trust, etc.
- (v) *Demographic characteristics*: age, sex, education, experience, etc.

Job specifications are based on the opinion of supervisors and personnel managers. It should be remembered that preparing a complete and correct job specification is relatively difficult as compared with preparing a correct job description. There is always considerable disagreement concerning the human requirement for work. Further, there is also a difference of opinion on whether a requirement should be 'mandatory' or 'desirable'.

Hotel Manjuran

Old Port Road, Bunder, Mangalore - 575 001

Education Qualification: School leaving certificate like SSC, SSLC Class X or equivalent

Experience: At least 2 years in similar position in starred hotels

Skill, Knowledge and Abilities

Skill: Glass work cleaning, use of mechanical cleaner/polisher procedure for cleaning plastic signs, use of menu, how to change menus

Social Skills: Diplomacy (problems of interruption by guests), liaison with maintenance department, liaison with staff.

Abilities: Ability to have light conversation with guests in English and local language.

Knowledge: Stores indent procedures, recognition of electrical faults on signs, current guest list, and staff currently employed.

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Work Orientation Factors: Position may require standing up to 30% of work timings

Age: Preferably below 28 years

Educational Qualification: MBA with specialization in HRM or MA in Industrial Psychology or MSW with specialization in labour welfare.

Desirable: A degree or diploma in Labour Law.

Experience: At least 3 years experience in a large manufacturing company.

Skill: Skill in conducting job analysis interview, making group presentations, writing job description, conducting exit interviews to find out more about the deficiency in the present system.

Ability: Ability in conducting meetings with departmental heads, prioritize work and to put forth views in a convincing manner.

Knowledge: Knowledge of compensation practices in competing industries, procedure of compensation survey techniques, analysing performance appraisal systems, conducting job analysis procedures.

Work Orientation Factors: The position may require travelling extensively from the place of work to an extent of at least 15% of the work time.

Age: Preferably between the age of 35 and 45 years.

Check Your Progress

3. What is job description?
4. Who writes job descriptions?

4.5 ANSWERS TO CHECK YOUR PROGRESS QUESTIONS

1. Job analysis provides complete knowledge about the job. Therefore, it is helpful in organizational planning.
2. Role analysis is the process whereby information related to the requirements of various roles is collected, analysed and recorded to form the basis of a role profile.
3. Job description is an important document, which is basically descriptive in nature and contains a statement of job analysis.
4. Job descriptions are written by the personnel department or its representatives.

4.6 SUMMARY

- Job analysis is the process through which a description is developed of the present methods and procedures of doing a job, physical conditions

in which the job is done, relation of the job with other jobs, and other conditions of employment.

- The purpose of job analysis is not to describe the ideal but to show the management how at the moment the constituent parts of its business are being carried out.
- By indicating the specific requirements of each job, job analysis provides a realistic basis for recruitment and selection of employees.
- Role analysis is the process whereby information related to the requirements of various roles is collected, analysed and recorded to form the basis of a role profile.
- Role here, refers to the part people play in fulfilling the objectives of their work through efficient operation.
- Role analysis focusses on the identification of the KRA or key result areas.
- Role analysis and job evaluation are aimed at establishing the relative value or size of jobs or roles.
- Management by objectives or MBO is a self-evaluation technique wherein the process of setting goals is extremely participative
- Job description describes the ‘jobs,’ not the ‘job holders.’ The movement of employees due to promotion, quits, etc., would create instability to job descriptions if people rather than jobs are described.
- Job descriptions are written by the personnel department or its representatives.
- In any use of job descriptions, it should be remembered that these descriptions are not perfect reflections of the job.
- ‘The object of a job description is to differentiate it from other jobs and set its outer limits.’
- Job specification states the bare minimum acceptable qualities important to job performance satisfactorily.
- A job specification or man specification is a statement of the minimum acceptable human qualities necessary to perform a job satisfactorily.
- Job specifications are based on the opinion of supervisors and personnel managers.
- It should be remembered that preparing a complete and correct job specification is relatively difficult as compared with preparing a correct job description.

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4.7 KEY WORDS

- **Assessment:** It is the action of assessing someone or something.
- **Manager:** It refers to a person responsible for controlling or administering an organization or group of staff.
- **Job:** It refers to a paid position of regular employment.
- **Salary:** It is a fixed regular payment, typically paid on a monthly basis but often expressed as an annual sum, made by an employer to an employee, especially a professional or white-collar worker.
- **Subordinate:** It refers to a person under the authority or control of another within an organization.

4.8 SELF ASSESSMENT QUESTIONS AND EXERCISES

Short Answer Questions

1. What is job analysis and what are its uses?
2. Briefly discuss the meaning and uses of job description.
3. What are the limitations of job description?
4. Write a detailed note on job specification.

Long Answer Questions

1. Discuss the importance of role analysis in an organization. What are its advantages?
2. What are the components of job description?
3. Write a detailed note on how to write a job description.

4.9 FURTHER READINGS

- Venkataraman, C.S. & B. K. Srivastava. 1991. *Personnel Management and Human Resources*. Tata McGraw Hill.
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BLOCK - II

EMPLOYEE SELECTION AND TRAINING

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UNIT 5 RECRUITMENT

Structure

- 5.0 Introduction
- 5.1 Objectives
- 5.2 Recruitment: Concept, Factors and Types
- 5.3 Answers to Check Your Progress Questions
- 5.4 Summary
- 5.5 Key Words
- 5.6 Self Assessment Questions and Exercises
- 5.7 Further Readings

5.0 INTRODUCTION

In the previous unit, you studied the meaning, objectives, importance and process of human resource planning. Apart from this, you also gathered valuable information about job analysis and job design. In this unit, you will learn about the recruitment techniques. Recruitment plays a vital role in the planning function of the human resource of any organization and their capability to compete. There are two sources of recruitment; internal sources and external sources. Human resources of high proficiency are positioned at appropriate levels within an organization. The recruitment process is aimed at achieving a specific number and quality of workforce. This workforce is capable of supporting the organization for achieving its goals and objectives. As an extension of the same goal, recruitment helps in the creation of a team of prospective candidates for the company. From this group, the management can make a selection of a suitable employee for the appropriate vacancy.

5.1 OBJECTIVES

After going through this unit, you will be able to:

- Discuss the concept of recruitment
- Explain the factors affecting recruitment
- Describe the types of recruitment

5.2 RECRUITMENT: CONCEPT, FACTORS AND TYPES

If the HR department fails to identify the quality and the number of persons to be recruited and also fails to procure the services of persons with required qualifications, skill and calibre continuously, a time may come ultimately when all the qualified persons have retired, and no qualified person remains in the organization. Therefore, the importance of recruitment and selection of the right type of persons at the right time is indispensable to the organization.

Meaning and Definitions

Recruitment is a process designed to attract a qualified pool of job applicants to the organization. It is important to ensure that there is compatibility between the job and the applicant. Before the recruitment efforts begin, the requirements for the jobs to be filled must be clearly specified. These requirements can be established by job analysis, job descriptions and job specifications.

Job analysis, as you have already learned in the previous unit, is an orderly study of job requirements and involves systematic investigation relating to the operations and responsibilities including knowledge, skills and abilities required for the successful performance of a job. The information collected includes work activity as to what is being done, nature of the physical environment, type of equipment and tools used, performance standards and personal attributes of the worker such as skills, training, experience and so on. Job analysis forms the basis for job description and job specification.

You have also learned in the previous unit that job descriptions are written statements that outline the duties and responsibilities involved in performing jobs. It is a tangible outcome of job analysis as to 'who does what, when, where, how and why.' A job description generally contains information which includes job identification, brief summary of the type of job, duties performed, type of machinery handled, working conditions and so on. Job descriptions clearly communicate to workers as to what they are required to do, and this reduces confusion and misunderstanding.

Job specifications define the characteristics of the individuals who should be hired for the job. These specifications relate to:

- **Physical characteristics:** These include general health, height and weight, vision, endurance level, hearing, colour discrimination, reflexes, motor coordination and so on.
- **Psychological characteristics:** These include mental dexterity, emotional stability, maturity, patience, aggressiveness, outgoing

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nature, poise, initiative, drive, leadership qualities, cooperative spirit, conversational ability and so on.

- **Responsibility:** This involves supervision of others, responsibility for safety of others and so on.
- **Other characteristics:** These may be, for the record, age, sex, education, experience, training required, fluency in languages and other sensory demands such as sense of sight, smell or hearing.

Once a complete job analysis has been completed and manpower needs have been determined, then management can begin the recruitment process. The recruitment may be internal to the organization or the prospective candidates can be drawn from outside sources. To what extent the internal sources or external sources for recruitment would be used would depend upon the specific environment of the organization as well as its philosophy of operations. Some companies prefer to promote from within for key positions because these persons know the company well. Others prefer to hire from outside because the outside personnel do not know the company so that they can bring some new and fresh ideas into the company.

According to Flippo, recruitment is ‘a process of searching for prospective employees and stimulating and encouraging them to apply for jobs in an organization’.

In the words of Mamoria, ‘Recruiting is the discovering of potential applicants for actual or anticipated organizational vacancies’.

Types and Processes of Recruitment

Basically, the sources of recruitment are of two types: internal and external.

Internal Sources

Internal sources include personnel already on the pay roll of an organization. Filling a vacancy from internal sources by promoting people has the advantages of increasing the general level of morale of existing employees and of providing to the company more reliable information about the candidate. Internal sources include promotions, transfers, and response of employees to notified vacancy. Employee referrals and former employees also constitute the internal sources of recruitment. Let us discuss these five types of sources.

1. Promotions

Promotions from among present employees can be a good source of recruitment. To be effective, promotion requires using job posting, personnel records and skill banks. Job posting means notifying vacant positions by announcing at staff meetings, posting notices and inviting employees to apply to notified vacancies. Examining personnel records may help in identifying talented employees for higher positions. Skill banks are a list of

employees who have specific skills. Promotions have several advantages for the organization as well as its employees, such as:

- It builds morale among employees as organizations consider them for higher positions.
- It is cheaper than going for outside sources.
- Internal employees are familiar with the organizations.
- Promotion when carefully planned acts as a training device for developing employees for higher level jobs.
- It improves the probability of a good selection since the person is already known to the organization.
- It encourages competent individuals who are ambitious.

Here it should be noted that promotions can be dysfunctional to organizations as the advantage of hiring outsiders who may be better qualified and skilled is denied. Promotion also results in inbreeding and discourages new blood from entering the organization which is not good for it.

2. Transfers

A transfer is a change in job assignment. It does not involve a change in responsibility and status. A movement of an employee between equivalent positions at periodical intervals is called as 'transfer'. A transfer, therefore, does not involve a change of responsibility or compensation. Transfers are normally made to place employees in positions where they are likely to be more effective or where they are likely to get greater job satisfaction. Transfers are often important in providing employees with a broad-based view of the organization.

3. Response of employees to notified vacancies

Employees who are qualified but are doing jobs below their educational qualifications or skill level may respond to notified vacancies. This practice is not followed for senior positions which are generally filled with people hired from outside. When employees respond to notified vacancies, examining personnel records is desirable. It helps to track persons who have the potential for further training or those who have the right background for the vacant positions.

4. Employee referrals

Employee referrals can also be treated as a good source of internal recruitment. This source is usually one of the most effective methods of recruiting because many qualified people are reached at a very low cost to the company. Therefore, when vacancies are notified it is also necessary to bring this information to the employees by posting notices, circulating publications or announcing job vacancies at staff meetings. In an organization with large

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number of employees, this approach can provide quite a large pool of potential organization members.

Employee referrals can help employees to develop good prospects to their family members, friends and can induce them to apply for vacancies in the organizations. Most employees know from their own experience about the requirements of the job and what sort of persons the company is looking for. Often employees have friends or acquaintances who meet these requirements.

5. Former employees

Former employees can include those who have worked on part-time basis and now desire to work on a full-time employment, retired employees or those who have left the company for some reason but are now willing to come back and work. Former employees are a good internal source of recruitment. They have the advantage of knowing the organization, which, in turn, know the performance of these people.

Merits of internal sources of recruitment

The merits of internal sources of recruitment are as follows:

- They absorb people already acquainted with the company culture.
- They provide tried and tested people on whom the company can depend.
- They are a useful signal to employees that assures them that their services are recognized, which helps in maintaining their motivation and morale.
- They reduce labour turnover as it gives employees a sense of job security and opportunity for advancement.
- They minimize job training.
- They are less costly than the other sources of recruitment.

Demerits of internal sources of recruitment

Internal sources of recruitment suffer from certain constraints that are as follows:

- They limit the choice to a few employees only.
- The likes and dislikes of the superiors play an important role in the selection of an employee.
- They create frustration among the unselected employees.

External Sources

External sources lie outside the organization. There are seven external sources of recruitment, which are discussed as follows:

1. Advertisements

Advertising in newspapers, trade journals and magazines is the most frequently used method. In order to be successful, an advertisement should be carefully written. If it is not properly written, it may not draw the right type of applicants or it may attract too many applicants who are not qualified for the job.

2. Employment exchanges

An employment exchange is an office set up for bringing together as quickly as possible candidates searching for employment and employees looking for prospective employees. The main functions of employment exchanges are registering job seekers and their placement in notified vacancies.

3. Campus recruitment

Sometimes, recruiters are sent to educational institutions where they meet the placement officer or the faculty members who recommend suitable candidates. This system is prevalent in USA where campus recruitment is a major source. However, today the idea of campus recruitment has slowly caught up the fancy of Indian employers too.

4. Unsolicited applicants

Unsolicited applicants are another source. Some candidates send in their applications without any invitation from the organization.

5. Labour contractors

Many organizations employ labour contractors to hire workers. This method is usually resorted to when the work is of a temporary nature.

6. Employee referrals

Friends and relatives of present employees are also a good source from which employees may be drawn.

7. Field trips

An interviewing team makes trips to towns and cities, which are known to contain the kinds of employees required. In this method of recruitment, carefully prepared brochures describing the organization and the job it offers are distributed to the candidates before the interviewer arrives. The arrival dates and the time and venue of interview are given to the candidates in advance.

8. Web recruitment

In accordance with the research by the Society for Human Resource Management, the Internet is used by 96 per cent of all job seekers. This makes it

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the most commonly used mode of searching. On the other hand, Internet is used by 88 per cent of recruiters to advertise for new opportunities and vacancies. This approach is considered cheaper, faster and highly efficient by firms and candidates. Applicants can make use of a number of websites that can be availed on the Internet, for this purpose. The applicants can make use of these websites for submitting their resumes and similarly, prospective employers can check these resumes for candidates who may suite their requirements. These websites also have a system to match the requirements with the skills of the candidates. Recently, firms have found it more convenient and effective to construct their own websites, wherein they advertise the job vacancies. Websites prove to be speedy, convenient and cost-effective for applicants who use the Internet to submit their resumes. The resumes are then converted into a standard format that uses the software to make a short list of candidates. This is in accordance with the set criteria such as qualifications, experiences, etc. The requirements are furnished by the HR department which also generates the profiles of candidates from the company's database.

- **Recruitment alternatives:** Recruiting sources are equipped for locating and hiring full-time and permanent employees. Nevertheless, economic facts, combined with the trends of management such as rightsizing, have caused the emergence of slightly different focus. A large majority of companies is presently hiring temporary employees, leased employees and are using independent contractors.
- **Temporary help service:** This proves to be valuable when meeting short-term fluctuations in the need for human resource management. Temporary employees prove to be specifically. Though they are traditional in their way of handling office administration, yet temporary staffing services have expanded to a broad range of skills. It is possible to hire temporary computer programmers, accountants, technicians, administrative assistants, etc.
- **Leased employees:** Leased employees tend to be with a firm for a long time. They work and are employed with the organization in accordance with a leasing arrangement. If a firm is on the lookout for employees who are specifically skilled, it gets in touch with leasing firms. These firms cater them with leased employees. Leased employees are trained well. The leasing firm screens them, as required and gives them proper training. They are assigned to organizations with absolute guarantee. In case a leased employee does not perform, the organization is given a replacement, or the paid fee is returned. This is also beneficial to the employee who is being leased. There are a few workers who like their lives to be flexible. When they are on lease, it allows them the choice to work at their convenience and for as long as they desire.
- **Independent contractors:** Independent contracting is an alternative method of recruitment. Firms may prefer hiring of independent

contractors for specific jobs that are located within or outside its premises. The system of independent contracting is beneficial for the organization as well as for the worker. In this case, the worker is different from an employee, since it is more economic for the company with full or part-time employees, in terms of social security schemes such as provident fund, insurance, gratuity, etc. In addition, this is also a good way to keep ideal workers in association with the firm. If an individual is allowed the freedom to work from home, as per his convenience of time, it is beneficial to both, the firm and the individual.

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9. Employment exchange

Employment exchange is also an important external source of recruitment.

The Employment Exchanges (Compulsory Notification of Vacancies) Act was enacted in 1959 to provide for compulsory notification of vacancies to the Employment Exchanges and for the rendition of returns relating to Employment situation by the employers. This act came into force with effect from 1st May 1960.

All Establishments in public sector and such establishments in private sector excluding agriculture, where ordinarily 25 or more persons are employed come within the purview of the Act. These establishments are required to notify all vacancies (other than those exempted) to the appropriate Employment Exchange as notified in the official Gazette by the State Government in the prescribed format.

This Act will not apply to vacancies in any employment in agriculture (including horticulture), domestic service, unskilled office work, employment connected with the staff of parliament, and if the total duration of the vacancies are less than three months.

The establishments are also required to render quarterly employment return in Form ERI for every quarter ending 31st March, 30th June, 30th September and 31st December and biennial occupational return in Form ER-II once in two years viz., by private sector in odd years and by public sector in even years.

As per the provisions of this Act, persons authorized by the Government shall have access to any relevant records of the employer. They are also empowered to inspect or take copies of relevant records or document. Penal provision of imposition of fine for any offence has been made for violation for various provisions of this act.

Merits of external sources of recruitment

The merits of the recruitments using external sources are as follows:

- Fresh talent and skill come into the organization.
- New employees may try to change old habits.

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- New employees may be selected at the latest terms and conditions of the organization.
- Highly qualified and experienced employees may help the organization to boost performance.
- Since persons are recruited from a large market, the best selection can be made. In other words, the recruiter has a wide range of candidates to choose from.
- They provide the requisite type of personnel having the required skill and standard.

Demerits of external sources of recruitment

The constraints of recruitments using external sources are as follows:

- They reduce the morale of existing employees because outsiders are preferred to fill up superior vacancies.
- They deny carrier advancement for existing employees.
- Proper evaluation may not be possible due to the time constraint resulting in faulty selection.
- Outsiders not being acquainted with the policies and procedures of the organization need training, before they can deliver.

From all this, we can conclude that there is no hard and fast rule whether the recruitment must be internally or externally or exclusive to each other. The best management policy regarding recruitment must be to first look within the organization and if no able talent is available, external sources may be looked at. To use the words of Koontz and O'Donnell 'The (recruitment) policy should be to 'raise' talent rather than 'raid' for it'.

Constraints

Some constraints might crop up while placing an employee on a job. These problems could include:

- Employee's expectations from the job are not matching with reality.
- Expectation from the employers are more than the employee's ability or skills.
- Technological changes might result in mismatch between the job and the employee.
- Change in the organizational structure may result in changes in the job. These changes result in a misfit between the employee and the job.

Recruitment Policy

A policy is a directive providing a continuous framework for executive actions on recurrent managerial problems. A policy assists decision-

making. However, deviations may be needed, as exceptions and under some extraordinary circumstances. Such a policy asserts the objectives of the recruitment and provides a framework of implementation of the recruitment programme in the form of procedures.

The essentials of policy formation may be listed as follows:

- It should be definite, positive and clear. Everyone in the organization should understand it.
- It should be translatable into practice.
- It should be flexible and at the same time should have a high degree of permanency.
- It should be formulated to care all reasonable anticipated conditions.
- It should be founded upon facts and sound judgements.
- It should conform to economic principles, statutes and regulations.
- It should be a general statement of the established rules.

Therefore, a well-considered and pre-planned recruitment policy, based on corporate goals and needs, may avoid hasty decisions and help the organization to appoint the right type of personnel.

According to Yoder, 'A recruitment policy may involve a commitment to broad principles such as filling vacancies with the best-qualified individuals... It may also involve the organization system to the developed for implementing recruitment programme and procedures to the employed'. Therefore, a recruitment policy involves a commitment by the organization to principles, such as:

- To find and employ the best qualified persons for each job
- To retain the best talent by offering life-time carriers
- To facilitate personal growth on the job

Conditions Necessary for a Good Recruitment Policy

A good recruitment policy must satisfy the following conditions:

- (i) **Organization's objectives:** A good recruitment policy should be in conformity with the organization's objectives. It must take into consideration the basic parameters for recruitment decisions.
- (ii) **Identification of recruitment needs:** A good recruitment policy should be flexible enough to meet the changing needs of an organization. The recruiters should prepare profiles for each category of workers and accordingly work out the employees' specifications.
- (iii) **Ensuring long term employment opportunities for its employees:** A good recruitment policy should be so designed by the organization as to ensure career growth for its employees on a long-term basis. It should help in developing the potentialities of employees.

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- (iv) **Preferred sources of recruitment:** A good recruitment policy should match the qualities of employees with the requirements of the work for which they are employed. The preferred sources of recruitment, which would be tapped by the organization for skilled or semi-skilled workers could be internal sources or employment exchanges, whereas for highly specialized managerial personnel, external sources could be preferred.

Check Your Progress

1. What is recruitment?
2. What is required to make promotions effective?
3. What is a transfer?
4. What do you understand by employment exchange?
5. Define what constitutes a good recruitment policy.

5.3 ANSWERS TO CHECK YOUR PROGRESS QUESTIONS

1. Recruitment is a process designed to attract a qualified pool of job applicants to the organization.
2. To be effective, promotion requires using job posting, personnel records and skill banks. Job posting means notifying vacant positions by announcing at staff meetings, posting notices and inviting employees to apply to notified vacancies.
3. A movement of an employee between equivalent positions at periodical intervals is called as 'transfer'.
4. An employment exchange is an office set up for bringing together as quickly as possible candidates searching for employment and employees looking for prospective employees.
5. A good recruitment policy should be in conformity with the organization's objectives. It must take into consideration the basic parameters for recruitment decisions.

5.4 SUMMARY

- Recruitment plays a vital role in the planning function of the human resource of any organization and their capability to compete.
- There are two sources of recruitment; internal sources and external sources.

- Human resources of high proficiency are positioned at appropriate levels within an organization.
- The recruitment process is aimed at achieving a specific number and quality of workforce.
- Selection, either internal or external, is a deliberate effort of organizations to select a fixed number of personnel from a large number of applicants.
- Recruitment is a process designed to attract a qualified pool of job applicants to the organization. It is important to ensure that there is compatibility between the job and the applicant.
- Once a complete job analysis has been completed and manpower needs have been determined, then management can begin the recruitment process.
- According to Flippo, recruitment is ‘a process of searching for prospective employees and stimulating and encouraging them to apply for jobs in an organization’.
- In the words of Mamoria, ‘Recruiting is the discovering of potential applicants for actual or anticipated organizational vacancies’.
- Internal sources include personnel already on the pay roll of an organization.
- Filling a vacancy from internal sources by promoting people has the advantages of increasing the general level of morale of existing employees and of providing to the company more reliable information about the candidate.
- Promotions from among present employees can be a good source of recruitment. To be effective, promotion requires using job posting, personnel records and skill banks.
- Here it should be noted that promotions can be dysfunctional to organizations as the advantage of hiring outsiders who may be better qualified and skilled is denied.
- Employee referrals can also be treated as a good source of internal recruitment. This source is usually one of the most effective methods of recruiting because many qualified people are reached at a very low cost to the company.
- An employment exchange is an office set up for bringing together as quickly as possible candidates searching for employment and employees looking for prospective employees.
- Many organizations employ labour contractors to hire workers. This method is usually resorted to when the work is of a temporary nature.

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- In accordance with the research by the Society for Human Resource Management, the Internet is used by 96 per cent of all job seekers.
- On the other hand, Internet is used by 88 per cent of recruiters to advertise for new opportunities and vacancies.
- Recently, firms have found it more convenient and effective to construct their own websites, wherein they advertise the job vacancies.
- Recruiting sources are equipped for locating and hiring full-time and permanent employees.
- However, a majority of companies are presently hiring temporary employees, leased employees and are using independent contractors.
- Leased employees tend to be with a firm for a long time. They work and are employed with the organization in accordance with a leasing arrangement.
- In case a leased employee does not perform, the organization is given a replacement, or the paid fee is returned.
- Independent contracting is an alternative method of recruitment.
- The system of independent contracting is beneficial for the organization as well as for the worker.
- The Employment Exchanges (Compulsory Notification of Vacancies) Act was enacted in 1959 to provide for compulsory notification of vacancies to the Employment Exchanges and for the rendition of returns relating to Employment situation by the employers.
- All Establishments in public sector and such establishments in private sector excluding agriculture, where ordinarily 25 or more persons are employed come within the purview of the Act.
- To use the words of Koontz and O'Donnell 'The (recruitment) policy should be to 'raise' talent rather than 'raid' for it'.
- A policy is a directive providing a continuous framework for executive actions on recurrent managerial problems.

5.5 KEY WORDS

- **Skill:** It is the ability and capacity acquired through deliberate, systematic, and sustained effort to smoothly and adaptively carryout complex activities or job functions
- **Applicant:** It refers to a person who makes a formal application for something, especially a job.

- **Referral:** It is a program where in employees refers their own friends, ex-colleagues, college batchmates or acquaintances for recruitment in the company where they work.

5.6 SELF ASSESSMENT QUESTIONS AND EXERCISES

Short Answer Questions

1. Discuss the meaning of recruitment by means of various definitions given in the unit.
2. What are the merits and demerits of internal sources of recruitment?
3. Write a short note on employment exchange.
4. Describe the conditions necessary for a good recruitment policy.

Long Answer Questions

1. Discuss the specifications required to define the characteristics of the individuals who should be hired for a job.
2. What are the various types of sources of recruitment? Discuss each in detail.
3. What is a recruitment policy? What are the essentials of policy formation?

5.7 FURTHER READINGS

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UNIT 6 SELECTION

Structure

- 6.0 INTRODUCTION
- 6.1 Objectives
- 6.2 Concept of Selection: Process and Selection Tests
 - 6.2.1 Objectives of Selection
 - 6.2.2 Methods of Selection
- 6.3 Barriers in Selection
- 6.4 Answers to Check Your Progress Questions
- 6.5 Summary
- 6.6 Key Words
- 6.7 Self Assessment Questions and Exercises
- 6.8 Further Readings

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6.0 INTRODUCTION

If an organization fails to procure the services of persons with required qualifications, skill and calibre continuously, a time may come ultimately when all the qualified persons retire and then the organization is bound to suffer. Therefore, the importance of recruitment and selection of the right type of persons at the right time is indispensable to the organization.

In the previous unit, we discussed recruitment. In this unit we will discuss selection.

6.1 OBJECTIVES

After going through this unit, you will be able to:

- Discuss the concept of selection
- Explain the process of selection
- Describe selection tests
- Analyse the barriers in selection

6.2 CONCEPT OF SELECTION: PROCESS AND SELECTION TESTS

Selection, either internal or external, is a deliberate effort of organizations to select a fixed number of personnel from a large number of applicants. The primary aim of employee selection is to choose those persons who are most likely to perform their jobs with maximum effectiveness and to remain with the company. Thus, an attempt is made to find a suitable candidate for the

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job. In doing so naturally many applicants are rejected. This makes selection a negative function.

According to Yoder, “the hiring process is of one or many ‘go-no-go’ gauges. Candidates are screened by the employer and the short-listed applicants go on to the next hurdle, while the unqualified ones are eliminated”.

Steps in Selection Procedure

There is no shortcut to an accurate evaluation of a candidate. A variety of methods are used to select personnel. The selection pattern, however, is not common for all organizations. It varies from one to another, depending on the situation and needs of the organization. Therefore, there is no standard selection procedure followed by all.

However, according to Yoder the steps commonly followed are as under:

(a) Application Blank

In a sense the application blank is a highly structured interview in which the questions are standardized and determined in advance. An application blank, is a traditional, widely accepted device for getting information from a prospective applicant. The application blank provides preliminary information as well as aids in the interview by indicating areas of interest that may be useful for discussion.

(b) Initial Interview of the Candidate

Those who are selected for interviews on the basis of particulars furnished in the application blank are called for initial interview by the organizations. This is meant to evaluate the appearance of the candidate and to establish a friendly relationship between the candidate and the company and for obtaining additional information or clarification on the information already on the application bank. Preliminary interview becomes a necessity, when a large number of candidates apply for a job.

(c) Selection Tests

For further assessment of a candidate’s nature and abilities, some tests are used in the selection procedure. If tests are properly conducted, they can reduce the selection cost by reducing the large number of applicants to manageable levels. The different types of tests are:

- (i) **Aptitude Test:** Aptitude or potential ability tests are widely used to measure the talent and ability of a candidate to learn a new job or skill. Aptitude tests measure ability and skills. They enable us to find out whether a candidate would be suitable for the job.

- (ii) **Interest Test:** Interest test finds out the type of work in which the candidate has an interest. An interest test only indicates the interest of a candidate for a particular job. It does not reveal his ability to do it.
- (iii) **Intelligence Test:** This test is used to find out the candidate's intelligence. It reveals the candidate's mental alertness, reasoning ability, power of understanding etc. The scores on intelligence tests are usually expressed as Intelligence Quotient (IQ), which is calculated as follows:

$$IQ = \frac{\text{Mental Age}}{\text{Actual Age}} \times 100$$

- (iv) **Performance or Achievement Test:** This test is used to measure the candidate's level of knowledge and skill in a particular trade or occupation. Achievement test measures the skill or knowledge which is acquired as a result of previous experience or training obtained by a candidate.
- (v) **Personality Test:** Personality test is used to measure the characteristics that constitute personality.

(d) Interviews

Candidates are called for an interview after they have cleared all other tests. The interview consists of interaction between the interviewer and the applicant. If handled properly, it can be a powerful technique in achieving accurate information and getting access to material otherwise unavailable. If the interview is not handled carefully, it can be a source of bias, restricting or distorting the flow of communication. An interview is thus an attempt to secure maximum amount of information from the candidate concerning his suitability for the job under consideration.

(e) Checking References

The reference provided by the applicant has to be checked. This is to find out from the past records of the candidate. Reference checking requires the same use of skills as required by the interviewer and some amount of diplomacy. The main difficulty is ascertaining the accuracy of information given. Besides inaccurate facts, the referees' inability to assess and describe the applicant and his limited knowledge about the candidate also pose problem. In spite of its difficulties, it is necessary to carry out reference checks. In many organizations, reference checking is taken as a matter of routine and treated casually or omitted entirely.

(f) Physical or Medical Examination

The next step is getting the candidates medically examined if there is a need. Quite often the candidates are told to get medically examined before reporting for duty. In Government and other quasi-government organizations

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getting medically examined is a must before reporting for duty or at the time of reporting for duty. Medical examination is a part of the selection process for all suitable candidates in many organizations.

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(g) Final Interview and Induction

After the candidate is finally selected the management will have to explain the job to him. He should be told as to what his duties are, what is required of him and what are his future prospects in the organization. Normally this information is given to the candidate at the time of final selection interview. This is the way how the candidate is inducted into the job. He is formally appointed by issuing him an appointment letter or by concluding with him a service agreement. The appointment letter contains the terms and conditions of the employment, pay scale and other benefits associated with the job.

The interviewer can describe the company and its policies, the duties and responsibilities of the applicant as well as the opportunities available to him for future promotion. The interviewer should, in fact highlight the favourable aspects of the job. This process is explained in great detail in the subsequent sections.

6.2.1 Objectives of Selection

As Blum and Naylor observe, the purpose of the selection process is to make effective use of individual differences with a view to select individuals who possess the greatest degree of qualities required for an effective job performance. Indeed, individual differences provide the basis for the selection and placement processes. It has been found that differences between the most efficient and the least efficient workers for certain jobs, such as spoon polishing, are five times. This indicates advantages of developing selection methods to reject individuals with relatively less efficiency. It may be noted, as the psychology of individual differences reveals, that personal qualities of people are normally distributed in the population. Thus, some individuals will have a high amount of a certain quality and some will have a low amount, while most of the individuals will have a moderate amount of that quality.

6.2.2 Methods of Selection

Earlier on you studied that although selection procedures vary from one organization to another, in terms of size, industry, location, and scalar levels of jobs being filled, the selection process depends upon effective job analysis and recruitment. As Yoder *et al.* suggest, the selection process involves seven steps as follows: (i) preliminary screening of applicants, (ii) review of application blank, (iii) checking references, (iv) physical examination, (v) psychological testing, (vi) employment interview, and (vii) evaluation of the programme. Let us now study these in detail.

I. Preliminary Screening and Review of Application Blank

(a) Preliminary Screening

It is highly non-economical to administer the entire series of tests of selection process to all the applicants. It is advantageous to sort out unsuitable applicants before using the selection battery. For this purpose, usually preliminary interviews, application blank check-lists and short tests can be used. As regards screening interviews, they should be conducted by skilled and trained interviewers instead of some lower cadre clerk in the personnel department. The rejection standards for applications should be well defined. Further, application blank check-lists can also be used to sort out applicants. However, the list should be determined through research, and a suitable standard for rejection should be worked out. Suppose, the minimum standard for typing is 40 words per minute; the check-list should include this information. All applicants with a typing speed below 40 can be straightaway rejected. Sometimes, oral trade tests or aptitude tests are also used for screening purposes.

A Screening Device

Yoder *et al.* suggest Toops' successive-hurdles technique as an effective screening device. According to this technique, all selection factors are arranged in the decreasing order of importance. For example, if the aptitude test has the highest correlation among all the selection devices with job success, it would be ranked first. Likewise, if personal history has the least correlation among all factors with job success, it would come in last. Accordingly, an aptitude test can be used to screen out the applicants. Then, the next valid test will be used. Some organizations use non-objective methods such as observational techniques (i.e., facial expression) and length of experience, in screening applicants. This is a highly arbitrary method having only a chance validity.

(b) Review of Application Blank

Personal History Data. Application blanks are frequently used as selection devices. These blanks vary from small one-page sheet to several folders consisting of hundreds of items regarding the applicant's history. The application forms usually involve items such as name, address, age, marital status and dependents, schooling, experience and reference. There may be several other items depending upon the specific requirements of the organization and the job. As Harrell observes, these blanks provide preliminary information as well as help in the interview by indicating the areas of interest and discussion. If the application blanks consist of the proper items, the personal history items can be effectively used. Usually, the past provides indications regarding the future. The most effective predictor of job success is one's demonstrated ability to perform effectively in a similar job.

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Limitation. However, in practice, these application forms are not as effective as they appear to be. Sometimes, the applicants tend to exaggerate their abilities. In several cases, the questions contained in the blanks themselves are irrelevant. In addition, sometimes the personnel department members are unaware of the proper evaluation procedure of blanks and accordingly cannot make their effective use.

Determining the Effectiveness of Personal History Data. Notwithstanding these limitations, the application blanks have proved to be highly effective in several jobs. For example, several issues of personal history such as age, marital status and number of dependents are found to be effective correlates of success of life insurance agents and department or store salesmen. Likewise, personal history has been found to be associated with turnover. College scholarship and other factors have been compared with that of salaries after five years following graduation. The results revealed that college scholarship was the most important factor for success in business. Some researchers have pointed out that business leaders are college graduates and have not benefited by 'family pull' in the business, and that they usually come from homes of professional people, managers and business people. It may be noted, however, that those results should be interpreted with caution. Attempts should be made to constantly determine the effectiveness of personal history data for jobs and organizations.

Weighted Application Blanks. Weighted application blanks can be prepared on the basis of information regarding personal history items associated with job success. Suppose, if being under 30 years of age is an advantage for an insurance agent, it is weighed high, and for a handicap it is weighed low. Likewise, if academic achievement is the least predictor for future success in salesmanship, it is assigned a low-weighted value. If it is markedly associated with success in executive jobs, it is assigned a relatively high weight. It is not possible to prepare a weighted application blank for all jobs in general. Rather, attempts should be made to prepare weighted applications for specific jobs and organizations.

II. Reference Checking and Physical Examinations

(a) Reference Checking

Applicants should be requested to give character and general references in the application blanks. The previous employers and schools can provide useful information. Attempts may be made to make personal visits and telephone calls to procure objective responses. Usually, correspondence is made to verify work history information including dates of employment, duties performed, and wages and salaries received. It is an effective practice to send a brief questionnaire involving checking of answers instead of a great deal of writing. The enquiries should be as specific and precise as possible.

(b) Physical Examinations

Physical examinations are frequently conducted and used for differential placement purposes rather than rejection of applicants. Large organizations have their own medical clinics while the smaller ones refer to private clinics. Medical examinations have assumed significance in view of increasing fringe and welfare programmes. As Yoder observes, physical examinations form a positive rather than a negative selection device. This helps in effective manpower utilization by stressing differential placement, involving assessment of an individual's capacities and matching them with several job possibilities in the organizational setting. Attempts should be made to conduct physical demands analysis related to physical and environmental job requirements and conditions, and physical capacities analysis related to the determination of how extensively a person can indulge in physical activities. The physical demands of the jobs should be matched and compared with the physical capacities of applicants. Everyone is handicapped physically at some job or the other. Therefore, physical examination is of utmost significance in selective or differential placement.

Methods. Following Hanman, physical-demands analysis can be conducted by three methods: (1) the disability method, (2) the rating method, and (3) the specific method. The disability method stresses upon employees' disabilities rather than abilities. For example, jobs are classified in terms of their suitability for people with various handicaps such as the blind, the one-armed or the deaf. The rating method involves rating of jobs demanding 'heavy lifting', 'moderate lifting', 'light lifting', etc. This is a highly subjective method. The specific method stresses what the employee can do. Attempts are made to state the job demands as well as employee capacities in specific, objective terms, thereby enabling matching and comparison. This method also involves development of specific physical and environmental demands of a job through job analysis. Thus, it enables the personnel manager to assess specific abilities and demands for specific applicants for several specific jobs.

III. Psychological Testing

(a) General Principles

Psychological tests are used in organizations for several purposes including selection and placement of employees, their transfer and promotion, determining training needs, evaluation of training programmes and counselling. Among these purposes, psycho-logical testing is primarily used for selection and placement. The testing programme is effective if the number of applicants for a job is high. Systematic use of tests helps in rejecting applicants. Thus, the testing programme is highly useful when there is considerable unemployment and abundance of applicants. However, it does not mean that it is not useful when the number of applicants is less. In

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such a situation, it is useful for placement purposes to enable the manpower manager to place the individual in a job for which he is most suitable.

As Tiffin and McCormick point out, it should be recognised that psychological tests are not infallible, and that sometimes they reveal results which are not a true indication of the potential job success of the candidate. The effectiveness of any method depends upon the degree of improvement and not perfection. Suppose, without the use of testing programme, the turnover rate is 30 per cent and with the use of testing programme it comes down to 25 per cent. Here, the testing programme is considered as successful although it has not eliminated the turnover.

(b) Types of Tests

Psychological tests can be classified under several types. There may be group or individual tests, instrumental or paper and pencil tests, aptitude or achievement tests, personality and interest tests, and power or speed tests. Group tests can be administered to any number of candidates simultaneously depending upon physical infrastructure, while individual tests can be given to one applicant at a time, usually involving utmost attention of the tester. The examples of group tests are Purdue Vocational Achievement Tests, Adaptability Test, Wonderlic Personnel Test, etc. while among individual tests, Purdue Pegboard Tests of Manual Dexterity can be cited. The instrumental tests make use of tools and are usually individual in character. The paper and pencil tests are usually group tests involving written responses.

Aptitude tests assess an individual's potentiality to learn about a job through adequate training. These tests are effective for freshers. Achievement tests indicate how effectively an individual can perform a job and what he knows about it. These tests are useful if the candidates have prior experiences of similar jobs. It may be noted that there are certain tests which when used in a particular way are classified as achievement tests and when used in other ways, can be designated as aptitude tests. Thus, the basic classification criterion should be the purpose and not the content. Personality and interest tests indicate personal traits conducive to the job performance. These tests are akin to aptitude tests. A power test refers to a test where the ability of the candidate to complete the test items is more crucial than his speed, while speed test refers to a test where each item can be completed by most candidates, but in which speed is crucial.

Testing the Tests

The tests should be tested before they are actually conducted.

Validity of Tests. Explicitly, the tests should have adequate validity. The term 'validity' means that a test measures what it purports to measure. There are several methods of validating the tests. The present employee method and the follow-up method are largely used. The present employee

method involves testing of present employees and correlating their test scores with a suitable criterion of job performance. The follow-up method involves assessing new employees at the time of recruitment, filing the test scores and subsequently determining the relationship between the test scores and the performance of employees on the job after a period of time. Although these methods have several advantages and disadvantages, the testing programme should make use of both methods to have maximum effectiveness. There are four types of validity related to several purposes of testing. These are content validity, predictive validity, concurrent validity and construct validity. Content validity is assessed by indicating how effectively the content of a test represents the subject matter or types of situations which the test purports to measure. Predictive validity (exemplified by the follow-up method) is assessed by indicating how effectively predictions made by the test have been confirmed subsequently. Concurrent validity (exemplified by the present employee method) is assessed by indicating how effectively the test is related to some present criterion of performance. Construct validity is assessed by determining what psychological characteristics a test usually measures. This is accomplished by correlating a test with another which measures the same characteristics. Factor analysis can also be used for this purpose.

In addition to validity, as Tiffin and McCormick point out, other factors determining the functional value of psychological tests include reliability, selection ratio and the percentage of present employees who are satisfied with the job.

Reliability. This refers to the degree of consistency with which a test measures what it purports to measure. There are three types of reliability including coefficient of stability, coefficient of equivalence, and coefficient of internal consistency. Coefficient of stability is assessed by the test-retest method. A group of individuals are administered the same test twice after a period of time, and then the two sets of test scores are correlated. The coefficient of equivalence is evaluated by the alternate forms method involving administration of two separate but equivalent forms of the test to the candidates. The coefficient of equivalence is derived by correlating the scores of the two forms. Index of internal consistency is evaluated by the split-halves method. Each test is scored on each of the two halves of the items (odd versus even or chance halves randomly chosen), and then the two sets of scores are correlated. Usually, tests with the coefficients of reliability above 0.80 are satisfactory. It may be noted that the test might have reliability but not necessarily high validity. However, if a test has low reliability, it is not likely to have satisfactory validity.

Selection Ratio. Moreover, the functional value of the test of a manpower manager depends upon the selection ratio—the ratio of the persons selected to those tested. Suppose, we have 100 applicants and place the 75 who score the highest on the test. Thus, we reduce those placed to 75 per cent

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of those tested. Accordingly, the selection ratio will be 0.75. Likewise, if we test 200 applicants and place the 100 who score the highest on the test, our selection ratio will be reduced to 0.50. Again, suppose we test 500 applicants and place only the 50 who score the highest on the test, the selection ratio will be reduced to 0.10. Overall, the effectiveness of the testing programme increases with a fall in the selection ratio. Thus, as Tiffin and McCormick observe, in group testing where the manpower manager is interested in average, rather than individual results, he can effectively use the test with lower validity by adequately decreasing the selection ratio. Thus, in group testing, a decrease in selection ratio provides a substitute for high validity. This does not mean that it is a substitute of 'no validity'. The test must have some validity to permit the utilization of reduction in the selection ratio.

Percentage of Present Satisfactory Employees. Finally, another factor influencing the efficiency of a psychological test relates to the percentage of the present employees who have been considered satisfactory. Other things remaining the same, the lower the percentage of existing employees who have been placed satisfactorily without test, the higher the percentage of satisfactory employees placed by using tests is likely to result. Let us assume that we have a test with a validity of 0.50 and use a selection ratio of 0.50, and only 5 per cent of employees placed by the traditional method are successful. Under these conditions, the expected increase to 9 per cent represents an 80 per cent increase in the number of satisfactory employees placed by the test. Indeed, if the percentages of satisfactory employees placed without the test is larger, the percentages of increase accomplished by using the test becomes smaller. Accordingly, for 90 per cent of satisfactory employees placed by the traditional method, the increase of this percentage to 97 per cent by using the test will lead to a gain of only 8 per cent in the number of employees satisfactorily placed.

Thus, other things being equal, if more complicated it is to identify and place satisfactory employees without applying tests, the more advantage a manpower manager can acquire through a proper psychological testing programme. The Taylor-Russell tables can be used to ascertain as to what percentage of employees recruited will be effective under several combinations of test validity, selection ratio and percentage of present employees viewed effective. However, these tables should be used with caution.

Using the Tests

A significant issue is how to use the tests for employment purposes. The selection standard (critical score) on the test should vary with the market conditions. If the market conditions are tight, the critical score should be low and if loose, the selection standard should be high. Another point is that several tests should be combined into a battery.

A Battery. There are two methods of combining tests in a battery. These include the multiple cut-off and the multiple correlation method. In the multiple cut-off method, tests are administered one at a time and applicants who do not perform satisfactorily are eliminated with each test. Thus, the first test will eliminate all the low-scoring candidates, and the remaining candidates will be administered the second test which will further eliminate more candidates and so on. The multiple correlation method involves the computation of multiple correlation between the best combination of test scores and the relevant criterion. Thus, the performance on different tests can be combined into a composite score in order to weigh each to attain the maximum correlation between the performance on the test battery and the criterion of job success. Thus, the value of the testing programme increases by using many tests in combination because no single test gives as high a validity coefficient as does the battery as a whole.

Inspection or Graphic Method. Yoder *et al.* suggest the inspection or the graphic method using maximum as well as minimum cutting scores. Explicitly, we may come across the fact that individuals who scored very high in the test as well as those who scored very low, had a short tenure in an enterprise. These types of relationships are called 'curvilinear' and involve separate correlational techniques. Usually the *eta* coefficient is used for this purpose. A study of turnover data of a company will reveal that short tenure employees are those who have scored either below 80 or above 120 on the intelligence test. Obviously, setting a minimum critical score at 80 and a maximum at 120 will remove short tenure risks related with either very high or very low scores. It may be noted that the selection ratio discussed above assumes linearity of relationships and accordingly cannot be used for curvilinear data.

Training. Last but not the least, adequate training of testers is of utmost significance for the full advantage of the testing programme. Testing human beings is quite different from testing materials or processes. Humans may react both favourably and unfavourably to test situations. So, attempts should be made to obtain a favourable response. The testers, therefore, should have proper training to take the best out of the applicants and leave favourable impression of the company with them.

IV. Psychological Tests in Selection and Placement

Tiffin and McCormick describe several types of tests used for selection and placement under three categories including aptitude tests, personality and interest tests, and achievement tests.

(a) Aptitude Tests

Aptitudes have been grouped into five categories including mental abilities, mechanical and related abilities, psychomotor abilities, visual skills and a class of other specific aptitudes.

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- (i) **Mental Ability.** The term mental ability has been used interchangeably with intelligence. There are several kinds of mental abilities such as verbal comprehension, word fluency, memory, inductive reasoning, number facility, speed of perception and spatial visualization. Most of these tests used for selection and placement purposes are group tests. The tests that are used most frequently in industry include the Adaptability Test, Otis Self-Administering Tests of Mental Ability, Wonderlic Personnel Test, The Purdue Non-Language Personnel Test, etc. These tests have been effectively used for clerical and supervisory jobs and found useful in the selection of newspaper writers, teletype operator trainees, etc. However, these tests have negative relationships with performance in routine jobs such as assembly workers.
- (ii) **Mechanical Ability.** The term mechanical ability refers to the ability involved in the working of mechanical parts and equipment. This ability has two aspects—mental and motor or physical. The mental aspect relates to mechanical comprehension and the understanding of the mechanical principles, while the motor or physical aspect relates to skills such as muscular coordination and dexterity. Mechanical ability has been used in its restricted sense involving a complex of intellectual abilities. There may be a general mental ability as well as specific abilities such as visualization of spatial relations. The most frequently used group tests for mechanical ability include Flanagan Aptitude Classification Tests, Bennett Test of Mechanical Comprehension, Purdue Mechanical Adaptability Test, Revised Minnesota Paper Form Board, etc. There is also some individual test, such as Minnesota Mechanical Assembly Test, Purdue Mechanical Performance Test, etc. These tests have been found effective especially for apprentices, craftsmen, mechanics and repairmen, draftsmen and engineers.
- (iii) **Psychomotor Tests.** These tests measure dexterity, manipulative ability, motor ability, eye-hand coordination and allied sensory and muscular abilities. Specifically, these tests involve several factors such as control precision, multilimb coordination, response orientation, reaction time, speed of arm movement rate control, manual dexterity, finger dexterity, wristfinger speed and aiming. Typical psychomotor tests include O'Connor Finger Dexterity Test, O'Connor Tweezer Dexterity Test, Purdue Pegboard, Minnesota Rate of Manipulation Test, etc. These tests have been found very useful in the selection and placement of packers and minor operators.

Visual Skills. Vision tests are of special significance for practically every industrial job. The visual skills required in an industry include keenness of vision (visual acuity) at appropriate distances, discrimination of differences at distances (depth perception or stereopsis), discrimination of difference

in colour and postural characteristics of the eyes (phorias) at appropriate distances. Among the major vision tests used in industry include Ortho-Rater, the Sight-Screener, the Telebinocular and the Vision Tester. Research results have revealed several visual job families, i.e., groups of jobs which are similar to each other vis-à-vis visual requirements. These visual job families include clerical and administrative inspection and close work, vehicle operator, machine operator, labourer, mechanic and skilled tradesmen, etc.

Special Aptitudes. In addition to the earlier mentioned aptitude tests, there are several other tests to test the special aptitudes such as clerical aptitude, reading speed and comprehension, vocabulary and perceptual speed.

Clusters. On the basis of extensive research, aptitude tests have been grouped into three ‘clusters’—intellectual ability, spatial ability and motor ability. Intellectual ability tests are highly effective in selection and the placement of general supervisors, foremen, general clerks, salesmen, protective-service workers and complex machine operators and least effective for vehicle operators. The spatial ability tests have the highest validity for structural workers and the lowest for general supervisors and clerks. The motor ability tests are found useful for selection and placement of vehicle operators, processing workers and gross manual workers.

(b) Personality and Interest Tests

It has been recognised that an employee may have adequate aptitude for a required job, but he is still likely to fail if he possesses a personality which would cause adjustment difficulties in work settings. This necessitates identification of desirable and undesirable personality traits among job applicants. Several attempts have been made to devise tests for measuring personality and interest traits. Among the major personality tests conducted in the industry are Bernreuter Personality Inventory, the Humm Wadsworth Temperament Scale, the Guilford Series of Personality Tests, the Minnesota Multiphasic Personality Inventory, the Gordon Personal Profile, the Rorschach Projective Test and Thematic Apperception Test. As regards interest tests, Strong Vocational Interest Blank and Kuder Preference Record, are largely applied in the industry. The major limitation of personality and interest tests for employment purposes relates to ‘faking’, i.e., the possibility of responses to test items are not descriptive of the testee.

Overall, personality tests appear to be more effective for selection of clerks, salesmen, public relations officials and trades and crafts than for other occupational categories. It has been widely agreed that the non-intellectual traits of personality are most significant for failures at work and for the effectiveness of managers. There has been more evidence of the usefulness of personality tests than of interest tests in the industry.

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(c) Achievement Tests

In industry, achievement tests are used for recruitment of individuals for jobs demanding experience, transfer and promotion of existing employees and training purposes. Achievement tests measure the actual job proficiency of the testees.

Types. Achievement tests are classified in three groups including job sample (or performance) tests, written tests, and oral tests.

The job or work sample tests involve utilization of equipments which are used on the job. An example of job sample test is a miniature punch press used effectively for selecting individuals in jobs such as packaging, inspecting and several types of machine operation. Likewise, a performance test has been devised for selecting fork-lift operators. Again, several tests have been designed to select individuals for stenographic, clerical and secretarial positions. These include Blackstone Stenographic Proficiency Tests, the Purdue Clerical Adaptability Test and the Thurstone Examination in Typing. Usually, written tests are 'tailor-made' to meet the requirements for specific training programmes. An example of such test is the Purdue Vocational Test which has been used for several trades such as the operation of the grinder, planer, lathe and milling machine.

Although achievement tests are not largely used in the industry, they appear promising for not only differentiating various job groups but also different levels of ability within a job. Overall, achievement tests are highly useful in selecting tradesmen and apprentices.

V. Interview Process

Since the interview is one of the most commonly used personal contact methods, it has to be conducted with great care. Generally, the following steps are followed in an interview process. They are:

1. Reviewing background information
2. Preparing a question plan
3. Creating a helpful sitting
4. Conducting the interview.
5. Checking references.
6. Physical or medical examination.
7. Final interview and induction.

1. Reviewing Background Information

Before the actual interview begins, the critical areas in which questions will be asked must be identified for judging the ability and skills required for the job. Pertinent information about the candidate should be collected and

noted beforehand. This preparation saves time and mental efforts during the interview. If there is more than one interviewer, some practice and mock interviews will help.

2. Preparing a Question Plan

Every interviewer should have a question plan. This is formed by scrutinising the information given in the application form. This procedure will make the candidate more comfortable because the discussion will focus on his experiences. Besides, preparing a question plan is useful for inexperienced interviewers. It will act as a guide and the interviewer will know whether he has covered all the areas of the interview or not.

3. Creating a Helpful Setting

The place of interview should be carefully chosen. Make arrangements for reception and seating so as to give an impression to the interviewee that he is an important person to whom the interviewer will devote great attention. Most interviews have overtones of emotional stress for the applicant. Success in interviewing depends on reducing this stress. Properly arranged seating should be made available. The candidates should be well-received by the receptionist. The sitting room is generally kept away from the place where the actual interviews are held so that the conversation between the interviewer and the interviewee is not overheard by other candidates. In brief, the place of interview should have privacy and comfort, atmosphere of leisure, freedom from interruptions, authentic feeling for and interest in the candidate.

4. Conducting the Interview

Conducting the interview is usually aimed at establishing rapport with the candidate, getting complete and accurate information from him and recording it properly. It is, therefore, necessary to use a number of different approaches during the course of an interview.

- (a) **Establishing Rapport:** The fundamental step is establishing 'rapport', putting the interviewee at ease, conveying the impression that the interview is a conversation between two friends and not a confrontation. A job interview can be a trying experience for the applicant. The interviewer should gain the confidence of the candidate at the very beginning by establishing rapport with him. To begin with, the interview should proceed in the form of a conversation so that the two may get to know each other, with the specific underlying purpose of getting information in certain areas. Sufficient time should be allowed to enable the candidate to reveal the facts necessary for a fair assessment of him.
- (b) **Getting Complete and Accurate Information:** Once the interviewee is put at ease, the interviewer starts asking questions or seeking information related to the job. Getting complete and accurate

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information from the applicant is an art which calls for experience, skill and technique on the part of the interviewer. The interviewer should use the language which is clear to the applicant. Here again it is extremely important to lead up to complex questions gradually. Asking a difficult and complex question in the beginning can affect subsequent interaction, particularly if the interviewee is not able to answer the question. Thus, it is advisable for the pattern to follow the simple-to-complex sequence. Some general rules to be observed regarding questioning are:

1. The interviewer should be prepared with precise questions and not take too much time in framing them.
2. Leading questions should be avoided because they give the impression that the interviewer is seeking certain kinds of answers.
3. Close ended questions which call for “yes” and “no” should not be asked for they offer little scope to the candidate to expand his answers and give more information.
4. Showing surprise or disapproval of speech, clothes or answers to questions can also inhibit the candidate.
5. An interviewer should not allow the interview to get out of hand. He should be alert and check the interviewee if he tries to lead the discussion into areas which are not relevant to the interview.
6. The interviewer should have talent, experience, and a sympathetic attitude so that he is able to draw out the applicant who may have a considerable potential but who may be shy and reserved in the beginning.
7. Highly personal questions should be omitted until one is sure that rapport has been fully established.

(c) Recording of Impressions: In order to make an accurate evaluation of the interview, it is necessary that the interviewers’ impressions are briefly written down. This will help the interviewer to arrive at a final judgment.

(d) Concluding the Interview: In the final few moments, the interviewer guides the interview to a close. The close of the interview is as important as its beginning. The interview should be closed diplomatically so that the interviewee may feel satisfied that he was given a full hearing. After the candidate leaves, the interviewer looks over his notes, recalls his impressions and makes a provisional appraisal before seeing the next candidate.

5. Checking References

The references provided by the applicant have to be checked. This is to find out the past records of the candidate. Reference checking requires the same

use of skills as required by an interviewer and diplomacy. The main difficulty is ascertaining the accuracy of information given. Besides inaccurate facts, the referees' inability to assess and describe the applicant and his limited knowledge about the candidate are the difficulties in checking references. In spite of these difficulties, it is necessary to verify the information secured. In many organization, reference checking is taken as a matter of routine and treated casually or omitted entirely.

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6. Physical or Medical Examination

The next step is getting the candidates checked medically if there is a need. Quite often the candidates are told to get medically examined before reporting for duty. In government and other quasi government organizations, getting medically examined is a must before reporting for duty or at the time of reporting for duty. Medical examination is a part of the selection process for all suitable candidate in many organizations.

The objectives of this examination are:

- (a) to check the physical fitness.
- (b) to protect the company against unwarranted claims for compensation.
- (c) to prevent communicable diseases.
- (d) to prevent injury or damage to the health of employees.
- (e) to discover existing liabilities at the time of hiring so that the company's subsequent liabilities can be assessed in case of workmen's claim for compensation for an injury.
- (f) to place persons on those jobs which they can handle without damage to their health.

The main purpose of the medical examination is to see whether the candidate is medically fit to occupy a particular post and has the capabilities to withstand the physical and psychological stresses and strains required of the job. When conducted by in service medical personnel, they are more valuable to the applicant than when done by a doctor knowing very little about the working conditions under which the job is done. For instance, in defense service, the medical examination is done by the doctors attached to each defense wing. Such an examination can predict, the possible health problems in future involving serious surgical conditions and prolonged treatment which would involve huge medical expenditure to the organization. Normally candidates are not rejected in medical examination unless they are suffering from contagious or incurable diseases or complex emotional problems. Though medical examinations are generally conducted, they often fail to detect complicated diseases because they are conducted in a cursory way. Further, the validity and reliability of medical examination as a selection tool is minimum because of two reasons. They are:

1. With growing automation, less physical strength will be required for most jobs.
2. A sound physical condition is no guarantee against accidents.

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To conclude, medical examination reveals whether or not a candidate possesses the required stamina, strength and tolerance of hard working conditions. Major deficiencies may serve as a basis for rejections. The basic purpose of a physical examination is to place selected candidates on jobs which they can handle without injury to their health.

7. Final Interview and Induction

After the candidate is finally selected, the management will have to sell the job to him. He should be told as to what his duties are, what is required of him and what are his future prospects in the organization. Normally this information is given to the candidate at the time of final selection interview. This is the way how the candidate is inducted into the job. He is formally appointed by issuing an appointment letter or by concluding with him a service agreement. The appointment letter contains the terms and conditions of employment, pay scale and other benefits associated with the job.

The interviewer can describe the company and its policies, the duties and responsibilities of the applicant as well as the opportunities available to him for future promotion. The interviewer should in fact highlight the favourable aspects of the job.

6.3 BARRIERS IN SELECTION

The main objective of selection is to hire people that are competent and committed to work and deliver results. However, this objective is sometimes defeated because of certain barriers. The impediments which check effectiveness of selection are perception, fairness, validity, reliability and pressure. This are discussed in detail as follows:

1. **Perception:** Our inability to understand what others say accurately is possibly the most fundamental barrier to selecting the right candidate. Selection demands an individual or a group of people to assess and compare the respective competencies of others, with the aim of choosing the right persons for the jobs. However, it is quite notable that our views and opinions are highly personalized. As no two people are the same, different people have different perceptions. This limited perceptual ability is definitely a stumbling block to the objective and rational selection of people and needs to be addressed.
2. **Fairness:** Fairness in selection requires that no individual should be discriminated against on the basis of religion, region, race or gender. However, the existing employment data points in the other direction.

The low numbers of women and other less-privileged selections of the society in middle and senior management positions and open discrimination on the basis of age in job advertisements and in the selection process, would suggest that all the efforts to minimize inequity have not been very effective.

3. **Validity:** Validity is a test that helps predict job performance of an incumbent. A test that has been validated can differentiate between the employees who can perform well and those who cannot. However, a validated test is not completely reliable and does not predict job success accurately. It can only increase possibility of success accurately and can only increase possibility of success.
4. **Reliability:** A reliable method is one which will produce consistent results when repeated in similar situations. Like a validated test, a reliable test may fail to predict job performance with accuracy.
5. **Pressure:** This is another major barrier to selection. Many a times, pressure is brought on the selectors by politicians, bureaucrats, relatives, friends and peers to select particular candidates. Candidates selected because of compulsions are obviously not the right ones as more often than not they are not competent enough.

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Check Your Progress

1. State the primary aim of employee selection.
2. What is an application blank?
3. What does aptitude tests measure?
4. What does an interview consist of?
5. Name the three methods required to conduct physical-demands analysis.

6.4 ANSWERS TO CHECK YOUR PROGRESS QUESTIONS

1. The primary aim of employee selection is to choose those persons who are most likely to perform their jobs with maximum effectiveness and to remain with the company.
2. The application blank is a highly structured interview in which the questions are standardized and determined in advance.
3. Aptitude tests measure ability and skills.
4. The interview consists of interaction between the interviewer and the applicant.

5. Physical-demands analysis can be conducted by three methods namely, the disability method, the rating method and the specific method.

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6.5 SUMMARY

- Selection, either internal or external, is a deliberate effort of the organization to select a fixed number of personnel from a large number of applicants.
- The primary aim of employee selection is to choose those persons who are most likely to perform their jobs with maximum effectiveness and remain with the company.
- According to Yoder, “the hiring process is of one or many ‘go-no-go’ gauges. Candidates are screened by the employer and the short-listed applicants go on to the next hurdle, while the unqualified ones are eliminated”.
- A variety of methods are used to select personnel. The selection pattern, however, is not common for all organizations.
- In a sense the application blank is a highly structured interview in which the questions are standardized and determined in advance.
- Those who are selected for interviews on the basis of particulars furnished in the application blank are called for initial interview by the organizations.
- For further assessment of a candidate’s nature and abilities, some tests are used in the selection procedure.
- Aptitude or potential ability tests are widely used to measure the talent and ability of a candidate to learn a new job or skill.
- Interest test finds out the type of work in which the candidate has an interest.
- Personality test is used to measure the characteristics that constitute personality.
- Candidates are called for an interview after they have cleared all other tests. The interview consists of interaction between the interviewer and the applicant.
- The reference provided by the applicant has to be checked. This is to find out from the past records of the candidate.
- After the candidate is finally selected, the management will have to explain the job to him. He should be told as to what his duties are, what is required of him and what are his future prospects in the organization.
- As Blum and Naylor observe, the purpose of the selection process is to make effective use of individual differences with a view to select

individuals who possess the greatest degree of qualities required for an effective job performance.

- As Yoder *et al.* suggest, the selection process involves seven steps as follows: (i) preliminary screening of applicants, (ii) review of application blank, (iii) checking references, (iv) physical examination, (v) psychological testing, (vi) employment interview, and (vii) evaluation of the programme.
- Aptitude tests assess an individual's potentiality to learn about a job through adequate training.
- A significant issue is how to use the tests for employment purposes. The selection standard (critical score) on the test should vary with the market conditions.
- Aptitudes have been grouped into five categories including mental abilities, mechanical and related abilities, psychomotor abilities, visual skills and a class of other specific aptitudes.
- Achievement tests are classified in three groups including job sample (or performance) tests, written tests, and oral tests.
- Conducting the interview is usually aimed at establishing rapport with the candidate, getting complete and accurate information from him and recording it properly.

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6.6 KEY WORDS

- **Barrier:** It refers to a circumstance or obstacle that keeps people or things apart or prevents communication or progress.
- **Appraisal:** It is a formal assessment, typically in an interview, of the performance of an employee over a particular period.
- **Discrimination:** It is the unjust or prejudicial treatment of different categories of people, especially on the grounds of race, age, or sex.

6.7 SELF ASSESSMENT QUESTIONS AND EXERCISES

Short Answer Questions

1. What are the steps followed in a selection procedure?
2. Write a note explaining the types of employment tests.
3. Discuss the objectives of selection.
4. Briefly describe the interview process.

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Long Answer Questions

1. Give a descriptive explanation of the methods of selection in detail.
2. The tests should be tested before they are actually conducted. Critically comment.
3. How are the tests for employment purposes used? Discuss.
4. Elaborate on the barriers faced during selection.

6.8 FURTHER READINGS

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UNIT 7 INDUCTION

Structure

- 7.0 Introduction
- 7.1 Objectives
- 7.2 Meaning, Definition and Need for Induction
- 7.3 Problems Faced during Induction
- 7.4 Induction Programme Planning
- 7.5 Answers to Check Your Progress Questions
- 7.6 Summary
- 7.7 Key Words
- 7.8 Self Assessment Questions and Exercises
- 7.9 Further Readings

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7.0 INTRODUCTION

The introduction of the employee to the job is known as induction. It is the process by which new employees are introduced to the practices, policies and purposes of the organization. It is basically a welcoming process. Induction follows placement and consists of the task of orienting or introducing the employee to the company. Instead of leaving him to stumble through the organization, it is better to systematically introduce him to the company, its policy and its position in the economy. Considering the fact that a number of workers, newly recruited, either come from rural surroundings or have secured appointments in an industrial unit for the first time, it is imperative to have a thorough induction programme to ease the strain effected by the change in social environment. It is regrettable that very little of this is done in India. No personnel function is more neglected in Indian industries than induction. A new employee is expected to learn about the company through a process of trial and error. The employee invariably falls in the hands of those who are anxious to assume leadership. Quite often the employee acquires a wrong version of the company's policy from such leaders. In these cases, the employer has only himself to blame, for he had the first opportunity to put the right ideas into the mind of the new employee, but he had not availed himself of the same. The unit will discuss various aspects of induction.

7.1 OBJECTIVES

After going through this unit, you will be able to:

- Discuss the meaning and definition of induction
- Explain the need for induction

- Assess the problems faced during induction
- Describe induction programme planning

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7.2 MEANING, DEFINITION AND NEED FOR INDUCTION

According to R.P Billimoria, induction or orientation is “a technique by which a new employee is rehabilitated into the changed surroundings and introduced to the practices, policies and purposes of the organization”. A formal orientation tries to bridge the information gap of the new employee. When a person joins an organization, he is a stranger to it. He may experience a lot of difficulties which could lead to tension and stress in him. This in turn can reduce his effectiveness.

Need for Orientation

In an organization, orientation is required for overcoming employee anxiety, reality shocks and for accommodating employees.

- New employees experience a lot of anxiety in an organization. This is a natural phenomenon which can be overcome through orientation.
- An employee joins an organization with certain assumptions and expectations. When these expectations do not match with reality, the new employee experiences a reality shock. Effective orientation programmes help to reduce this reality shock by providing a more realistic expectation on the part of the new employee.
- Proper employee orientation helps to accommodate the new employee with existing employees by developing new acquaintances and understanding of the various aspects of the job.

Content of the Induction Programme: Keith Davis has listed the following topics that need to be covered in an employee’s induction programme:

Table 7.1 Topics of an Induction Programme

1. Organizational Issues

- History of the company
- Names and titles of key executives
- Employees’ title and department
- Layout of physical facilities
- Probationary period
- Products/ Services offered
- Overview of production processes

- Company policies and rules
 - Disciplinary procedures
 - Employees' handbook
 - Safety steps
2. Employee Benefits
- Pay scales, pay days
 - Vacations, holidays
 - Rest pauses
 - Training avenues
 - Counselling
 - Insurance, medical, recreation, retirement benefits
3. Introductions
- To supervisors
 - To co-workers
 - To trainers
 - To employee counsellors
4. Job Duties
- Job location
 - Job tasks
 - Job safety needs
 - Overview of jobs
 - Job objectives
 - Relationship with other jobs

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Types of Induction Programmes

Let us discuss different types of induction programmes.

(a) General Induction Programme

Once an offer of employment has been extended and accepted, the final stage in procurement function is concluded. The individual has then to be oriented towards the job and the organization. This is formally done through a process known as induction or orientation. Induction is a welcoming process—the idea is to welcome the candidate, make him feel at home in the changed surroundings and to introduce him to the practices, policies and purposes of the organization. The necessity of an induction programme is that when a person joins an organization, he may feel strange, shy, insecure and/or nervous. Induction leads to reduction of such anxieties.

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(b) Specific Orientation Programme

Specific orientation is conducted by the foreman. Induction is specific and requires skill on the part of the foreman. A new employee must be provided operational knowledge that is specific to the position and location. The immediate boss (foreman) is responsible for such induction and training. Every new employee should know

- (i) the people he/she works with
- (ii) the work he is responsible for
- (iii) the result to be accomplished
- (iv) the current status of the work
- (v) his relationships in the organization
- (vi) reports and records he must understand and maintain
- (vii) operating policies, procedures and rules
- (viii) service group available to help him

The purpose of specific induction is to enable an employee to adjust himself to his work environment.

(c) Follow-up Induction Programme

The purpose of the follow-up induction programme is to find out whether the employee is reasonably satisfied with the job. It is usually conducted by the foreman or by a specialist from the personnel department. Through guidance and counselling, efforts are made to remove the difficulties experienced by the newcomer. Usually, follow up induction takes place after about one or two months from the time of appointment.

7.3 PROBLEMS FACED DURING INDUCTION

In every organization, new employees often go through an orientation program which familiarizes them with the work culture of their new company. The induction of the employees is a vital component in the development of a dedicated and focused workforce. Orientation enables new employees to socialize and know their employer better. Unfortunately, not paying much attention to its planning and implementation results in an under-proficient work force. The factors resulting in this are very minor and if rectified, would benefit both the employee and the company.

Some of the problems faced during induction are as follows:

No Planning

Often companies do not invest enough time and money in their orientation program and overlooks its impact in the long run. A lot of research and

planning is required before conducting an induction. A valuable program is well-researched, made interesting and carefully organized, taking into consideration the goals of both the employer and the employees.

Management Involvement

Usually, the top management excludes itself from induction programmes and leaves it completely to the human resource department. Mostly, the communication about the induction is delayed. Just the appearance of managers can result in a positive atmosphere. They need to consider this as an opportunity to effectively communicate company goals to new employees.

Ineffective Handouts

Another important thing that gets overlooked during induction are handouts. They do not receive much attention. Handouts are like an itinerary containing the content of presentations for the day. These can be used as a reference by any employee later. Further, all the information can be placed on record at the company website.

No Follow-Up

Companies treat induction as the final step. Majority of the companies do not have follow-up sessions after an orientation program. It becomes difficult to measure the impact of induction and to know whether the new employees are comfortable with company policies. Periodic follow-up sessions are ways of finding out how the employees perceived their workplace.

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7.4 INDUCTION PROGRAMME PLANNING

A well organised induction programme is one of the most effective ways to introduce new employees to their employer. It functions as an opportunity to reassure the employees about their decision to come and work for that company. It also helps to ensure that the new employees feel comfortable in their new job and understand the corporate culture and work ethics of the company they are joining.

By providing employees with a solid foundation of knowledge up front, they are more likely to settle in quickly, with little disruption to others. It further enables them to understand their responsibilities clearly thus saving manager's time. Therefore, the induction training should ensure that the new employees who want to be integrated within the organization know about the specific tasks they will be required to perform within the organization.

An important pre-requisite of induction planning is that the person conducting the induction process should be very knowledgeable about the organization to successfully integrate new employees into the firm. Many companies have discovered that the cost of not training is higher than the

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cost of training, and hence there is a higher risk in choosing not to train new employees into the business.

Steps in the Induction Programme Planning: The HR department may initiate the following steps while organizing the induction programme:

1. Welcoming the new recruit to the organization.
2. Providing knowledge about the company: what it is, what it does, how it functions, the importance of its producers; knowledge of conditions of employment, and company's welfare services.
3. Giving the company's manual to the new recruit.
4. Showing the location/ department where the new recruit will work. This step should include specific job location and duties.
5. Providing details about various groups and the extent of unionism within the company. In this step the new employee is given a brief idea about the setup of the department, production processes, different categories of employees, work rules, safety precautions and rules.
6. Giving details about pay, benefits, holidays, leave, etc.
7. Defining the employee's career prospects with reference to the training and development activities that the company organizes with special reference to the new recruits' position.

Setting up a well-planned and successful employee induction program is the first step towards welcoming new employees and helps in gaining their commitment in the long run. While preparation plays an important role, it is equally important to make sure that the information in the induction training is regularly reviewed and updated. That way the training will always be relevant and applicable to new employees.

Check Your Progress

1. Define induction.
2. Who conducts the specific orientation programme?
3. What is the purpose of follow-up induction programme?
4. What are handouts?

7.5 ANSWERS TO CHECK YOUR PROGRESS QUESTIONS

1. Induction or orientation is “a technique by which a new employee is rehabilitated into the changed surroundings and introduced to the practices, policies and purposes of the organization”.

2. Specific orientation is conducted by the immediate boss (foreman).
3. The purpose of the follow-up induction programme is to find out whether the employee is reasonably satisfied with the job.
4. Handouts are like an itinerary containing the content of presentations for the day.

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7.6 SUMMARY

- According to R.P Billimoria, induction or orientation is “a technique by which a new employee is rehabilitated into the changed surroundings and introduced to the practices, policies and purposes of the organization”.
- In an organization, orientation is required for overcoming employee anxiety, reality shocks and for accommodating employees.
- Induction is a welcoming process—the idea is to welcome the candidate, make him feel at home in the changed surroundings and to introduce him to the practices, policies and purposes of the organization.
- Specific orientation is conducted by the foreman.
- The purpose of specific induction is to enable an employee to adjust himself to his work environment.
- The purpose of the follow-up induction programme is to find out whether the employee is reasonably satisfied with the job.
- Through guidance and counselling, efforts are made to remove the difficulties experienced by the newcomer.
- Usually, follow up induction takes place after about one or two months from the time of appointment.
- In every organization, new employees often go through an orientation program which familiarizes them with the work culture of their new company.
- Often companies do not invest enough time and money in their orientation program and overlooks its impact in the long run.
- A lot of research and planning is required before conducting an induction.
- Another important thing that gets overlooked during induction are handouts.
- Handouts are like an itinerary containing the content of presentations for the day.
- An important pre-requisite of induction planning is that the person conducting the induction process should be very knowledgeable about the organization to successfully integrate new employees into the firm.

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7.7 KEY WORDS

- **Induction:** It is an occasion when someone is formally introduced into a new job or organization, especially through a special ceremony.
- **Acquaintance:** It refers to a person one knows slightly, but who is not a close friend.
- **Implementation:** It is the process of putting a decision or plan into effect; execution.

7.8 SELF ASSESSMENT QUESTIONS AND EXERCISES

Short Answer Questions

1. Why is orientation needed?
2. What forms the content of an induction programme?
3. Briefly describe a general induction programme.
4. Should senior management be involved in induction programmes?
5. Write a short note on induction programme planning and discuss the steps involved in planning.

Long Answer Questions

1. Exemplify induction training rolled out in some of the leading organizations apart from those mentioned in the unit.
2. Elaborate and analyse the various types of induction programmes.
3. Assess the problems faced during an induction and measure their impact in the short and long run.

7.9 FURTHER READINGS

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UNIT 8 TRAINING

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Structure

- 8.0 Introduction
- 8.1 Objectives
- 8.2 Training: Concept, Significance and Needs
- 8.3 Types of Training
- 8.4 Answers to Check Your Progress Questions
- 8.5 Summary
- 8.6 Key Words
- 8.7 Self Assessment Questions and Exercises
- 8.8 Further Readings

8.0 INTRODUCTION

In this unit, you will learn about employee training. For any organization to perpetuate itself through growth, there is a basic need for developing its manpower resources. It is one thing to possess knowledge but another to put it to effective use. It is essential to help develop skills and also update knowledge. Especially, in a rapidly changing society, employee training and development is very important for an organization.

Training is a method of acquiring a succession of planned behaviour. It attempts to improve employees' performance on the current job or prepare them for an intended job. Among other benefits, training instructs the workers towards better job adjustment and reduces the rate of labour turnover and absenteeism.

8.1 OBJECTIVES

After going through this unit, you will be able to:

- Describe the concept and significance of training
- Explain training needs
- Analyse training methods
- Discuss various types of training

8.2 TRAINING: CONCEPT, SIGNIFICANCE AND NEEDS

Training is undertaken by organizations to improve the performance, quality, skill and knowledge of their employees. Thus, it is a vital phase in the development of industrial relations.

Features of training

McFarland defines several concepts used in the development of human resources. Although training and education are closely connected, these concepts differ from each other in crucial ways. While the term ‘training’ relates to imparting specific skills for specific objectives, the term ‘education’ involves the development of the whole individual socially, intellectually and physically. Accordingly, training forms only a part of the entire educational process. Moreover, education is more akin to the concepts of growth and development than training. The term development can be defined as the nature and direction of change taking place among personnel through educational and training processes.

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Nature of tasks and responsibilities as a determinant

The relative amount of training and education changes with the nature of tasks and responsibilities in organizational settings. As one goes upward in the organization, the requirement of training usually diminishes, and the requirement of education goes up. Explicitly, non-managerial personnel require more job or trade-related skills than managerial personnel demanding the generalized conceptual skills and human relations insights. Accordingly, there is a difference between employee training and management development. Thus, employee training relates to the process by which non-managerial employees are imparted job skills. This type of training is largely task-centred instead of career-centred, and supplements basic skills and job training obtained in trade schools.

Development as applied to managers

On the other hand, development as applied to managers involves the processes by which managerial personnel accomplish not only skills in their present jobs, but also competence for prospective assignments of enhanced difficulties and scope. The higher responsibilities embrace complex conceptual thoughts and analyses, and decision-making abilities. The development process relates to the pressures, changes and growth patterns. Thus, development as applied to managers embraces all those recognized and controlled measures, which exert a marked influence towards the improvement of abilities of the participant to accomplish his present job more effectively and enhance his potential for prospective higher responsibilities.

Narrow and broad perspectives

However, Dunn and Stephens do not limit the term ‘development’ to managerial personnel only. According to them, ‘Training refers to the organization’s efforts to improve an individual’s ability to perform a job or organizational role, whereas development refers to the organization’s efforts (and the individual’s own efforts) to enhance an individual’s abilities to

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advance in his organization to perform additional job duties.’ Thus, training provides knowledge and skills required to perform the job. It may involve showing a lathe operator how to produce a new component, demonstrating to supervisors how to handle grievances, and improving a plant manager’s skill to negotiate a contract with the trade union. Accordingly, training can be viewed as job-oriented leading to an observable change in the behaviour of the trainee in the form of increased ability to perform the job.

On the other hand, although development is still job-related, it is much broader in scope. This is implied in management development programmes purporting to prepare managers for higher level positions. It enhances general knowledge related to a job as well as the ability to adapt to change. Thus, training is narrow in scope and largely relates to the acquisition of skills, while development embraces a broader scope. The concept of ‘education’ relates to the acquisition of knowledge of a general nature.

Present and future orientations

Thus, as Fitzgerald observes, training provides employees with specific skills or helps them to overcome deficiencies in their present performance. On the other hand, development provides employees with that the abilities that the organization will need in the future.

Training versus development

According to Yoder, although the terms ‘training’ and ‘development’ appear synonymous, there is a recognized difference between these concepts. Earlier, training programmes stressed preparation for an improved performance in largely specific rank-and-file jobs. With the growth of organizations, several problems developed specifically at the supervisory level. Accordingly, supervisory training programmes were launched enabling them to deal with distinctive problems. During the training of the supervisors, the need to train their bosses appeared significant. Therefore, special developmental programmes for middle managers were organized. Later on, the development programmes were started for the top management as well. These programmes indicated the significance of the concept of development, and thus training appeared to be an improper designation for learning a wide variety of complex, difficult and intangible functions of managerial personnel.

Thus, the concept ‘training’ was degraded. As managers themselves remarked, ‘training is for dogs, people are developed’. Today, the terms ‘development’ and ‘education’ are more suitable than the term ‘training’. It is not the training but the full development of personality that enables the human resources to exert their full potential. Accordingly, training and development programmes are combined together for developing skills as well as basic attitudes, leading to a continued personal growth. These programmes purport to improve job performance, minimize waste and scrap, prepare individuals

for promotions, reduce turnover, enable individuals to accept organizational changes, facilitate understanding of the organizational goals and attain allied behavioural objectives. Obviously, the basic problem in development is to integrate the individual's achievement, motivation and self-interest with the goals of the organization.

Difference from four standpoints

Likewise, Gomez-Mezia et al. visualized that training tends to focus on immediate organizational needs, while development focuses on long-term requirements. While the scope of development is on the whole work group of the organization, the scope of training is restricted to an individual employee. The two concepts also differ vis-à-vis their goals. While training overcomes current skill deficiency, development prepares the employees for future work demands. Training is concerned with the current job, whereas development relates to both current and future jobs. Accordingly, it is necessary to remember these differences while evolving and evaluating training programmes.

Thus, the use of training programmes to influence long-range issues is likely to be ineffective. In the same way, the use of a development programme to improve current job performance will be futile.

Obviously, training provides a measure for modifying employee behaviour involving complex attitudes, knowledge and understanding and improving organizational effectiveness. Attempts are being made to determine the training needs for the entire organization rather than its specific departments and also to involve the top management in this programme. There is an urgent need for overcoming resistance to a training programme by demonstrating the concrete results of training, allowing the line personnel to determine its specific needs and perform its own training as much as possible. This approach ensures interest and involvement of the line personnel and minimize conflicts between the line and staff personnel.

Training Needs and Objectives

The needs and objectives are as follows:

(a) Evaluating gap by skills analysis

As Price observes, a training need exists when there is a gap between the present performance of an employee or group of employees and the desired performance. The existence of this gap can be determined on the basis of a 'skills analysis' involving the following five steps: (1) Analysis and determination of the major requirements of the specific job, (2) Identification of the tasks needed to be accomplished to meet the job requirements, (3) Understanding of the procedures needed to accomplish each of the job tasks, (4) Analysis of the knowledge and skills needed to accomplish the

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procedures, (5) Identification of any special problem of the job and analysis of any particular skill needed to meet the problem.

(b) Training as a preventive tool to specific problems

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Training needs should be determined from the standpoint of a specific problem for which training is the most effective solution. The problem may be actual or potential. There may be numerous problems for which training forms a preventive tool. It may solve several problems of excessive number of accidents, lack of ambition among employees, excessive buck passing, poor cooperation, absence of job pride, excessive spoilage of material, frequent changes in procedures, lack of understanding of responsibilities, lack of effective teamwork, excessive number of transfers or request for transfers, higher turnover, etc. The objective of training in these situations is to prevent the occurrence of such specific problems. As indicated, specific training needs can be determined by deducting the existing amount of employee skills from the job requirements.

(c) Training as a tool to achieve organizational goals

As Bernardin points out, an organization should provide resources to training programmes if they facilitate in the attainment of organizational goals. For this purpose, needs analysis must be conducted to collect the best possible data for justifying the use of training programmes. Organizations which implement training programmes without such assessments are likely to make pitfalls and waste money. For example, the research may reveal the need for job redesign rather than training. This analysis must be conducted in the context of strategic plans of any type of strength, weakness, opportunity and threat analysis. According to Bernardin, needs assessment can be considered as a systematic, objective determinant for training needs which involves conducting three primary types of analysis: organizational analysis, job analysis, and person analysis. These types of analysis can help in determining the objectives for the training programmes.

Significance and Benefits of Training

Training is a process of learning a sequence of programmed behaviour. It is application of knowledge. It gives people an awareness of the rules and procedures to guide their behaviour. It attempts to improve their performance on the current job or prepare them for an intended job. 'According to Edwin D Flippo, the purpose of training is to achieve a change in the behaviour of those trained and to enable them to perform better.' In order to achieve this objective, any training programme should try to bring positive changes in:

- **Knowledge:** It helps a trainee to know facts, policies, procedures and rules pertaining to his job.

- **Skills:** It helps him to increase his technical and manual efficiency necessary to do the job.
- **Attitude:** It moulds his behaviour towards his co-workers and supervisors and creates a sense of responsibility in him.

Importance of training

- (a) It equips the management to face the pressures of changing environment.
- (b) It usually results in the increase of quantity and quality of output.
- (c) It leads to job satisfaction and higher morale of the employees.
- (d) Trained workers need lesser supervision.
- (e) Trained workers enable the enterprise to face competition from rival organizations.
- (f) It enables employees to develop and rise within the organization and increase their earning capacity.
- (g) It moulds the employees' attitudes and helps them to achieve better cooperation with in the organization.
- (h) Trained employees make better economic use of materials and equipment resulting in reduction of wastage and spoilage.
- (i) Training instructs the workers toward better job adjustment and reduces the rate of labour turnover and absenteeism.

Benefits of training

- (a) **Benefits to organizations:** A programme of training becomes essential for the purpose of meeting specific problems of a particular organization arising out of the introduction of new lines of production, changes in design, demands of competition, and so on. The major benefits of training to an organization are:
 - (i) **Higher productivity:** Training can help employees to increase their level of performance on their present assignment. It enhances skills. Increased performance and productivity are most evident on the part of new employees who are not yet fully aware of the most efficient and effective ways of performing their jobs. Enhanced skill usually helps to increase both quantity and quality of output.
 - (ii) **Better organizational climate:** An endless chain of positive reactions results from a well-planned training programme. Increased morale, less supervisory pressures, improved product quality, increased financial incentives, internal promotions, and so on result in a better organizational climate.
 - (iii) **Less supervision:** Training does not eliminate the need for supervision; it reduces the need for constant supervision.

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- (iv) **Prevents manpower obsolescence:** Manpower obsolescence is prevented by training as it fosters initiative and creativity of employees. An employee is able to adapt himself to technological changes.
 - (v) **Economical operations:** Trained personnel will make economical use of materials and equipment. This reduces wastage in materials and damage to machinery and equipment.
 - (vi) **Prevents industrial accidents:** Proper training can help to prevent industrial accidents.
 - (vii) **Improves quality:** Trained employees are less likely to make operational mistakes thereby increasing the quality of the company's products.
 - (viii) **Greater loyalty:** A common objective of training programme will mould employees' attitudes to achieve support for organizational activities and to obtain better cooperation and greater loyalty. Thus, training helps in building an efficient and loyal workforce.
 - (ix) **To fulfil organization's future personnel needs:** When the need arises, organizational vacancies can be staffed from internal sources, if an organization initiates and maintains an adequate training programme.
 - (x) **Standardization of procedures:** Trained employees will work intelligently and make fewer mistakes when they possess the required know-how and understand their jobs.
- (b) Benefits to employees**
- (i) **Personal growth:** Employees on a personal basis gain individually from training. They secure wider awareness, enlarged skill and enhanced personal growth.
 - (ii) **Development of new skills:** Training improves the performance of the employees and makes them more useful and productive. The skills developed through training serve as a valuable personal asset to the employee. It remains permanently with the employee.
 - (iii) **Higher earning capacity:** By imparting skills, training facilitates higher remuneration and other monetary benefits to the employee. Thus, training helps each employee to utilize and develop his full potential.
 - (iv) **Helps adjust with changing technology:** Old employees need refresher training to enable them to keep abreast of the changing methods, techniques and use of sophisticated tools and equipment.
 - (v) **Increased safety:** Proper training can help prevent industrial accidents. Trained workers handle the machines safely. Thus, they are less prone

to industrial accidents. A safe work environment also leads to a more stable mental attitude on the part of the employees.

- (vi) **Confidence:** Training creates a feeling of confidence in the minds of employees. It gives safety and security to them in the organization.

Training Methods and Schemes

There are many types of training methods, some of them are:

- (a) **Induction or orientation training:** It is the method of introducing a new employee into the organization with a view to gaining his confidence and developing a sense of cooperation in him. It is a training programme used to induct a new employee into the new social setting of his work. The new employee is introduced to his job situation and to his co-employees. He is also informed about the rules, working conditions, privileges and activities of the company. The induction training not only helps personal adjustment of the new employee to his job and work group but also promotes good morale in the organization.

An induction programme should aim at achieving the following objectives:

- (i) To build up the new employee's confidence in the organization so that he may become efficient
- (ii) To ensure that the new employee may not form false impressions regarding his place of work
- (iii) To promote a feeling of belonging and loyalty
- (iv) To give information to the new employee about canteen, leave rules and other facilities, etc

In short, planned induction welcomes a new employee, creates a good attitude, reduces labour turnover and makes the employee feel at home right from the beginning.

- (b) **Job instruction training:** The object of job training is to increase the knowledge of workers about the job with which they are concerned, so that their efficiency and performance are improved. In job training, workers are enabled to learn correct methods of handling machines and equipment avoiding accidents, minimizing wastes, and so on.

Under this technique, an employee is placed in a new job and is told how it may be performed. It is primarily concerned with developing in an employee the skills and habits consistent with the existing practices of an organization and with orienting him to his immediate problems. The employees learn the job by personal observation and practice as well as occasionally handling it. It is learning by doing, and it is most useful for jobs that are either difficult to stimulate or can be learned

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quickly by watching and doing. The actual training follows a four-step process:

- (i) Preparation of the trainee for instruction
- (ii) Presentation of the instructions in a clear manner
- (iii) To help the trainee try out the job to show that he has understood the instructions
- (iv) Encourage questions and allowing the trainee to work along with regular follow-up by the trainer

(c) Promotional training: Many concerns follow a policy of filling some of the vacancies at higher levels by promoting existing employees. This policy increases the morale of workers. When the existing employees are promoted to superior positions in the organization, they are required to shoulder new responsibilities. For this, training has to be given.

(d) Refresher training: With the passage of time, employees may forget some of the methods, which were taught to them, or they may have become outdated because of technological development and improved techniques of management and production. Hence, refresher training is arranged for existing employees in order to provide them an opportunity to revive and also improve their knowledge.

According to Dale Yoder 'Retraining (refresher training) programmes are designed to avoid personnel obsolescence.' Thus, refresher training is essential because:

- (i) Employees require training to bring them up-to-date with the knowledge and skills and to relearn what they have forgotten.
- (ii) Rapid technological changes make even the most qualified workers obsolete in course of time.
- (iii) Refresher training becomes necessary because many new jobs are created and are to be manned by the existing employees.

(e) Apprenticeship training: Apprenticeship training system is widely in vogue today in many industries. It is a good source of providing the required personnel for the industry. Under this method, both knowledge and skills in doing a job or a series of related jobs are involved. The apprenticeship programmes combine on-the-job training and experience with classroom instructions in particular subjects. Apprenticeship training is desirable in industries which require a constant flow of new employees expected to become all-round craftsmen.

(f) Internship training: Internship training is usually meant for such vocations where advance theoretical knowledge is to be backed up by practical experience on the job. Under this method, the professional institutes enter into arrangement with a big business

enterprise for providing practical knowledge to its students. For example, engineering students are sent to industrial enterprise and medical students are sent to hospitals for practical knowledge.

(g) Vestibule training: In this method, actual work conditions are simulated in a class room. Material, files and equipment that are used in the actual job are used in the training programme too. In vestibule training, theory can be related to practice. This type of training is commonly used for training employees for skilled and semi-skilled jobs. Vestibule training consists of two parts:

- The lecture method that focuses on theoretical framework and the principles involved in the job performance, and
- The practical exercises based on the theoretical aspects in a workshop that is similar to the shop floor in the production department.

The vestibule training is more suitable for those employees who are required to possess certain specific technical skills before they are employed in actual operations.

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Systems approaches to training

While designing training programmes the goal of the organization should be kept in mind. The organizational goals and strategies form the basis for training objectives. However, many of the organizations do not make the connection between their strategic objectives and their training programme. As a result, much of an organization’s investment in training programmes does not contribute directly to organizational effectiveness and performance. To make certain that investments in training and development have maximum impact on individual and organizational performance, a systems approach to training should be used. The systems approach to training has four phases which are explained in Figure 8.1.

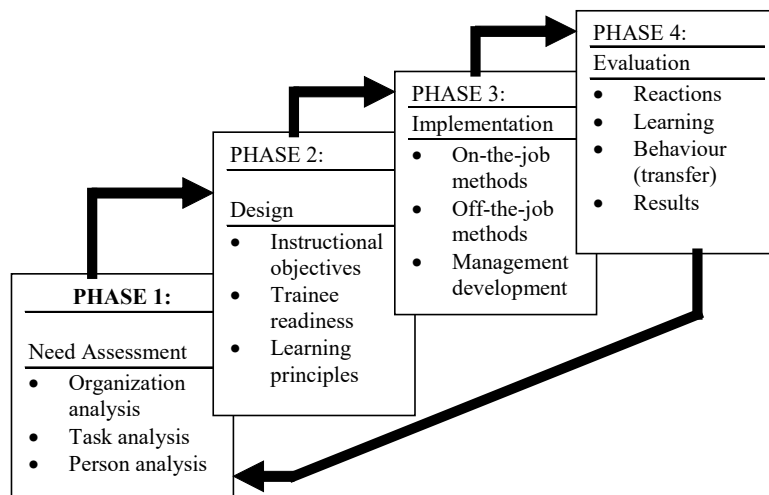


Fig. 8.1 System Model of Training

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Phase 1: Conducting the needs assessment: The need for training should be felt by the organization. Managers, particularly HR managers, should find out the types of training that are needed, where they are needed, who needs them, and which method should be used to train the employees. In order to do this, we must follow three steps:

1. *Organization analysis:* It is an examination of the environment, strategies, and resources of the organization to determine where training emphasis should be placed.
2. *Task analysis:* After doing the organization analysis, the next step is to do the task analysis. Task analysis involves reviewing the job description and job specification to identify the activities performed in a particular job. Task analysis often becomes more detailed than job analysis, but the overall purpose is to determine the exact content of the training programme. The knowledge skills and abilities (KSAs) needed to perform the particular job should be ascertained. The competency assessment focuses on the set of skills and knowledge employees need to be successful, particularly for decision-oriented and knowledge-intensive jobs.
3. *Person analysis:* Person analysis involves determining which employees require training and which employees do not need the particular type of training. Person analysis helps the organizations in several ways (i) it helps in avoiding the mistake of sending all employees into training when some do not need it. (ii) It enables managers to determine what prospective trainees are able to do when they enter training so that the programmes can be designed to emphasize the areas in which they are deficient.

Phase 2: Designing the training programme: The second step is to design the type of learning environment necessary to enhance learning. The training design should focus on the following:

1. *Instructional objectives:* They describe the skills and knowledge to be acquired and the attitudes to be changed. A clear statement of instructional objectives will provide a sound basis for choosing methods and materials and for selecting the means for assessing whether the instruction will be successful or not.
2. *Trainee readiness:* For any training to be successful the trainee should be prepared to receive the training. In order to achieve this, prospective trainees should be screened to determine that they have the background knowledge and skill necessary to absorb what will be presented to them.
3. *Principles of learning:* Since the success or failure of a training programme is frequently related to certain principles of learning, managers and employees should understand that different training

methods or techniques vary in extent to which they utilize these principles.

4. *Characteristics of instructors:* The success of any training effort will depend to a large extent on the teaching skills of the instructors. A good instructor is one who shows a little more effort or demonstrates more instructional preparation.

Phase 3: Implementing the training programme: A major consideration in choosing among the various training methods is determining which one is more appropriate for the KSAs to be learned.

Phase 4: Evaluating the training programme: Training should be evaluated to determine its effectiveness. The four basic criteria available to evaluate training are: (i) reactions (ii) learning (iii) behaviour and (iv) results. These criteria can give a total picture of the training programme and help managers evaluate the success or otherwise of the training programme.

Training programme is a costly and time-consuming process. The following training procedure is essentially an adoption of the job instruction-training course. The following steps are usually considered necessary.

- (a) **Discovering or identifying the training needs:** A training programme should be established only when it is felt that it would assist in the solution of specific problems. Identification of training needs must contain three types of analysis:
 - (i) **Organizational analysis:** Determine the organization's goals, its resources and the allocation of the resources as they relate to the organizational goals.
 - (ii) **Operations analysis:** Focuses on the task or job regardless of the employee doing the job.
 - (iii) **Man analysis:** Reviews the knowledge, attitudes and skills a person must acquire to contribute satisfactorily to the attainment of organizational objectives.

Armed with the knowledge of each trainee's specific training needs, programmes of improvement can be developed that are tailored to these needs. The training programme then follows a general sequence aimed at supplying the trainee with the opportunity to develop his skills and abilities.

- (b) **Preparing the instructor:** The instructor is the key figure in the entire programme. He must know both the job to be taught and how to teach it. The job must be divided into logical parts so that each can be taught at a proper time without the trainee losing perspective of the whole. This becomes a lesson plan. For each part one should have in mind the desired technique of instruction, i.e., whether a particular point is best taught by illustration, demonstration or explanation.

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(c) Preparing the trainee: This step consists of:

- Putting the learner at ease
- Stating the importance and ingredients of the job and its relationship to work flow
- Explaining why he is being taught
- Creating interest and encouraging questions, finding out what the learner already knows about his job or other jobs
- Explaining the 'why' of the whole job and relating it to some job the worker already knows
- Placing the learner as close to his normal position as possible
- Familiarizing him with the equipment, materials, tools and trade terms

(d) Presenting the operations: This is the most important step in a training programme. The trainer should clearly tell, show, illustrate and question in order to put across the new knowledge and operations. There are many ways of presenting the operation, such as explanation and demonstration. An instructor mostly uses the method of explanation. In addition, one may illustrate various points through the use of pictures, charts, diagrams and other training aids. Demonstration is an excellent device when the job is essentially physical in nature. The training programme may be followed as per the following steps:

- (i) Explain the course of the job
- (ii) Do the job step-by-step according to the procedure
- (iii) Explain each step that he is performing
- (iv) Have the trainee explain the entire job

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. The trainee should also be encouraged to ask questions in order to indicate that he really knows and understands the job.

(e) Try out the trainees' performance: Under this, 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. Then the trainee is asked to do the job, gradually building up skill and speed. As soon as the trainee demonstrates that he can do the job in the right way, he is put on his own. The trainee, through repetitive practice, will acquire more skill.

(f) Follow-up: The final step in most training procedures is that of follow-up. This step is undertaken with a view to test the effectiveness of training efforts. The follow-up system should provide feedback on

training effectiveness and on total value of training system. It is worth remembering that if the learner has not learnt, the teacher has not taught.

Comparison of on-the-job and off-the-job training programmes

Merits of on-the-job training

- (a) It permits the trainee to learn on the actual equipment and on-the-job environment.
- (b) It is a relatively cheaper and less time consuming as no additional personnel or facilities are required for training.
- (c) As the trainee gets a feeling of actual production conditions, it increases the effectiveness of training.

Demerits of on-the-job training

- (a) The instruction in on-the-job training is often highly disorganized and haphazard.
- (b) Trainees are often subjected to distractions of a noisy shop or office.
- (c) There is low productivity.

Training methods and their Suitability

The success of any training or development programme largely depends on the selection of the methods used. Here, it should be remembered that no single method can prove to be the best method. Various methods are suitable for various reasons. Table 8.1 shows the methods and their suitability for training.

Selection of a training method

The selection of an appropriate method depends upon the following factors:

- (a) **Nature of problem area:** The choice of a training method depends upon the task to be done or the manner in which people interact with each other, i.e., the problem may be either an operational problem or a human relations problem.
- (b) **Level of trainees in the organization's hierarchy:** The choice of a training method also depends upon the level of the participants.
- (c) **Method's ability to hold and stimulate the interest of trainees during the training period:** A trainer has to consider alternative methods of presenting training material to participants also from the point of view of their ability to stimulate interest and facilitate retention of the matter.
- (d) **Availability of competent trainers:** A training method is as effective as the ability of the trainer. He is the most important figure in the entire training programme. Therefore, before venturing into a training programme we have to first find a good trainer.

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(e) **Availability of finance:** Availability of finance is crucial for any training programme. To make a training programme effective adequate finance is necessary.

(f) **Availability of time:** Training cannot be done in a hurry. Adequate time is necessary to make the training programme a success.

Table 8.1 Suitability of Training Methods

<i>Technique of Training</i>	<i>Suitability</i>
Lecture	For large groups. For orientation or easy to understand material.
Case study	For small groups. Requires discussion and participation by all participants. It may be used to develop group decision-making skills.
In-basket technique	For small groups. For developing analytical and decision-making skills.
Conferences and seminars	For broadening knowledge, stimulating new ideas and changing attitudes and for developing skills.
Programmed instruction and computer-assisted learning	For either large or small groups where cost is critical. Permits people to study at their own convenience.
Simulation and gaming	For group projects. For developing decision-making skills required the integration of many factors.
Laboratory training	For groups of almost any size. For changing an organization's attitudes. For increasing organizational problem-solving capabilities.
T-group sensitivity training	For developing better understanding and better perceptions of co-workers.

Check Your Progress

1. Why is training important?
2. What is induction or orientation training?

8.3 TYPES OF TRAINING

Training involves learning and in a training situation learning is facilitated by the trainer. A number of training methods are available that facilitate learning. There are also different types of trainings. The following section identifies some popular types of training.

Inductive Training

This refers to the training conducted by organizations to initiate an employee into the organization. Induction training is normally a process by which new employees are informed about the activities of the organization, the terms and conditions of employment, and his new duties and responsibilities. During induction the employee may be introduced to the workers with whom he will be working as well as the materials, the plant or equipment he will be expected to use. The purpose of induction training is to orient new employees with the management, the organization structure and the organizational vision, mission and values.

It is during the process of induction that the new employee gets initiated into the organizational culture specific to his company. Most induction trainings are a kind of one-way communication in which the company's representative addresses the trainees. There is little or no participation from the employees undergoing induction training. Induction training *per se* does not contribute to employee development, skill enhancement or organizational growth. Induction training programmes are not only for new employees. These are also conducted for in-company promotees who have to be oriented to the demands of new positions and responsibilities.

Induction training is based on the philosophy that the entry of new employees into the organization has to be facilitated and that they have to be eased into their new jobs and responsibilities. The aim is to make the assimilation of new employees in the organizational culture little less complex. Organizations spend considerable thought and resource in organizing inductive training because of its crucial role in facilitating the entry of new employees. The training consists of visiting the various departments of the organization to understand their functioning. The trainees are also introduced to the operational aspect of the organization. In short, induction training is an elaborately planned initiation of the new employees into the organizational culture and structure.

Training in Particular Skills

Every task demands a specific skill set for its effective accomplishment. All organizations conduct skill training programmes of some kind or the other for the employees to make them capable of accomplishing specific tasks. Skill training is directly related to the acquisition of technical or practical expertise. Skill training has a very narrow and focused objective, which is to create competent workers who can contribute productively to the achievement of organizational goals.

Human Relations Training

Human relations training refers to that training that has specific behavioural objectives. These objectives are related to the following:

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- Aspects of managing style
- Awareness of behaviour in its different forms
- Altering or shaping behaviour
- Improvement of inter personal behaviour

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Problem Solving Training

Problem solving training provides a foundation for a continuous process or system improvement. The purpose of problem solving training is to help participants understand the various models of problem solving, discover specific techniques for analysing problems, and use a variety of tools for solving problems on the job.

Managerial and Supervisory Training

Managerial jobs combine both management techniques and conceptual knowledge. In case the managerial job is that of a specialist, the training would focus on subjects like operations research, finance, production management, etc. If it is a general management job, then the training would involve management principles and practices. The focus of the entire training would be to make the manager conceptually clear and technically sound so that he is able to function effectively as a manager or supervisor.

Apprentice Training

In India, the Apprentice Act of 1961 lays the foundation for apprentice training. The motive behind apprenticeship training is to provide some basic skills to unskilled individuals so as to enable them to be employed gainfully. According to the Act, industrial organizations in specified industries are required to train apprentices in proportion to their workforce in designated trades.

Classroom

This is the most traditional type of training and the teaching method can vary from the classical method in which the trainer lectures on a chosen topic to the teaching method where the trainer acts as a facilitator. Classroom training can vary from directive to non-directive. The learner participation in learning can vary, depending on the participation allowed by the instructor.

Outdoors

This type of training is widely used by the armed forces, particularly in such fields as leadership training and team building. Off late, corporates have started using outdoor training schedules for team building and other exercises. The advantage of outdoor training is that individual defences are lowered and barriers to learning are removed in a non-structured environment. But some trainers find outdoor training lacking the rigour of classroom training.

Computer Assisted Learning

This type of training is basically a programmed learning method in which the learner progresses step by step. That is, the learner has to master one step before moving on to the next. The training material is delivered electronically and with the growth of computer technology, computer assisted learning is getting popular among learners.

E-Learning

With the growth of computer technology and the spread of the Internet, e-learning has become an increasingly accepted training and learning method.

The above paragraphs list some common types of training without following any classificatory criterion. Some trainers and experts classify training types on the basis of training methods, some on the basis of trainer and learner roles. The classification continues as per the convenience and understanding of the trainer.

Check Your Progress

3. What is the purpose of problem solving training?
4. What is the Apprentice Act of 1961?

8.4 ANSWERS TO CHECK YOUR PROGRESS QUESTIONS

1. Training is important because it equips the management to face the pressures of changing environment.
2. Induction or orientation training is the method of introducing a new employee into the organization with a view to gaining his confidence and developing a sense of cooperation in him.
3. The purpose of problem solving training is to help participants understand the various models of problem solving, discover specific techniques for analysing problems, and use a variety of tools for solving problems on the job.
4. According to the Apprentice Act of 1961, industrial organizations in specified industries are required to train apprentices in proportion to their workforce in designated trades.

8.5 SUMMARY

- Training is undertaken by organizations to improve the performance, quality, skill and knowledge of their employees.

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- McFarland defines several concepts used in the development of human resources.
- The term development can be defined as the nature and direction of change taking place among personnel through educational and training processes.
- The relative amount of training and education changes with the nature of tasks and responsibilities in organizational settings.
- Explicitly, non-managerial personnel require more job or trade-related skills than managerial personnel demanding the generalized conceptual skills and human relations insights.
- As Fitzgerald observes, training provides employees with specific skills or helps them to overcome deficiencies in their present performance.
- On the other hand, development provides employees with that the abilities that the organization will need in the future.
- According to Yoder, although the terms ‘training’ and ‘development’ appear synonymous, there is a recognized difference between these concepts.
- Training needs should be determined from the standpoint of a specific problem for which training is the most effective solution.
- Training is a process of learning a sequence of programmed behaviour. It is application of knowledge.
- Training can help employees to increase their level of performance on their present assignment.
- Training does not eliminate the need for supervision; it reduces the need for constant supervision.
- Manpower obsolescence is prevented by training as it fosters initiative and creativity of employees.
- By imparting skills, training facilitates higher remuneration and other monetary benefits to the employee.
- Old employees need refresher training to enable them to keep abreast of the changing methods, techniques and use of sophisticated tools and equipment.
- The object of job training is to increase the knowledge of workers about the job with which they are concerned, so that their efficiency and performance are improved.
- Apprenticeship training system is widely in vogue today in many industries.
- The apprenticeship programmes combine on-the-job training and experience with classroom instructions in particular subjects.

- Apprenticeship training is desirable in industries which require a constant flow of new employees expected to become all-round craftsmen.
- Internship training is usually meant for such vocations where advance theoretical knowledge is to be backed up by practical experience on the job.
- The success of any training or development programme largely depends on the selection of the methods used.
- Induction training is based on the philosophy that the entry of new employees into the organization has to be facilitated and that they have to be eased into their new jobs and responsibilities.
- Problem solving training provides a foundation for a continuous process or system improvement.
- In India, the Apprentice Act of 1961 lays the foundation for apprentice training.
- The motive behind apprenticeship training is to provide some basic skills to unskilled individuals so as to enable them to be employed gainfully.

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8.6 KEY WORDS

- **Training:** It is the process of learning the skills that you need for a particular job or activity.
- **Development:** It is the process in which someone or something grows or changes and becomes more advanced.
- **Employee Retention:** It refers to the ability of an organization to retain its employees.

8.7 SELF ASSESSMENT QUESTIONS AND EXERCISES

Short Answer Questions

1. Differentiate between training and development.
2. Discuss the significance and benefits of training.
3. Why is training important?
4. What is job instruction training?
5. What do you understand by vestibule training?
6. What is inductive training?

Long Answer Questions

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1. Explain the concept of training in detail. Discuss its features, objectives and need.
2. Elaborate on any three training methods discussed in the unit.
3. What are the phases of systems approach to training? Discuss each in detail.
4. What are the steps taken before establishing a training programme?
5. Describe the various popular types of training in detail.

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BLOCK - III
PERFORMANCE AND BENEFITS OF EMPLOYEES

UNIT 9 PERFORMANCE
APPRAISAL

NOTES

Structure

- 9.0 Introduction
- 9.1 Objectives
- 9.2 Performance Appraisal: Process and Techniques
 - 9.2.1 Purpose of Performance Appraisal
 - 9.2.2 Need of Performance Appraisal
 - 9.2.3 Process of Performance Appraisal
 - 9.2.4 Methods or Techniques of Performance Appraisal
- 9.3 Answers to Check Your Progress Questions
- 9.4 Summary
- 9.5 Key Words
- 9.6 Self Assessment Questions and Exercises
- 9.7 Further Readings

9.0 INTRODUCTION

Performance appraisal is regarded as the key to good human resource management. It is the formal, systematic assessment of how well employees are performing their jobs in relation to the established standards, and the communication of that assessment to the employees. This unit explains the purpose of performance appraisal and the process involved. It will further familiarize you with the various techniques of performance appraisal and how to evaluate them.

9.1 OBJECTIVES

After going through this unit, you will be able to:

- Explain the concept of performance appraisal
- Describe the purpose of performance appraisal
- Assess the process and methods of performance appraisal
- Analyse the major issues in performance appraisal

9.2 PERFORMANCE APPRAISAL: PROCESS AND TECHNIQUES

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According to Wendell French, performance appraisal is, ‘the formal, systematic assessment of how well employees are performing their jobs in relation to established standards, and the communication of that assessment to employees.’

According to Flippo ‘Performance appraisal is the systematic, periodic and an impartial rating of an employee’s excellence in matters pertaining to his present job and his potential for a better job.’

According to Dale Yoder, ‘Performance appraisal includes all formal procedures used to evaluate personalities and contributions and potentials of group members in a working organization. It is a continuous process to secure information necessary for making correct and objective decisions on employees.’

According to C.D. Fisher, L.F. Schoenfeldt and J.B. Shaw, ‘Performance appraisal is the process by which an employee’s contribution to the organization during a specified period of time is assessed.’

From the above definitions, we can conclude that performance appraisal is method of evaluating the behaviour of employees in the work spot, normally including both the quantitative and qualitative aspects of job performance. It is a systematic and objective way of evaluating both work-related behaviour and potential of employees. It is a process that involves determining and communicating to an employee how he is performing the job and ideally establishing a plan of improvement. Performance appraisal emphasizes individual development. It is used for evaluating the performance of all the human resources working at all levels of organization and of all types. It evaluates the performance of technical, professional and managerial staff.

Objectives of Performance Appraisal

Performance appraisal plans are designed to meet the needs of the organization and the individual. It is increasingly viewed as central to good human resource management. Performance appraisal could be taken either for evaluating the performance of employees or for developing them. The evaluative purpose has a historical dimension and is concerned primarily with looking back at how employees have performed over a given time period, compared with the required standards of performance. The developmental purpose is concerned with the identification of employee’s training and development needs.

Appraisal of employees’ serves several useful purposes. Some of these are as follows:

(i) Feedback

It serves as a feedback to the employee. It tells him what he can do to improve his present performance and go up the 'organizational ladder'. The appraisal thus facilitates self-development. It also makes the employee aware of his key performance areas.

(ii) Compensation Decisions

It provides inputs to the system of rewards. The approach to compensation is at the heart of the idea that raises should be given for merit rather than for seniority.

(iii) Database

It provides a valid database for personal decisions concerning placements, pay, promotion, transfer, and so on. Appraisal also makes the employee aware of his key performance areas. Permanent performance appraisal records of employees help management to do planning without relying upon personal knowledge of supervisors who may be shifted.

(iv) Personal Development

Performance appraisal can help reveal the causes of good and poor employee performance. Through discussions with individual employees, a line manager can find out why they perform as they do and what steps can be initiated to improve their performance.

(v) Training and Development Programme

By identifying the strengths and weaknesses of an employee, it serves as a guide for formulating a suitable training and development programme to improve his performance. It can also inform employees about their progress and tell them what skills they need to develop to become eligible for pay rises and/or promotions.

(vi) Promotion Decisions

It can serve as a useful basis for job change or promotion. By establishing whether the worker can contribute still more in a different or a higher job it helps in his suitable promotion and placement. If relevant work aspects are measured properly, it helps in minimizing feelings of frustration of those who are not promoted.

(vii) Improves Supervision

The existence of a regular appraisal system tends to make the supervisors more observant of their subordinates, because they know that they will be periodically expected to fill out rating forms and would be called upon to justify their estimates. This improves supervision.

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Performance appraisal helps to have comparative worth of employees. Appraising employee performance is, thus, useful for compensation, placement and training and development purposes. In the words of M.W. Cummings, 'the overall objective of performance appraisal is to improve the efficiency of enterprise by attempting to mobilize the best possible efforts from individual employed in it. Such appraisals achieve four objectives including the salary reviews, the development and training of individuals, planning job rotation and assistance promotions.' The information can also be used for grievance handling and keeping the record. It helps in improving the quality of supervision and better the employee–employer relationship.

Uses of Performance Appraisal

Performance appraisal is a significant element of the information and control system in organization. Performance appraisal is used in order to:

- (i) Provide valuable information for personnel decisions such as pay increases, promotions, demotions, transfers and terminations. The information provided forms the basis for suitable personnel policies.
- (ii) Provide feedback about the level of achievement and behaviour of subordinates, rectifying performance deficiencies and to set new standards of work, if necessary. It also identifies individuals with high potential who can be groomed up for higher positions.
- (iii) Tell a subordinate how he is doing and suggest necessary changes in his knowledge, behaviour and attitudes. It thus provides information that helps to counsel the subordinate. It also serves to stimulate and guide employee's development.
- (iv) Analyse training and development needs. These needs can be assessed because performance appraisal shows people who require further training how to remove their weaknesses. By identifying the weaknesses of an employee, it serves as a guide for formulating a suitable training and development programme to improve his performance in his present work.
- (v) Performance appraisal serves as means for evaluating the effectiveness of devices used for the selection and classification of employees. It, therefore, helps to judge the effectiveness of recruitment, selection, placement and orientation systems of the organization.
- (vi) It facilitates human resource planning and career planning; permanent performance appraisal records of employees help management to do human resource planning without relying upon personal knowledge of supervisors.
- (vii) Performance appraisal promotes a positive work environment, which contributes to productivity. When achievements are recognized and rewarded on the basis of objective performance measures, there

is improvement in the work environment. Performance appraisal, therefore, provide the rational foundation for incentives, bonus, etc. The estimates of the relative contributions of employees helps to determine the rewards and privileges rationally.

- (viii) The existence of a regular appraisal system tends to make the supervisors and executives more observant of their subordinates because, they know that they will be expected periodically to fill out rating forms and would be called upon to justify their estimates. This knowledge results in improved supervision.
- (ix) Performance appraisal records protect management from charges of favouritism and discrimination. Employee grievance can also be reduced as it helps to develop confidence among employees.

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9.2.1 Purpose of Performance Appraisal

Organizations use performance appraisals for three purposes:

- (i) **Administrative:** It commonly serves as an administrative tool by providing employers with a rationale for making many personnel decisions, such as decisions relating to pay increases, promotions, demotions, terminations and transfers.
- (ii) **Employee Development:** It provides feedback on an employee's performance. Appraisal data can also be used for employee development purposes in helping to identify specific training needs of individuals.
- (iii) **Programme Assessment:** Programme assessment requires the collection and storage of performance appraisal data for a number of uses. The records can show how effective recruitment, selection and placement have been in supplying a qualified workforce.

It is generally accepted that performance appraisals serve one or more of the following purposes:

- (a) To create and maintain a satisfactory level of performance;
- (b) To meet an individual's development needs;
- (c) To bring about better operational or business needs;
- (d) To facilitate fair and equitable compensation based on performance;
- (e) To help the superiors to have a proper understanding about their subordinates;
- (f) To provide information useful for manpower planning by identifying employees with a potential for advancement; and
- (g) To facilitate for testing and validating selection tests, interview techniques through comparing their scores with performance appraisal ranks.

9.2.2 Need of Performance Appraisal

The need of performance appraisal is that it enables the management to make effective decisions. The need of an appraisal is concerned with:

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- (i) Creating and maintaining a satisfactory level of performance of employees in their present job.
- (ii) Fixation of salary, allowances, incentives and benefits.
- (iii) Evaluating the effectiveness of training and development programmes.
- (iv) Assessing the strengths and weaknesses of human resource (HR).
- (v) Performance appraisal helps employees to improve by giving him feedback.

9.2.3 Process of Performance Appraisal

Performance appraisal is planned, developed and implemented through a series of steps. These steps are as follows.

(i) Job Analysis, Job Description and Job Specification

Performance appraisal is a process not to be undertaken in isolation of various human resources functions. It begins with job analysis, job description and job specification. These help in establishing the standard performance.

(ii) Establishing Standards of Performance

Appraisal systems require performance standards that serve as benchmarks against which performance is measured. The standards set for performance must be clearly defined and unambiguous. It should be attainable by every employee. To be useful, standards should relate to the desired result of each job. Performance standards must be clear to both the appraiser and the appraisee. The performance standards or goals must be developed with the help of the supervisors to ensure that all the relevant factors have been included. Where the output can be measured, the personal characteristics, which contribute to employee performance, must be determined.

Goals must be written down. They must be measurable within certain time and cost considerations.

(iii) Communicating Performance Standards to Employees

Performance appraisal involves at least two parties; the appraiser who does the appraisal and the appraisee whose performance is being evaluated. The performance standards specified in the second step above are to be communicated and explained to the employees (both appraiser and appraisee) so that they know what is expected of them. Feedback should also be given so that there is no confusion or misunderstanding. Through feedback the manager knows that the information has reached the employees. If necessary, the

standards may be revised or modified in the light of feedback obtained from the employees and evaluators. As pointed out by DeCenzo and Robbins, 'too many jobs have vague performance standards and the problem is compounded when these standards are set in isolation and do not involve the employee.'

(iv) Measuring Actual Performance

After the performance standards are set and accepted, the next step is to measure actual performance. This requires choosing the right technique of measurement, identifying the internal and external factors influencing performance and collecting information on the results achieved. It can be affected through personal observation, written and oral reports from supervisors. The performance of different employees should be so measured that it is comparable. Performance measures, to be helpful must be easy to use, be reliable and report on the critical behaviour that determine performance.

Performance measures may be objective or subjective.

(a) *Objective Performance Measures:* Objective performance measures are indications of job performance that can be verified by others and are usually quantitative. Objective criteria include the following:

- Quality of production
- Degree of training needed
- Accidents in a given period
- Absenteeism
- Length of service

(b) *Subjective Performance Measures:* Subjective performance measures are ratings that are based on the personal standards of opinions of those doing the evaluation and are not verifiable by others. Subjective criteria include:

- Ratings by supervisors
- Knowledge about overall goals
- Contribution to socio-cultural values of the environment

It should be noted here that objective criteria could be laid down while evaluating lower level jobs which are specific and defined clearly. This is not the case with middle level and higher-level positions that are complex and vague.

(v) Comparing Actual Performance with Standards and Discuss the Appraisal with Employees.

Actual performance is compared with the predetermined performance standards. The actual performance may be better than expected and sometimes it may go off track. Deviations if any from the set standards are noted.

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Along with the deviations, the reasons behind them are also analysed and discussed. Such discussions will enable an employee to know his weaknesses and strengths. The former is discussed so that the employee is motivated to improve his performance.

The assessment of another person's contribution and ability is not an easy task. It has serious emotional overtones as it affects the self-esteem of the appraisee. Any appraisal based on subjective criteria is likely to be questioned by the appraisee and leave him quite dejected and unhappy when the appraisal turns out to be negative.

(vii) Initiating Corrective Action, if any

The last step in the process is to initiate corrective action essential to improve the performance of the employee. Corrective action is of two types:

- (a) The employee can be warned so that he himself can make necessary attempts to improve his performance. But this is not enough or proper.
- (b) Through mutual discussions with employees, the steps required to improve performance are identified and initiated. The reasons for low performance are identified and initiated. The reasons for low performance should be probed. The employee is taken into confidence and motivated for better performance. Training, coaching, counselling, and so on, are examples of corrective actions that help to improve performance.

Essentials of a Good Appraisal System

A sound appraisal system should comply with the following:

(i) Reliability and Validity

The system should be both valid and reliable. The validity of ratings is the degree to which they are truly indicative of the intrinsic merit of the employees. The reliability of ratings is the consistency with which the ratings are made, either by different raters, or by one rater at different times. Both validity and reliability result from objective database. Appraisal system should provide consistent, reliable and valid information and data which can be used to defend the organization — even in legal challenges.

(ii) Job Relatedness

The evaluators should focus on job-related behaviour and performance of the employees. In order to focus attention on behaviour under the employee's control, raters must become familiar with the observed behaviour. It is also necessary to prepare a checklist so as to obtain and review job performance related information. Ratings should be tied up with actual performance of units under the rater's control. The information generated through evaluators should be tailored to the needs of the organization, performance requirements

and norms of behaviour. Multiple criteria should be used for appraisal, and it should be done periodically rather than once a year.

(iii) Standardization

Well-defined performance factors and criteria should be developed. Appraisal forms, procedures, administration of techniques, ratings, and so on, should be standardized as appraisal decisions affect all employees of the group. It will help to ensure uniformity and comparison of ratings. The appraisal techniques should measure what they are supposed to measure. They should also be easy to administer and economical to use.

(iv) Practical Viability

The techniques should be practically viable to administer, possible to implement and economical to undertake continuously. It must have the support of all line people who administer it. If the line people think it is too theoretical, too ambitious, too unrealistic, or that ivory-tower staff consultants who have no comprehension of the demands on time of the line operators have foisted it on them, they will resent it.

(v) Training to Appraisers

The evaluators or appraiser should be provided adequate training in evaluating the performance of the employees without any bias. Evaluators should also be given training in philosophy and techniques of appraisal. They should be provided with knowledge and skills in documenting appraisals, conducting post appraisal interviews, rating errors, and so on. Familiarity with rating errors can improve the rater's performance and this may inject the needed confidence in appraisers to look into performance ratings more objectively.

(vi) Open Communication

The system should be open and participative. Not only should it provide feedback to the employees on their performance, it should also involve them in the goal setting process. This helps in planning performance better. The employees should actively participate in managing performance and in the ongoing process of evaluation. The superior should play the role of coach and counsellor. The overall purpose of appraisals should be developmental rather than judgemental.

(vii) Employee Access to Results

Employees should receive adequate feedback on their performance. If performance appraisals were meant for improving employee performance, then withholding appraisal result would not serve any purpose. If the result of appraisal is negative and goes against the employee, it should be immediately communicated to him so that he may improve his performance, or he may go

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for appeal before the appropriate authority in case he is not satisfied. Such provisions should be made. This will enable the management to gain the confidence of the employees.

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(viii) Clear Objectives

The appraisal system should be objective oriented. It should fulfil the desired objectives like determining the potential for higher jobs or for sanction on annual increment in the salary or for granting promotion or for transfer or to know the requirements for training. The objectives should be relevant, timely and open. The appraisal system should be fair so that it is beneficial to both the individual employee and the organization. The system should be adequately and appropriately linked with other subsystems of human resource management.

(ix) Post Appraisal Interview

After appraisal, an interview with the employee should be arranged. It is necessary to supply feedback, to know the difficulties under which the employees work and to identify their training needs. The appraiser should adopt a problem solving approach in the interview and should provide counselling for improving performance.

(x) Periodic Review

The system should be periodically evaluated to be sure that it is meeting its goals. Not only is there the danger that subjective criteria may become more salient than the objective standards originally established, there is the further danger that the system may become rigid in a tangle of rules and procedures, many of which are no longer useful.

(xi) Not Vindictive in Nature

It should be noted by the executives at the helm of affairs of the organizations that the aim of performance appraisal or any system for that matter is to improve performance, organizational effectiveness and to accomplish organizational objectives and not to harass the employees and workers of the organizations who are the vital human resource.

9.2.4 Methods or Techniques of Performance Appraisal

A number of different performance appraisal methods or techniques are available for evaluating the performance of the employees. These methods try to explain how management can establish standards of performance and devise ways and means to measure and evaluate the performance. There is no fool proof method of evaluating the performance of employees. Every method suffers from certain drawbacks in spite of some merits. These methods can broadly be divided into traditional and modern methods.

I. Traditional Methods

These methods are the old methods of performance appraisal based on personal qualities like knowledge, capacity, judgement, initiative, attitude, loyalty, leadership, and so on. The following are the traditional methods of performance appraisal.

(i) Unstructured Method of Appraisal

Under this method, the appraiser has to describe his impressions about the employee under appraisal in an unstructured manner. This is a simple method of performance appraisal. The rater has to list his comments specifically on qualities, abilities, attitude, aptitude and other personal traits of the employees. This makes the method highly subjective in nature.

(ii) Straight Ranking Method

In this technique, the evaluator assigns relative ranks to all the employees in the same work unit doing the same job. Employees are ranked from the best to the poorest on the basis of overall performance. This method is also highly subjective and lacks fairness in assessing the real worth of an employee.

(iii) Paired Comparison Method

Ranking becomes more reliable and easier under the paired comparison method. This method is an attempt to improve upon the simple ranking method. Under this method employees of a group are compared with one another at one time. If there is a group of five employees A, B, C, D and E then A's performance is compared with that of B's and decision is taken as to whose performance is better. Similarly, A's performance is compared with C, D, and E and decisions regarding comparatively better performance are taken. Comparison is made on the basis of overall performance. The number of comparisons to be made can be decided on the basis of the following formula:

$$\frac{N(N-1)}{2}$$

where N is the number of persons to be compared.

The paired comparison method is more reliable, but the method is not suitable when large number of employees is to be evaluated.

(iv) Man-to-Man Comparison Method

In man-to-man comparison method, the performance of an employee is evaluated by obtaining ratings about their performance from the evaluators. A team of evaluators is involved in giving ratings to the employee performance. Each member of the team gives the appropriate ratings, lowest, low, middle, high and highest performers to the employees. These ratings are then used to determine the appraisal procedure for a particular employee. The main

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benefit of this method is that the ratings are based on the real performance of the employees. However, the drawback of this technique is that the ratings given by each evaluator may not be consistent because each evaluator has his or her own scaling criteria making it difficult to evaluate an employee's performance correctly.

(v) Grading Method

Under this technique of performance evaluation certain categories of worth are determined in advance and they are carefully defined. These selected and well-defined categories include

Grade 'A' for outstanding

Grade 'B' for very good

Grade 'C' for average

Grade 'D' for poor, etc.

These grades are based on certain selected features such as knowledge, judgement, analytical ability, leadership qualities, self-expression, and so on. The actual performance of employees is compared with the above grades and employees are allotted grades that speak for their performance.

(vi) Graphic Rating Scale

Perhaps, the most commonly used method of performance evaluation is the graphic rating scale. The evaluator is asked to rate employees on the basis of job related characteristics and knowledge of job. Evaluator is given printed forms. The performance is evaluated on the basis of these traits on a continuous scale. It is a standardized, quantitative method of performance appraisal. The scores are tabulated indicating the relative worth of each employee.

(vii) Forced Choice Method

This method was developed during World War II for evaluating the performance of American army personnel. The evaluators rate the performance as high, moderate or low and escape the important responsibility assigned to them. The primary purpose of the forced choice method is to correct the tendency of a rater to give consistently high or low ratings to all the employees. This method makes use of several sets of pair phrases, two of which may be positive and two negative and the rater is asked to indicate which of the four phrases is the most and least descriptive of a particular worker. Actually, the statement items are grounded in such a way that the rater cannot easily judge which statement applies to the most effective employee. The evaluator is forced to select from each group of statements (normally two). The statements may be the following:

- (a) Good work organizer
- (b) Shows patience with slow learners
- (c) Dishonest or disloyal
- (d) Careful and regular
- (e) Avoid work
- (f) Hard working
- (g) Cooperates with fellow workers
- (h) Does not take interest in work

From the above list of statements, favourable statements are marked plus and unfavourable statements are marked zero. Under this method subjectivity of evaluator is minimized.

(viii) Checklist

A checklist represents, in its simplest form, a set of objectives or descriptive statements about the employee and his behaviour. The rater checks to indicate if the behaviour of an employee is positive or negative to each statement. The performance of an employee is rated on the basis of number of positive checks. The following are some of the sample questions in the checklist.

- Is the employee regular on the job? Yes/No
- Is the employee respected by his subordinates? Yes/No
- Is the employee always willing to help his peers? Yes/No
- Does the employee follow instructions properly? Yes/No
- Does the employee keep the equipment in order? Yes/No

The objections to this method are as follows:

- (a) It is difficult to construct a good checklist.
- (b) A separate checklist is needed for each job because statements used in one checklist to evaluate one category of workers cannot be used in another checklist to evaluate other category of workers.

(ix) Weighted Checklist

The checklist provides to the evaluator statements relating to work-related behaviour of the employees. Every statement is given equal importance. However, under weighted checklist the items having significant importance for organizational effectiveness are given weightage. Thus, in weighted checklist, weights are assigned to different statements to indicate their relative importance.

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(x) Free Essay Method

Under this method no quantitative approach is undertaken. It is open-ended appraisal of employees. The evaluator describes in his own words what he perceives about the employee's performance. While preparing the essay on the employee, the rater considers the following factors:

- (a) Job knowledge and potential of the employee.
- (b) The employee's undertaking of the company's programmes, policies, objectives, etc.
- (c) The employee's relations with co-workers and superiors.
- (d) The employee's general planning, organizing and controlling ability.
- (e) The attitudes and perceptions of the employee in general.

The description is expected to be as factual and concrete as possible. An essay can provide a good deal of information about the employee especially if the evaluator is asked to give examples of each one of his judgements.

(xi) Critical Incidents Method

Under this method, the performance of the worker is rated on the basis of certain events that occur during the performance of the job (i.e., the evaluation is based on key incidents). These critical incidents or events represent the outstanding or poor behaviour of employees on the job. The rater maintains logs on each employee, whereby he periodically records critical incidents of workers behaviour. At the end of the rating period, these recorded critical incidents are used in the evaluation of the workers' performance. Critical incidents method helps to avoid vague impressions and general remarks as the rating is based on actual records of behaviour/performance. The feedback from actual events can be discussed with the employee to allow improvements. The rater can fully defend his ratings on the basis of his record.

(xii) Field Review Method

In this method, an HR specialist interviews line supervisors to evaluate their respective subordinates. The interviewer prepares in advance the questions to be asked. By answering these questions, a supervisor gives his opinions about the level of performance of his subordinate, the subordinate's work progress, his strengths and weaknesses, promotion potential, and so on. The evaluator takes detailed notes of the answers, which are then approved by concerned supervisor. The concerned supervisor then approves these. These are then placed in the employee's personnel service file.

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

(xiii) Confidential Report

A confidential report by the immediate supervisor is still a major determinant of the subordinate's promotion or transfer. This is a traditional form of appraisal used in most government organizations. It is a descriptive report prepared, generally at the end of every year, by the employee's immediate superior. The report highlights the strengths and weaknesses of the subordinate. The disadvantages of this method are as under:

- (i) It involves a lot of subjectivity because appraisal is based on impressions rather than on data.
- (ii) No feedback is provided to the employee being appraised and, therefore, its credibility is very low.
- (ii) The method focuses on evaluating rather than developing the employee. The employee who is appraised never knows his weaknesses and the opportunities available for overcoming them.

In recent years, due to pressure from courts and trade unions, the details of a negative confidential report are given to the appraisee.

(xiv) Forced Distribution Method

One of the errors in rating is leniency; of clustering a large number of employees around a high point on a rating scale. The forced distribution method seeks to overcome this problem by compelling the rater to distribute the rates on all points on the rating scale. The primary purpose of the forced choice method is to correct the tendency of a rater to give consistently high or low ratings to all the employees. The forced distribution method operates under the assumption that the employee performance level conforms to a normal statistical distribution. Generally, it is assumed that employee performance levels conform to a bell-shaped curve.

The major weaknesses of the forced distribution method are as follows:

- (a) The assumption that employee performance levels always conform to a normal distribution.
- (b) Forced distribution method is not acceptable to raters and ratees, especially when members are all of high ability.
- (c) The results of the forced choice method may not be useful for training employees because the rater himself does not know how he is evaluating the worker.

II. Modern Methods

Modern methods are an improvement over the traditional methods. Modern methods are an attempt to remove defects from old methods. These are discussed below:

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(i) Behaviourally Anchored Rating Scales (BARS)

It is designed to identify critical areas of performance of a job. Under this method the behaviourally anchored ratings scales are outlined to recognize the critical areas of effective and ineffective performance behaviour for getting results. The evaluator is required to observe the behaviour of the employee while performing the job. He then compares these behavioural observations with the behaviourally anchored rating scales. This method is more valid and expected to give more reliable results as it minimizes the errors in performance appraisal. It identifies measurable behaviour and is therefore more scientific.

The following are some of the important features of BARS method:

- (a) Performance areas of the employees that need to be assessed are determined and described by the individuals who will use the scales.
- (b) The scales are attached with the explanations of the actual job behaviour to represent particular levels of performance.
- (c) All the areas of performance that need to be examined are based on the observable behaviour and are significant to the job, which is being evaluated because BARS are customized for the job.
- (d) As the raters who will use the scales actively participate in the development process, they are more dedicated to the final product.

BARS were introduced to present results to improve the performance of the employees of a company. BARS also help in overcoming rating errors.

(ii) Result-Oriented Appraisal or MBO Technique

The result-oriented appraisals are based on the concrete performance targets that are usually established jointly by the superior and subordinates.

Much of the initial impetus for MBO was provided by Peter Drucker (1954) and by Douglas McGregor (1960). Drucker first described MBO in 1954 in the Practice of Management. Drucker pointed to the importance of managers having clear objectives that support the purposes of those in higher positions in the organization. McGregor argues that by establishing performance goals for employees after reaching agreement with superiors, the problems of appraisal of performance are minimized. MBO in essence involves noting clearly defined goals of an employee in agreement with his superior. Refinements brought out by George Odione, Valentine, Humble and others have enriched the concept and made it more acceptable as an appraisal technique.

The MBO process has the following four steps:

- (a) The first step is to establish the objectives by the superiors that each employee should attained. These objectives are used to evaluate the performance of each employee in the organization.

- (b) The second step is to set the standards for evaluating the performance of the employees. As employees perform, they know fairly well the standards against which their performance is to be judged.
- (c) The third step is to compare the actual level of attained objectives with the objectives set by the organization. The evaluator depicts the reasons for the objectives that were not met. This step helps in determining the needs to provide training to the employees of the organization.
- (d) The final step is to establish new strategies for the objectives that were not met. This step involves active participation of the superiors and subordinates in setting objectives.

This process is most useful at the managerial and subordinate level. MBO does not apply to the assembly line workers whose jobs have less flexibility and their performance standards are already defined.

(iii) Assessment Centre Method

This method of appraising was first applied in the German Army in 1930. Later business organizations also started using this method. This is not a technique of performance appraisal by itself. In fact, it is a system, where assessment of several individuals is done by various experts by using various techniques.

In this approach, individuals from various departments are brought together to spend two or three days' working on an individual or group assignment similar to the ones they would be handling when promoted. Evaluators observe and rank the performance of all the participants. Experienced managers with proven ability serve as evaluators. This group evaluates all employees both individually and collectively by using simulation techniques like role playing, business games and in basket exercises. Assessments are done generally to determine employee potential for promotion.

The following are the drawbacks of this method:

- (a) Costly: Organizations have to pay for the travel and lodging cost of the employees to be assessed. Moreover, the work of an organization also suffers for the time period they are away from the job. Also, the companies have to pay heavy expenditure in establishment of assessment centers.
- (b) Impression of the employees: Centre staff is influenced by the subjective elements, such as social skills and personality of the employee rather than the quality of their work.
- (c) Demoralize an employee: A negative report for an employee may demoralize an employee. It may have an adverse effect on the behaviour and work of an employee who is not promoted.

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(d) Promotes unhealthy competition: It promotes strong and unhealthy competition among the employees that are assessed.

(e) Overemphasis on centre results: This method lays overemphasis on the result of the centre, which is based on judgement of employees over a short span of time.

(iv) Human Resource Accounting Method

Human resources are a valuable asset of any organization. This asset can be valued in terms of money. When competent, and well-trained employees leave an organization the human asset is decreased and vice versa.

Human resource accounting deals with cost of and contribution of human resources to the organization. Cost of the employee includes cost of manpower, planning, recruitment, selection, induction, placement, training, development, wages and benefits, etc. Employee contribution is the money value of employee service which can be measured by labour productivity or value added by human resources. Difference between cost and contribution will reflect the performance of the employees.

Human resource accounting method is still in the transition stage. The contribution made by employee can be measured in terms of output.

If the cost incurred on an employee is greater than the contribution made than this is an indicator of finding out the causes of low performance, analysing it and then making a proper check to control such causes. In case the contribution is more or equivalent to the cost incurred than this also requires review for future reference.

The various techniques under human resource accounting methods are:

- Probationary reviews
- Informal one-to-one review discussions
- Counselling meetings
- Observation on the job
- Skill- or job-related tests
- Assignment or task followed by review, including secondments (temporary job cover or transfer)
- Survey of opinion of others who have dealings with the individual
- Graphology (handwriting analysis)

All these techniques are related to each other. A manager must keep a written record of all these for future reference.

(v) Psychological Appraisals

Psychological appraisals are conducted to assess the employee potential. Large organizations recruit full-time psychologist to assess the future performance

of the employees. Psychological appraisals include in-depth interviews, psychological test, and discussions with supervisors. Psychological appraisals are conducted to assess the following features of the employees:

- Intellectual abilities
- Emotional stability
- Reasoning and analytical abilities
- Sociability
- Interpretation and judgement skills
- Motivational responses
- Ability to foresee the future

Psychological evaluation can be done either to evaluate the performance of employees for a particular job opening or to assess the future potential of all employees globally. Psychological appraisal results are useful for decision-making about employee placement, career planning and development and training.

(vi) 360 Degree Appraisal

It is a method of appraisal in which employees receive their performance feedback from their boss, colleagues, customers, peers and their own subordinates in the organization. This form of performance evaluation can be very beneficial to managers because it typically gives them a much wider range of performance-related feedback than a traditional evaluation. This method helps individuals to know their strengths and weaknesses and, thus, helps them to develop their interpersonal skills. It also improves communication between employees and their customers, as they will be able to know what the customers think about them. Thus, it is an efficient method to improve interpersonal skills of employees and to attain higher customer satisfaction level.

The following are some of the drawbacks of this method:

- (a) It is possible that the team member can have personal problems with the employee and, thus, he may not take an honest decision.
- (b) It involves lot of time required in selecting the team that will rate the performance, preparing questionnaires and analysing the collected information.

Post-appraisal Analysis

Performance appraisal system should be effective as a number of crucial decisions are made on the basis of score or ratings given by the appraiser. All organizations use performance appraisal for purposes such as salary increase, determining training needs, motivating employees or establishing

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a basis for future personnel decisions. The ideal approach to performance evaluation is that in which the evaluator is free from personal biases and prejudices. This is because when an evaluator is objective, it minimizes the potential dysfunctional behaviour of the evaluator which will be detrimental to the achievement of the organizational goals. Given that all appraisals entail judgements and given that judgements, may not always be fair, a variety of techniques to make appraisal more objective have been introduced. An appraisal system to be effective should possess the following essential characteristics:

(i) Reliability and Validity

Appraisal system should provide consistent reliable and valid information and data which can be used to defend the organization even in legal challenges. However, a single foolproof evaluation method is not available. Inequities in evaluation often destroy the usefulness of the performance system—resulting in inaccurate, invalid appraisals, which are unfair too. If two appraisers are equally qualified and competent to appraise an employee with the help of same appraisal techniques, their ratings should agree with each other. Then the technique satisfies the conditions of inter-rater reliability.

(ii) Confidence and Trust

The existence of an atmosphere of confidence and trust is necessary to discuss matters frankly and offer suggestions for the improvement of the employee so that the organization as well as employee stands to benefit.

(iii) Immediate Superior as Appraiser

The immediate superior of the ratees must make the ratings, but the personnel department can assume the responsibility of monitoring the system. The superior should analyse the strengths and weaknesses of an employee and advice him on correcting the weaknesses.

(iv) Swift and Economical

The appraisal programme should be less time consuming and economical. Appraisal forms, procedures, administration of techniques, ratings, and so on, should be standardized. An appraisal programme should bring maximum benefit.

(v) Open Communication

The results of the appraisal, particularly when they are negative, should be immediately communicated to the employees, so that they may try to improve their performance. A good appraisal system provides the needed feedback on a continuing basis. The appraisal interviews should permit both parties to learn about the gaps and prepare themselves for future.

(vi) Post-appraisal Interview

A post-appraisal interview should be arranged so that employees are given feedback and the organization understands the difficulties under which employees work, so that their training needs may be discovered. Permitting employees to review the results of their appraisal allows them to detect any errors that may have been made. If they disagree with the evaluation, they can even challenge the same through formal channels.

(vii) Job Relatedness

Suggestions for improvement should be directed towards the objective facts of the job. Plans for the future must be developed alongside in consultation with subordinates. The individual as a person should never be criticized.

Problems of Performance Appraisal

None of the methods for appraising performance is absolutely valid or reliable. Each has its own strengths and weaknesses. In spite of knowing that a completely error-free performance appraisal can only be an idealized model, we can isolate a number of factors that significantly impede objective evaluation. The major problems in performance appraisal are:

(i) Rating Biases

Most appraisal methods involve judgements. The performance appraisal process and techniques rely on the evaluator who has his own personal biases, prejudices and idiosyncrasies. It would be naïve to assume that all evaluators will impartially appraise their subordinates. The evaluator or rater's biases include the following:

- (a) Leniency and strictness error: Errors of leniency are caused by the tendency of the lenient rater to put most of the ratees on the higher side of the scale, while the tough rater places them on the lower side of the scale. This is so because every evaluator has his own value system that acts as a standard against which appraisals are made. Relative to the true or actual performance an individual exhibits, some evaluators mark high and others low. The former is referred to as positive leniency error and the latter as negative leniency error (strictness error). When evaluators are positively lenient in their appraisal, an individual's performance becomes overstated. Similarly, a negative leniency error understates performance, giving the individual a lower appraisal. If the same person appraised all individuals in an organization, there would be no problem. Although there would be an error factor, it would be applied equally to everyone. The difficulty arises when there are different raters with different leniency errors making judgements.

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- (b) Halo error: The 'halo effect' is a tendency to allow the assessment on one trait to influence assessment on others. According to Bernardin and Beatty, halo effect is a 'tendency to rate high or low on all factors due to the impression of a high or low rating on some specific factors.' This arises when traits are unfamiliar, ill-defined and involve personal reactions. One way of minimizing the halo effect is by appraising all the employees with one trait before going on to rate them on the basis of another trait.
- (c) Central tendency error: The central tendency error refers to the tendency of not using extreme scale scores on the judgement scale; most of the rates are clustered in the middle. According to Bernardin and Beatty, central tendency is 'the reluctance to make extreme ratings (in either direction); the inability to distinguish between and among ratees; a form of range restriction'. Raters who are prone to the central tendency error are those who continually rate all employees as average. They follow play safe policy because of answerability to management or lack of knowledge about the job and person he is rating or least interest in his job. This type of rating will create problems, especially if the information is used for pay increases.
- (d) Personal prejudice: The rater's personal prejudice can influence the objectivity of performance appraisals. If the rater dislikes an employee, he may rate him poorly.
- (e) Consequence of appraisal: If the evaluator knows that a poor appraisal could significantly hurt the employee's future (particularly opportunities for promotion or a salary increase) the evaluator may be reluctant to give a realistic appraisal.
- (f) The recency effect: Raters generally remember the recent actions of the employee at the time of rating. If a favourable action has taken place recently, the employee will be given a high rating. Conversely, he will be given a poor rating if an unfavourable action has taken place recently.

(ii) Opportunity Bias

This results when the amount of output is influenced by factors beyond the control of employees. Some employees have better working conditions, supportive supervisors, more experienced co-workers, and hence their output may be greater than others working on identical tasks.

(iii) Group Cohesiveness

Cohesive groups with high morale can produce more than less cohesive groups with low morale.

(iv) Knowledge of Predictor Bias

A rater's knowledge of the performance of an employee on predictors can influence his appraisal ratings. An employee who topped in the selection list might leave the impression that he is the best among the employees and, hence, the rater may rate him as 'good' when his performance is moderate.

(v) Similarity Error

When evaluators rate other people in the same way that the evaluators perceive themselves, they are making a similarity error. Based on the perception that evaluators have of themselves, they project those perceptions on others. For example, the evaluator who perceives himself as aggressive may evaluate others by looking for aggressiveness.

Ways for Improving Performance Appraisals

(i) Choosing the Appraisal Method

With a wide range of appraisal methods currently available, an organization is faced with the difficult task of selecting the best approach to meet its needs. Before selecting the method of appraisal to be followed we should examine two areas with special care:

- (a) Various factors that can help or hinder the implementation of a particular appraisal programme and
- (b) The appropriateness of the appraisal method for the special jobs to which the appraisal system will apply.

(ii) Multiple Raters

As the number of raters' increases, the probability of getting accurate information increases. If a person has had ten supervisors, nine have rated him excellent and one poor, we can discount the value of the one poor evaluation. Therefore, by moving employees about within the organization so as to gain a number of evaluations, we increase the probability of achieving more valid and reliable evaluation.

(iii) Training Appraisers

If you cannot find good raters, the alternative is to make good raters. Evidence indicates that the training of appraisers can make them more accurate raters. Common errors such as halo and leniency have been minimized or eliminated in workshops where managers can practice observing and rating behaviours.

(iv) Ongoing Feedback

Employees like to know how they are doing. If managers share with the subordinate both expectations and disappointments on a day-to-day basis by

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providing the employee with frequent opportunities to discuss performance before any reward or punishment consequences occur, there will be no surprises at the time of the annual formal review.

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(v) Selective Rating

It has been suggested that appraisers should rate in those areas in which they have significant job knowledge. If raters make evaluation on only those dimensions on which they are in a good position we increase the inter-rater agreement and make the evaluation a more valid process.

(vi) Peer Evaluation

The main advantages of peer evaluation are as follows:

- (a) There is a tendency for co-workers to offer more constructive insight to each so that, as a unit, each will improve and
- (b) The recommendations of peers tend to be more specific regarding job behaviours.

However, for peer assessments to function properly, the environment in the organization must be such that politics and competition for promotions are minimized.

(vii) Post-appraisal Interviews

It is necessary to communicate to employees how they have performed. To meet this need, managers must take the time to schedule a meeting with their subordinates to discuss the results of the performance evaluation. Employees need to know how they are doing, be recognized for outstanding achievements and be notified about where there is room for improvement.

(viii) Rewards to Accurate Appraisers

The managers who are evaluating must perceive that it is in their personal and career interests to conduct accurate appraisals. If they are not properly rewarded for doing effective appraisals, they will take the easy way out by first trying to avoid the process entirely. If pushed, they will complete the appraisals, but these can be expected to suffer from positive leniency and low differentiation. Encouraging and rewarding accurate appraisers will remove this flaw.

To conclude, we can say that performance evaluations are an integral part of every organization. Properly developed and implemented, the performance evaluation can help an organization achieve its goals by developing productive employees.

Check Your Progress

1. Who all are involved in performance appraisals?
2. What are objective performance measures?
3. What is unstructured method of appraisal?
4. When was Assessment Centre Method first applied?

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9.3 ANSWERS TO CHECK YOUR PROGRESS QUESTIONS

1. Performance appraisal involves at least two parties; the appraiser who does the appraisal and the appraisee whose performance is being evaluated.
2. Objective performance measures are indications of job performance that can be verified by others and are usually quantitative.
3. Under the Unstructured Method of Appraisal, the appraiser has to describe his impressions about the employee under appraisal in an unstructured manner.
4. Assessment Centre Method of appraising was first applied in the German Army in 1930.

9.4 SUMMARY

- According to Wendell French, performance appraisal is, ‘the formal, systematic assessment of how well employees are performing their jobs in relation to established standards, and the communication of that assessment to employees.’
- It is a systematic and objective way of evaluating both work-related behaviour and potential of employees.
- Through discussions with individual employees, a line manager can find out why they perform as they do and what steps can be initiated to improve their performance.
- Performance appraisal is a significant element of the information and control system in organization.
- Performance appraisal is planned, developed and implemented through a series of steps.
- It begins with job analysis, job description and job specification.

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- Appraisal systems require performance standards that serve as benchmarks against which performance is measured.
- Performance appraisal involves at least two parties; the appraiser who does the appraisal and the appraisee whose performance is being evaluated.
- A number of different performance appraisal methods or techniques are available for evaluating the performance of the employees.
- These methods try to explain how management can establish standards of performance and devise ways and means to measure and evaluate the performance.
- Ranking becomes more reliable and easier under the paired comparison method. This method is an attempt to improve upon the simple ranking method.
- A checklist represents, in its simplest form, a set of objectives or descriptive statements about the employee and his behaviour.
- BARS were introduced to present results to improve the performance of the employees of a company.
- The result-oriented appraisals are based on the concrete performance targets that are usually established jointly by the superior and subordinates.
- Human resource accounting deals with cost of and contribution of human resources to the organization.
- Cost of the employee includes cost of manpower, planning, recruitment, selection, induction, placement, training, development, wages and benefits, etc.

9.5 KEY WORDS

- **Evaluation:** It is the process of judging something's quality, importance, or value, or a report that includes this information.
- **Promotion:** It is the advancement of an employee's position within the organization.
- **Compensation:** It is the total cash and non-cash payments given to an employee in exchange for the work they do for business. It is more than an employee's regular paid wages.
- **Administrative:** Pertaining to activities related to an organization's or business' administration and management.

9.6 SELF ASSESSMENT QUESTIONS AND EXERCISES

Short Answer Questions

1. State the objectives of performance appraisal.
2. What are the uses of performance appraisal?
3. State the three purposes of performance appraisal.
4. Write short notes on:
 - (a) Paired Comparison Method
 - (b) Grading Method
 - (c) Forced Choice Method
 - (d) Behaviourally Anchored Rating Scales (BARS)
 - (e) Psychological Appraisals

Long Answer Questions

1. What are the steps involved in the process of performance appraisal? Discuss.
2. Describe the essentials of a good appraisal system.
3. Draw a comparative study between the traditional methods and modern methods of performance appraisal.
4. Discuss post-appraisal analysis in detail.
5. Assess the ways to improve performance appraisals.

9.7 FURTHER READINGS

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UNIT 10 WAGES AND SALARY

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Structure

- 10.0 Introduction
- 10.1 Objectives
- 10.2 Wage and Salary Administration
 - 10.2.1 Nature and Significance of Wage and Salary Administration
 - 10.2.2 Theories of Wages
 - 10.2.3 Methods of Wage Fixation
- 10.3 Answers to Check Your Progress Questions
- 10.4 Summary
- 10.5 Key Words
- 10.6 Self Assessment Questions and Exercises
- 10.7 Further Readings

10.0 INTRODUCTION

In this unit, you will learn about and salary wage determination. Proper job evaluation is the foundation for developing a sound wage structure. While job evaluation is a formal and systematic comparison of jobs in order to determine the worth of one job in relation to another, it is logical and, to some extent, an objective method of ranking jobs relative to one another.

The basic purpose of wage and salary administration is to establish and maintain an equitable wage and salary structure. Its secondary objective is the establishment and maintenance of an equitable labour-cost structure, i.e., an optimal balancing of conflicting personnel interests so that the satisfaction of employees and employers is maximized and conflicts minimized. The wage and salary administration is concerned with the financial aspects of needs, motivation and rewards.

10.1 OBJECTIVES

After going through this unit, you will be able to:

- Discuss the nature and significance of wage and salary administration
- Explain the theories of wages
- Describe the methods of wage fixation

10.2 WAGE AND SALARY ADMINISTRATION

The activities of wage and salary administration are as follows:

- Job evaluation

- Surveys of wage and salaries
- Analysis of relevant organizational problems
- Development and maintenance of the wage structure
- Establishing rules for administering wages
- Wage payments
- Incentives
- Profit sharing
- Wage changes-adjustments
- Supplementary payments
- Control of compensation and other related items

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10.2.1 Nature and Significance of Wage and Salary Administration

The basic purpose of wage and salary administration is to establish and maintain an equitable wage and salary structure. Its secondary objective is the establishment and maintenance of an equitable labour-cost structure, i.e., an optimal balancing of conflicting personnel interests so that the satisfaction of employees and employers is maximized, and conflicts minimized. The wage and salary administration is concerned with the financial aspects of needs, motivation and rewards.

The objectives of the wage and salary administration are mentioned as follows:

1. For employees

- Employees are paid according to requirements of their jobs.
- The chances of favouritism (which creep in when wage rates are assigned) are greatly minimized.
- Job sequences and lines of promotion are established wherever they are applicable.
- Employees' morale and motivation are increased because a wage programme can be explained and is based upon facts.

2. To employers

- They can systematically plan for and control their labour costs.
- In dealing with a trade union, they can explain the basis of their wage programme because it is based upon a systematic analysis of job and wage facts.
- A wage and salary administration reduces the likelihood of friction and grievances over wage inequities.

- It enhances an employee’s morale and motivation because adequate and fairly administered wages are basic to his wants and needs.
- It attracts qualified employees by ensuring an adequate payment for all the jobs.

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Wage Determination Process

The steps involved in the wage determination process steps are as follows:

- Performing job analysis
- Wage surveys
- Analysis of relevant organizational problems forming the wage structure
- Framing rules of wage administration
- Explaining these to employees
- Assigning grades and price to each job and paying the guaranteed wage

Figure 10.1 illustrates the steps involved in the determination of wage rates.

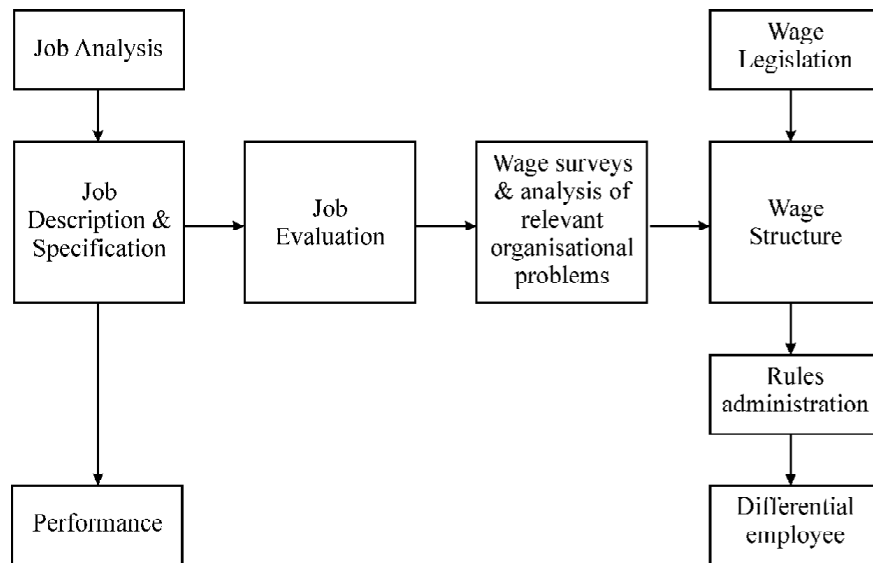


Fig. 10.1 Steps Involved in Determination of Wage Rate

Factors Influencing Wage and Salary Structure and Administration

The wage policies of different organizations vary somewhat. Marginal units pay the minimum necessary to attract the required number and kind of labour. Often these units pay only the minimum wage rates required by labour legislation and recruit marginal labour. At the other extreme, some units pay well above the going rates in the labour market.

A sound wage policy is to adopt a job evaluation programme in order to establish fair differentials in wages based upon differences in job contents. Besides, the basic factors provided by a job description and job evaluation, those that are usually taken into consideration for wage and salary administration are as follows:

- The organization's ability to pay
- Supply and demand of labour
- The prevailing market rate
- The cost of living
- Living wage
- Productivity
- Trade union's bargaining power
- Job requirements
- Managerial attitudes
- Psychological and sociological factors

Principles of Wage and Salary Administration

The commonly suggested principles governing fixation of wage and salary are:

- There should be a definite plan to ensure that differences in pay for jobs are based upon variations in job requirements, such as skill, effort, responsibility of job or working conditions, and mental and physical requirements.
- The general level of wages and salaries should be reasonably in tune with that prevailing in the labour market. The labour market criterion is most commonly used.
- The plan should carefully distinguish between jobs and employees. 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 offer large or small, depending upon his ability and contributions.
- 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.
- An equitable practice should be adopted for the recognition of individual differences in ability and contribution. 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.

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- 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.
- The employees and the trade union, if there is one, should be informed about the procedure used to establish wage rates. Every employee should be informed of his own position, and of the wage and salary structure. Secrecy in wage matters should not be used as a cover-up for haphazard and unreasonable wage programme.
- The wage should be sufficient to ensure for the worker and his family a reasonable standard of living. Workers should receive a guaranteed minimum wage to protect them against conditions beyond their control.
- 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.
- For revision of wages, a wage committee should always be preferred to the individual judgement, however unbiased, or a manager.
- The wage and salary payments must fulfil a wide variety of human needs, including the need for self-actualization. It has been recognized that ‘money is the only form of incentive which is wholly negotiable, appealing to the widest possible range of seekers.... Monetary payments often act as motivators and satisfiers interdependently of other job factors.’

10.2.2 Theories of Wages

Different methods of wage payment are prevalent in different industries and in various countries. There may be payment by time or payment by results, including payment at piece rates.

Wages are fixed mainly as a result of individual bargaining, collective bargaining or by public or state regulation. How wages are determined has been the subject of several theories of wages. The main elements in these theories may be summed up as follows:

1. Subsistence Theory

This theory, also known as ‘Iron Law of Wages,’ was propounded by David Ricardo (1772-1823). This theory (1817) states that ‘the labourers are paid to enable them to subsist and perpetuate the race without increase or diminution.’ The theory was based on the assumption that if the workers were paid more than subsistence wage, their numbers would increase as they would procreate more, and this would bring down the rate of wages. If the wages fall below the subsistence level, the number of workers would decrease as many would

die of hunger, malnutrition, disease, cold, etc., and many would not marry; when that happened the wage rates would go up.

2. Wages Fund Theory

This theory was developed by Adam Smith (1723–1790). His basic assumption was that wages are paid out of a pre-determined fund of wealth which lays surplus with wealthy persons as a result of savings. This fund could be utilized for employing labourers for work. If the fund was large, wages would be high; if it was small, wages would be reduced to subsistence level. The demand for labour and the wages that could be paid them were determined by the size of the fund.

3. The Surplus Value Theory of Wages

This theory owes its development to Karl Marx (1849–1883). According to this theory, the labour was an article of commerce which could be purchased on payment of ‘subsistence price’. The price of any product was determined by the labour time needed for producing it. The labourer was not paid in proportion to the time spent on work, but much less, and the surplus was utilized for paying other expenses.

4. Residual Claimant Theory

Francis A Walker 1984 propounded this theory. According to him, there are four factors of production/business activity, viz., land, labour, capital and entrepreneurs. Wages represent the amount of value created in the production which remains after payment has been made for all these factors of production. In other words, labour is the residual claimant.

5. Marginal Productivity Theory

This theory was developed by Phillips Henry Wicksteed (England) and John Bates Clark (USA). According to this theory, wages are based upon an entrepreneur’s estimate of the value that will probably be produced by the last or marginal worker. In other words, it assumes that wages depend upon the demand for, and supply of, labour. Consequently, workers are paid what they are economically worth. The result is that the employer has a larger share in profit as he does not have to pay the non-marginal workers. As long as each additional worker contributes more to the total value than the cost in wages, it pays the employer to continue hiring; where this becomes uneconomic, the employer may resort to superior technology.

6. The Bargaining Theory of Wages

John Davidson propounded this theory. Under this theory, wages are determined by the relative bargaining power of workers or trade unions and of employers. When a trade union is involved, basic wages, fringe benefits,

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job differentials and individual differences tend to be determined by the relative strength of the organization and the trade union.

7. Behavioural Theories

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Many behavioural scientists — notably industrial psychologists and sociologists — like *Marsh and Simon*, *Robert Dubin*, *Eliot Jacques* have presented their views on wages and salaries, on the basis of research studies and action programmes conducted by them. Briefly, such theories are:

Employee's Acceptance of a Wage Level: This type of thinking takes into consideration the factors which may induce an employee to stay on with a company. The size and prestige of the company, the power of the union, the wages and benefits that the employee receives in proportion to the contribution made by him—all have their impact.

Internal Wage Structure: Social norms, traditions, customs prevalent in the organization and psychological pressures on the management, the prestige attached to certain jobs in terms of social status, the need to maintain internal consistency in wages at the higher levels, the ratio of the maximum and minimum wage differentials, and the norms of span of control and demand for specialized labour all affect the internal wage structure of an organization.

Wage, Salaries and Motivators

Money often is looked upon as a means of fulfilling the most basic needs of men. Food, clothing, shelter, transportation, insurance, pension plans, education and other physical maintenance and security factors are made available through the purchasing power provided by monetary income—wages and salaries. Merit increases, bonuses based on performance, and other forms of monetary recognition for achievement are genuine motivators. However, basic pay, cost of living increases, and other wage increases unrelated to an individual's own productivity may typically fall into the maintenance category.

Compensation Plan

For the higher management, salaries are influenced by the size of a company in a specific industry, and in part by the contribution of the incumbent to the process of decision-making. The bigger the firm, the greater is the compensation paid to the executives. The industries that are more highly constrained by governmental regulation (banks, life insurance, air transport, railroads, public utilities) pay relatively less than those that are more free to carry on their business (private firms).

Straight salaries, bonuses, stock purchase plans and profit-sharing are used to compensate major executives. Of these, the straight salary is the most common method. The salary is determined by mutual agreement between

the individual and the employer. The sales affected, the cost of production, reduction in expenses and the profits made are also taken into account.

Bonuses are also aid to executives at a certain percentage of the profits. The bonuses may average from 30 per cent to 50 per cent of the basic salary. These bonuses operate most effectively in increasing motivation when the following conditions exist:

- The amount paid is closely related to the level of individual performance.
- The amount paid after taxes represents a clearly noticeable rise above the base salary level.
- The amount paid is closely related to the level of company performance.
- The amount paid is tied into the base salary in such a way that the combined earnings are equitable both in relation to internal and external standards.
- The amount paid is reduced drastically whenever an individual experiences a real and continuing decrease in performance effectiveness.
- The amount paid is based on an easily understandable system of allocation, and the individual is provided with complete information on the relationship between bonus and performance.

Moreover, executives are compensated for the various expenses incurred by them, for taxation takes away a major portion of their salary. Such payments are in the form of:

- Medical care
- Counsel and accountants to assist in legal, tax and financial problems
- Facilities for entertaining customers and for dining out
- Company recreational area (swimming pool and gymnasium)
- The cost of the education and training of executives, scholarships for their children, and allowances for business magazines and books
- Free well-furnished accommodation, conveyance and servants

Wage Incentives

The term wage incentives has been used both in the restricted sense of participation and in the widest sense of financial motivation. It has been defined differently by different authors. We give here a few of these definitions.

‘It is a term which refers to objectives in the external situation whose function is to increase or maintain some already initiated activity, either in duration or in intensity.’ According to *Hummel and Nicker son*: ‘It refers to all

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the plans that provide extra pay for extra performance in addition to regular wages for a job.' Florence observes: 'It refers to increased willingness as distinguished from capacity.' Incentives do not create but only aim to increase the national momentum towards productivity.'

In the words of Scott, 'it is any formal and announced programme under which the income of an individual, a small group, a plant workforce or all the employees of a firm are partially or wholly related to some measure of productivity output.'

According to the National Commission on Labour, 'wage incentives are extra financial motivation. They are designed to stimulate human effort by rewarding the person, over and above the time-rated remuneration for improvements in the present or targeted results.'

'A wage incentive scheme is essentially a managerial device of increasing a worker's productivity. Simultaneously, it is a method of sharing gains in productivity with workers by rewarding them financially for their increased rate of output.' According to Sun, this definition is based on the principle that 'an offer of additional money will motivate workers to work harder and more skilfully for a greater part of the working time, which will result in a stepped-up rate of output.'

We may define a wage incentive as a system of payment under which the amount payable to a person is linked with his output. Such a payment may also be called payment by results. The term incentive has gradually acquired a wide connotation and includes all the possible factors, besides economic gains, which can possibly motivate human beings towards better and greater performance.

Objectives of Wage Incentive Plans

Wage incentive plans aim at the fulfilment of one or more of the following objectives:

- To improve the profit of a firm through a reduction in the unit costs of labour and materials or both.
- To avoid or minimize additional capital investment for the expansion of production capacity.
- To increase a worker's earnings without dragging the firm in a higher wage rate structure regardless of productivity.
- To use wage incentives as a useful tool for securing a better utilization of manpower, better production scheduling and performance control, and a more effective personnel policy.

Merits of Wage Incentive Plans

Such plans are regarded as beneficial to both employers and workers. They are accepted as a sound technique for the achievement of greater production

on the grounds that workers would work at their best if they were offered monetary rewards for good performance. For employers the need for a vigorous supervision is reduced, and consequently there is a cut in the expenditure on supervision.

- When well-designed and properly applied, payment by results may generally be relied upon to yield increased output, lower the cost of production and bring a higher income to the workers.
- A works study associated with payment by results is a direct stimulus to workers to improve the organization of work and to eliminate lost time and other waste.
- Labour and total costs per unit of output can be estimated more accurately in advance.
- Less direct supervision is needed to keep output up to a reasonable level.
- The conflicting interests of employers and employees are unified. Increased efficiency and smooth working can therefore be promoted and sustained.

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Demerits of Wage Incentive Plans

- Quality tends to deteriorate unless there is a stricter system of checking and inspection.
- Payment by results may lead to opposition or restriction on output when new machines and methods are proposed or introduced. This is because of the fear that the job may be restudied, and earnings reduced.
- When paid by result, workers tend to regard their highest earnings as norms and, therefore, press for a considerable higher minimum wage.
- The amount and cost of clerical work increases.
- There is a danger of disregarding safety regulations and thereby increasing the rate of accidents.
- Some workers tend to overwork and thus undermine their health.
- Jealousies may arise among workers because some are able to earn more than others or because fast workers are dissatisfied with the slower or older workers in the group.
- It is difficult to set piece or bonus rates accurately. If they are too low, workers may be under pressure to work too hard and become dissatisfied; and if too high, they may slacken their efforts to avoid a revision of rates.

A successful wage incentives plan should consist of the following key points:

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- The management should recognize that the effectiveness of an incentive depends on the total situation, which includes worker-management confidence, relations with the trade union, the quality of communication and supervision and the traditions in an industry.
- The management should not introduce an incentive system until it has taken action to ensure full understanding of what is involved. This may call for procedures for the participation of employees and negotiations with the trade union.
- The management should avoid any action that may be interpreted as unfair. There must be proper machinery for handling grievances. The management should avoid actions that resemble 'rate cutting' because of the need to change methods and rates from time to time.
- It is essential that the management pay in proportion to output once this output rises above the required amount of guaranteed pay.
- The management should train supervisors all the way down the line so that foremen and department managers are able to deal with problems within their own departments.
- Great care should be taken in setting up standards to avoid rates that are too loose or too tight.

10.2.3 Methods of Wage Fixation

Wage incentive plans may be discussed as follows:

- Plans for blue-collar workers
- Plans for white-collar workers
- Plans for managerial personnel

Each of these categories of employees has separate and distinct needs and specific plans tailored for each may prove beneficial.

1. Incentive Plans for Blue-Collar Workers: For Individuals:

Short-Term Plans

These systems may be broadly classified into three categories:

- (a) Systems under which the rate of extra incentive is in proportion to the extra output
- (b) Systems under which the extra incentive is proportionately at a lower rate than the increase in output
- (c) Systems under which the rate of incentives is proportionately higher than the rate of increase in output

Long-Term Plans

This is classified into three types:

1. A standard output
2. The 'value added' by manufacturer
3. Bonus can also be calculated on the increased value of sales where this result is obtained by increased production

Some Important Wage Incentive Plans

The chief incentive plans are as follows:

- (i) Halsey Premium Plan
- (ii) Halsey-Weir Premium Plan
- (iii) Rowan Premium Plan
- (iv) 100 Per Cent Premium Plan
- (v) Bedeaux Point Plan
- (vi) Taylor's Differential Piece Rate Plan
- (vii) Merric's Multiple Piece Rate Plan
- (viii) Gnatt Task and Bonus Plan
- (ix) Emerson Efficiency Plan
- (x) Co-Partnership System
- (xi) Accelerating Premium Systems
- (xii) Profit Sharing Schemes

The group incentive plans are usually the following:

Scanlan Plan**(i) Halsey Premium Plan**

This is a time-saved bonus plan which is ordinarily used when accurate performance standards have not been established.

$$\text{Formula: Bonus} = \frac{1}{2} \text{ of } \frac{\text{Time saved}}{\text{Time taken}} \times \text{Daily wage}$$

Merits

The merits of this plan are as follows:

- 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.

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- The plan is simple in design and easy to introduce.
- As the wages are guaranteed, it does not create any heartburning among such workers as are unable to reach the standard.

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Demerits

The disadvantages of the plan are as follows:

- 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 soldiering on other jobs to rest under the protection of the guarantee of day wages.
- From the point of view of the administration, the policy is one of drift, for, in this plan, the worker is left alone to decide whether or not to produce more after the standard has been reached.

(ii) Halsey-Weir Premium Plan

This plan is similar to the Halsey Premium Plan except that 50 per cent of the time saved is given as premium to the worker.

$$\text{Formula: Bonus} = \frac{1}{2} \times \text{Time Saved} \times \text{Hourly Rate}$$

(iii) Rowan Premium Plan

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 total earnings of the worker are the total number of hours multiplied by the increased hourly wages.

$$\text{Formula: Bonus} = \frac{\text{Time saved}}{\text{Time taken}} \times \text{Time Taken} \times \text{Hourly Rate}$$

(iv) 100 Per Cent Premium Plan

A definite hourly rate is paid for each task hour of work performed. The plan is identical with the straight piece rate plan except for its higher guaranteed hourly rate and the use of task time as a unit of payment instead of a price per piece. The worker is paid the full value of the time saved.

(v) Bedeaux Point Plan

This plan is used when carefully assessed performance standards have been established. It differs from the 100 per cent plan in that the basic unit of the time is the minute termed as B. Every job is expressed in terms of Bs (after Bedeaux), which means that a job should be completed in so many minutes.

(vi) Taylor's Differential Piece Rate Plan

This system was introduced with two objects: First, to give sufficient incentive to workmen to induce them to produce up to their full capacity; and second,

to remove the fear of wage cut. There is one rate for those who reach the standard; they are given a higher rate to enable them to get the bonus.

(vii) Merric's Multiple Piece Rate Plan

This plan, too, is based on the principle of a low piece rate for a slow worker and a higher piece rate for higher production; but the plan differs from Taylor's plan in that it offers three graded piece rates instead of two. (i) Up to, say 83 per cent of standard output a piece-rate + 10 per cent of time rate as bonus; (ii) Above 83 per cent and up to 100 per cent of standard output—same piece rate + 20 per cent of time rate; and (iii) Above 100 per cent of standard output—same piece rate but no bonus.

(ix) Emerson 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 per cent. A worker who finishes the task in 8 hours has 100 per cent efficiency. No bonus is paid to a worker unless he attains $66\frac{2}{3}$ per cent efficiency, at which stage he receives a nominal bonus. This bonus goes on increasing till, he achieves 100 per cent efficiency. The bonus is 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.

(x) Co-Partnership System

This system tries to eliminate friction between capital and labour. Under this system, not only does a worker have a share in the profits of the undertaking but he also takes part in its control and, therefore, shares responsibilities. There are different degrees of this partnership and control allowed to the operatives in different cases; but in a complete co-partnership system, the following factors exist:

- The payment of the existing standard wages of labour.
- The payment of a fixed rate of interest on capital.
- The division of the surplus profit between capital and labour in an agreed proportion.
- The payment for a part of the worker's labour by the allotment of a share in the capital.
- The sharing in the control of the business by the representatives of labour.

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The system arouses and sustains the interest of the workers in their work. By giving them a voice in the management of the factory it raises their status as well. As they have become partners in the business, they try to make it a very profitable enterprise.

(xi) Accelerating Premium Systems

These are the systems which provide for a guaranteed minimum wage for output below standard.

(xii) Profit Sharing Scheme

Profit sharing is regarded as a stepping stone to industrial democracy. Professor Seager observes: 'Profit-sharing is an arrangement by which employees receive a share, fixed in advance of the profits.'

Features of Profit Sharing

The main features of the profit sharing scheme 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 or future 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 among the employees is determined in advance.

Check Your Progress

1. What is the basic purpose of wage and salary administration?
2. What is a sound wage policy?
3. State the subsistence theory.
4. Who developed wage fund theory?

10.3 ANSWERS TO CHECK YOUR PROGRESS QUESTIONS

1. The basic purpose of wage and salary administration is to establish and maintain an equitable wage and salary structure.
2. A sound wage policy is to adopt a job evaluation programme in order to establish fair differentials in wages based upon differences in job contents.
3. The subsistence theory (1817) states that ‘the labourers are paid to enable them to subsist and perpetuate the race without increase or diminution.’
4. This theory was developed by Adam Smith (1723–1790).

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10.4 SUMMARY

- The basic purpose of wage and salary administration is to establish and maintain an equitable wage and salary structure.
- Its secondary objective is the establishment and maintenance of an equitable labour-cost structure, i.e., an optimal balancing of conflicting personnel interests so that the satisfaction of employees and employers is maximized, and conflicts minimized.
- A sound wage policy is to adopt a job evaluation programme in order to establish fair differentials in wages based upon differences in job contents.
- Wages are fixed mainly as a result of individual bargaining, collective bargaining or by public or state regulation.
- Subsistence theory, also known as ‘Iron Law of Wages,’ was propounded by David Ricardo (1772-1823).
- This theory (1817) states that ‘the labourers are paid to enable them to subsist and perpetuate the race without increase or diminution.’
- The theory was based on the assumption that if the workers were paid more than subsistence wage, their numbers would increase as they would procreate more, and this would bring down the rate of wages.
- Wages fund theory was developed by Adam Smith (1723–1790).
- His basic assumption was that wages are paid out of a pre-determined fund of wealth which lays surplus with wealthy persons as a result of savings.

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- For the higher management, salaries are influenced by the size of a company in a specific industry, and in part by the contribution of the incumbent to the process of decision-making.
- The salary is determined by mutual agreement between the individual and the employer.
- Wage incentives: 'It is a term which refers to objectives in the external situation whose function is to increase or maintain some already initiated activity, either in duration or in intensity.'
- We may define a wage incentive as a system of payment under which the amount payable to a person is linked with his output. Such a payment may also be called payment by results.
- Wage Incentive Plans are regarded as beneficial to both employers and workers.
- They are accepted as a sound technique for the achievement of greater production on the grounds that workers would work at their best if they were offered monetary rewards for good performance.
- 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 total earnings of the worker are the total number of hours multiplied by the increased hourly wages.

10.5 KEY WORDS

- **Wages:** It refers to the fixed regular payment earned for work or services, typically paid on a daily or weekly basis.
- **Survey:** It means to ask (many people) a question or a series of questions in order to gather information about what most people do or think about something.
- **Union:** It is a society or association formed by people with a common interest or purpose.

10.6 SELF ASSESSMENT QUESTIONS AND EXERCISES

Short Answer Questions

1. Describe the nature and purpose of wage and salary administration.
2. Explain the wage determination process.
3. What factors influence the wage and salary structure and administration?

4. What are the commonly suggested principles governing fixation of wage and salary?
5. What is Halsey premium plan? Discuss its merits and demerits.
6. Discuss the features of profit sharing.

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Long Answer Questions

1. Give a detailed explanation of the main elements in various theories of wages. Explain each theory in detail.
2. Discuss compensation plan.
3. What are wage incentives? Explain its objectives and merits and demerits in detail.
4. Describe the various types of wage incentive plans.

10.7 FURTHER READINGS

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UNIT 11 INCENTIVES

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Structure

- 11.0 Introduction
- 11.1 Objectives
- 11.2 Concept of Incentives
 - 11.2.1 Effective Incentive System
 - 11.2.2 Types of Incentive Schemes
- 11.3 Answers to Check Your Progress Questions
- 11.4 Summary
- 11.5 Key Words
- 11.6 Self Assessment Questions and Exercises
- 11.7 Further Readings

11.0 INTRODUCTION

Services rendered by individuals to organizations have to be equitably paid for. This compensation generally comprises cash payments which include wages, bonus, and shared profits. Good compensation plans have a salutary effect on the employees. They are happier in their work, cooperative with management and productivity is up. Although, there can be both monetary and non-monetary forms of compensation, it is the monetary which is the most basic element by which individuals are attracted to an organization and are persuaded to remain there.

A wide variety of incentive wage plans has been devised by industries under which the worker's earnings are related directly to some measurement of work done either by himself or by his group. In this unit, you will study about the concept of incentives in detail.

11.1 OBJECTIVES

After going through this unit, you will be able to:

- Discuss the concept of incentives
- Analyse effective incentive system
- Describe the types of incentive schemes

11.2 CONCEPT OF INCENTIVES

Wages in the widest sense mean any economic compensation paid by the employer under some contract to his workers for the services rendered

by them. The Payment of Wages Act 1936, Sec 2 (vi) defines wages as, ‘any award of settlement and production bonus, if paid, constitutes wages.’

Methods of Wage Payment

Compensation paid to the labour for the service offered is called as wages or salary. Giving satisfactory and fair amount of compensation, can probably eliminate most of the labour disputes. The fundamental methods of compensating the workers are:

- (a) Time Wage
- (b) Piece Wage

1. Time Wage

It is based on the amount of time spent. Wage is measured on the basis of unit of time, e.g., per day, per month, etc. Wages do not depend on the performance of the employee.

Features of time wage

- It is more widely used as it is very simple to compute the earnings.
- It provides guaranteed and secured income, thereby removing the fear of irregularity of income.
- It facilitates payroll function.

Advantages of time wage system

- Sense of security of income. The worker knows exactly the amount he is to get.
- Conducive climate is provided for better labour–management relations as disputes are minimized.
- The worker will give greater care and attention on quality and, therefore, workmanship can be assured.

Disadvantages of time wage system

- Time Wage System offers no incentive for the employees to put forth their best efforts. Efforts and reward have no direct positive correlation.
- There is no encouragement for better performance. Merit is discounted and inefficiency is at a premium as all receive the same salary. It is an unsound, unscientific and arbitrary basis of wage payment.
- Ambitious workers receive no monetary reward for their talents.
- It demands intensive and strict supervision.

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(b) Piece Wage System

It is based on the amount of work performed or productivity. The earnings of the employee are directly proportional to his output or performance. Features of piece wage system are:

- It can offer direct connection between effort and reward. Hence, it is the best method to ensure higher productivity.
- Wage cost determination is easy.

Advantages of piece wage system

- Direct connection between effort and reward.
- It is simple and easy to understand.
- The worker is interested in higher efficiency.
- Cost accounting and control by management is made easy.

Disadvantages of piece wage system

- Danger of overwork. This leads to risk of accident and excessive fatigue.
- We require a lot of supervision to maintain the quality and standard of work.
- It is an ineffective method, if quality is to be given top preference.

Incentive Wage Plans

A system of wage payment that would maintain both quality and quantity is called incentive wage plan, and it is naturally a judicious combination of both basic systems of wage payments, i.e., time and piece wages. Under the incentive plans of wage payment, both time wage and piece wage systems are blended together in such a manner that the workers are induced to increase their productivity.

Essentials of a Sound Wage Incentive Plan:

- Measurement of the amount of work done.
- Establishment of standard output on the basis of which the incentive has to be worked out.
- Setting up a suitable rate of incentive.

Types of incentive plans: The following are some important plans of incentive wage payment:

- (a) **Halsey Plan:** It is a plan originated by F.A. Halsey to encourage efficiency among workers as well as to guarantee them wages according to time basis. The standard time required for a job is determined beforehand on the basis of time and motion studies.

Workers who perform the job in less than the standard time and thus save time are rewarded with a bonus but the worker who takes longer than the standard time is not punished and is paid wages according to time wage system. The total earnings of a worker under this plan consist of wages for the actual time plus a bonus which is equal to the money value of 33 per cent of the time saved in case of standard time set on previous experience, and 50 per cent of the time saved when the standards are scientifically set.

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- (b) **Rowan Plan:** Wages, according to time basis, are guaranteed and the slow worker is not made to suffer. A standard time is determined before and a bonus is paid according to time saved. The only difference between Halsey Plan and Rowan Plan relates to the calculation of bonus. Under this plan bonus is based on that proportion of the time saved which the time taken bears to the standard time. It can be expressed as follows:

$$\text{Bonus} = \text{Time Saved} \times \frac{\text{Time Taken} \times \text{Hourly Rate}}{\text{Standard Time}}$$

Thus, if a 20 hour job is done in 16 hours and if the hourly rate is 80 paisa, the total earnings of the worker will be:

$$\begin{aligned} & [16 \times .80] + [4 \times (16 \div 20) \times .80] \\ & = 12.80 + 2.56 = ₹15.36 \end{aligned}$$

- (c) **Taylor's Differential Piece Wage Plan:** Under this plan, there is no guarantee of wages. The standard of output is fixed per hour or per day and two piece wage rates are laid. Those exceeding the standard or even just attaining it, are entitled to the higher rate and those, whose output is less than the standard output are paid at a lower rate. For example, the standard may be fixed at 40 units per day and the piece rates may be 30 paisa and 25 paisa per unit. If a worker produces 40 units he should get wages at the rate of 30 paisa, i.e., ₹ 12. If he produces only 39 units he would be paid at the rate of 25 paisa per unit so his wages will be ₹ 9.75.
- (d) **The Emerson Efficiency System:** In this system, the worker is allowed a certain time within which he is required to complete his job. If he completes the job within the required time, he is paid bonus. If he takes longer than the required time, he receives a lower bonus. Under this system, the daily wage is guaranteed.
- (e) **The Gantt System:** This system is similar to the Emerson efficiency system. The worker receives the bonus only if he attains the required standard of efficiency. No bonus is paid to a worker where his efficiency is less than 100%. The foreman is also given a bonus if the worker under his care attains the required standard of efficiency.

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- (f) **Bedeaux Point Premium Plan:** The chief novelty of this plan is that the value of time saved is divided between workers and foreman, 3/4 to workers and 1/4 to foreman. This is done on the basis that a worker cannot show good results if his foreman does not fully cooperate with him. Therefore, the foreman is also entitled to an incentive.

Variable Compensation Individual and Group

Incentive compensation, also called 'payment by result', is essentially a managerial device for increasing workers' productivity. Further, it is a method of sharing gains in productivity with workers by rewarding them financially for their increased rate of output. The payment by results scheme is directly related to an employee's productivity. There are many variations of incentive wage system. The simplest method is that of paying a workman by the number of units of a product he produces. The objective of an incentive wage system is relating wages to output, thereby stimulating greater output at lower costs. Incentive system also helps in narrowing the gap between management and workers and bringing them closer together with a commonality of goals and targets. Many authors have defined the term wage incentives.

In the words of Hummel and Nickerson, wage incentives 'refers to all the plans that provide extra pay for extra performance in addition to regular wages for a job.'

According to Scott, Wage incentives 'is any formal and announced program under which the income of an individual, a small group, a plant work force or all the employees of a firm are partially or wholly related to some measure of productivity output.'

Broad Categories of Wage Incentive Schemes

There are three broad categories of incentive schemes as classified by Dunn and Rachel. They are:

1. **Simple Incentive Plan:** The simplest of all wage incentives may be described as the straight piece-rate system. The piece-work method is perhaps one of the oldest and simplest of the incentive plans. The basis of computation is the rate per piece multiplied by the number of pieces produced. For example, if the piece-rate is ₹ 2 for each unit of output, then a worker who produces 10 units in a given time, say 8 hours, will be paid ₹ 20. Another worker whose production is 12 units in the given time (i.e., 8 hours) will receive ₹ 24, and so on.

This method of payment is suitable if the process of production is standardized and large quantities are produced by repetitive work. The system is not suitable where workers by working rapidly to earn more wages are likely to lower the quality of the goods they produce.

2. **Sharing Incentive Wage Plan:** There are a large number of plans in this category. These plans are the modifications of the Taylor's differential piece rate incentive plan. Under this plan, the workers exceeding the standard or even just attaining it, are entitled to the higher rate and those, whose output is less than the standard output are paid at a lower rate. Taylor's philosophy was to attain a high level of output and, therefore, there was a differential piece rate, low rates for output below the standard, and high rate for output above the standard.
3. **Group Incentive Plan:** Individual incentive scheme is not suited to cases where several workers are required to perform jointly a single operation. In such cases, a team approach is called for, with all the members of that team doing their share to achieve and maintain the output. The advantage of group incentive plans is that they encourage team spirit and a sense of mutual cooperation among workers. Under the group incentive plan, each member of the group is determined first of all by measuring the amount of the production which passes inspection as it leaves the group. The total earnings for the group are then determined and if all the members are of equal skill, these earnings are usually divided among them equally. There are three broad categories of incentive schemes (i) Simple Incentive Plan. (ii) Sharing Incentive Wage Plan. (iii) Group Incentive Plan.

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11.2.1 Effective Incentive System

An incentive scheme is based on three basic assumptions. They are

- The belief that money is a strong motivator.
- There is a direct relationship between effort and reward.
- The worker is immediately rewarded for his efforts.

Though monetary incentive plans do motivate employees, these plans will not be effective unless certain requisites are met. Several authorities on the subject have suggested a list of requisites that monetary incentive plans should meet if they are to be attractive to the employees. These requisites are given as follows:

- The relations between management, supervisory staff and workers should be cordial and free from suspicion. Management must, therefore, ensure association of workers during the development and installation of the scheme.
- The incentive plan should reward employees in direct proportion to their performance. The standard set has to be attainable; necessary tools, equipment, training etc., should be provided and the employee should have adequate control over the work process.

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- The plan should be easily understood by the employees so that they can easily calculate personal cost and personal benefit for various levels of effort put in by them. Complicated plans and formulae sow seeds of doubt and mistrust in the worker's mind.
- The plan should provide for rewards to follow quickly after the performance that justifies the reward. Employees do not like to be rewarded next month for extra effort expended today.
- The plan must be within the financial and budgetary capacity of the organization. In other words, the plan should not be very costly in operation. It should be ascertained in advance that these costs (incentives) are amply covered by the resultant benefits.
- The work standard once established should be guaranteed against change. The work standard should be viewed as a contract with the employees. This rule must be strictly adhered to by management. Once the plan is operational, great caution should be used before decreasing the size of the incentive in any way.
- The plan should be set on reasonable standards, i.e., it should not be too difficult or too easy. If the standards set are too difficult they make the employees unenthusiastic about it. If the standards set are too easy, the employees would hardly experience any competition. Thus, a fair and just standard is the key to any incentive plan.
- The reward must be valuable to the employees. The incentive payments under the plan should be large enough in relation to the existing income of employees.
- The incentive plans must encourage employees to support each other rather than be non-cooperative.
- The plan should not be detrimental to the health and welfare of the employees. It should therefore include a ceiling on the maximum earnings by way of incentives.
- Individual's or group's contributions and efforts must be clearly identifiable, if rewards are to be given for specific performance.
- A guaranteed base rate should be included in any plan. Employees want to be assured that they will receive a minimum wage regardless of their output. This introduces a element of security for the employees.

Fringe Benefits

Fringe benefits are the additional benefits and services that are provided by a company to its employees in addition to their direct salary. Therefore, fringe can be defined as the additional benefits and services that a company provides to its employees on the basis of their performance. Both the terms, benefits and services, are considered similar by most people but some believe that

they are entirely different. According to them, benefits are applicable only for those items that can be associated with some monetary value whereas services is applicable for the items that cannot be associated with any direct money values. However, more or less, both the terms, benefits and services, mean the same in reference to fringe benefits.

Today, mostly every company provides additional benefits to its employees along with the scheduled salary. Employees are attracted and get encouraged with these additional benefits and services. There are a lot of advantages of fringe benefits that attract the employees. Firstly, as most of the fringe benefits are not taxed benefits, they are not included in the taxable income. Another advantage of fringe benefits is that the employees can avail the fringe benefits, such as health and insurance with less expenditure. Companies also use these benefits to attract and maintain the existing employees by providing them additional benefits. Along with attracting the employees, fringe benefits such as vacations along with holidays and rest break also help the employees to get fresh and perform their duty with more encouragement. Therefore, we can say that the fringe benefits help:

- Lessen fatigue
- Oppose labour unrest
- Satisfy employee objectives
- Promote recruitment
- Minimize turnover
- Reduce overtime costs

Principles of Fringe Benefits

There are few factors that must be considered while determining the fringe benefits, which must be provided to the employees of a company. These are:

- Benefits and services must be provided to the employees of a company to provide them better protection and encourage their wellbeing. The top management should not feel as if they are doing some charity by giving incentives to their employees.
- The benefits that are provided to the employees should fulfil the real-life requirements of the employees.
- The benefits and services should be cost effective.
- Fringe benefits should be monitored with proper planning.
- While determining the fringe benefits, the requirements of employees that are communicated by union representatives must be considered.
- The employees of a company should be well informed so that can make better utilization of fringe benefits.

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Table 11.1 Some Examples of Monetary Benefits

<i>Benefits</i>	<i>Example</i>
Legally required payments	Old age, survivors and health insurance Worker's compensation Unemployment compensatio
Dependent and long term benefits	Pension plan Group life insurance Group Health insurance Prepaid legal plans Sick leave Dental benefits Maternity leav
Payments for time not worked	Vacations Holidays Voting pay allowanc
Other benefits	Travel allowance Company car and subsidies Child care facilities Employee meal allowances Moving expense

NOTES**Types of Fringe Benefits**

As we have discussed in the concept, fringe benefits can of two types. One that can be measured in terms of money value and the other type of benefits are those that cannot be measured in terms of money value. Fringe benefits such as medical insurance and holiday pay that can be associated with money value, are known as monetary benefits (see Table 11.1) whereas benefits such as company newspaper and company service that cannot be associated with any money value are known as non-monetary benefits, as shown in Table 11.2.

Table 11.2 Examples of Non-monetary Benefits

<i>Benefits</i>	<i>Example</i>
Treats	Free lunch Coffee breaks Picnics Birthday treats Dinner for the family
Knick-Knacks	Company watches Desk accessories Wallets T-shirts Diaries and planner

Important Fringe Benefits

In the previous section, we came to know about the various fringe benefits that are provided by a company to its employees. Out of those benefits, there are few benefits that are much important for the employees. These are:

- Payment for the time employees have not worked
- Insurance benefits

- Compensation benefits
- Pension plans

Payment for the time employees have not worked: This fringe benefit forms an important benefit for the employees of company. Mostly every company provides the payment for time not worked benefit to its employees. Payment for time not worked benefit can be of two types, on-the-job free timer payment and off-the-job free time payment. On-the-job free time includes lunch periods, coffee breaks, rest periods, get-ready times and wash-up times whereas off-the-job free time includes vacations, sick leaves, public holidays and casual leaves.

Insurance benefits: Insurance benefits are also an important fringe benefit for the employees of a company. Nowadays, every company provides its employees the facility of purchasing insurance policies at prices, which is much less than the cost the employees have to pay for if they buy insurance themselves.

Compensation benefits: Companies also provide compensation benefits to its workers against some disability or injuries to the employees or their family members. Other employees of the company contribute to the funds that are collected for the ill or injured employees. All these compensation benefits are synchronized by the Workmen's Compensation Act.

Pension plans: Companies also provide supplementary income or pension to its employees after their retirement. These pension plans can be company paid or both company and employee paid. In addition to the pensions, companies also provide bonus to the employees reaching to superannuation.

Monitoring Fringe Benefits

Implementing the fringe benefits in a company is not enough for the proper functioning of the company and employee satisfaction. It is necessary to monitor the fringe benefits to ensure that they are implemented properly and utilized fully by the employees of the company. The following are the steps that must be performed to monitor the fringe benefits:

- Setting up benefit objectives
- Assessing environmental factors
- Determining competitiveness
- Conveying benefit information
- Controlling benefit costs and evaluation

Figure 11.1 shows the sequence of various steps involved in monitoring fringe benefits.

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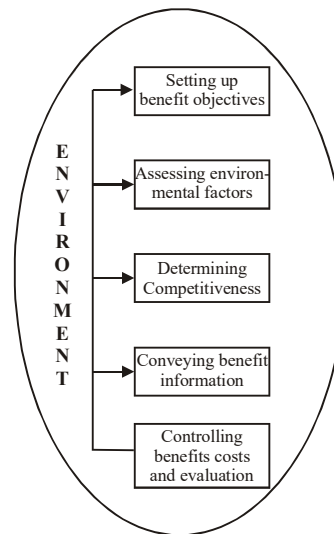


Fig. 11.1 Various steps of Monitoring Fringe Benefits

Setting up benefit objectives: To ensure the proper implementation of fringe benefits, a company needs to set up certain objectives for the benefit programmes. The following are the main objectives that must be accomplished while setting up fringe benefits:

- Encouraging external competitiveness
- Enhancing cost effectiveness
- Fulfilling the needs and preferences of each employee
- Adhering to the legal compulsion

Assessing environmental factors: While monitoring the fringe benefits, a company needs to identify various internal and external environmental factors that may affect the fringe benefits provided to the employees. External factors include government policies and regulations, unions and economic factors. Internal factors include the economic conditions. It means that if a company is well established, they can provide better fringe benefits to its employees than an emerging company.

Determining competitiveness: While monitoring the fringe benefits, a company also need to assess the fringe benefits provided by its competitors to their employees. To monitor the competitor's strategies of providing fringe benefits, the company needs to conduct surveys to obtain information about various benefits offered by their competitor.

Conveying benefit information: The employees of a company must be informed about the different types of benefit programmes through different communication media such as booklets, regular employee meetings, brochures and slide presentations. The most effective method of conveying the benefits information to the employees is through calendars, in which

each month shows the benefits and services availed by the employees of the company every month.

Controlling benefit costs and evaluation: An important method of determining the usefulness of the fringe benefits is to ascertain that to which extent the non-monetary fringe benefits are helpful to the employees. To obtain the correct feedback about the non-monetary fringe benefits, the following questions should be answered:

- Have the earnings of the employees enhanced?
- Have the benefits provided by the company able to attract the employees?
- Has the confidence of the employees risen?
- Have the industrial relations of the company improved?

The answers of the above-mentioned questions help the HR manager to assess the effectiveness of the fringe benefits.

NOTES

Concept of Variable Compensation

Variable compensation refers to the incentive schemes that are given to the workers on the basis of their productivity. These schemes may use bonuses or variety of rates as incentives to compensate for the superior performances of workers. These schemes are popular all over the world and are used extensively for raising productivity. The various incentive schemes are discussed in the next section.

11.2.2 Types of Incentive Schemes

Incentives schemes are several and varied. They are broadly classified under 2 heads:

- Individual incentive scheme
- Group incentive scheme

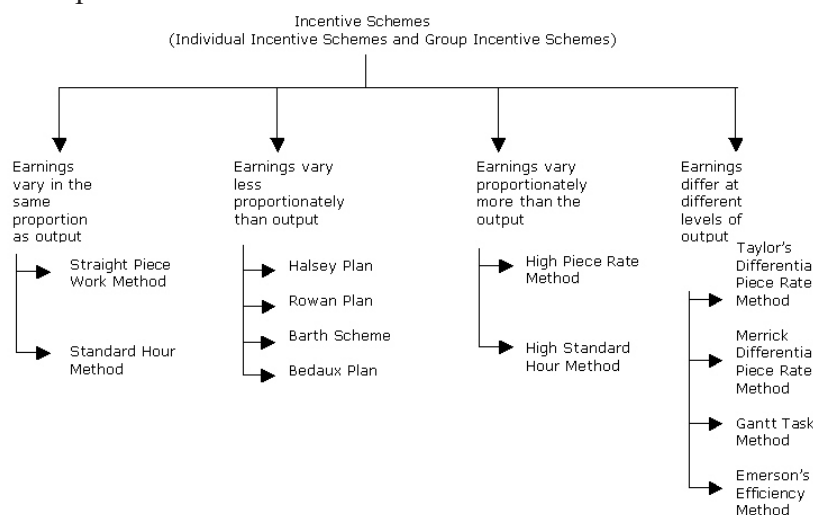


Fig. 11.2 Individual Incentive Schemes and Group Incentive Schemes

Individual incentive schemes: Individual incentive scheme may be time based or production based. ILO has classified the schemes of payment by results into four categories (refer to Figure 11.2):

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(a) Schemes where the workers' earnings vary in the same proportion as output

The chief characteristic of this scheme is that any gains or losses resulting from a workers output accrue to him.

Whereas when the worker is paid on hourly, daily or monthly basis, all gains or losses resulting from the change of his output accrue to the employer.

The success of this kind of scheme depends upon accurate measurement of standard and individual outputs.

The two methods under this scheme are:

- (i) The straight piecework method: It is the simplest, oldest and most commonly used method. Under this system, the rate of output is fixed per unit and the total earning of a worker is arrived by multiplying the total output (measured in terms of units) by the rate per unit. Therefore, the earning of the worker directly depends upon his performance. For example, if the total output of an employee is 100 units and the rate per unit is 10 paise, then his earnings would be $100 \times 0.10 = ₹ 10$. However, the one limitation under this method is that a worker has to go without wages if he fails to produce the required output. In order to overcome this limitation, this method is modified in one respect, that is, the workers time rate is guaranteed. Under average conditions the time rate is fixed below piece rate. It is designed to protect the worker against unduly low earnings caused due to factors beyond his control.
- (ii) The standard hour method: This method is also called as 100 per cent gains- sharing. Under this method, standard time in terms of hours is fixed for the compensation of a job and the rate per hour is then determined. The worker is paid on a standard time_rate for completion of job on or before standard time. In any case, time wages are not guaranteed a worker will be paid same wages calculated on the basis of standard time even if he takes more than the standard time. If time wages are guaranteed, then he is paid on the basis of the time taken multiplied by the time rate.

The following example illustrates this method:

Standard time = 10 hrs

Rate per hour = ₹ 1

Case (i) Time taken = 8 hrs

Earnings = $10 \times 1 = ₹ 10$

Case (2) Time taken = 12 hrs

(a) Earnings if time wages are not guaranteed = $10 \times 1 = ₹ 10$

(b) Earnings if time wages are guaranteed = $12 \times 1 = ₹ 12$

(b) Schemes where the workers' earnings vary less proportionately as output

Under this scheme, four allied but different plans come under these methods:

- Halsey plan
- Rowan plan
- Barth plan
- Bedaux plan

The most common feature of all these plans is that bonus is paid on the time saved. These are called the gain sharing schemes as both the employer and the employee share the gains from the time saved. The worker would be paid for half (or any other fraction) of the time saved and employer would be getting the balance amount.

These plans are often applied in cases where it is not possible to set standards or to measure the workers output accurately. Under some of these plans, it is possible for the worker to earn more for a certain level of outputs as when compared to piece wage method under production difficulties.

Halsey plan: Under this plan, standard time is fixed for the completion of a job and the rate per hour is then determined. The worker will be paid wages on time rate in case he takes standard time or more. However, if he takes less than the standard time than he is paid for the actual time plus a bonus, which is calculated on a specified percentage of the time saved. The percentage may vary from 30 to 70 per cent. The usual share is 50 per cent, the remaining go to the employer.

The following example illustrates the plan:

Standard time = 10 hrs

Rate per hour = ₹ 1

Case (1) Time taken = 10 hrs

Earnings = $10 \times 1 = ₹ 10$

Case (2) Time taken = 12 hrs

Earnings = $12 \times 1 = ₹ 12$

Case (3) Time taken = 8 hrs

Earnings:

Time wages = $8 \times 1 = ₹ 8$

Bonus = $1/2 \times 2 \times 1 = ₹ 1$

₹ 9

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Rowan plan: Under this plan, standard time and rate per hour are fixed. If the time taken to complete the job is equal to or exceeds the standard time, then the employee is paid for the actual time taken at the rate per hour. If the time taken is less than the standard time, then the employee is paid entitled to bonus in addition to time wages. The bonus takes the form of the percentage of the workers time rate. This percentage is equal to the proportion of the saved time, to the standard time.

The following example illustrates the plan:

Standard Time = 10 hrs

Rate per hour = ₹ 1

Case (1) Time taken = 10 hrs

Earnings = $10 \times 1 = ₹ 10$

Case (2) Time taken = 12 hrs

Earnings = $12 \times 1 = ₹ 12$

Case (3) Time taken = 8 hrs

Earnings = $8 \times 1 = ₹ 8$

Bonus = $2/10 \times 8 = ₹ 1.6$

₹ 9.60

Barth Plan (variable sharing plan): Unlike Halsey and Rowan, it does not guarantee the time rate. The workers earning is ascertained by multiplying the standard hour by the number of hours actually taken to complete the job and then taking the square root of the product and multiplying it by the workers hourly rate.

The following examples illustrates this plan:

Standard time = 10 hrs

Rate per hour = ₹ 1

Case (1) Time taken = 12 hrs

Earnings = $12 \times 10 = 10.95 \times 1 = ₹ 10.95$

Case (2) Time taken = 10 hrs

Earnings = $10 \times 10 = 10 \times 1 = ₹ 10$

Case (3) Time taken = 8 hrs

Earnings = $8 \times 10 = ₹. 8.94 \times 1 = ₹ 8.94$

Bedaux plan: Under this plan, the standard time for the job is determined. Each minute of the allowed time is called a point or B, thus there are 60 Bs in an hour. Each job has a standard number of Bs. The worker receives bonus in addition to his hourly rate earns, which under the original plan is equal to 75 per cent of the number of points earned in excess of 60

per hour multiplied by one sixth of the workers hourly rate. The worker is paid time rate if he does not achieve the standard time.

The following examples illustrate the Bedaux plan:

Standard time = 10 hrs

Rate per hour = ₹ 1

Case (1) Actual time = 12 hrs

Earnings = $12 \times 1 = ₹ 12$

Case (2) Actual time = 8 hrs

Earnings: Time wages = $8 \times 1 = ₹ 8$

Bonus:

Standard Bs = $10 \times 60 = 600$

Actual Bs = $8 \times 60 = 480$

Bs saved = 120

Bonus = $75/100 \times (120 \times 1)/60 = 1.50$

Total earnings = $8 + 1.50 = ₹ 9.50$

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(c) Schemes where the workers' earnings vary proportionately more than output

Under this scheme we have two methods:

- (a) The high piece rate method
- (b) The high standard hour method

Under the high piece rate method, the earnings of the worker are in proportion to his output as in straight piece method but the increment in earnings for each unit of output above the standard is greater. For example, for each one percent increase in earnings as compared to one per cent increase in output above the standard, there may be 4/3 times increase in earnings as compared to one per cent increase in earnings under the straight piece rate method. The higher rates start applying after the standards have been reached. Similarly, high standard hour method can be understood by applying logic.

The main feature of these two methods is that the direct labour cost per unit increases for levels of output above standard, making workers also share the earnings in overhead costs. The amount that the workers share depends on the size of the increments in earnings payable at different levels of output.

(d) Schemes where the workers' earnings differ at different levels of output

This scheme involves several methods such as:

The Taylor's differential piece rate method: Under this method, there is low piece rate fixed for output below standard and high piece rate fixed

for output above standard plus a bonus of 50 per cent of the time rate on attainment of standard output or more.

The following example will illustrate this method:

Standard output = 100 units

Rate per unit = 10 paise

Differential to be applied:

120% of piece rate at or above the standard

80% of piece rate when below the standard

Case (1) output = 120 units

$$\text{Earnings} = 120 \times 120/100 \times 0.10 = 14.40$$

Case (2) output = 90 units

$$\text{Earnings} = 90 \times 80/100 \times 0.10 = 7.20$$

The Merrick differential piece rate system: This method is a modification over the Taylor's method in a sense that it uses three rates instead of two. One large step is broken into two in order to encourage new and average workers. Straight piece rates are paid up to 83 per cent of the standard output at which a bonus of 10 per cent of the time rate is payable with a further 10 per cent bonus on reaching the standard output. High piece rates are paid for outputs above the standard.

The following example will illustrate this method:

Standard output = 100 units

Piece rate = 10 paise

Case (1) Output = 80 units

$$\text{Efficiency} = 80/100 \times 100 = 80\%$$

Earnings:

As the efficiency is less than 83 per cent, only the base piece rate applies:

$$80 \times 0.10 = ₹ 8$$

Case (2) Output = 90 units

$$\text{Efficiency} = 90/100 \times 100 = 90\%$$

Earnings: As the efficiency is more than 83% but less than 100%, 110% of the base piece rate applies:

$$90 \times 110/100 \times 0.10 = ₹ 9.90$$

$$\text{Efficiency} = 110/100 \times 100 = 110\%$$

Earnings: As the efficiency exceeds 100 per cent therefore 120 per cent of the base piece rate applies:

$$110 \times 120/100 \times 0.10 = ₹ 13.20$$

NOTES

The Gantt task method: Under this method, the worker is guaranteed time rate for output below the standard. On reaching the standard output, the worker is given a bonus of 20 per cent of the time wages. For the output above the standard, high piece rates are paid.

The following example illustrates the method:

Rate per hour = 0.50

High piece rate = ₹ 0.10

Standard output = 80 units

Time taken = 8 hrs

Case (1) output = 70 units

As the output is less than the standard, only time wages are paid to the worker.

Earnings = $8 \times 0.50 = ₹ 4$

Case (2) output = 80 units

As the output is equal to the standard, the worker is entitled to time wages plus 20% of time wages as bonus.

Time wages = $8 \times 0.50 = ₹. 4$

Bonus = $20/100 \times 4 = ₹ 0.80$

Total earnings = ₹ 4.80

Case (3) output = 110 units

As the output is more than the standard, the worker is given high piece rate = $110 \times 0.10 = ₹ 11$

Emerson's plan: Under this method, standard time is fixed for each job and the efficiency of each worker is determined by dividing time taken with the standard output. Up to 67 per cent of efficiency, the worker is paid by time rate thereafter 100 per cent efficiency he is paid a bonus of 29 per cent. He is paid an additional 1 per cent bonus for every additional 1 per cent efficiency.

The following example will illustrate this method:

Standard output in 8 hours = 100 units

Rate per hour = ₹ 1

Case (1) output in 10 hours = 50 units

Earnings: Efficiency = 50%

As the efficiency is below 67% the worker is entitled to time wages only.

$10 \times 1 = ₹ 10$

Case (2) output in 10 hours = 100 units

Earnings: Efficiency = 100%

NOTES

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The worker is entitled to time wages plus a 20 per cent of time wages as bonus.

$$\text{Time wages} = 10 \times 1 = ₹ 10$$

$$\text{Bonus} = 20/100 \times 10 = ₹ 2$$

Case (3) output in 10 hours = 130 units

Earnings: Efficiency = 130 per cent

At the rate of 20 per cent at 100 per cent efficiency and 1 per cent increase for every 1 per cent increase in efficiency the worker gets 50 per cent of time wage as bonus.

$$\text{Time wages} = 10 \times 1 = ₹ 10$$

$$\text{Bonus} = 50/100 \times 10 = ₹ 5$$

₹ 15

The accelerated premium method: Under this method, with the increase in the level output, there is a proportionate increase in the earnings of a worker. This motivates the worker to produce, more since by producing more they can earn more. This method is complicated to understand and implement.

Group incentive schemes: Group incentive schemes are common in most of the industrial establishments.

Any individual scheme discussed before can be applied to a group of worker, the most common among them is piece rate method.

Depending upon the incentive scheme that is followed, the total earnings of a group are determined, and then the earnings are divided among the members of group on some equitable basis:

- If the group consists of members with equal skills, then the earnings are equally divided among them.
- If the group consists of members with unequal skills, then the earnings will be divided among the members in proportion to their individual time rates or specified percentages.

Some of the advantages of group incentive schemes are:

- Better cooperation among the workers.
- Less supervision
- Reduced incidence of absenteeism
- Reduced clerical worker
- Shorter training time

Some of the disadvantages of group incentive schemes are:

- An efficient worker may be penalized for the inefficiency of the other members of the group

- The incentive may not be strong enough to serve its purpose
- Rivalry among the members of the group defeats the very purpose of teamwork and cooperation

Check Your Progress

1. Define wages.
2. State one disadvantage of time wage system.
3. What is incentive compensation?
4. What are fringe benefits?

NOTES

11.3 ANSWERS TO CHECK YOUR PROGRESS QUESTIONS

1. The Payment of Wages Act 1936, Sec 2 (vi) defines wages as, ‘any award of settlement and production bonus, if paid, constitutes wages.’
2. Time Wage System offers no incentive for the employees to put forth their best efforts. Efforts and reward have no direct positive correlation.
3. Incentive compensation, also called ‘payment by result’, is a method of sharing gains in productivity with workers by rewarding them financially for their increased rate of output.
4. Fringe benefits are the additional benefits and services that are provided by a company to its employees in addition to their direct salary.

11.4 SUMMARY

- Wages in the widest sense mean any economic compensation paid by the employer under some contract to his workers for the services rendered by them.
- The Payment of Wages Act 1936, Sec 2 (vi) defines wages as, ‘any award of settlement and production bonus, if paid, constitutes wages.’
- Compensation paid to the labour for the service offered is called as wages or salary.
- Time Wage: It is based on the amount of time spent. Wage is measured on the basis of unit of time, e.g., per day, per month, etc. Wages do not depend on the performance of the employee.
- Time Wage System offers no incentive for the employees to put forth their best efforts. Efforts and reward have no direct positive correlation.

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- **Piece Wage System:** It is based on the amount of work performed or productivity. The earnings of the employee are directly proportional to his output or performance.
- A system of wage payment that would maintain both quality and quantity is called incentive wage plan, and it is naturally a judicious combination of both basic systems of wage payments, i.e., time and piece wages.
- Under the incentive plans of wage payment, both time wage and piece wage systems are blended together in such a manner that the workers are induced to increase their productivity.
- **Halsey Plan:** It is a plan originated by F.A. Halsey to encourage efficiency among workers as well as to guarantee them wages according to time basis.
- **Rowan Plan:** Wages, according to time basis, are guaranteed and the slow worker is not made to suffer.
- In the words of Hummel and Nickerson, wage incentives ‘refers to all the plans that provide extra pay for extra performance in addition to regular wages for a job.’
- The simplest of all wage incentives may be described as the straight piece-rate system.
- Fringe benefits are the additional benefits and services that are provided by a company to its employees in addition to their direct salary.
- There are a lot of advantages of fringe benefits that attract the employees. Firstly, as most of the fringe benefits are not taxed benefits, they are not included in the taxable income.
- Insurance benefits are also an important fringe benefit for the employees of a company.
- Variable compensation refers to the incentive schemes that are given to the workers on the basis of their productivity.

11.5 KEY WORDS

- **Incentive:** It is a payment or concession to stimulate greater output or investment.
- **Insurance:** It is an arrangement by which a company undertakes to provide a guarantee of compensation for specified loss, damage, illness, or death in return for payment of a specified premium.
- **Pension:** It is an amount of money paid regularly by the government or a private company to a person who does not work anymore because they are too old or have become ill.

11.6 SELF ASSESSMENT QUESTIONS AND EXERCISES

Short Answer Questions

1. State the fundamental methods of compensating workers.
2. Write a short note on incentive wage plans.
3. What are the requisites for the success of an incentive plan?
4. How can we monitor fringe benefits?

Long Answer Questions

1. Describe the broad categories of incentive schemes as classified by Dunn and Rachel.
2. Analyse the principles of fringe benefits.
3. Discuss the types and importance of fringe benefits.
4. Assess the types of incentive schemes in detail.

11.7 FURTHER READINGS

- Venkataraman, C.S. & B. K. Srivastava. 1991. *Personnel Management and Human Resources*. Tata McGraw Hill.
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**BLOCK - IV
DEVELOPMENT & GROWTH**

NOTES

UNIT 12 EMPLOYEE RELATIONS

Structure

- 12.0 Introduction
- 12.1 Objectives
- 12.2 Concept of Employee Relations
- 12.3 Managing Discipline
 - 12.3.1 Aspects and Objectives of Discipline
 - 12.3.2 Causes of Indiscipline
 - 12.3.3 Disciplinary Procedure
 - 12.3.4 Code of Discipline
- 12.4 Employee Counselling
- 12.5 Managing Grievance
- 12.6 Answers to Check Your Progress Questions
- 12.7 Summary
- 12.8 Key Words
- 12.9 Self Assessment Questions and Exercises
- 12.10 Further Readings

12.0 INTRODUCTION

Industrial relations is an integrative domain that analyses employment relationship. Industrial relations is more widely being referred to as employment relations or employee relations, reason being the importance of non-industrial employment relationships; this approach is at times visualized as additional expansion of the human resource management drift. Certainly, a few of the authors now explain human resource management as interchangeable with employee relations. Other authors view employee relations as pertaining only to non-unionized personnel. On the other hand, labor relation is referred to as dealing with syndicated employees.

This unit will examine various aspects of employee relations in detail.

12.1 OBJECTIVES

After going through this unit, you will be able to:

- Discuss the concept of employee relations
- Explain how discipline and grievance are managed
- Describe the concept of employee counselling

12.2 CONCEPT OF EMPLOYEE RELATIONS

Industrial relations deal with the relationship between labour and management, and their organization. The concept of ‘industrial relations’ is very broad and includes in its fold all the relationships in modern industrial society which arise out of employee-employer exchanges and also the role of the state in these relations. Explaining the concept of industrial relations, R A Lester observed:

It involves attempt to 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 the Encyclopedia Britannica, ‘the concept of industrial relations has been extended to denote the relations of the state with employers, workers and their organizations’.

The International Labour Organization (ILO), while dealing with **industrial relations**, states that they deal with either the relationship between the State and employers and workers’ organization or between the occupational organizations themselves.

The significance of industrial relations is aptly described by the (First) National Commission on Labour (1969) as follows:

A quest for industrial harmony is indispensable when a country plans to make economic progress. Economic progress is bound up with industrial harmony for the simple reason that industrial harmony leads to more cooperation between employers and employees which results in more productivity and thereby contributes to all-round prosperity of the country. Healthy industrial relations on which industrial harmony depends cannot, therefore, be regarded as a matter in which employers and employees are concerned. It is of vital significance for the community as a whole.

The scope of industrial relations varies from time to time and place to place. According to Professor Richardson, the scope of industrial relations includes: ‘How people get on together at their work, what difficulties arise between them, how their relations including wages and working conditions are regulated, and what organizations are set up for the protection of different interests.’

12.3 MANAGING DISCIPLINE

Discipline means systematically conducting the business by the organizational members who strictly adhere to the essential rules and regulations. It pertains to improving employee performance through a process of assisting the employee (at least at first) to learn so he or she can perform more effectively.

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12.3.1 Aspects and Objectives of Discipline

There are two aspects of discipline. They are:

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(a) Positive aspect

(b) Negative aspect

(a) Positive aspect: Employees comply with rules not out of fear of punishment but out of an inherent desire to cooperate and achieve goals. Where the organizational climate is marked by two-way communication, clear goals, effective leadership, and adequate compensation employees need not be disciplined in the traditional way. This type of approach is called positive approach or constructive discipline or self-discipline. According to Spriegel, 'positive discipline enables an employee to have a greater freedom in that he enjoys a greater degree of self-expression in striving to achieve the group objective, which he identifies as his own.'

(b) Negative aspect: Employees sometimes do not believe in and support discipline. As such, they do not adhere to rules, regulations and desired standards of behaviour. Hence, disciplinary programme forces and constraints the employees to obey orders and function in accordance with set rules and regulations through warnings, penalties and other forms of punishment. This approach to discipline is called negative approach or corrective approach or punitive approach. Negative or punitive discipline is one in which management has to exert pressure or hold out threat by imposing penalties on wrongdoers. When this pressure becomes increasingly severe each time a man is disciplined, it is called 'progressive' or 'corrective' discipline. The fear of punishment puts the employee back on rails. According to Spiegel, 'discipline is the force that prompts an individual or a group to observe the rules, regulations and procedures which are deemed to be necessary to the attainment of an objective.'

Negative discipline connotes that personnel are forced to observe rules and regulations on account of fear or reprimand, fine, demotion, or transfer. But these are helpful in extracting just minimum standards of work from the employees since they work on account of fear. In contrast, if the authority is exercised arbitrarily, or if rules of conduct are unreasonable or if employees do not have sense of adhering to the rules and regulations, discipline is threatened and if it is prolonged, it affects the organizational health. Any programme of discipline will be effective and successful only when it is used to supplement and strengthen self-discipline.

V.S.P. Rao summarizes the differences between the two approaches as follows:

Table 12.1 Differences between Positive and Negative Discipline

<i>Point</i>	<i>Negative Discipline</i>	<i>Positive Discipline</i>
CONCEPT	It is adherence to established norms and regulations, out of fear of punishment.	It is the creation of a conducive climate in an organization so that employees willingly conform to the established rules.
CONFLICT	Employees do not perceive the corporate goals as their own.	There is no conflict between individual and organizational goals.

NOTES

Source: VSP, Rao. 2000. *Human Resource Management—Text and Cases*. New Delhi: Excel Books, p. 433.

Objectives of discipline

The objectives of discipline are:

- (a) To gain willing acceptance of the rules, regulations, standards and procedures of the organization from the employees
- (b) To develop the feeling of cooperation among the workers
- (c) To create an atmosphere of respect for the human personality and human relations and to maintain good industrial relations in the organization
- (d) To increase the working efficiency and morale of the employees so that their productivity is stepped up and the cost of production is decreased
- (e) To develop a sense of tolerance and respect for human dignity
- (f) To give and seek direction and responsibility

12.3.2 Causes of Indiscipline

The common causes of indiscipline in an organization may be stated as follows:

- **Lack of effective leadership:** Effective leadership is a must for maintaining the discipline, which means to seek cooperation of the followers (subordinates) to achieve the desired objectives. In India, effective leadership could not be provided either by the management or by the trade unions which caused indiscipline in the industries.
- **Defective supervision:** Supervisor is the immediate boss of the workers and many disciplinary problems occur because of faulty supervision. The attitude and behavior of the supervisor may create many problems. As the maintenance of the discipline is the discipline is the core of supervisory responsibilities, indiscipline may spring from the want of the right type of supervision.

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- **Varying disciplinary measures:** Consistent disciplinary actions must be there in the organization to provide equal justice to all concerned. At different times and for everyone, the same standard of disciplinary measures should be taken otherwise it may give rise to growing indiscipline in the industry in future i.e., the judicious function on the part of management must be free from bias, privilege or favouritism.
- **Divide and rule policy:** Many managers in the business obtain secret information about other employees through their trusted assistants. The spying on employees is only productive of a vicious atmosphere and of undesirable in the organization. Henry Fayol has rightly pointed out that dividing enemy forces to weaken them is clever but dividing one's own team is grave sin against the business. No amount of management skill is necessary for dividing personnel but integrating personnel into a team is the challenging task of sound management.
- **Lack of well-defined Code of Conduct:** There must be a code of discipline in every organization enlisting sufficient rules regulations or customary practices for the guidance and information of all employees. Such code should be communicated to all concerned in a clear and simple language so as to be followed by the concerned in a clear and simple language so as to be followed by the concerned parties in its true spirit. To be effective, the code should be adopted by the joint consultation of managers and the subordinates. In the absence of a well-defined code of discipline, the disciplinary actions emanate from personal whims and temperaments which create indiscipline.
- **Deferring settlement of employee grievances:** The employee grievances cannot be put off by deferring or neglecting their solutions. The grievances should properly be inquired into and settled by the managers in a reasonable period. Neglect of grievances often results in reduced performance, low morale and indiscipline among the employees. Strikes and work stoppages stem in many cases from the utter neglect of employee grievances.
- **Inadequate attention to personal problems:** Actions or reactions of people are the direct outcome of their attitudes. Attitudes influence human beings and their activities. Discipline is the by-product of these attitudes and the attitudes in turn, is determined by the personal problems of employees. In order to maintain the discipline, understanding of the personal problems and individual difficulties as well as counselling with employees, is necessary. Inadequate attention to the personal problems, thus, gives rise to indiscipline.
- **Victimization and excessive pressures:** Sometimes the manager or the supervisor develops ill-feelings in him about some persons and

victimizes them in his own way. It contributes to indiscipline. Moreover, the supervisor puts excessive pressure of work on the employees under his strict control which they feel suffocative. It may result in indiscipline.

- **Misjudgment in promotion and placements:** Misjudgment in personnel matters like promotion and placements contribute to the growth of indiscipline in an enterprise. Cases of mis-judgment are carefully noted, widely circulated, and hotly debated by the employees. Expecting discipline from misruled people is not possible. Sometimes, undesired persons are placed on the jobs which makes the employees discontented, then giving rise to the problem of indiscipline.

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12.3.3 Disciplinary Procedure

The following should be the steps for taking disciplinary action:

- (a) **Preliminary investigation:** The first step should be to hold preliminary investigation in order to find out whether a prima facie case of misconduct exists. Only if a prima facie case of misconduct exists, the management should proceed further. Otherwise, the case should be dropped.
- (b) **Issue of a charge sheet:** If a prima facie case of misconduct exists, the management should proceed to issue a charge-sheet to the worker. The following guidelines may be followed in framing the charges:
 - Each charge must be very clear and precise.
 - There should be a separate charge for each allegation.
 - Charges must not relate to any matter which has already been decided upon.
 - Proposed punishment should be avoided in the charge sheet.
- (c) **Suspension pending enquiry (if needed):** If the nature of misconduct is grave and if it is in the interest of discipline and security in the establishment, the management may suspend a worker even before the chargesheet is issued. In case the worker is suspended he should be paid subsistence allowance at the following rates:
 - For the first ninety days of suspension, half his wages
 - For the remaining period of suspension, three-fourths of his wages
- (d) **Notice of enquiry:** On receipt of reply to the chargesheet, either of the following two situations may arise:
 - (i) The worker may admit the charge. In such a case, the employer may award punishment without further enquiry.
 - (ii) The worker may deny the charge. In this case, the employer must hold the enquiry.

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(e) **Conduct the enquiry:** The enquiry officer is a judge, so it is necessary that he must be impartial and qualified to act in that capacity. A fair opportunity should be given to the charge sheeted employee to examine the management witnesses.

(f) **Recording of findings by the enquiry officer:** At the conclusion of the enquiry proceedings the enquiry officer should decide as to whether the charges made are valid or not along with reasons for his findings.

(g) **Awarding punishment:** The punishment awarded to the accused employee should be communicated to him quickly. The letter should contain the following:

- Reference to (i) the chargesheet (ii) the enquiry and (iii) findings of the enquiry
- Decision
- Date from which the punishment is to be effective

The strict law of master and servant conferred upon the employer an unfettered right to hire and fire his employees. This traditional law of employer-workmen relationship was based purely on contract. Quite apart from the law of contract, it is obvious that in the day-to-day running of the industry, the management is required to take disciplinary action against erring workmen. Initial decisions as to maintenance of discipline rest with the employer. These decisions, when made *bona fide*, are related to, and dependant upon considerations of the overall needs of the industry. But the reports of committees and commissions on labour and reported decisions are full of instances that managements have victimized their workmen for their union activities, and in particular, for inciting other workers to go on strike or fomenting a strike. Instances are not lacking when assertive striking employees were discharged *en masse*. Further, instances of dismissal of workmen by the management without complying with the provisions of the standing orders of the company or rules of natural justice are not infrequent. Under the circumstances, the need to protect workmen against capricious and vindictive action of the management becomes obvious. It was realized in most industrially advanced countries that if the law of master and servant was given free play, workers would hardly have any security of tenure.

On the other hand, in day-to-day administration, management is called upon to take *bona fide* decisions against erring workmen. It is also called upon to take disciplinary action against a workman who is found guilty of serious misconduct where such misconduct consists of intentional damage to the property of the concern or serious personal injury to other employees of the concern or where there is reasonable apprehension of their committing acts of sabotage or instigation, abetment or incitement of workers of the concern to participate in the aforesaid activities. Under the circumstances, the mere fact that the management's order of dismissal of the workman is

wrongful, disproportionate or *mala fide* and affects the workman cannot altogether deprive the management from taking disciplinary action against the workman. To do so is to encourage indiscipline and render day-to-day running of the concern impossible.

To meet this situation, courts have evolved various norms to regulate management's power to dismiss its workmen. They have tried to maintain a balance between the power of the management to discipline the workmen and security of tenure of workmen. Further, the courts have not only interpreted the existing law but made new laws to meet the needs of the industry and to avoid hardship and unfairness to workers.

12.3.4 Code of Discipline

The need for Voluntary Code of Discipline was felt in 1957 in order to create awareness among the parties to industrial relations about their obligations under labour laws, as also to create in them an attitude of willing acceptance of their responsibilities and a readiness to discharge them. It was in this context that the Code of Discipline found approval at the sixteenth Indian Labour Conference and was formally announced in June 1958. The Code was ratified by the central organization of workers and employers. The Code has been accepted by a majority of private and public sectors. The Code, primarily as a result of the persuasive efforts of Central Implementation and Evaluation division, has been accepted by 166 trade unions and 180 employers affiliated to Central Workers' and Employers' Organization.

The Code applies to all public-sector undertakings run as companies and corporations except in defense, railways and ports and docks. Among those, where the Code of Discipline applies with certain modifications include Reserve Bank of India, State Bank of India and the Department of Defence Production. Under the Code, management and union(s) agree that:

- (i) No unilateral action should be taken in connection with any industrial matter and that disputes should be settled at appropriate level.
- (ii) The existing machinery for settlement of disputes should be utilized with the utmost expedition.
- (iii) There should be no strike or lockout without notice.
- (iv) They affirm their faith in democratic principles and they bind themselves to settle all future differences, disputes and grievances by mutual negotiation, conciliation and voluntary arbitration.
- (v) Neither party will have recourse to (a) coercion (b) intimidation, (c) victimization, or (d) go-slow.
- (vi) They will avoid (a) litigation, (b) sit-down and stay-in strikes, and (c) lockouts.

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(vii) They will promote constructive cooperation between their representatives at all levels and as between workers themselves and abide by the spirit of agreements mutually entered into.

(viii) They will establish upon a mutually agreed basis, a grievance procedure which will ensure a speedy and full investigation leading to settlement.

(ix) They will abide by various stages in the grievance procedure and take no arbitrary action which would bypass this procedure.

(x) They will educate the management personnel and workers regarding their obligations to each other.

In order to ensure better discipline in industry, the Code provides for: (i) a just recognition by employers and workers of the rights and responsibilities of either party as defined by the laws and agreements, (including bipartite and tripartite agreements arrived at all levels from time to time) and (ii) proper and willing discharge by either party of its obligations consequent on such recognition.

In the second set, the management agree (i) not to increase work-loads unless agreed upon or settled otherwise; (ii) not to support or encourage any unfair labour practice; (iii) to take prompt action for (a) settlement of grievances, and (b) implementation of settlements, awards, decisions and others; (iv) to display in conspicuous places in undertaking the provisions of this Code in local language(s); (v) to distinguish between actions justifying immediate discharge and those where discharge must be preceded by a warning, reprimand suspension or some other form of disciplinary action and to arrange that all such disciplinary actions should be subject to an appeal through normal grievance procedure; (vi) to take appropriate disciplinary action against its officers and members in cases where enquiries reveal that they were responsible for precipitating action by workers leading to indiscipline; (vii) to recognize the union in accordance with the prescribed criteria.

The third set imposes an obligation upon the unions:

(i) Not to engage in any form of physical duress.

(ii) Not to permit demonstrations which are not peaceful and not to permit rowdyism in demonstration.

(iii) That their members will not engage or cause other employees to engage in any union activity during working hours, unless as provided for by any law, agreement or practice.

(iv) To discourage unfair labour practices such as, (a) negligence of duty, (b) careless operation, (c) damage of property and (d) insubordination.

(v) To take prompt action to implement awards, agreements, settlements and decisions.

- (vi) To display in conspicuous places in the union offices, the provisions of this code in the local language(s).
- (vii) To express disapproval and to take appropriate action against office-bearers and members for indulging in actions against the spirit of this Code.

The Supreme Court in *General Secretary, Rourkela Shramik Sangh vs Rourkela Mazdoor Subha*, held that although Section 11 of the Code is headed 'implementation machinery', it consists of two separate organizations, viz. implementation units and tripartite implementation committees which is obvious from the language of Section 11 itself and also from the separate constitution and functions of the two organizations. The Court ruled that to hold that the implementation unit in the respective labour department together with the respective tripartite committee at Centre, state or local level would constitute the implementation machinery jointly and not each of them separately would run not only counter to the intention of the Code as is manifest from the language of Section 11 and their separate composition and functions, but would also be impracticable in working.

However, the Code of Discipline has not been effectively implemented and it is respected more in breach than in observance. Several reasons may be accounted for the same: (i) the absence of a genuine desire for and limited support to self-imposed voluntary restraints on the part of employers' and workers' organizations, (ii) the worsening economic situation which eroded the real wage of workers, (iii) the liability of some employers to implement their obligations, (iv) a disarray among labour representatives due to rivalries, and (v) conflict between the Code and the Law. In view of this, the National Commission on Labour recommended that the part of the Code which enjoins stricter observance of obligations and responsibilities under the various labour laws may be left to the normal process of implementation and enforcement by the labour administration machinery, some others need to be formalized under law. These are: (a) recognition of a union as bargaining agents; (b) setting up of a grievance machinery in an undertaking; (c) prohibition of strike/lockout without notice; (d) penalties for unfair labour practices; and (e) provision of voluntary arbitration.

With the removal of these provisions from the Code and on giving them a legal form, the Code will have no useful function to perform.

Check Your Progress

1. What does industrial relations deal with?
2. What is discipline?
3. When and why was the need for voluntary code of discipline felt?

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12.4 EMPLOYEE COUNSELLING

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This section is devoted to the study of employee counselling.

Meaning and Significance of Counselling

In general, as a human relations technique, counselling is essential for effectiveness in managing human resources. Specifically, it forms a prerequisite to perform the preceding personnel functions of performance appraisal, promotion, transfer and separation.

Counselling refers to the process of advising an employee or preferably in most cases, listening to his problem and enabling him to find from his own thinking and talking a solution for it which is satisfactory to himself. It relates to a method of understanding and helping people who are emotionally upset. Thus, it can also be defined as a discussion of an emotional problem with an employee with the general objective of minimizing it. As this definition implies, counselling deals with emotional problems and relates to 'trouble of the heart' rather than 'bother on the hands'. It precludes job difficulties which do not have much emotional repercussion. Moreover, as counselling involves discussion, it forms a process of communication.

Effective counselling is a product of good communication skills, largely oral, by which an individual tends to share his emotions with another individual. Explicitly, a simple social discussion of an emotional problem between two persons is not counselling. For counselling, there must be an understanding on the part of the employee (counselee), while the other person (counsellor) must come forward to facilitate it. Finally, counselling is not merely limited to professionally trained counsellors who are usually required in cases of serious emotional difficulties. Supervisors and managers of the organization can effectively counsel employees having less serious problems.

In this context, the term 'emotional difficulty or problem' deserves explanation and illustration. It excludes serious mental illness. Although the emotional problems may not appear to be very significant or complex to others, they are important to the individual who has them and thus, whose productive efficiency or performance is affected by them. These problems also exert an impact on the individuals' 'off-the-job' activities in other settings. The examples of such emotional problems cited in literature include: an employee who feels that his progress is very slow and that he has no chance for promotion in the company; an employee who expects to be transferred soon and thus, who is disturbed by the insecurity caused by this situation; a woman employee upset by her supervisor's criticism of her work; an employee who has a higher paid job elsewhere but cannot decide whether to accept it or not; an employee in friction with co-workers on the job. Majority of problem employees in industry suffer from such minor emotional difficulties. If these

people are given timely help, their productive energies are released, and they become more effective in their jobs.

Significance

The need for counselling stems from the complexity of human beings. It is almost impossible for any human being to always have an optimal emotional balance. However, the point of 'blow-up' varies with every human being because of individual differences with respect to tolerance of emotional problems. Suppression of emotional problems which gets reflected in an individual's low morale and reduced performance, is dangerous both to the individual and the organization. As the management cannot afford to ignore any mechanical faults, so also it cannot overlook the emotional problems of its people. Keeping in view the necessity for maintaining a reasonable emotional balance and directing the emotions of employees towards constructive applications, the need for counselling was realised for the first time in Hawthorne Works in 1928. The counselling programmes received further momentum during World War II through staff services. After the war, the personnel function of counselling was assigned to the line supervisors.

Today, the need for counselling may arise from varied on- and off-the-job conditions such as dissatisfaction, resistance to change, alienation, frustration, conflict and stress. Among these conditions, stress deserves special attention in view of its major contribution to emotional problems in today's complex work environment. Although counselling forms an important technique to prevent and treat emotional problems stemming from stress at work, there are a number of other techniques which can also be used independently to accomplish this goal. One of the most promising of such techniques is the bio-feedback process which enables the individual to gauge the undesirable effects of stress from the feedback provided by instruments that measure symptoms of stress such as heartbeat, oxygen consumption, stomach acid flow and type of brainwaves. Thus, he can reduce undesirable effects of stress. Likewise, practice of Zen, Yoga and transcendental meditation also help to manage stress. Specifically, in transcendental meditation, attempt is made to meditate daily for two periods of 20 minutes through concentration on silent repetition of a *mantra*. One survey of several organizations in the USA where employees actively practiced meditation for about a year revealed that the meditators had significantly more job satisfaction, better performance skills, less desire to leave the job and improved interpersonal relationships than a controlled group. Notwithstanding the growing use of meditation in reducing emotional strains, counselling forms the most frequently used technique of dealing with emotional problems at work. As pointed out earlier, the general objective of counselling is to provide support to the emotionally disturbed employee to deal with his problem so that he develops self-confidence, understanding, self-control and ability to work effectively in the organization.

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Functions of Counselling

Counselling accomplishes the objectives discussed earlier by performing one or more of the following six functions: (i) advice, (ii) reassurance, (iii) communication, (iv) release of emotional tension, (v) clarified thinking, and (vi) reorientation.

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- (i) Advice. Advice is mistakenly considered as equivalent to counselling. However, it forms one of its several functions. Advising involves judging an individual's emotional problems and marshalling a course of action. It causes complications because of the inability of a person to understand another person's problem and suggest a solution for it. It also provides an inferior status to a counselee who remains dependent on the counsellor. Despite its ineffectiveness in resolving emotional problems of an employee, advice-giving is the most natural phenomenon practised between a superior and a subordinate in day-to-day work situations.
- (ii) Reassurance. Counselling performs the function of reassurance which refers to a way of providing courage to an individual to deal with a problem or developing confidence in him that he is facing towards an appropriate course of action. However, the difficulty with such assurance is that the counselled does not accept counselling intrinsically. Even when he is reassured, the counsellor's re-assurance fades away with the reemergence of the problem. Despite its weaknesses, reassurance is useful in certain situations, if handled carefully.
- (iii) Communication. Counselling facilitates both upward and downward communication. It provides the employee with an opportunity to express his feelings in an upward direction to the management. Thus, the management comes to know how the employees feel. The counsellor should keep in confidence the names of individual employees and interpret their feelings and convey to the management. These feelings expressed through logically classified statements may relate to their emotional problems with varied aspects of the organization. Counselling also facilitates downward communication where the counsellor helps to interpret varied policies and programmes of the company to people who tend to discuss their problems related to them.
- (iv) Release of Emotional Tension. Release of emotional tension or catharsis forms a significant function of counselling. By expressing the emotional problem during the process of counselling, the counselled gets an emotional release from his frustration and allied problems. Indeed, as soon as an individual starts explaining the problems to an active listener, his tensions tend to subside and his speech becomes coherent and rational. Although this release of tension may not necessarily

solve the problems, it removes mental barriers and enables the person to again face his problems boldly.

- (v) **Clarified Thinking.** Counselling facilitates clarified thinking which is an outcome of emotional release. It can be generated quickly by a skilled counsellor acting as a catalyst. It may partly or entirely take place outside the counselling session as a result of certain developments during the counselling relationships. With the emergence of clarified thinking, the individual tends to accept responsibility for solving his emotional problems in a realistic way.
- (vi) **Reorientation.** Last but not the least, counselling performs the function of reorientation which relates to a change in an individual's psychic self stemming from a change in his basic goals and values. It involves a shift in one's level of aspiration corresponding to reality and enables one to recognize and accept one's own limitations. However, it can be largely generated by a professional counsellor rather than a line executive.

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Types and Processes of Counselling

Depending upon the extent of direction provided by the counsellor to a counselee, Davis classifies counselling in three forms: directive, non-directive and cooperative.

1. Directive counselling

Directive counselling is a process of listening to an employee's emotional difficulty, deciding with him what can be done and then telling and motivating him to do it. In usual practice, although its major role relates to advice, it also performs to a certain extent other functions of communication, release of emotional feeling and, in some cases, clarification of thinking. However, advice is generally unwise and thus, of questionable value. In situations where the counsellor is an effective listener, there is an enhanced possibility on the part of the counselee to experience emotional release and to clarify his own thinking. The advice and reassurance provided during the course of directive counselling may become worthwhile if the employee is enthused by the counsellor to take a workable course of action.

2. Non-directive counselling

Because of its focus on the counselee rather than on the counsellor, this form of counselling is also called client-centred counselling. It refers to the process of skilfully listening and inducing an employee to describe his bothersome emotional difficulties, so that the counsellor can understand them and ascertain plausible courses of action. It allows the individual, overwhelmed by emotional problems to speak about them as long as he wishes without any interruption with an empathetic and an appreciative listener in the counsellor,

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who shows a feeling of empathy rather than of sympathy and who acts with an attitude of deep respect for the individual having a problem. He understands that the individual himself is best qualified to resolve his own problems. Accordingly, the counsellor helps the individual realize that goal and thus, allows him to talk about anything which may even seem to be irrelevant. The counsellor is required to have an agile and a receptive mind and mirror each individual's feelings to enable the person to solve his problem. The counsellor encourages him to express his thoughts on the problem and concentrate on it. The counsellee may proceed from mere superficialities to deeper problems and with the release of his feelings, tends to reconcile himself with other persons and himself.

3. Cooperative counselling

As Davis indicates, while the use of pure non-directive counselling is not quite widespread in work settings because of its varied limitations, the adherence to directive counselling appears to be inappropriate in modern day democratic work situations. This indicates the need for application of a counselling method which falls between the two extreme forms of non-directive and directive counselling. Modern executives can integrate the two forms of counselling to accomplish their advantages and throw off their disadvantages. Cooperative counselling meets this need of the present industrial settings. It is neither entirely counsellee-centred nor counsellor-centred but requires both of them to come forward with their varied knowledge, perspectives and insight to resolve the counsellee's problems in a cooperative way. Thus, it can be defined as a cooperative process of mutual discussion of an individual's emotional problems and establishment of conditions conducive to their solutions. It can be practised by people who do not necessarily possess full-time professional training in counselling. This form of counselling is also free from the autocratic approach of directive counselling.

Although it demands some amount of training and time to practice, it is certainly within the reach of managers. It initiates the active listening technique of non-directive counselling. However, the cooperative counsellor tends to play a more positive role than the non-directive counsellor with progress of the discussion. The cooperative counsellor tends to provide the counsellee with whatever knowledge and insight he himself possesses and discusses the situation from a broad organizational perspective. Adherence to this approach enables the counsellee to see different perspectives for purposes of comparison. This form of counselling accomplishes the four functions of counselling including reassurance, communication, emotional release and clarified thinking. However, it is not possible to accomplish reorientation through this type of counselling for which the counsellee can be referred to as a professional counsellor. Likewise, if there is a need for directive action, the management can do so through its supervisory powers rather than

through its counselling role. This type of counselling is most appropriate for practising managers to help resolve day-to-day emotional problems of their employees. Its major contribution to management practice relates to a shift of the traditional management role of directive counselling towards a participative management role of non-directive counselling.

Indian Perspectives on Counselling

Counselling has vast potential for accomplishing an effective performance in industries. It can foster superior-subordinate relationships, help the management to understand the limitations of seniors and problems of juniors, improve communications and thus quality of decisions, help employees to recognize their strengths and weaknesses, accomplish goal clarity, and assess the impact of management decisions. Although several Indian organizations encourage counselling, most of them go about it incorrectly. It is usual to come across managers who mistakenly regard counselling as 'giving feedback in a threatening way', correcting the undesirable or unsatisfactory behaviour of employees by pointing it out and warning them not to repeat these behaviours further. As described earlier, counselling is helping the employee to recognize his own strengths, weaknesses and potentials with a view to prepare action plans for his own development and not for the counsellor to abuse information thus gleaned by giving feedback and warning and pointing out and enforcing norms of performance, which relate to functions of other executives.

Findings of a survey

The above observations are based on a survey conducted by Rao and Abraham on the current status of counselling practices in Indian industries. As the survey indicates, out of 53 organizations under study, 41 (80 per cent) required their executives to counsel their subordinates, and 12 (20 per cent) did not have such a requirement. Thirteen (32 per cent) of these 41 organizations required their executives to counsel their subordinates once a year. Two (5 per cent) organizations required their executives to counsel twice a year, and one (2.5 per cent) organization required counselling four times a year. Twenty-seven (61 per cent) organizations reported that their executives were required to counsel their subordinates as often as it was possibly needed and that they did not have any established pattern of counselling. However, Rao and Abraham remark that it is a very deceptive factor of the counselling practice. It was common for some organizations to assert that they required their executives to 'correct' their subordinates through counselling as often as possible. These organizations did not really have performance counselling which necessitates a review of the performance of an employee on all aspects periodically. It is essential to have the time schedule stated and to adhere to it.

In conjunction with the objectives of counselling, the extent of time and attention devoted to it also deserves mention. It provides the counsellor

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with an opportunity to know and understand the employee's strengths, his perceptions, his ability to interpret the organization, its process and allied issues. There is need to help each individual to identify his strengths and weaknesses rather than tell him about them. A lack of proper understanding of counselling and its skills forms a vital reason why some employees do not take counselling seriously. In response to a question about how many employees take counselling seriously, only 7 (17 per cent) organizations indicated in the affirmative, 27 (64 per cent) organizations asserted that only some of the employees took it seriously, and 8 (19 per cent) organizations declared that very few took it seriously.

12.5 MANAGING GRIEVANCE

Experience shows that in the day-to-day running of business, the disputes between the employer and workman are resolved by administrative processes referred to as grievance procedures. The Indian Labour Conference has also adopted a similar concept of a grievance in its following recommendations:

Meaning and Concept of Labour Grievance

Complaints, affecting one or more individual workers in respect of their wage payments, overtime, leave, transfer, promotion, seniority, work assignment, working conditions and interpretation of service agreement, dismissal and discharges would constitute grievance. Where the points of dispute are of general applicability or of considerable magnitude, they will fall outside the scope of grievance procedure.

The aforesaid concept has also been adopted in the guiding principles for a grievance procedure appended to the Model Grievance Procedure in India. Further, clause 15 of the Model Standing Orders in Schedule I of the Industrial Employment (Standing Orders) Central Rules, 1946, specifies that 'all complaints arising out of employment including those relating to unfair treatment or wrongful exaction on the part of the employer or his agent, shall be submitted to the manager or the other person specified in this behalf with the right to appeal to the employers.' Moreover, the State Governments have framed rules under the Factories Act, 1948, requiring a welfare officer to ensure the settlement of grievances.

The Voluntary Code of Discipline adopted by the Sixteenth Session of the Indian Labour Conference in 1958 also provides that: (a) the management and unions will establish, upon a mutually agreed basis, a grievance procedure which will ensure a speedy and full investigation leading to settlement, and (b) they will abide by the various stages in the grievance procedures. However, there is no legislation in force which provides for a well-defined and adequate procedure for redressal of day-to-day grievances in industrial

establishment. In order to meet the shortcoming, the Industrial Disputes (Amendment) Act, 1982, provides for setting up of Grievance Settlement Authorities and reference of certain individual disputes to such authorities. Section 9C of the amended Act provides:

- (1) The employer in relation to every industrial establishment in which 50 or more workmen are employed or have been employed on any day in the preceding 12 months, shall provide for, in accordance with the rules made in that behalf under this Act, a Grievance Settlement Authority for the settlement of industrial disputes connected with an individual workman employed in the establishment.
- (2) Where an industrial dispute connected with an individual workman arises in an establishment referred to in sub-section (1), a workman or any trade union of workmen of which such workman is a member, refer, in such manner as may be prescribed, such dispute to the Grievance Settlement Authority provided for by the employer under that sub-section for settlement.
- (3) The Grievance Settlement Authority referred to in sub-section (1) shall follow such procedure and complete its proceedings within such period as may be prescribed.
- (4) No reference shall be made under Chapter III with respect to any dispute referred to in this section unless such dispute has been referred to the Grievance Settlement Authority concerned, and the decision of the Grievance Settlement Authority is not acceptable to any of the parties to the dispute.

The Industrial Disputes (Amendment) Act, 1982 excludes hospitals, educational institutions, institutions engaged in any charitable, social or philanthropic service, khadi or village industries and every institution performing sovereign functions. For these institutions, the Hospitals and other Institutions (Settlement of Disputes) Bill, 1982, enjoins upon an employer to constitute, within a specified period, a Grievance Settlement Committee for the resolution of individual disputes and Consultative Council and a Local Consultative Council for the resolution of industrial disputes of a collective nature. The Bill also provides for the arbitration of disputes not resolved by the Grievance Settlement Committee or the Local Consultative Council or Consultative Council. However, these provisions of the Industrial Disputes (Amendment) Act, 1982, have not yet been enforced presumably because the Hospitals and other Institutions (Settlement of Disputes) Bill, 1982, has not so far been passed. Further, no rules have been framed under the unenforced Section 9C. The (Second) National Commission on Labour has recommended that a Grievance Redressal Committee for organisation employing 20 or more workers be constituted.

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Grievance Redressal Procedures

In 2010, the Industrial Disputes (Amendment) Act, 2010 inserted new chapter IIB on grievance redressal machinery. Section 9C of the Amendment Act provides as follows:

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1. Every industrial establishment employing 20 or more workmen shall have one or more grievance redressal committees for the resolution of disputes arising out of individual grievances.
2. The grievance redressal committee shall consist of equal number of members from the employer and the workmen.
3. The chairperson of the grievance redressal committee shall be selected from the employer and from among the workmen alternatively on rotation basis every year.
4. The total number of members of the grievance redressal committee shall not exceed six:
Provided that there shall be, as far as practicable, one woman member if the grievance redressal committee has two members and in case the number of members are more than two, the number of women members may be increased proportionately.
5. Notwithstanding anything contained in this section, the setting up of grievance redressal committee shall not affect the right of the workman to raise industrial dispute on the same matter under the provisions of this Act.
6. The grievance redressal committee may complete its proceedings within 30 days on receipt of a written application by or on behalf of the aggrieved party.
7. The workman who is aggrieved of the decision of the grievance redressal committee may prefer an appeal to the employer against the decision of grievance redressal committee and the employer shall, within one month from the date of receipt of such appeal, dispose of the same and send a copy of his decision to the workman concerned.
8. Nothing contained in this section shall apply to the workmen for whom there is an established grievance redressal mechanism in the establishment concerned.

Check Your Progress

4. What is counselling?
5. List the six functions of counselling.

12.6 ANSWERS TO CHECK YOUR PROGRESS QUESTIONS

1. Industrial relations deal with the relationship between labour and management, and their organization.
2. Discipline means systematically conducting the business by the organizational members who strictly adhere to the essential rules and regulations.
3. The need for Voluntary Code of Discipline was felt in 1957 in order to create awareness among the parties to industrial relations about their obligations under labour laws.
4. Counselling is defined as a discussion of an emotional problem with an employee with the general objective of minimizing it.
5. The six functions of counselling are advice, reassurance, communication, release of emotional tension, clarified thinking, and reorientation.

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12.7 SUMMARY

- Industrial relations deal with the relationship between labour and management, and their organization.
- According to the Encyclopaedia Britannica, ‘the concept of industrial relations has been extended to denote the relations of the state with employers, workers and their organizations’.
- Discipline means systematically conducting the business by the organizational members who strictly adhere to the essential rules and regulations.
- According to Spriegel, ‘positive discipline enables an employee to have a greater freedom in that he enjoys a greater degree of self-expression in striving to achieve the group objective, which he identifies as his own.’
- Negative discipline connotes that personnel are forced to observe rules and regulations on account of fear or reprimand, fine, demotion, or transfer.
- In *Ravi Yashwant Bhoir v. District Collector, Raigad*, the Supreme Court observed that ‘the word “misconduct” though not capable of precise definition, receives its connotation from the context of delinquency in its performance and its effect on the discipline and nature of the duty.’
- The need for Voluntary Code of Discipline was felt in 1957 in order to create awareness among the parties to industrial relations about their obligations under labour laws, as also to create in them an attitude of

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willing acceptance of their responsibilities and a readiness to discharge them.

- It was in this context that the Code of Discipline found approval at the sixteenth Indian Labour Conference, and was formally announced in June 1958.
- The Code applies to all public-sector undertakings run as companies and corporations except in defense, railways and ports and docks.
- In general, as a human relations technique, counselling is essential for effectiveness in managing human resources.
- Counselling refers to the process of advising an employee or preferably in most cases, listening to his problem and enabling him to find from his own thinking and talking a solution for it which is satisfactory to himself.
- The need for counselling stems from the complexity of human beings.
- Counselling accomplishes the objectives discussed earlier by performing one or more of the following six functions: (i) advice, (ii) reassurance, (iii) communication, (iv) release of emotional tension, (v) clarified thinking, and (vi) reorientation.
- Depending upon the extent of direction provided by the counsellor to a counselee, Davis classifies counselling in three forms: directive, non-directive and cooperative.
- Some practical considerations in counselling relate to responsibility of counselling; length and number of sessions; time and place of sessions; and need for keeping confidence.

12.8 KEY WORDS

- **Penalty:** It is a punishment imposed for breaking a law, rule, or contract.
- **Socio-Economic:** It is relating to or concerned with the interaction of social and economic factors.
- **Demotion:** It means to lower someone or something in rank or position.

12.9 SELF ASSESSMENT QUESTIONS AND EXERCISES

Short Answer Questions

1. Briefly discuss the concept of international relations.
2. What causes indiscipline in an organization?
3. List the steps of disciplinary action.

4. Discuss the characteristics of code of conduct.
5. What is counselling? Why is it significant?
6. Write a note discussing the accomplishments of counselling.

Long Answer Questions

1. What is discipline? Discuss its aspects and objectives in detail.
2. Write a detailed note on code of discipline. Give examples.
3. Explain the functions of counselling in detail.
4. Describe the various types and processes of counselling. Assess their merits and demerits.
5. Discuss the concept and applicability of counselling in the Indian scenario.

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12.10 FURTHER READINGS

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UNIT 13 EMPLOYEE EMPOWERMENT

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- 13.9 Further Readings

13.0 INTRODUCTION

In this unit, you will learn about empowerment of employees. The concept of empowerment of employees is an innovative approach. It is the most visible outcome of the recent globalization and liberalization of the market economy and a corresponding competitive and rapidly changing market economy. The concept of empowerment has different meanings for different people. However, at its most practical level, it can be defined as the recognition and proper channelization of the existing strength, skills and knowledge of the people for the benefit of the organization. This unit will also explain the process of empowerment. Employee empowerment can be achieved by developing multiple skills, by giving people more authority and responsibility on their jobs, by giving them access to information on developments and genuinely involving them in decision-making.

13.1 OBJECTIVES

After going through this unit, you will be able to:

- Discuss the concept of employee empowerment
- Explain the process of empowerment
- Assess empowerment in the Indian scenario
- Analyse empowerment in global scenario.

13.2 CONCEPT AND PROCESS OF EMPLOYEE EMPOWERMENT

Notwithstanding its culture-specific nature, **empowerment** has been defined in varied ways in behavioural science literature. It can be succinctly defined as the authority of subordinates to decide and act. People empower themselves by discovering a positive way of being political. They have to become political without being manipulative. Thus, empowerment involves positive political skills at work. People can also be empowered by involving themselves in work through a process of inclusion. Empowered people believe that they are competent and valued, that their jobs have meaning and impact, and that they have opportunities to use their talents. Likewise, from the standpoint of the assumption that powerlessness gives rise to low self-efficacy, attempts have been made to define it as a process of identifying and removing the conditions that cause powerlessness while increasing feelings of self-efficacy. From this perspective, empowered people are encouraged to use their initiative as well as assigned resources to ensure that their decisions are implemented.

As a basis for the redistribution of power in work settings, the process of empowerment can be defined as the reorientation of all forces, values and beliefs that determine human behaviour in organizations so that they support and liberate the individual rather than reduce their range of thought and action. This process releases the full potential of every individual to contribute to the common enterprise. Another approach defines empowerment the recognition and proper channelization of the existing strength, skills and knowledge of the people for the benefit of the organization.

Empowerment: Facilitators and Barriers

The concept of empowerment has recently been applied in different organizational settings across the globe with varied success and failure. In USA, Chrysler Corporation, Johnsonville Foods and the state of Kentucky have accomplished significant results from empowerment. However, available research literature also report the failure of empowerment efforts.

The analysis of different empowerment efforts provides an understanding of its facilitators and barriers in organizational settings. The prerequisites of empowerment are participation, innovation, access to information and accountability. Likewise, delegation, which involves the distribution of power, is more about truly empowering people than participation, which involves only sharing of power. Barriers to empowerment include incongruence between empowerment's goal of inclusion and organizational culture, low need for autonomy among people, managerial fear related to distribution of power, and need for more power among managers.

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The Process of Empowerment

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It can be done via developing multi-skills, by giving people more authority and responsibility in their jobs, by giving them access to information on developments and genuinely involving people in decision-making. An empowering leader has to go through four stages: (i) empowering yourself, (ii) demonstrating empowerment, (iii) giving management guarantees, and (iv) taking risks.

Based on their research experience, several researchers such as Blanchard describe the process of empowerment and what makes empowerment work. The keys to empowerment are apparently simple to understand, but frequently difficult to implement. The change from a bureaucratic system to an empowering organization involves massive efforts. It necessitates adequate understanding of the nature of an empowerment as well as techniques of shifting from a bureaucratic management to empowering leadership. The journey from bureaucracy to empowerment is long and challenging, involving a great deal of value changes and controversies. It cannot occur just by announcement; the top management must first change itself.

Keys to Empowerment

There are three keys to empowering people and organizations: (a) information sharing, (b) creating autonomy through structure, and (c) replacing the hierarchy with teams.

1. Information sharing

- (i) Need for information: Why do people need information? They need it to know how they are doing, how their company is doing, and whether their efforts make any difference. Experience has invariably shown that information is instrumental in initiating the process of empowerment. Informed people are bound to act with responsibility. If the employees understand clearly the critical financial position of the company, they tend to provide ideas for saving money as well as enhancing revenue through better customer service. Like the owner, everyone attempts to do whatever he can to help the organization. Even where the situation is not a critical one, the employees provide ideas for expanding the business. They may furnish ideas for new ventures. They may also come forward to satisfy customers' needs in creative ways.
- (ii) Building trust: The most crucial contribution of sharing information is of building trust. Bureaucratic organizations are bankrupt in terms of trust. Hence, a lot of their energy is wasted in protecting themselves. The sharing of sensitive information itself promotes trust.

- (a) *Handling mistakes*: The first issue is the way management handles mistakes. Asking ‘who did it?’ is not the way of an empowering culture. Information is used here for fixing blame rather than solving problems. This is a situation of trust-breakdown. The most appropriate question would be, ‘what went wrong and how to correct it?’ This is indicative of an empowering culture; it empowers people to take risks; to learn and to grow in a trusting climate.
- (b) *Perception of goals*: The second issue is related to where the goals fit into the empowerment process. Goals are merely milestones of growth on the route of continuous betterment. Information helps in clarifying the level of their achievement. People with information about current performance levels happen to set challenging goals; and they enjoyed breaking these records.
- (c) *Blockage of information*: The third issue is concerned with the question: ‘Is the act of sharing information blocked somewhere in the organization?’ Yes, it is. Some managers may be afraid of losing control. They tend to withhold part of the information. Despite their overt sincerity to empowerment, they divert from its implementation.

The final issue is ‘does information sharing alone cause empowerment of people and organizations?’ Certainly, not. It is merely a first step towards it. As soon as information is shared, and trust is built, the management has to move towards the second and third keys to empowerment simultaneously.

2. Creating autonomy through structure

Empowerment is initiated with increased rather than no structuring. Organizations that start the programme with a participative and supportive leadership style invite problems. Successful companies use strong leaders to show the path, teach them new skills and clarify different parameters of empowerment. However, as soon as people become familiar with the new culture, there is less need for structure. There are several problems in organizations starting with little initial structure. People are only familiar with bureaucratic ways of working, and thus they feel discomfort in the hierarchy-less structure. There is need to change their habits and expectations.

What are the structural elements of empowerment? It is not merely the organizational chart. The parameters of operation must be clarified. These parameters or elements of structure include vision statements, goal-setting, decision-making rules, performance appraisal process and training.

- (i) *Vision statement*: The vision statements should be so simple that every employee can understand them in the context of their jobs. Companies

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which use the 'big picture' vision, fail to communicate anything real to them. There is need to convert it into action. So, when they obtain information in terms of their 'little picture', they have a clear vision to which they become committed.

- (ii) Goal-setting: Goals are the milestones rather than the ends. Goal-setting involves a collaborative relationship. It has been observed that most employees are not aware of how to collaborate in the process of goal-setting. Without this understanding, the goals and responsibilities are not clear to them. Successful companies tend to coach the people in the process of setting specific, measurable and realistic goals linked with the company's vision. In addition, managers help the empowering partnerships leading to outstanding performance. These goals are set on a continuous improvement basis.
- (iii) Decision-making rules: It is mistakenly assumed that empowerment will provide people with power to make all decisions. This causes frustration when they find that they are required to make only the operational decisions. They tend to back off from making even such decisions when they learn that they would be accountable for the outcome. Therefore, successful companies make it clear at the outset that the strategic decisions will always be the domain of management.
- (iv) Performance appraisal: The typical performance appraisal, which is disempowering, needs to be redesigned. It can be oriented towards collaboration and continuous improvement. Companies that have been successful in managing their cultures embody three elements in their performance review process: (a) performance planning (including collaborative goal-setting and discussion of appropriate leadership style), (b) continuous coaching for employee growth, and (c) focus on both manager and employee. Now, performance management is each individual's responsibility. It has become a collaborative rather than a top-down system. Thus, it embraces assessment of employee's achievement and the manager's leadership.
- (v) Training: There is a need to provide continuous training to people so that they acquire the desired empowerment skills, i.e. negotiation of performance plans, decision-making, conflict management, leadership, budgeting and technical competence in multiple jobs. Of course, before they can learn these skills, they must unlearn bureaucratic habits. Successful companies provide intense training to both managers and employees that are linked with their jobs.

What are the key issues of structuring? The process of structuring is gradual because people cannot handle all the changes at one time. It is also not feasible to determine what are the structural elements to be altered. Companies learn this by trial and error. As soon as people

understand where the company is and where it intends to reach, they consider the new structure as a help rather than a barrier. With growth of trust, employees tend to inform the management what boundaries, procedures and decision-making patterns in the old structures hampered them in becoming responsible. As soon as the people are tuned to the new attitude and behaviour involved in empowerment, they change to the new structure.

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3. Replacing hierarchy with teams

While the above structural measures are taken to create autonomy, there is a need for minimizing dependence on hierarchy. This leads us to the third key. A vacuum is created by downsizing management layers and enhancing spans of control. The question still remains: 'Who has to make important management decisions?' The complexity of the present situation necessitates collaborative decision-making. Empowered people can be provided support as well as synergy by the empowered teams. These teams are quite different from participative teams, quality circles or semi-autonomous teams. Instead of merely recommending ideas, they make decisions, implement them, as well as accept accountability. In one particular company, these teams were provided training on effective teamwork. Thereafter, they started acting with autonomy and took responsibilities earlier held by their managers. In another company, after several years of training, the teams started working as managers. Thus, as self-managed teams, they tended to make recruitment, performance appraisal, work schedule, budgetary and other decisions. This arrangement provided an outstanding bottom-line as well as satisfaction to the people.

- (i) Key steps: Then the question arises, what are the key steps for teams to become the hierarchy? These steps include: extensive team training, the leadership vacuum and the fear factor.
 - (a) *Extensive team training*: People have problems in working as effective members of high-performing teams. This problem has been handled by companies through extensive team training. It exposed them to such issues as team decision-making, conflicts as a positive element, team goal-setting, self-monitoring and responsibility in leading themselves.
 - (b) *Leadership vacuum*: The most complicated situation arises when teams start replacing the hierarchy. There is disillusionment during the development phase towards empowered teams. At this phase, the teams have a feeling of incompetence and low levels of motivation to work towards empowerment. Thus, at the very outset of their journey, they are exposed to severe setbacks. There is an urgent need for a strong leader who could provide support, guidance, encouragement and help.

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(c) *Fear factor:* There is also a high level of fear among managers with respect to empowerment. Indeed, when they do not know what to do, they resort to their bureaucratic mentality. This worsens the problem and leads to delays.

(d) *Conclusion:* Companies do not become empowered overnight; it takes several years to attain the desired level of empowerment. It is a tough task, and many companies fall out by the wayside. However, in a year or so, they start getting flashes of empowerment that propel them to continue the journey. It is not a soft attitude towards people. Rather, it is expecting more from people who come with their best because of ownership.

13.3 EMPOWERMENT IN INDIAN SCENARIO

The legal provisions and gazette notifications of the Indian government enable indirect empowerment of workers by the representatives of the workers who are usually elected by the workers. Since independence, the Indian government has initiated many schemes which provide for employee empowerment both at the enterprise and shop-floor level. Such schemes include the following:

- **Works committee:** The Industrial Disputes Act of 1947 provides for limited participation of workers representatives in bipartite works committee in order to ensure good relations between employers and employees. Committees like the canteen committee and the safety committee are statutory.
- **Joint Management Council (JMC):** JMCs were introduced in 1958 to administer employee welfare, training, changes in work practices, formulation of standing orders, organisational productivity and so on.
- **Employee directors in nationalised banks:** Banks were nationalised in 1969. The Indian government made it mandatory for nationalised banks to have employee directors representing both workers and officers. The Board of Hindustan Antibiotics (Pune), HMT (Bangalore), the Tatas and DCM, also have adopted this practice.
- **Amendment of the Indian Constitution:** The Indian Constitution was amended in 1976 and Section 43A was inserted in the Directive Principles. This enabled workers' participation in management at floor and plant levels in manufacturing and mining industries which employ 500 or more workers. Councils were given powers to deal with issues relating to production, waste management, absenteeism, safety and resource utilisation.

- **Scheme for workers' participation in management:** This scheme was introduced in 1977 and was applicable to commercial and services organisations which have 100 or more employees.
- **Scheme of 1983:** The 1983 scheme regulating employee participation was applicable to all central public-sector enterprises. It set up a tripartite committee.
- **Workers' share in equity:** The Union Budget of 1985–1986 had provisions for offering stock options up to five per cent of the total shares in order to increase workers' participation in management.
- **Participation of workers in Management Bill of 1990:** According to this Bill, every industrial enterprise needs to constitute one or more 'Shop-Floor Councils' at the shop floor level and 'Establishment Council' at the establishment level. These councils must have equal representation of employers and employees.

In India, the twin processes of globalisation and liberalization, that began in 1990 and gathered momentum in 2000, have increased the need for a flexible, more qualified and a versatile workforce. Nowadays, managements have started using Japanese methods of direct participation like two-way communication, kaizen, suggestion schemes, quality circles, 5S and so on. BHEL, Mahindra and Mahindra, Godrej and Boyce have implemented quality circle groups.

Direct methods of employee empowerment

The direct methods of employee participation include the following:

- **Newsletters:** These communicate the latest happenings and events within a company to the employees and the clients, both potential and existing, of the company.
- **Employee reviews:** These are conducted by the immediate supervisor of the employees to review employee performance.
- **Self-managed teams:** These require higher levels of autonomy, satisfaction, job security, and support from management.
- **Team briefings:** These are regular meetings between the managers and their teams to exchange information and ideas.
- **Team meetings:** These provide a forum for problem solving, and decision-making. Managers also provide important information to the team members in these meetings.
- **Suggestion schemes:** These are informal ways of obtaining ideas from employees.
- **Quality circles:** These are mechanisms which develop and utilise the potential of people in order to enhance product quality and productivity.

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These require the development of skills, capabilities, confidence and creativity of the people through the combined process of training, on the job experience and participation. The work conditions need to facilitate an environment which creates and sustains employee motivation and commitment towards work excellence.

- **Profit sharing:** This is an arrangement by which the owner(s) of a company shares a percentage of the profit earned with the employees.
- **Problem-solving groups:** These focus on understanding issues, considering all possible factors and finding a solution.
- **Employee surveys:** These are formal mechanisms for collecting employee opinions.

Indirect methods of employee empowerment

The different forms of indirect participation are as follows:

- **Joint Consultation Committee (JCC):** These are commonly used in public sector companies in India. Both managers and employees value this as a useful form of participation. The flexibility of the JCCs enables a consultative approach. They can either be dominated by the management or enable employee representatives to influence organisational decisions. JCCs are based on the three following principles: (a) A clear separation between consultation and negotiation issues; (b) Regular participation of managers and implementation of decisions; and (c) Legitimate employee representation
- **Work councils:** These are used by the management to consult with the employee representatives on issues related to production and employee relations. They provide a forum for discussing contentious issues. Work Councils are more formal than JCCs and often have some rules regulating them. Work Councils appoint employee directors. The management informs the work council about important issues. Employee representatives can consult experts to get a better understanding of the issues.
- **Worker directors schemes:** Worker directors represent the workers in the board of the company. This enables workers to have a stake in formulating the long-term goals of the business. Workers become more committed when they participate in setting the objectives of the organization.

Empowerment and performance

The results of empowerment on employee performance are as follows:

- It makes employees responsible for performance outcomes
- It helps in maintaining consistent performances of teams

- It enables employees to identify and resolve obstacles and hence achieve job performance
- It improves job efficiency
- It makes employees more knowledgeable about their work and hence they are able to plan and schedule their activities in a better way
- It makes employees work harder as they view themselves as able to influence organisational outcomes
- It enables employees to face difficult situations in a better way and thus increases their performance
- It improves the employees feelings of self-worth and confidence and this translates into higher levels of performance

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Check Your Progress

1. Name the stages an empowering leader has to go through.
2. When were JMCs introduced and why?

13.4 EMPOWERMENT IN GLOBAL SCENARIO

Empowerment is the process of enabling workers to set their own goals, make decisions and solve problems within their spheres of responsibility and authority. In recent years, many organizations have actively sought ways to empower their employees. One method some firms use to empower their workers is the use of *work teams*. This method grew out of early attempts to use what Japanese firms called **quality circles**.

A quality circle is a group of employees who voluntarily meet regularly to identify and propose solutions to problems pertaining to quality. This use of quality circle grew to encompass a wider array of work groups, now generally called 'work teams'. These teams are collections of employees empowered to plan, organize, direct and control their own work. Their supervisor, rather than being a traditional 'boss', plays the role of a facilitator.

The other methods that some leaders use to facilitate empowerment are to change their overall method of organizing. The basic pattern for an organization is to eliminate layers from its hierarchy, thereby turning more decentralized. Power, responsibility and authority are delegated down the organization as much as possible and the control of work is squarely in the hands of those who actually do it.

Irrespective of the precise practices used, empowerment enhances an organization if certain conditions exist. These conditions have been defined as:

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- Companies must be honest in their efforts to spread power and self-governance at their lower levels. Nominal efforts to promote empowerment in just a small number of areas are not likely to succeed.
- Organizations must be dedicated to maintain empowerment. If workers are given more power only to later have it reduced or taken away altogether, they will become indignant.
- Organizations must be methodical and enduring in their efforts to empower employees. Passing over much control rapidly can result in disaster.
- Organizations should gear up to increase their commitment towards training. Employees who are given more liberty in their sphere of work would probably require additional training to help them exercise that liberty effectively.

When people are provided with the power and responsibility to take decisions that affect their work with a minimum of level of interference, they get empowered. Empowerment is an expression which is hackneyed and under-practised. People bring their minds to work when they are provided with empowerment. They are occupied in deciding on areas that affect their work in the business. They accept the onus for their activities. They keep themselves away and out of petty bureaucratic hassles that result in weakening of values and wastage of time. Value is added to the organization when they embrace the principles of quality and service.

The majority of organizations require knowledge workers—men and women whose prime resource is their aptitude to think and act on their knowledge. Computer programmers, system analysts, accountants, lawyers, managers, sales team and even factory workers utilize their finest judgments to resolve problems and use opportunities. This makes the issue of empowerment more critical.

Most of the employees want a few basic things from their work:

- (i) Meaning:** They want their work to be meaningful so that they are able to derive satisfaction from it.
- (ii) Results:** Employees are motivated by the outcome of their efforts. If the results are positive and rewards follow, there is a great deal of satisfaction from the work.
- (iii) Challenge and an opportunity to learn:** Work should be seen as challenging and it should give them a scope to grow and learn.
- (iv) Respect and recognition:** Employees seek respect and recognition from whatever they are expected to do in their organizations.

- (v) **Autonomy and control over their own work:** Employees desire to have autonomy and control over whatever they do in their organization. This provides them with a sense of greater satisfaction.
- (vi) **Affiliation or knowing that they are part of a big team:** Employees in any organization have social needs and want to affiliate with others. The awareness that they are a part of the larger team provides them with a sense of security.

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Empowerment in Action

The six items listed in the preceding paragraph form the foundation of the efforts pertaining to good empowerment. If the leader tries to remove any one of them, the employees' commitment to work tends to get weakened. For empowerment to work effectively, the leader needs to consider the following actions:

- (i) **Clear vision and direction:** He must know the reason for want of empowerment. There should be very clear vision and direction for implementing empowerment within organizations. There are certain issues which need to be addressed by the leader before he begins to implement the process of empowerment in the organization. These are:
 - (a) The leader needs to clarify the motive for empowerment in the organization. He needs to be clear whether the empowerment is beneficial to him or to the complete organization.
 - (b) The leader also needs to emphasize whether the empowerment is for a few, selected people in the organization or for the entire organization. The effectiveness of empowerment would depend upon the scope and range of the empowered employees in the organization.
 - (c) The commitment of the leader for empowerment affects its effectiveness. Some leaders may want to use this practice as a lip service only and may not be totally committed to it. The leader needs to clarify whether it is actually required by the organization or is it simply something that would be nice to have.
- (ii) **Examining corporate actions:** To expect beneficial outcomes from empowerment, leaders need to examine their corporate actions in terms of:
 - (a) **Policies:** Leaders need to keep an account of major policies of the organization. For example, it is said, 'what gets rewarded gets done and what gets punished gets avoided'. Business policies and events such as review of performances and increase of merit

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show people what really matters to the top-level management. If people are asked to work in collaboration but their performance review pitches them against each other in an appraisal ranking which is forced, they will defend their own interests. If cross-functional teamwork is promoted and supported, but performance reviews only recognize the targets achieved within a department, interdepartmental alliance will suffer.

- (b) **Unwritten rules:** These norms advise people about the way the work is actually carried out in organizations. People find that these rules, though not written, are as significant as any guidelines that are written. For example, a manager may instruct his staff to speak the truth always but punish the messenger who delivers bad news.
- (c) **Structure:** Structure of the organization should be such that it gives autonomy and control to employees to perform their tasks according to their approach. The structure should provide employees situations where they are encouraged to learn different tasks which could add value to their performance in organization and enhance their satisfaction. In such situations, they are said to be empowered.

Use of Empowerment

Corporations are undergoing a revolution which have been experimenting with ways to increase the empowerment for employees. Even governments are trying to recreate themselves with the help of the principles of empowerment. Some associations succeed while others fail, but all of them provide learning factors. We see some examples of the ways in which organizations use the principles of empowerment.

- (i) **Large system change:** Organizations focus on bringing everyone (or at least one sample representative from every level of the organization) in a room to restructure their domain of the company. This planning process involves those who must implement changes. It causes a decrease in resistance, an increase in commitment, compression of the duration of planning and implementation and exceeding of the quality of the plan over that created by external consultants or a small team.
- (ii) **Cross-functional team:** Organizations collect capable people from within and empower them for tackling vital business challenges. These squads are not just task forces but they have the authority to suggest and implement changes.
- (iii) **Access to information:** Many organizations are investigating the way work is done in an effort to provide more efficient service to customers. They are developing new procedures that would ensure that people

have instantaneous access to the tools and information they require. In conventional organizations, information is power and those who need it most are often not provided access to it.

- (iv) Promote the best:** In General Electric's 1991 Annual Report, Jack Welch introduced his theory of leadership: 'GE needs people who keep commitments (meet deadlines and financial targets) as well as people who promote values of the company (empowerment)'. In the past they only gave lip service to 'value' goals. Welch went on record to say that those days are over. He wanted men and women who could accomplish both these goals.

It is important to remember that empowerment does not come from a wand that the leader waves over a firm, or from a memo he writes. It cannot result from the systems, and commands and control structures alone that exist in the organization.

Empowerment does not happen because the leader wishes it to be so. It occurs when the leader delegates, as well as when he consistently and repeatedly transfers ownership and responsibilities for issues, problems, solutions and goals to employees. The May–June 1995 *Harvard Business Review* makes the following statement:

“Empowerment is not an overnight transfer or an abdication of responsibility from a boss to a subordinate. It is a gradual delegation process that requires substantial top-management involvement.”

People want to learn and are greatly motivated and satisfied when they do so. The top management's challenge is not only to help people develop themselves, but also to ensure that they do so in way that supports and reinforces the company's objectives.

Reasons for Slow Adoption of Empowerment

Employee involvement could be another term for empowerment. According to a recent survey carried out by University of California's Centre for Effective Organizations, American companies have been slow in integrating such exercises into their business processes. A few of the key conclusions of this study are listed below:

- (i) About 37 per cent of the workforce is not involved in activities pertaining to the involvement of employees and have no say in the process of decision-making.
- (ii) While 31 per cent of the employees are answerable for suggesting improvements to management, they have not been given any information or training to help them in making decisions.
- (iii) Of the 12 per cent employees who take part in groups and are given some level of control over daily decisions applicable to their work, most receive information linked to their responsibilities.

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Unless they are motivated to change, people do not change easily. Business transitions of transferring empowerment to workforce, work on the same lines. Unless employees know the reason for empowerment, the advantage it holds for them and the advantage it holds for the company, the momentum to doing things differently will never arise. Things will not change only if the leader wants them to. The only thing that matters is whether employees want to change and believe they can influence the company's performance.

There are five major reasons because of which leaders have been slow in adopting employee-centred management or empowerment. These are:

- (i) **Complacency and inertia:** Till date, many executives never ventured to question or change the moderately comfortable status quo because of complacency and inertia.
- (ii) **Short-term focus:** The short-term focal point of the management systems in general and reward systems in particular, restrains the procedure of empowerment. Executive performance bonuses and incentive plans are attached to one year and are definitely not meant to build a dedicated workforce over the long term.
- (iii) **Inability to measure the impact of human resource practices:** Schuster contends: 'Until recently, little attention has been paid to executive performance regarding effective utilization of human resources, in part because the standards for comparison did not exist. Our lack of *control* over efficient utilization of the most expensive single cost of operation in many organizations is indeed remarkable'.
- (iv) **Fear of losing status:** Reluctance to give up their special status, executive privileges and managerial power hampers with the process of empowerment.
- (v) **Lack of surety:** Possibly, the most noteworthy explanation of all is that a lot of managers would prefer to bring in high-improvement practices but are not sure how to start or proceed.

Leaders need to chalk out programmes and define processes that enlighten and engage employees. Leaders must be supportive towards them through words and deeds. A business leader must be spending as much time with senior human resource professionals to discuss ways to connect and align employees to business targets and objectives, as they must do with top-level financial persons. The leader will then understand the essence of empowerment.

There are certain characteristics of the leaders who believe in empowering their employees and organizations. Some of these are:

- (i) They house the belief that leadership belongs to every employee and not only to some of them.
- (ii) They are aware that the organization is likely to be successful when employees are equipped, trained and possess the authority to perform in the best way.
- (iii) They believe that knowledge is power and are therefore ready to share it with all employees.
- (iv) They value the workforce enough to build a culture that respects and is supportive of individuals.
- (v) They create opportunities to find solutions.

They comprehend that nurturing empowerment is an uninterrupted effort.

Motivation through Empowerment

Years ago, leaders had started to discover the motivational supremacy of empowerment. Some leaders have always empowered people through the delegation of extensive autonomy, by providing sufficient information and by supporting projects that were creative or depicted initiatives. Similarly, many people have learned to be self-motivated and self-empowered. They grab hold of opportunities to render their work more meaningful and are prepared to choose, experiment and create an impact on the organization. But until empowerment found its way to the leader's dictionary, scarce efforts were carried out to encourage it as a practice for promoting self-motivation, innovation and system-wide improvements. The process of empowerment plays a vital role in motivating employees of the company. Some of the ways by which the process of empowerment motivates employees in organizations are discussed below.

Enhancing self-perceptions and behaviours empowerment

Conditions that facilitate people to feel competent, in control, energized to take initiatives and persevere at meaningful tasks, are defined as empowerment. Empowerment is a many-sided and extremely personal force that motivates people. Empowerment can rise from within the individual, from a peer or from managers. It seeks to bring about constructive self-perceptions (self-concept, self-esteem and self-efficacy) and behaviours that direct tasks. Figure 13.1 graphically displays these factors and the text below defines some of the relationship among them.

Modified self-perceptions are important manifestations of empowerment. Self-concept is how a person thinks about himself or sees himself in a role. Self-concept changes as roles shift, for example, from friend student or

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employee. Self-esteem is a general feeling about one's own worthiness. A precise feature of self-esteem is self-efficacy, a notion directly associated to empowerment. **Self-efficacy** is a person's perceived capacity to perform a certain type of function. One's feelings of self-efficacy are essential since they manipulate performance and brings in a sense of personal well-being.

Individuals build up a feeling of self-efficacy that depends on past experience with authentic or comparable tasks with others and feedback from them. A person's self-realization of capacity (information and expertise), common physical and emotional state and personality (including overall self-esteem), influence his feeling of task-specific self-efficacy. The level of skills and effort with which an individual approaches a task influences his personal feat and the successive feeling of self-efficacy. Empowering conditions render self-efficacy strong.

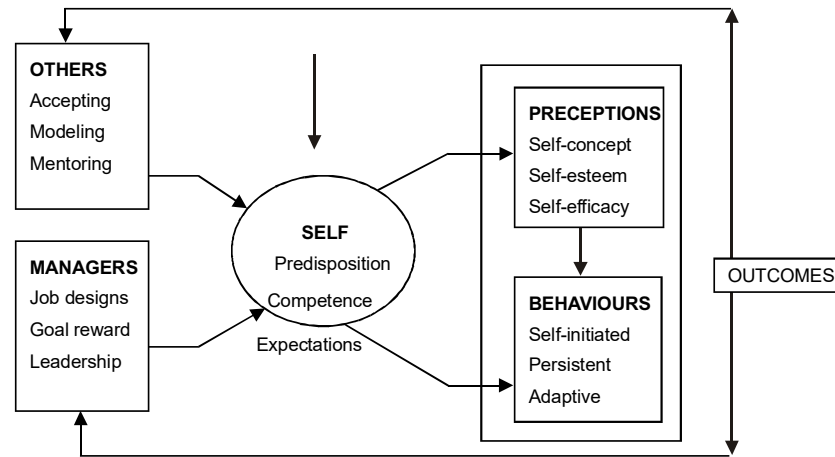


Fig. 13.1 Forces Enhancing Empowerment

This sense of empowerment can emanate from a set of sources as given below.

- (a) **Self-initiated empowerment:** A person can initiate *self-empowerment* and a feeling of self-efficacy through a positive change in his behaviour. Individuals who are fundamentally motivated most often make efforts to expand the nature of their jobs. They are enthusiastic to take on further responsibilities and creatively work on means to improve organizational processes and products. Self-initiated empowered people are, in reality, entrepreneurs who work actively to alter the organization in ways that make them proud of their results.
- (b) **Empowerment by others:** Colleagues and co-workers hugely impact self-perceptions related to work. Peers who promote empowerment, influence the way people within a group feel

about themselves and the group. Within groups, people get the feeling of being empowered when they are valued and treated as professionals. Co-workers are encouraged by them to be accountable and be sponsored by a personal mentor. Individuals are empowered when peers look for their suggestions, confide in them and involve them in projects which help them learn and come in contact with others who might help their careers.

- (c) **Empowerment by managers:** The most widespread basis of empowerment is the behaviour of managers or leaders when they interact with the staff. The empowering leader energetically gives power to individuals and allows them to be self-motivated. This is done through a shift in the expectations of employees so that they feel that they are in control of their future and can outline their work and make it meaningful within their organizations. Empowering leaders also share knowledge so that their teams can perform their jobs with a higher rate of accuracy and confidence. Information technology and systems providing access on demand to employees for whatever information they need are by themselves a key empowering factor.

As a management application, empowerment also allows leaders to communicate, delegate authority, share information and alter the incapacitating knots of corporate bureaucracy. The leader who consciously strives to empower his employees provides them with the drive to pursue their visions, win projects and to progress on practices in tune with the organization's mission and goals. The leader who shares tasks with subordinates and treats them as associates is likely to get the best from them. Due to this, it is logical to think of empowerment as the most important quality of leaders.

Empowerment results in personal changes

The empowered individual undergoes two types of special transformations. One is *motivational enhancement*, particularly when the supply of empowerment is a positive change instigated by a manager. Empowered people typically deepen the focus of their mission and are eager to become more dedicated to a cause or goal. They experience self-efficacy, which inspires motivation by facilitating people to see themselves as proficient and capable of high performance.

Empowerment is also patented in active behaviour to resolve problems and concentrates its force on an objective. The empowered person is more elastic in behaviour, tries alternate means when one is blocked and actively begins new tasks. Behaviour becomes self-motivated when the individual seeks to shape out a greater personal autonomy in undertaking tasks without the support of the manager.

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W.L. Gore and Associates, a privately held firm of over 6,000 associates, noted for its Gore-Tex and other products made from Teflon, has an unusual organization culture that supports empowerment. All activities are structured around teams, the firm has sponsors rather than managers and hiring decisions are a team-based process. Once a team decides that another person is needed, they recruit, interview and select and then assign that person a sponsor who acts as a mentor. 'Usually we choose the person (or the team) who has invested the most in making the new person successful' says Sally Gore She further remarks: 'If you sponsor someone, you want him or her to be successful. You will offer them appropriate opportunities to sit in meetings and seminars and do things so that they will be successful. Then teams and individuals are rewarded with profit sharing based on the value they add to the company. Seniority and education are not the criteria. The criterion is contribution, pure and simple (to create) an atmosphere where associates are motivated to innovate'.

Empowering Today's Organizations

As scientific management was a suitable philosophy to organizing and controlling the massive bureaucracies of the 1920s and 1930s, similarly, empowerment is the philosophy for running organizations. The 21st century organizations are learning organizations. Most organizations are going through a rapid transformation, changing their style and the way they work, in response to the changed environment in which they have to operate. Competition in the new environment will be intense, both at home and in abroad. Part of the challenge will come from developing industries of the Far East which will take full advantage of low labour rates, the new computer technology and improved global communications. Every organization will have to innovate and create new products and markets or be left behind.

Change, which is both rapid and profound, will bombard every part of an organization's activity. Products, customers, competitors, suppliers and others will change. Some of these factors will change almost instantly while others will have longer timescales. Organizations will have to respond effectively to the change, otherwise, they will be at a disadvantage with their competitors.

Another important feature of the today's organizations is that they have to deal with far more complex environments. The market demands a more diverse range of products which have shorter life span. The length of time required to respond to customers' needs is shorter. These factors require systems and management procedures that are efficient and responsive to customers' needs.

The change in the environment and the greater demands of customers will have an impact on the structure of organizations. To cope with shorter response times and the requirement for more rapid communication,

management hierarchies will be reduced. There will be fewer layers in organizations enabling faster decision-making. Organizations will have to be more flexible to cope with the priorities changing rapidly. All employees will have to possess a wider range of skills so that they can be transferred quickly from one job to another. The new demands of the market and increased technology will result in a more skilled and educated workforce. People will have higher expectations and demand a satisfying job and worthwhile careers. Rewards and recognition will also have to be increased to match the new skills and personal expectations. Table 13.1 depicts some of the commonly felt differences between the empowered and unempowered organizations.

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Table 13.1 Behaviour Descriptions of Empowered and Unempowered Organization

Empowered Organization	Unempowered Organization
She made the mistake; we will help her clear it up.	She made the mistake, she can clear it up.
To try and fail is applauded.	To try and fail is punished.
Every person has latent talents that can be developed.	Some people are dumb and will never do anything.
The criteria for success and promotion in this organization are talent and job performance.	If you are not in the club, you will never succeed in this organization.
There are motivated and creative people at all levels within the organization.	The only innovators and creative people are in the marketing and research departments.
Work is as enjoyable and exhilarating as the rest of my life.	You work from 9.00 to 5.00 and then you escape.
Enterprise, initiative and the challenge of trying new things are the norm.	You keep your head down and your nose clean.
We thrive on new ideas.	We have seen it all before.
Most people try to be open and genuine.	You have to be cynical in this organization.
Volunteering for special assignments is the pathway to growth.	Never volunteer for anything.
The products and services we give to our customers are world class.	What we produce is no better or worse than anyone else's.
There is genuine concern for an individual's welfare and development.	No one takes an interest—you just swim around in your own cul-de-sac.

Check Your Progress

3. What is empowerment?
4. What is a quality circle?

13.5 ANSWERS TO CHECK YOUR PROGRESS QUESTIONS

1. An empowering leader has to go through four stages: (i) empowering yourself, (ii) demonstrating empowerment, (iii) giving management guarantees, and (iv) taking risks.

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2. JMCs were introduced in 1958 to administer employee welfare, training, changes in work practices, formulation of standing orders, organisational productivity and so on.
3. Empowerment is the process of enabling workers to set their own goals, make decisions and solve problems within their spheres of responsibility and authority.
4. A quality circle is a group of employees who voluntarily meet regularly to identify and propose solutions to problems pertaining to quality.

13.6 SUMMARY

- Notwithstanding its culture-specific nature, empowerment has been defined in varied ways in behavioural science literature.
- It can be succinctly defined as the authority of subordinates to decide and act.
- The analysis of different empowerment efforts provides an understanding of its facilitators and barriers in organizational settings.
- The prerequisites of empowerment are participation, innovation, access to information and accountability.
- An empowering leader has to go through four stages: (i) empowering yourself, (ii) demonstrating empowerment, (iii) giving management guarantees, and (iv) taking risks.
- The Indian government made it mandatory for nationalised banks to have employee directors representing both workers and officers.
- In India, the twin processes of globalisation and liberalization, that began in 1990 and gathered momentum in 2000, have increased the need for a flexible, more qualified and a versatile workforce.
- Empowerment is the process of enabling workers to set their own goals, make decisions and solve problems within their spheres of responsibility and authority. In recent years, many organizations have actively sought ways to empower their employees.
- One method some firms use to empower their workers is the use of *work teams*. This method grew out of early attempts to use what Japanese firms called quality circles.
- A quality circle is a group of employees who voluntarily meet regularly to identify and propose solutions to problems pertaining to quality.
- Employee involvement could be another term for empowerment.
- According to a recent survey carried out by University of California's Centre for Effective Organizations, American companies have been slow in integrating such exercises into their business processes.

- The change in the environment and the greater demands of customers will have an impact on the structure of organizations.
- To cope with shorter response times and the requirement for more rapid communication, management hierarchies will be reduced.

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13.7 KEY WORDS

- **Globalization:** It is the process by which businesses or other organizations develop international influence or start operating on an international scale.
- **Liberalization:** It refers to the removal or loosening of restrictions on something, typically an economic or political system.
- **Bureaucracy:** It is a system for controlling or managing a country, company, or organization that is operated by a large number of officials employed to follow rules carefully.
- **Empowerment:** A management practice of sharing information, rewards, and power with employees so that they can take initiative and make decisions to solve problems and improve service and performance.

13.8 SELF ASSESSMENT QUESTIONS AND EXERCISES

Short Answer Questions

1. Describe the keys to empowerment. What makes empowerment work?
2. How does empowerment impact employee performance? Discuss.
3. How does empowerment help in enhancing self-perceptions?
4. What are the types of transformations that an empowered employee goes through?

Long Answer Questions

1. What do you understand by employee empowerment? Discuss its facilitators and barriers in detail.
2. Discuss employee empowerment in India. Explain the direct and indirect methods of employee empowerment in detail.
3. Give a detailed analysis of empowerment in the global scenario. What are the reasons for slow adoption of empowerment?

13.9 FURTHER READINGS

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UNIT 14 INTERNATIONAL HRM

Structure

- 14.0 Introduction
- 14.1 Objectives
- 14.2 International HRM: An Introduction
- 14.3 Comparison of Domestic and International HRM
- 14.4 Challenges in International HRM
- 14.5 Answers to Check Your Progress Questions
- 14.6 Summary
- 14.7 Key Words
- 14.8 Self Assessment Questions and Exercises
- 14.9 Further Readings

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14.0 INTRODUCTION

Any business is done in environments of different textures—social, cultural, economic, political, technical, etc. International business is not an exception to this impingement of environment. The context in which international human resource management (IHRM) has to function, therefore, is decided by these environmental flows. IHRM professionals have their hands full with the different types of influences they are supposed to face while carrying out their responsibilities. This unit is poised to trace the contextual framework in IHRM.

14.1 OBJECTIVES

After going through this unit, you will be able to:

- Discuss the comparison of domestic and international HRM
- Explain the challenges in international HRM

14.2 INTERNATIONAL HRM: AN INTRODUCTION

Among the various activities of HRM, the following are the most common ones:

1. human resource planning
2. staffing (recruitment, selection, placement)
3. performance management
4. talent management
5. knowledge management

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6. training and development
7. job analysis
8. compensation (remuneration) and benefits
9. industrial relations

P. Morgan (1986), while acknowledging that most of the activities are common for all HRM, presents three distinct dimensions of IHRM:

1. the broad HR activities of procurement, allocation and utilization
2. the national or country categories involved in IHRM activities:
 - the host country where the subsidiary is located
 - the home country or parent country where the firm is headquartered and
 - ‘other’/‘third’ countries that may be the source of labour, finance and/or other inputs.
3. the three categories of employees of an international firm:
 - host-country nationals (HCNs)
 - parent-country nationals (PCNs)
 - third-country nationals (TCNs)

Hence Morgan defines IHRM as the interplay among these three dimensions, namely, HR Activities, Types of Employees and Countries of Operation (ATECO). Broadly, domestic HRM is involved within one national boundary while IHRM is concerned with HRM issues outside the boundaries of one country.

Perhaps the definition offered by Paul Sparrow et al. is a simple and practical one. According to them, global management of human resources (in other words IHRM) is the possession of the skills and knowledge of formulating and implementing policies and practices that effectively integrate and cohere globally dispersed employees, while at the same time recognizing and appreciating local differences that impact the effective utilization of human resources.

The term *expatriate* has different connotations depending upon the frame of reference. In the event of a PCN going out to a host country, or in the case of a TCN going either to parent or to host country, the employee would become an expatriate. Even if a HCN/TCN moves to the home country, then also he/she can be termed as an expatriate. However, terminologies such as ‘impatriates’ and ‘transpatriates’ are being used of late to distinguish from among the various combinations of expatriates mentioned above. For example, Korean multinational Hyundai may draw personnel from one of its subsidiaries in India to man some of its operations in Korea (home country), making them ‘impatriates’. If an Indian is posted to another subsidiary of

Hyundai in, let us say China, he will be known as a ‘transpatriate’. Well, all these terms are coined to make matters worse. But suffice it to say that a person who is displaced from his own country to work for his company in another country—whether it is to the parent country or the third country—is an expatriate.

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14.3 COMPARISON OF DOMESTIC AND INTERNATIONAL HRM

As indicated by Morgan earlier, the main characteristic of IHRM lies in the complexities of operating in different countries with different categories of employees. Though on the face of it HRM activities remain the same both in domestic and international arenas, there are varying degrees of intensity with which the complexities arising out of IHRM activities have to be addressed. P.J. Dowling (1988) attributes these complexities to the following six factors:

- More HR activities
- The need for a broader perspective
- More involvement in employees’ personal lives
- Changes in emphasis as the workforce mix of expatriates and locals varies
- Risk exposure
- Broader external influences

More HR Activities

In order to operate in an international environment, the HR department should involve itself in a number of activities which otherwise would not be necessary for a domestic environment: international taxation, international relocation and orientation, administrative services for expatriates, host-government relations and language translation services.

International taxation

As we shall elaborate in the chapter on ‘Compensation’, amidst various laws one has to abide by in a foreign country to continue the company’s operation there, income tax laws are those that cannot obviously be evaded or avoided. At the same time, the expatriate cannot afford to do away with the taxation of his country of origin. Sometimes this may lead to double taxation. This is a disincentive for anyone to take up a foreign assignment. Therefore, IHRM has to take care of compensating the individual adequately so that he does not feel the pinch of double taxation. This may give rise to anomalies in the salary structure of employees in the home country. A balancing act has to be done by the IHRM accordingly.

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International relocation and orientation

Whenever a transfer of an employee is affected within the country the HR professional is not burdened with the additional responsibility of arranging for the employee's passage from one location to another. His job is done by providing for expenses to the employee as per company policy. But in the case of an expatriate, the job of arranging passports, visas, tickets, accommodation, etc., not only for the concerned expatriate, but also for his/her spouse and family, falls on the IHRM professional. Finalizing compensation details such as delivery of salary overseas, determination of various overseas allowances, etc. are the extras added on to IHRM. Further, the expatriate's training to prepare him to cope with the new environment and culture is an added activity. For domestic HRM personnel this is not an issue because the cultural impact of workers/employees will be homogeneous. Once the expatriate reaches foreign soil, the orientation he has to be given is certainly different from what it is at home.

Administrative services for expatriates

Providing these services can often be a complex and time-consuming activity because policies and procedures are not always clear-cut and may at times conflict with local conditions. For example, if in the host country which is not secular there is a requirement that a place of worship has to be provided for the employees, whereas in the parent country which is a secular state such provisions may not be necessary, HRM has to address this dichotomy administratively to suit local diktats. These issues add to the complexities of providing administrative services to expatriates.

Host government relations

This aspect represents an important activity for an HR department, particularly in developing countries where work permits, and other important certificates are more easily obtained when a personal rapport exists between the relevant government officials and multinational managers. Having such rapport helps resolve problems that may arise from ambiguous eligibility and/or compliance criteria for documentation such as work permits. But this can at times become quite volatile.

The Need for Broader Perspective

HR managers working in an international environment have to deal with more than one national group of employees (e.g., PCN, HCN and TCN). Therefore, narrow domestic walls have to be removed and parochialism, regionalism or even nationalism cannot, or should not, find its way into the operation of administration of programmes for the multinationals. Sometimes the allowances or incentives for foreign service permitted to parent-company

expatriates are withheld from third-country expatriates. This is a narrow outlook which should be eliminated by the HR manager in IHRM. Even in domestic HRM, partialities due to regionalism should be shunned. All the more so, IHRM should shun any such attitude and embrace a broader perspective for the employees.

More Involvement in Employees' Personal Lives

In the domestic environment the HR department's involvement with an employee's family is limited. But in the international environment the department should be much more involved in order to provide the level of support required and to know more about the employee's personal life. For example, despite the best effort of a company to avoid any discriminatory selection process, a married person may be rejected just to escape some of the stringent legislations in the matter of immigration into the country of posting. Even if the employee has to be sent single to the host country, the family's requirements in the absence of the employee need to be taken care of by the HR department. These can range from housing to education of children to their health benefits. Sometimes the HR department has to take care of the children left behind in boarding schools when both husband and wife stay together in the host country on an assignment from parent country. In India, extended families with dependant parents or other elders need to be taken care of too in order to facilitate the employee to carry out his assignment abroad without any worries back home. For a domestic assignment most of these matters either would not arise or would be primarily the employee's responsibility rather than that of the HR department.

Change in Emphasis as the Workforce Mix of PCNs and HCNs Varies

As foreign operations come of age and locals are able to manage the subsidiaries themselves, it becomes wise and prudent to withdraw PCNs and TCNs from the scene. Before that the HCNs need to be trained to handle the business all by themselves. Further, as activities hitherto connected to benefits extended to expatriates are being withdrawn, activities pertaining to the selection and training of local talent emerge as the predominant ones for international HR managers.

Risk Exposure

More often than not, the human and financial consequences of failure in the international arena are more severe than in the domestic arena. If an employee sent abroad to carry out an assignment after considerable training and development, travel and maintenance expenses returns to his base either due to his inability to adjust physically or mentally to the foreign environment, or due to his failure to deliver, the firm incurs a huge loss, apart from incurring

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additional expenditure in repatriation of such an employee. Direct costs per failure to the parent firm may be as high as three times the domestic salary plus relocation expenses, depending on the exchange rate of currency and location of assignments. Indirect costs, such as loss of foreign market share and damage to host country relationships, may also be considerable.

Risk exposure is high in domestic HRM. Unfair hiring practices may result in a firm being charged with the violation of Constitutional provisions and be liable for penalties. Failure to maintain cordial relations with unions may result in strikes and other forms of labour unrest. In IHRM, these risks exist, and, in addition, there are other hazards that are unique and more threatening. Depending on the countries where the MNC operates, the headquarters and subsidiary HR managers may also have to worry about the physical safety of the employees. In one case a representative of a consulting firm doing an overseas project became curious about a pistol he saw in a gas station owned by a person of Indian origin. He was lured by the 'owner' of the pistol to try his hand at it and have the thrill of shooting. When the representative, out of curiosity, fired a couple of shots and the police arrived, it became a complicated situation and the expatriate found it very difficult to extricate himself from it. In many countries, kidnapping and terrorism are common and the international HR managers must learn to live with them. In the recent past, Taliban activists in Afghanistan took an Indian engineer hostage and killed him to press their demand that all Indians should leave their country within 24 hours. Terrorism poses a great risk to international operations. The cost of kidnapping may be as high as \$2-3 million, and it has been seen that there are 10,000 to 15,000 kidnappings a year worldwide. Every day newspapers carry stories about Indians working abroad going missing. Firms are therefore forced to spend 1-2 per cent of their revenues on protection against terrorism. The HR department may also be required to devise emergency evacuation procedures for highly volatile locations. The invasion of Kuwait and the ensuing Gulf War in 1991 is an example of such a situation. Even in our domestic scenario some public-sector undertakings (PSUs) having operations in sensitive states insure their employees against terrorist attacks. It is all the more necessary for international HR managers to be alert in this respect.

Besides these risks, it has been estimated that an average expatriate manager, with family, costs an MNC nearly US\$2,50,000 per year, and the total compensation package American expatriate managers has ranged from 25 to 40 per cent between 1965 and 1985. If managers do not perform well and have to be recalled to the home country, their failure represents huge financial losses for their employers. The risks associated with poor selection decisions are high.

More External Influence

Countries like the US and UK are nowadays on careful about outsourcing their activities for the fear that personnel from countries like India or China will displace their own workforce and create unemployment. That is why they are cautious about being ‘bangalored’. Also, they are imposing restrictions on foreign nationals in their own countries. The recent threat to Indian doctors serving in England is a case in point. Legal frameworks in the host countries are another parameter within which HR managers need to operate. The subsidiary HR manager must spend more time learning and interpreting the local ways of doing business and the general code of conduct regarding activities such as giving gifts. He should also dole out benefits and facilities not readily available in the local economy, to his employees.

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Variables that Moderate Differences between Domestic and International HRM

Apart from the complexities involved in IHRM more than in domestic HRM, P.J. Dowling enumerates four other variables that moderate differences between domestic and international HRM. They are:

- the cultural environment
- the industry/industries with which the multinational is primarily involved
- the extent of reliance of the multinational on the home country domestic market
- the attitudes of senior management

The Cultural Environment

The word ‘culture’ many a time is confused with nation. But it should not be assumed that national differences necessarily represent cultural differences. Culture normally describes a shaping process, which means that members of a group or society share a distinct way of life with common values, attitudes and behaviours that are transmitted over time in a gradual, yet dynamic, process.

Normally there is a tendency to believe that what has worked successfully for so long in one culture should work in another environment also. This is a generalization which usually does not hold water. This is what researchers call an *etic* approach to culture. According to them the *emic* approach, on the contrary, is culture specific. This means there is no universality of culture. Each culture is unique in nature and the employee should adapt him/herself to the new culture rather try to change it to suit oneself. This is where guidelines for structuring teamwork can be linked to the strategic imperatives of local responsiveness, global efficiency and organizational learning.

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Being aware of the local culture and adapting oneself to it enables one to cope with the requirements of the local market with much better responsiveness than a person who thinks what is done back home is the best way to do it. This naturally leads to global efficiency and organizational learning. What is considered as nepotism in some cultural environments may not be so in others. Mumbai dabbawalas who have the remarkable reputation of transporting about 2,00,000 tiffin carriers each way within a radius of 60 km in the city (4,00,000 transactions every day) for their clients to have their own home-cooked food for lunch every day for the last one century without a single mistake thus beating even the six sigma level of quality service engage personnel from within their own clan and community to ensure reliability. Moreover, they do this business more as a service. Hence this cannot be labeled as nepotism!

Just like perception in the behavioural science is in the eye of the beholder, so is meaning of people's actions. To greet a person with flowers can have formidable consequences if the wrong colour flower is presented to a guest from a different culture. Hence to win or lose a market may fatally lie in the accurate knowledge of local culture.

Industry Type

Depending on the industry, global competition varies and accordingly HRM activities also vary. What is most talked about these days as a blue-chip industry is information technology (IT) which has suddenly taken Indians all over the world. This industry has definitely earned India pride of place in the global arena. However, the same cannot be said of all other industries, though Indian presence is felt all over the world in diverse industries. Each of these industries has its own way of managing their human capital. Porter suggests that the industry in which a multinational firm is involved is of considerable importance because patterns of international competition vary widely from one industry to another. At one end of the continuum of international competition is the *multidomestic industry*, that is, the one in which competition in each country is essentially independent of competition in other countries examples being retailing, distribution and insurance. At the other end of the continuum is the *global industry*, wherein a firm's competitive position in one country is significantly influenced by its position in other countries, examples being commercial aircraft, semiconductors and copiers. Porter accentuates the key difference between these two industries as follows:

The global industry is not merely a collection of domestic industries but a series of linked domestic industries in which the rivals compete against each other on a truly worldwide basis ... In a multidomestic industry, then, international strategy collapses to a series of domestic strategies. The issues that are uniquely international revolve around how to do business abroad, how to select good countries in which to compete (or assess country risk),

and mechanisms to achieve the one-time transfer of know-how. There are questions that are relatively well developed in the literature. In a global industry, however, managing international activities like a portfolio will undermine the possibility of achieving competitive advantage. In a global industry a firm must in some way integrate its achievements on a worldwide basis to capture the linkage among countries.

The main role for the HRM function would be to support the primary activities of the firm in each domestic market to achieve a competitive advantage through either cost/efficiency or product/service differentiation. If the multinational is in a global industry, however, the 'imperative for coordination' propounded by Porter would require an HRM function structured to deliver the international support required by the primary activities of the multinational.

The IT/ITES sector has been the forerunner in making 'India Shining' because Indian IT services exports (including BPO services) touched Rs 1,04,130 crore from a mere Rs 250 crore in 1991 and is slated to become Rs 2,70,000 crore by 2010. In the manufacturing domain apart from automobiles, pharmaceuticals, leather and leather goods, textiles and garments, capital goods, electronic hardware, handicrafts, gems and jewellery have the potential of taking the Indian manufacturing saga to the next level. This is an indication that industrial climate necessarily dictates different approaches to IHRM in the ways discussed earlier.

Reliance of the Multinational on its Home-country Domestic Market

It is often assumed that a global market perspective would be dominant in a firm's culture and thinking because of the large size of its operations. But size is not the only key variable when looking at a multinational; the extent of reliance of the multinational on its home-country domestic market is also very important. As a matter of fact, for many firms, a small home market is one of the major motives for 'going international'. For example, towards the end of twentieth century, many of the European Power-Generating-Equipment Manufactures experienced a poor domestic demand for their products and so they went looking for international markets to dump their products even if at a very nominal price and extended soft loan facilities to their buyers in Asian underdeveloped countries.

A very large domestic market influences all aspects of how a multinational organizes its activities. It is more likely, in this case, to use an international division to organize its international activities and, even if it uses a global product structure, the importance of the domestic market will be pervasive.

A large domestic market will also influence the *attitude of senior managers* towards their international activities. It will help generate a large

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number of managers with experience of predominantly, or even exclusively, the domestic market. The demands of a large single, national market present a challenge to the globalization efforts of senior managers of many firms. Hence senior managers need to address the task of developing global HR managers.

Check Your Progress

1. Name any two activities of HRM.
2. Define IHRM.

14.4 CHALLENGES IN INTERNATIONAL HRM

Trends of globalization, market liberalization, deregulation and technical evolution are restructuring global markets and challenging traditional approaches to gaining competitive advantage. It is only the possession of specific capabilities and resources that now enables firms to conceive and then implement strategies that can generate what the economists describe as above-average rates of return. The term ‘organizational capability’ was adopted by Ulrich for the HR field. Ulrich and Lake brought together perspectives from the fields of the management of change, organizational design and leadership, and argued that organizational capability was about competing from the inside out. Organizational capability focuses on the ability of a firm’s internal processes, systems and management practices to meet customer needs and to direct both the skills and the efforts of employees towards achieving the goals of the organization.

The idea also has its root in the resource-based view of the firm with the argument that in an environment characterized by the globalization of markets, changing customer demands and increasing competition, it is the people and the way they are managed that are more significant than other sources of competitive advantage. These newer models of strategy argue that competitive advantage is derived from both internal knowledge resources and the strategic resources or capabilities of the firm. It is ‘bundles of resources’ rather than any particular product-market strategy that provide an organization with the capability to compete. These bundles of resources are generally considered to be complex, intangible and dynamic.

In addition to the management of people, developing organizational capability includes the means through which organizations implement policies and procedures. These means are centered around—and require HR professionals to understand—economic and financial capability, strategic/marketing capability and technological capability. As the HR profession becomes more involved in developing organizational capability, it has to build alliances with—or, from the individual’s view point, has been forced

to work with—the dictates of the last two of these capabilities. Strategic or marketing capability is based around offering uniqueness to customers. The marketing perspective has been, in fact, a significant driver behind approaches to talent management. The second alliance is based around technological capability. Perceived customer value is considered to result from responsiveness (meeting needs more quickly than competitors), the formation of endearing and enduring relationships, and the pursuit of service quality through guarantees. Later in the unit we shall see that the development of shared service models and the e-enablement of HR systems are but two ways of delivering this organizational capability.

Organizational Capability and Globalization

Many current models of multinational firms have been described as having a ‘capability-recognizing’ perspective. This means that they possess some unique knowledge-based resources. However, these resources are typically treated as being based on the home country or somehow belonging to the corporate function and top team. There is a possibility that foreign national units could take a major strategic role within the multinational firm. What we need is a ‘capability-driven’ perspective—an understandable theory of multinational strategy based on how multinational firms attempt to build, protect and exploit a set of unique capabilities on three axes:

- Strategies of international expansion or global integration
- The necessity to continue generating competitive advantage or to innovate through global learning
- Skills and activities operating at the business level or corporate level routines that integrate these skills across operations

Tallman and Fladmoe-Lindquist make it evident that globalization is a strategic effort to treat the world (or a significant part of it) as a single market. This does not, however, imply creating single research and development or production centres, unitary logistic networks or, indeed, HR systems and processes. Rather, it is the international networking that surrounds these activities and the conduct of these activities in the global contexts that provides significant organizational capability: ‘The world becomes an important source for new knowledge as well as new markets’.

Understanding and Building Centres of Excellence

In practice, multinational organizations have increasingly dispersed activities. They have relied on specialized and often network-based structures to coordinate these activities. The corporate headquarters typically adjusts its level of coordination and control to reflect the role of the subsidiary and the strategic importance of its mandate. A variety of missions can be assigned to subsidiaries. One particular type of subsidiary, the centre of excellence,

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has of late gained more prominence. These take on a strategic role in the global organization that reaches beyond their local undertakings. Centres of excellence have to be tightly integrated with their surrounding technical or professional communities. They tend to be established as a general consequence of a long and slow internationalization process within the organization or as part of a deliberate part of organizational design where the managers at the headquarters decide to grant autonomy to units that have also been given a specific strategic mandate. A centre of excellence must have both high competence and high use of its competence throughout surrounding units.

Increasingly, small teams or units within subsidiaries are taking a lead role in one area of the centre of excellence, with other units taking the lead in different areas of capability. Indeed, although the leadership of a centre of excellence might still be vested in a physical location, the actual centre itself may be quite virtual, spread across networks of teams in many different geographies. In many cases, experts argue that these centres actually need to be quite loosely tied into the organization and coordinated with other units if they are to help search for new knowledge and augment the capability of the MNC. Control typically varies between being direct or indirect and through personal or impersonal mechanisms—what Harzing calls centralized personal control, formal bureaucratic control, output control or control through socialization and networks. Recent research suggests that controlling these centres of excellence through socialization proves to be dysfunctional. Understanding and building these more globally distributed centres of excellence into viable operations has, therefore, become a significant challenge.

There is now quite some insight into how such centres should be fostered. Holm and Pedersen found that they must be more than just specialized in their knowledge. They have to be able to maintain one or several critical fields of knowledge that have a long-term impact on the development of activity in the other subsidiaries and units of the MNC. In the long term, global HR functions that themselves establish their own centres of excellence will begin to learn from the research that has already been conducted into research and development and other technical centres of excellence already established.

Developing Organizational Capability

Another opportunity for a more strategic role in this process of capability development comes through process theories. Montealegre has developed a model of the process skills needed to provide such development of capability. Five key resources were used throughout the process—all things that international HR managers can help build. These are:

- Leadership, through the expression and subsequent articulation of strategic intent
- Organization culture, through the mobilization of supporting routines already embedded in the culture
- Information technology, not in the sense of technical investments but more in the way that these investments are leveraged to create unique resources and skills that improve the effectiveness of the organization
- Long-term view—developing a longer-term view of the strategy by developing and nurturing commitment
- Social networks, through the cultivation of strong relationships with stakeholders inside and outside the organization.

We pick up on several of these processes a little later. However, at this stage, the key message is to recognize that the role of HR managers can be driven by this ‘patterned sequence of phases that takes place along the road to capability development.

In the context of such globalization, organizational capability involves managing the conflicting demands of corporate control, global coordination and standardization of HR processes. This does not imply building totally standardized HR processes on a global scale but it does entail building a degree of common insight into the nature of shared HR processes and adherence to an overarching philosophy in the design of these processes. The mantra of organization capability, supported by developments in both the use of technological capability (service centres, e-enablement of HR and HR process standardization) and marketing capability (talent management and employee value propositions considered at a global level) has, in some firms, begun to dominate the activity of international HR professionals.

Streamlining HR Support Functions: HR Service Centres

Considerable attention has been paid to the development of shared services in this regard. Shared services are created when the organization chooses to concentrate its administrative personnel activities into a centralized ‘back office’ function. Administrative processing is carried out separately from the main HR group. Although ‘shared services’ tend to denote centralized provision, a better term to use is ‘common provision’. The centre structures are more balanced by the presence of more HR managers close to the customer, bringing in elements of decentralized service. The central organization of HR resources comes hand-in-hand with local (or in an international sense, more probably regional) tailored advice, policy and practice designed around business needs. Administrative functions may be centralized but decision-making remains decentralized. Moreover, a wide range of services can be

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considered in terms of this need for common provision to recipients—not just administrative work.

The relevance of this development to international HRM is considerable. Shared service thinking—and the associated technologies used to enhance delivery—represents a force for a fundamental realignment of the HR function. It carries implications for the level of centralization and devolvement evidenced across countries, regions and corporate headquarters. Moreover, it changes the economics of HR service provision and introduces competing dynamics not only for the standardization of HR processes but also the potential for mass customization. Few international HR functions will be able to ignore this development.

Separating out those elements of the HR function that are concerned with business strategy from those elements of the role that are concerned with service delivery, will have deep implications for the skills and competencies of HR professionals. The radical perspective also links the development of shared service structures to parallel changes in technology that have enabled greater outsourcing of HR activity. Although technology (notably organizational intranets, web-based portal, interactive voice responses, and document and information management systems) has been an important part of the equation, it is a facilitator rather than a driver of change. Technical innovation has enabled organizations to consider a much wider range of HR services on a common basis around the globe. However, the reasons for introducing shared service have been more to do with cost, quality and the general nature of organizational change.

Issues that involve cross-national working and interpretation are of course more likely to be escalated upwards to international specialists or centres of HR excellence. Shared services, then, can change the way in which international HR professionals are sourced within their work, and can also bring with them new control systems to govern and monitor their response.

Another implication of the move to shared services is that the structures of HR at the country level change. By the end of the 1980s, most multinational organizations had decided that splitting up the HR function on a country-by-country basis when the rest of the organization was increasingly aligned with global lines of business was not helping HR to achieve its objectives. However, concerns about diversity in employment law and the continuance of strong national influences on the employment relationship meant that total alignment of the HR function with other business processes remained problematic. As a compromise, many organizations installed global HR directors as an extra layer in the reporting structure in order to create a position that acted as a strategic business partner.

Outsourcing or In-sourcing HR

The issue of outsourcing the transactional aspects of HRM has been a source of considerable debate in recent years. Advocates of outsourcing HR activities point to reduced costs, increased service quality produced by greater economies of scale, increased incentives and accountability for service providers, and increased access to experts in specialized areas. The most common targets for outsourcing are those HR activities that can most easily be ring-fenced, and include: payroll, training, recruitment, pensions administration and benefits administration.

In the global context, one can see host country managers arguing that much of the corporate HR armoury requires a deep tacit understanding of the national culture and should therefore not be a candidate either for operation through shared services or indeed for any subsequent outsourcing. Organizations must make sensible assessments of this tacit knowledge constraint.

Check Your Progress

3. State the fifth type of integration identified by Scullion and Starkey.
4. What is the most common target of outsourcing?

14.5 ANSWERS TO CHECK YOUR PROGRESS QUESTIONS

1. Two activities of HRM are human resource planning and staffing (recruitment, selection, placement).
2. Morgan defines IHRM as the interplay among these three dimensions, namely, HR Activities, Types of Employees and Countries of Operation (ATECO).
3. The fifth type of integration as identified by Scullion and Starkey (2000) is the effective management of international management talent.
4. The most common targets of outsourcing are HR activities like payroll, recruitment, pensions, and so on.

14.6 SUMMARY

- Morgan defines IHRM as the interplay among these three dimensions, namely, HR Activities, Types of Employees and Countries of Operation (ATECO).

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- In the event of a PCN going out to a host country, or in the case of a TCN going either to parent or to host country, the employee would become an expatriate.
- Whenever a transfer of an employee is affected within the country the HR professional is not burdened with the additional responsibility of arranging for the employee's passage from one location to another.
- HR managers working in an international environment have to deal with more than one national group of employees (e.g., PCN, HCN and TCN).
- In the domestic environment the HR department's involvement with an employee's family is limited.
- But in the international environment the department should be much more involved in order to provide the level of support required and to know more about the employee's personal life.
- As foreign operations come of age and locals are able to manage the subsidiaries themselves, it becomes wise and prudent to withdraw PCNs and TCNs from the scene.
- Apart from the complexities involved in IHRM more than in domestic HRM, P.J. Dowling enumerates four other variables that moderate differences between domestic and international HRM.
- Many current models of multinational firms have been described as having a 'capability-recognizing' perspective.
- Tallman and Fladmoe-Lindquist make it evident that globalization is a strategic effort to treat the world (or a significant part of it) as a single market.
- Issues that involve cross-national working and interpretation are of course more likely to be escalated upwards to international specialists or centres of HR excellence.
- Advocates of outsourcing HR activities point to reduced costs, increased service quality produced by greater economies of scale, increased incentives and accountability for service providers, and increased access to experts in specialized areas.
- In the global context, one can see host country managers arguing that much of the corporate HR armoury requires a deep tacit understanding of the national culture and should therefore not be a candidate either for operation through shared services or indeed for any subsequent outsourcing.

- Talent management on a global basis is a far broader concept than plotting a series of international assignments for young high-potentials.
- The development of intellectual integration through the creation of shared knowledge bases is the next integration activity that the IHRM function can pursue.
- To deliver these competencies, IHRM needs to be able to understand, develop an insight into, and take an overview of the links between HR processes and effective business performance across a global network of operations.

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14.7 KEY WORDS

- **Expatriate:** It refers to a person temporarily or permanently residing in a country other than their native country.
- **Domestic:** It refers to something existing or occurring inside a particular country; not foreign or international.
- **Staffing:** It is the managerial function of recruitment, selection, training, developing, promotion and compensation of personnel.
- **Tax:** It is a compulsory contribution to state revenue, levied by the government on workers' income and business profits, or added to the cost of some goods, services, and transactions.

14.8 SELF ASSESSMENT QUESTIONS AND EXERCISES

Short Answer Questions

1. What are the challenges faced by international HRM?
2. Write a descriptive note on centres of excellence.

Long Answer Questions

1. Explain in detail the meaning of international human resource management.
2. Draw a comparative study between domestic and international HRM.

14.9 FURTHER READINGS

NOTES

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