Human Resource Management

MBA First Year
Paper No. 5

School of Distance Education
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Produced and Printed
by
EXCEL BOOKS PRIVATE LIMITED
A-45, Naraina, Phase-I,
New Delhi-110028
for
SCHOOL OF DISTANCE EDUCATION
Bharathiar University
Coimbatore-641046

CONTENTS

HUMAN RESOURCE MANAGEMENT

Number of Credit Hours : 3 (Three)

Subject Description: This course presents the human resource functions, recruitment, placement, training, development, compensation, managing quality, labour relations and employee security.

Goal: To enable the students to learn the importance of the human resources, recruitment and training and also the importance of the labour relations in the organization.

Objectives: On successful completion of the course the students should have:

1. Understood the changing environment of the HRM and the role of the HR managers.
2. Learnt the recruitment process and the application of the IT.
3. Learnt the importance of the training and development.
4. Learnt about the pay plans, performance appraisal and compensation.
5. Learnt the importance of the labour relation, the employee security and collective bargaining.

UNIT I: Human Resource Function

Human Resource Philosophy – Changing environments of HRM – Strategic human resource management – Using HRM to attain competitive advantage – Trends in HRM – Organisation of HR departments – Line and staff functions – Role of HR Managers.

UNIT II: Recruitment & Placement

Job analysis : Methods - IT and computerised skill inventory - Writing job specification - HR and the responsive organisation.

Recruitment and selection process : Employment planning and forecasting - Building employee commitment : Promotion from within - Sources, Developing and Using application forms - IT and recruiting on the internet.

Employee Testing & selection : Selection process, basic testing concepts, types of test, work samples & simulation, selection techniques, interview, common interviewing mistakes, Designing & conducting the effective interview, small business applications, computer aided interview.

UNIT III: Training & Development

Orientation & Training: Orienting the employees, the training process, need analysis, Training techniques, special purpose training, Training via the internet.

Developing Managers: Management Development - The responsive managers - On-the-job and off-the-job Development techniques using HR to build a responsive organisation. Management Developments and CD-Roms - Key factor for success.

Performance appraisal: Methods - Problem and solutions - MBO approach - The appraisal interviews - Performance appraisal in practice.

Managing careers: Career planning and development - Managing promotions and transfers.

UNIT IV: Compensation & Managing Quality

Establishing Pay plans : Basics of compensation - factors determining pay rate - Current trends in compensation - Job evaluation - pricing managerial and professional jobs - Computerised job evaluation.

Pay for performance and Financial incentives : Money and motivation - incentives for operations employees and executives - Organisation wide incentive plans - Practices in Indian organisations.

Benefits and services : Statutory benefits - non-statutory (voluntary) benefits - Insurance benefits - retirement benefits and other welfare measures to build employee commitment.

UNIT V: Labour relations and employee security

Industrial relation and collective bargaining : Trade unions - Collective bargaining - future of trade unionism. Discipline administration - grievances handling - managing dismissals and separation.

Labour Welfare : Importance & Implications of labour legislations - Employee health - Auditing HR functions, Future of HRM function.

Unit-I

LESSON 1

HUMAN RESOURCE FUNCTION

CONTENTS

1.0 AIMS AND OBJECTIVES

In this lesson we shall discuss about human resource function. After going through this lesson you will be able to:

(i) Discuss human resource philosophy and changing environments of HRM.

(ii) Understand strategic human resource management and trends in HRM.

(iii) Analyse organisation of HR Department, line and staff functions and role of HR managers.

1.1 INTRODUCTION

Functions of HRD practices in an organisation should be to put efforts to develop and realise the full potential of the workforce, including management and to maintain an environment conducive to total participation, quality leadership and personal and organisational growth. In an organisation, there are six units which are concerned with HRD, namely person, role, dyad, team, inter-team and organisation. The effectiveness of one contributes in turn to the effectiveness of the others.

1.2 HUMAN RESOURCE PHILOSOPHY

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

i. ***Pervasive force:*** HRM is pervasive in nature. It is present in all enterprises. It permeates all levels of management in an organisation.

ii. ***Action oriented:*** HRM focuses attention on action, rather than on record keeping, written procedures or rules. The problems of employees at work are solved through rational policies.

iii. ***Individually oriented:*** It tries to help employees develop their potential fully. It encourages them to give their best to the organisation. It motivates employees through a systematic process of recruitment, selection, training and development coupled with fair wage policies.

iv. ***People oriented:*** HRM is all about people at work, both as individuals and groups. It tries to put people on assigned jobs in order to produce good results. The resultant gains are used to reward people and motivate them toward further improvements in productivity.

v. ***Future-oriented:*** Effective HRM helps an organisation meet its goals in the future by providing for competent and well-motivated employees.

vi. ***Development oriented:*** HRM intends to develop the full potential of employees. The reward structure is tuned to the needs of employees. Training is offered to sharpen and improve their skills. Employees are rotated on various jobs so that they gain experience and exposure. Every attempt is made to use their talents fully in the service of organisational goals.

vii. ***Integrating mechanism:*** HRM tries to build and maintain cordial relations between people working at various levels in the organisation. In short, it tries to integrate human assets in the best possible manner in the service of an organisation.

viii. ***Comprehensive function:*** HRM is, to some extent, concerned with any organisational decision which has an impact on the workforce or the potential workforce. The term 'workforce' signifies people working at various levels, including workers, supervisors, middle and top managers. It is concerned with managing people at work. It covers all types of personnel. Personnel work may take different shapes and forms at each level in the organisational hierarchy but the basic objective of achieving organisational effectiveness through effective and efficient utilisation of human resources, remains the same. "It is basically a method of developing potentialities of employees so that they get maximum satisfaction out of their work and give their best efforts to the organisation". (*Pigors and Myers*)

ix. ***Auxiliary service:*** HR departments exist to assist and advise the line or operating managers to do their personnel work more effectively. HR manager is a specialist advisor. It is a staff function.

x. ***Inter-disciplinary function:*** HRM is a multi-disciplinary activity, utilising knowledge and inputs drawn from psychology, sociology, anthropology, economics, etc. To unravel the mystery surrounding the human brain, managers, need to understand and appreciate the contributions of all such 'soft' disciplines.

xi. ***Continuous function:*** According to *Terry*, HRM is not a one shot deal. It cannot be practised only one hour each day or one day a week. It requires a constant alertness and awareness of human relations and their importance in every day operations.

1.2.1 Scope of HRM

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

i. ***Personnel aspect:*** This is concerned with manpower planning, recruitment, selection, placement, transfer, promotion, training and development, lay off and retrenchment, remuneration, incentives, productivity, etc.

ii. ***Welfare aspect:*** It deals with working conditions and amenities such as canteens, creches, rest and lunch rooms, housing, transport, medical assistance, education, health and safety, recreation facilities, etc.

iii. ***Industrial relations aspect:*** This covers union-management relations, joint consultation, collective bargaining, grievance and disciplinary procedures, settlement of disputes, etc.

1.2.2 Objectives of HRM

The principal objectives of HRM may be listed thus:

i. ***To help the organisation reach its goals:*** HR department, like other departments in an organisation, exists to achieve the goals of the organisation first and if it does not meet this purpose, HR department (or for that matter any other unit) will wither and die.

ii. ***To employ the skills and abilities of the workforce efficiently:*** The primary purpose of HRM is to make people's strengths productive and to benefit customers, stockholders and employees.

iii. ***To provide the organisation with well-trained and well-motivated employees:*** HRM requires that employees be motivated to exert their maximum efforts, that their performance be evaluated properly for results and that they be remunerated on the basis of their contributions to the organisation.

iv. ***To increase to the fullest the employee's job satisfaction and self-actualisation:*** It tries to prompt and stimulate every employee to realise his potential. To this end suitable programmes have to be designed aimed at improving the quality of work life (QWL).

v. ***To develop and maintain a quality of work life:*** It makes employment in the organisation a desirable, personal and social, situation. Without improvement in the quality of work life, it is difficult to improve organisational performance.

vi. ***To communicate HR policies to all employees:*** It is the responsibility of HRM to communicate in the fullest possible sense; tapping ideas, opinions and feelings of customers, non-customers, regulators and other external public as well as understanding the views of internal human resources.

vii. ***To be ethically and socially responsive to the needs of society:*** HRM must ensure that organisations manage human resource in an ethical and socially responsible manner through ensuring compliance with legal and ethical standards.

Check Your Progress

1. Human Resource Management is the process of bringing people and organisation together. Justify the statement.

2. How can you say that HRM is a multi-disciplinary activity?

1.3 CHANGING ENVIRONMENTS OF HRM

The early part of the century saw a concern for improved efficiency through careful design of work. During the middle part of the century emphasis shifted to the availability of managerial personnel and employee productivity. Recent decades have focused on the demand for technical personnel, responses to new legislation and governmental regulations, increased concern for the quality of working life, total quality management and a renewed emphasis on productivity. Let us look into these trends more closely by examining the transformation of personnel function from one stage to another in a chronological sequence:

Box 1.1

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

1.3.1 Growth in India

Early phase: Though it is said that P/HRM a discipline is of recent growth, it has had its origin dating back to 1800 B.C. For example: the minimum wage rate and incentive wage plans were included in the Babylonian Code of Hammurabi around 1800 B.C. The

Chinese, as early as 1650 B.C. had originated the principle of division of labour and they understood labour turnover even in 400 B.C. The span of management and related concepts of organisation were well understood by Moses around 1250 B.C. and the Chaldeans had incentive wage plans around 400 B.C. Kautilya, in India (in his book Arthasastra) made reference to various concepts like job analysis, selection procedures, executive development, incentive system and performance appraisal.

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

Box 1.2

The model rules framed under the Factories Act, 1948, which was the pioneering legislation to provide for the appointment of Welfare Officers, had laid down a chart of responsibilities for them. These responsibilities are:

1. Supervision of
   (a) Safety, health and welfare programmes; such as housing, recreation, sanitation services as provided under law or otherwise.
   (b) Working of joint committees,
   (c) Grant of leave with wages as provided and
   (d) Redressal of workers' grievances
2. Counselling workers in
   (a) Personal and family problems,
   (b) Adjusting to the work environment and
   (c) Understanding rights and privileges
3. Advising the management in
   (a) Formulating labour and welfare policies,
   (b) Apprenticeship-training programmes,
   (c) Meeting the statutory obligation to workers,
   (d) Developing fringe benefits and
   (e) Workers' education and the use of communication media.
4. Liaison
   (a) With workers so as to
      (i) Understand various limitations under which they work,
      (ii) Appreciate the need for harmonious industrial relations in the plant,
      (iii) Interpret company policies to workers and
      (iv) Persuade them to come to a settlement in case of a dispute.
   (b) With the management so as to
      (i) Appreciate the workers' viewpoints in various matters in the plant,
      (ii) Intervene on behalf of the workers in matters under consideration of the management,
      (iii) Help different departmental heads to meet their obligations under the Act,
      (iv) Maintain harmonious industrial relations in the plant and
      (v) Suggest measures for promoting the general well-being of workers.
   (c) With workers and the management so as to
      (i) Maintain harmonious industrial relations in the plant,

Contd...

(ii) Have the way for prompt redressal of grievances and the quick settlement of disputes and

(iii) Improve the productive efficiency of the enterprise.

(d) with outside agencies, such as

(i) Factory inspectors, medical officers and other inspectors for securing the people by enforcement of various acts as applicable to the plant and

(ii) Other agencies in the community, with a view to helping workers to make used of community services.

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

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

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

The following tables capture the picture more accurately:

Box 1.3

Period	**Emphasis**	**Status**	**Roles**
1920 – 30	Welfare management Paternalistic practices	Clerical	● Welfare administrator ● Policeman
1940 – 60	Expanding the role to cover Labour, Welfare, Industrial Relations and Personnel Administration	Administrative	● Appraiser ● Advisor ● Mediator ● Legal advisor ● Fire fighting
1970 – 80	Efficiency, effectiveness dimensions added Emphasis on human values, aspirations, dignity, usefulness	Developmental	● Change agent ● Integrator ● Trainer ● Educator
1990s – onwards	Incremental productivity gains through human assets	Proactive, growth-oriented	● Developer ● Counsellor ● Coach ● Mentor ● Problem solver

During the 1990's, organisational restructuring and cost cutting efforts have started in a big way-thanks to the pressures of liberalisation, privatisation and globalisation (LPG era) forcing companies to focus attention on employee capabilities product/service quality, speedy response, customer satisfaction etc. Changing demographics and increasing shortages of workers with the requisite knowledge, skills and ability have grown in importance. The issue of workforce diversity has assumed greater importance-in view of the cultural, religious social, regional backgrounds of workers, especially in global sized companies such as Reliance, Ranbaxy, Asian Paints, TISCO, etc.

1.4 STRATEGIC HUMAN RESOURCE MANAGEMENT

SHRM is the pattern of planned human resource developments and activities intended to enable an organisation to achieve its goals (Wright and McMahan). This means accepting the HR function as a *strategic partner* in both the formulation of the company's strategic, as well as in the implementation of those activities through HR activities. While formulating the strategic plan HR management can play a vital role, especially in identifying and analysing external threats and opportunities. (Environmental scanning) that may be crucial to the company's success. HR management can also offer competitive intelligence (like new incentive plans being used by competitors, data regarding customer complaints etc.) that may be helpful while giving shape to strategic plans. HR function can also throw light on company's internal strengths and weaknesses. For example, IBM's decision to buy Lotus was probably prompted in part by IBM's conclusion that its own human resources were inadequate for the firm to reposition itself as an industry leader in networking systems (*Dessler*). Some firms even develop their strategies based on their own HR- based competitive advantage. Software Majors, Wipro, TCS have not slowed down their recruitment efforts during the lean periods, pinning hopes on their own exceptionally talented employee teams. In fact they have built their strategic and operating plans around outsourcing sourcing contracts from US, Europe, Japan and Germany-which would help them exploit the capabilities of their employees fully.

HR has a great role to play in the execution of strategies. For example, HDFC's competitive strategy is to differentiate itself from its competitors by offering superior customer service at attractive rates (searching the right property, finishing legal formalities, offering expert advice while negotiating the deal, competitive lending rates, fast processing of applications, offering other financial products of HDFC at concessional rates, door-to-door service as per customers' choice etc. (*HDFC's growth architecture*, *Business Today*, Jan 6, 2001). Since the same basic services are offered by HDFC's competitors such as LIC Housing Finance GIC Housing Finance, banks and private sector, players like Dewan Housing Finance, Ganesh Housing, Live Well Home, Peerless Abassan etc. HDFC's workforce offers a crucial competitive advantage (highly committed, competent and customer-oriented workforce). HR can help strategy implementation in other ways. It can help the firm carry out restructuring and downsizing efforts without rubbing employees on the wrong side- say, through outplacing employees, linking rewards to performance, reducing welfare costs, and retraining employees. HR can also initiate systematic efforts to enhance skill levels of employees so that the firm can compete on quality.

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

1.5 USING HRM TO ATTAIN COMPETITIVE ADVANTAGE

Competitive advantage refers to the ability of an organisation to formulate strategies to exploit rewarding opportunities, thereby maximising its return on investment. Competitive advantage occurs if customers perceive that they receive value from their transaction with an organisation. This requires single-minded *focus on customer needs and expectations*. To achieve this, the organisation needs to tune its policies in line with changing customer's requirements. The second principle of competitive advantage derives from offering a product or service that your competitor cannot easily imitate or copy. An organisation should always try to be unique in its industry along dimensions that are widely valued by customers. For example Apple stresses its computers' usability, Mercedes Benz stresses reliability and quality; Maruti emphasises affordability of its lower-end car Maruti 800. In order to enjoy the competitive advantage, the firm should be a cost-leader, delivering value for money. It must have a committed and competent workforce. Workers are most productive if (i) they are loyal to the company, informed about its mission, strategic and current levels of success, (ii) involved in teams which collectively decide how things are to be done and (iii) are trusted to take the right decisions rather than be controlled at every stage by managers above them (*Thompson*). A good team of competent and committed employees will deliver the goals if the are involved in all important activities and are encouraged to develop goals that they are supposed to achieve. In recent years, a new line of thinking has emerged to support this view-known as strategic human resources management (SHRM).

1.6 LET US SUM UP

Human Resource Management may be defined as the art of procuring, developing and maintaining competent workforce to achieve the goals of an organisation in an effective and efficient manner. The Indian Institute of Personnel Management has specified the scope of HRM as *Personnel aspect, Welfare aspect, Industrial relations aspect.* The principal objectives of HRM include to help the organisation reach its goals, to employ the skills and abilities of the workforce efficiently. HR has a great role to play in the execution of strategies. HR can help strategy implementation in other ways. It can help the firm carry out restructuring and downsizing efforts without rubbing employees on the wrong side- say, through outplacing employees, linking rewards to performance, reducing welfare costs, and retraining employees.

1.7 LESSON-END ACTIVITY

Arrange yourself in small groups of four or five students and compare and contrast the differences among the organisations you investigated. Can you isolate any factors that appear to influence how an organisation perceives the value of its employees?

1.8 KEYWORDS

Suspension

Advising

Liasion

Globalisation

Deregulation

Technological innovation

Productivity

Rewards

Recruitment

1.9 QUESTIONS FOR DISCUSSION

1. Define HR philosophy.
2. Discuss scope of HRM.
3. What are the objectives of HRM?
4. What are the various aspects of changing environment of HRM?

1.10 SUGGESTED READINGS

Gary Dessler, *"Human Resource Management"*, Seventh edition, Prentice-Hall of India P. Ltd., Pearson.

David A. DeCenzo & Stephen P. Robbins, *Personnel/Human Resource Management*, Third edition, PHI/Pearson.

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Dr. R. Venkatapathy & Assissi Menacheri, *Industrial Relations & Labour Welfare*, Adithya Publications, CBE, 2001.

Robert L. Gibson and Marianne H. Mitchell, *Introduction to Counselling and Guidance*, VI edition, PHI, 2005.

PL Rao, *Comprehensive Human Resource Management*, Excel Books, New Delhi.

LESSON 2

TRENDS IN HRM

CONTENTS

2.0 AIMS AND OBJECTIVES

In this lesson we shall discuss about trends in HRM. After studying this you will be able to:

(i) Understand future of HRM and using HRM to attain competitive advantage.

(ii) Analyse organisation of HRM department.

2.1 INTRODUCTION

Traditionally, the personnel function centred around control and direction of employees for achievement of predetermined goals. The Human Resources Approach, in direct contrast to this, recognises the worth of human being in the realisation of corporate goals. It takes a supportive and developmental route to achieve results through the cooperative efforts of employees. When opportunities for growth and enhancement of skills are available, people will be stimulated to give their best, leading to greater job satisfaction and organisational effectiveness. The manager’s role, too, has undergone a dramatic change over the years. From control and direction of employees, he is expected to move toward clarifying goals and paths and creating a supportive and growth oriented environment, where people are willing to take up assigned roles willingly and enthusiastically. The effective use of people is the most critical factor in the successful accomplishment of corporate goals. To be effective, therefore, Human Resource managers need to understand the needs, aspirations, concerns of employees proactively, face the challenges head-on and resolve issues amicably. They are expected to successfully evolve an appropriate corporate culture, take a strategic approach to the acquisition, motivation and development of human resources and introduce programmes that reflect and support the core values of the organisation and its people. This is easier said than done in view of constant changes in environment characterised by the following things:

2.2 FUTURE OF HRM: INFLUENCING FACTORS

1. ***Size of workforce:*** Corporates have grown in size considerably in recent years, thanks to global competition in almost all fields. The size of the work force, consequently, has increased, throwing up additional challenges before HR managers in the form of additional demands for better pay, benefits and working conditions from various sections of the workforce constantly.

2. ***Composition of workforce:*** The workforce composition is also changing over the years. The rising percentage of women and minorities in the work force is going to alter workplace equations dramatically. Demands for equal pay for equal work, putting an end to gender inequality and bias in certain occupations, the breaking down of grass ceiling have already been met. Constitutional protection ensured to minorities has also been met to a large extent by HR managers in public sector units. The new equations may compel HR managers to pay more attention to protecting the rights of the other sex and ensure statutory protection and concessions to minorities and disadvantaged sections of society. The shifting character of workforce in terms of age, sex, religion, region, caste etc. is going to put pressures on HR managers trying to integrate the efforts of people from various places. Managing heterogeneous and culturally diverse groups is going to stretch the talents of HR managers fully.

3. ***Employee expectations:*** "Instead of attempting to force employees to conform to a 'corporate mould' future managers may well have to make more allowances for individual differences in people". (*Mathis and Jackson* p. 616). Nowadays workers are better educated, more demanding and are ready to voice strong, violent and joint protests in case their expectations are not met. The list of financial and non-financial demands is ever-growing and expanding. In fast-changing industries such as software, telecom, entertainment and pharmaceuticals the turnover ratios are rising fast and if HR managers do not respond positively to employee expectations, the acquisition and development costs of recruits is going to mount up steadily. An efficient organisation is, therefore required to anticipate and manage turnover through human resource planning, training schemes followed by appropriate compensation packages.

4. ***Changes in technology:*** Increased automation, modernisation and computerisation have changed the way the traditional jobs are handled. In such a scenario unless employees update their knowledge and skills constantly, they cannot survive and grow. This will necessitate training, retraining and mid-career training of operatives and executives at various levels. Where such initiatives are missing, it becomes very difficult for employees to face the forces of technology with confidence and get ahead in their careers steadily.

Box 2.1: HR and Technology

As we all know, the workspot of 2000 is significantly different from its counterpart in early 70s, chiefly because of computerisation. The invention and development of microchips has brought a dramatic revolution in workplace. Microchips are tiny components of electrical circuits which can be combined to form much larger and more complex electronic systems. They have made it possible to build such systems simply and cheaply at only tiny fraction of the weight and size that would formerly have been required. Industrial robots have begun to invade the assembly line in a big way-doing such tasks as welding, spray-painting, precision cutting or even playing snooker. Many cars are now fitted with on-board computers, especially in the developed world, that diagnose problems in seconds that used to take hours for mechanics. IBM has built a plant in Austin, Texas that can produce laptop computers without the help of a single worker. If you look at the banking industry, automated teller machines, for example, have replaced thousands of human tellers in banks. The impact of new technology on the total number of jobs available has been quite devastating. It has placed power in the hands of a small group of elite people in most large scale organisations. This has taken place because of deskilling of most jobs, where a few individuals tend to control the organisations through the increased availability of information. Lower and middle level positions are the worst hit in this scenario, because computers do the compilation and processing of information now. Work roles have also become more integrated. New technologies generally compel people to learn a new set of skills altogether and also learn to work together in project teams time and again.

In the present day world, information is the key resource. Organisations that employ appropriate technologies (to get the right information to the right people at the right time) will enjoy a competitive advantage. The only way to survive in an environment marked by constant changes is to convert the firm into a kind of learning organisation. A learning organisation encourages people to learn to produce the results they desire, nurtures creative and innovative patterns of collective learning and develops fresh organisational capabilities all the time.

5. ***Life-style changes:*** The life-style patterns of employees have undergone a rapid change in recent times. Unlike their predecessors people are now ready to change jobs, shift to new locations, take up jobs in start-up companies instead of manufacturing units and even experiment with untested ideas. A recent survey of young executives in four major metros (Chennai, Bombay, Bangalore and Delhi) (Business line, Urban pulse, Feb 2000) in India revealed several interesting things:

Box 2.2

Factor	Aspirations, preferences, attitudes, claims
Working Hours	Work for a little more than 8½ hours a day. None of the respondents spend weekends at traditional hang-outs such as discos and pubs
About choosing a job	Freshers wanted to jump jobs quickly; for them compensation was an important factor while choosing a job but as one progressed to higher levels compensation was replaced by factors such as job satisfaction, responsibilities etc., 30 to 40 per cent of young people grabbed the first job offer and changed jobs after acquiring some experience. Other important factors in valuing a job were type of organisation, benefits, pressure in job, working loans, training opportunities, work atmosphere etc.
Job Satisfaction	Awareness of global packages and practices made young executives look for high paying jobs, jobs that do not pay well are dissatisfying. Other factors determining satisfaction levels were: well established company, informal work atmosphere, training opportunities, flexible working hours, travel abroad, designation, job content etc.
Career goals	Making it big some day and going places in their careers. Most seem to have achieved their career goals.
Corporate Icons	Majority of young executives (55%) had no role model; others had role models like Bill Gates, Dhirubhai Ambani, JRD Tata etc.
Preferred Industry	Information Technology, Advertising, Finance, Management consultancy, FMCG companies, Auto, Hospitality in that order.

Unlike the western world where dual careers are quite common, HR managers in India have not faced any additional challenges in the form of relocation efforts, job sharing and job hunting exercises etc. The situation, however, may change in the next couple of years especially in software, media, telecom sectors where the number of women employees is rising steadily.

The survey of young executives underlined the importance of designing jobs around the individual, taking his career expectations into account. Flexible working hours, attractive compensation packages, job content and growth opportunities etc. may occupy the centre-stage in HR strategies of Indian managers in the days ahead.

6. ***Environmental challenges:*** Privatisation efforts in India are likely to gather momentum in the coming years, as most public sector units face survival problems. (For example Air India has 750 employees per aircraft, which makes it the most over-staffed airline in the world. Air India's cost per employee is over Rs 5 lakh a year, perhaps highest among Indian public sector units. Likewise, Delhi Transport Corporation has 30,000 employees, of which 15,000 are excess and the annual expenditure on this excess staff works out to Rs 22 crore!) Mounting costs, rising wage bills, increased competition, inefficient operations, outdated technology, debt burden etc. will compel many public sector units to either draw the shutters down or seek private sector partners. The burden if training and retraining employees with a view to make them more productive and useful under the new set-up is going to fall on the shoulders of HR managers. With this the legal stipulations covering recruitment and selection of employees, employment of reserved category employees, minorities etc. are also likely to lose their importance over a period of time.

7. ***Personnel function in future:*** The personnel function in future is going to evolve thus:

   i. *Job redesign:* The focus on job redesign will increase: Flexitime, job sharing and alternative work arrangements will come to occupy a centre-stage.

   ii. *Career opportunities:* Apart from compensation, personal growth and self-development may become primary motives for working. HR managers may have to restructure work so that employees may find expression of their needs for creativity, autonomy and entrepreneurship (For example NIIT has already started the Netpreneur scheme in 2000 to encourage budding net consultants – either from its own ranks or outside) in their jobs.

   iii. *Productivity:* "Productivity, efficiency, growth" are going to be the new mantras for corporate survival and growth.

   iv. *Recruitment and selection:* Effective selection devices are likely to be used, giving premium to employee skills, knowledge, experience, ability to get along with people etc.

   v. *Training and development:* As technologies change rapidly, people need to update their skills continuously. A much broader range of abilities is required to keep pace with ever-present changes, forcing companies to spend increasing sums on training and development. (For instance pharmaceutical majors like Dr Reddy Labs, Ranbaxy, Cipla, Sun Pharma have increased their Research and Development budgets in response to WTO conditionalities in recent years).

   vi. *Rewards:* Rewards will be tied to performance. Benefits will accrue to those who show merit. Individually – designed packages recognising talent may out-number group compensation plans. Carrot and stick policies may not find a place in the new corporate lexicon in the days ahead.

vii. *Safety and welfare:* Increasing investments may have to be made by companies to improve the work atmosphere, climate and job satisfaction levels of employees.

8. ***Changes in 21st century impacting HRM:*** Some of the current trends that would have a significant impact on the way HR practices would get transformed in future may be listed thus:

   i. *HR as a spacing board for success:* Executives with people management skills would be able to steal the show, since they help integrate corporate goals with employee expectations in a successful way. Senior HR executives would be able to smoothly move into top management positions, using their soft skills to good advantage.

   ii. *Talent hunting, developing and retaining: Clear focus areas:* The 21st century corporation would be looking for people with cross-functional expertise strong academic background and team management skills. The new recruits are is expected to utilise the scarce resources judiciously and produce excellent results- in line with the expectations of internal as well as external groups. As companies realise the importance of human element in gaining a sustainable competitive advantage, there would be a mad scramble for 'talent'. This would in turn, compel corporate houses to pay close attention to talent acquisition development and retention through novel developmental efforts compensation packages and incentive schemes apart from flexible working schedules. More and more workers would be able to process information by working at homes, forcing companies to evaluate each employee’s contribution carefully and pay accordingly.

   iii. *Lean and mean organisations:* Organisations will be forced to eliminate low-end job, say good-bye to older employees with limited skill-sets, out source work to specialised institutions in an attempt to save costs and remain highly competitive. As a result lay offs would occur and unemployment rates will go up; large outlays of cash may be required while buying out older employees and obtaining employee loyalty and commitment would be quite challenging in such a scenario.

   iv. *Labour relations:* Deregulation, privatisation, global competition and the like would in a way, mean the end of the road for trade unions. They will lose their count slowly but steadily. The political support enjoyed by them hitherto would also come down drastically. Economic compulsions would make both the employers and employees realise the folly of pulling down shutters or going on strike, however genuine the cause might be. Governmental influence in labour-management relations would have only historical significance as employment-related issues begin to be dictated by market forces.

   v. *Health care benefits:* To attract talented workforce healthier work environments would be an absolute necessity. Employees would be obliged to give their employees safe, healthy and secure work environments. Wellness programmes also need to be designed to help employees identify potential health risks and deal with them before they become problems. More importantly, organisations need to pay more attention to issues such as office decor, furniture design, space utilisation with a view to improve the comfort levels of employees.

Check Your Progress

1. What is the emerging concept of changing environment of HRM?
2. Match the following:

(a)	Suspension	(i)	Developing fringe benefits
(b)	Counselling	(ii)	Rights & privileges
(c)	Advising	(iii)	Safety, Health and Welfare programmes
(d)	Liasion	(iv)	Interpret company policies

2.3 ORGANISATION OF HRM DEPARTMENT

The internal structure of a HRM or personnel department depends on various factors such as nature and size of the organisation, managerial preference to structure operations clearly, external forces etc. Small firms have only a single section, headed by a personnel officer taking care of everything. Medium sized firms may create a separate personnel department having experts in the personnel field supported by administrative staff. In large firms the structure of a personnel department may take various shapes, depending on organisational resources, competitive pressures and total employee strength. Let us examine this in - greater detail.

2.3.1 HRM Department in Line Organisation

Line structure is more common in small firms. In this structure authority flows in a direct line from supervisors to subordinates. Each employee knows who his superior is and who has the authority to issue orders. Managers have full authority (line authority) in their areas of operation and are responsible for final results. Line authority implies the right to give orders and to have decisions implemented. The "one-man- one-boss" principle is observed strictly. Authority relationships are clear and there is strict discipline as persons working at lower levels can have access to higher level officers only through their immediate bosses.

2.3.2 HRM Department in Functional Organisation

In any functional organisation, all activates of an organisation are divided into various functions such as production, marketing, finance etc. Each functional area is headed by a specialist who directs the activities of that area for the entire organisation. Every employee, therefore, is required to report to various functional heads. The functional head has line authority over subordinates in his own functional area. Additionally, he has functional authority over activities in other functional areas. The term 'functional authority' thus is a limited from of line authority given to functional experts in an area where certain specialised activities are carried out under the normal supervision of managers belonging to other departments.

Functional organisation has the great advantage of clarity. Every body has a home. It provides economy of scale within functions. It reduces duplication and waste. Functional heads can specialise and focus energies on a narrow area as they gain experience, expertise and competence over a period of time. The 'effort focus', however, puts managers in a race. They tend to fight for power, resources and benefits. Every one tries to glorify his own field at the cost of others. Overlapping of authority and divided responsibility further complicates the scenario.

2.3.3 HRM Department in Line and Staff Organisation

The line and staff structure combines the benefits of both line organisation and functional organisation. Staff positions are created to assist line managers. Thus the personnel department offers help and advice on personnel issues to all departments without violating the unity of command principle.

2.3.4 HRM Department in a Divisionalised Organisational Structure

The role of a personnel manager attached to the divisional office/branch office or factory of a decentralised organisation is particularly a difficult one. The Personnel manager at divisional/branch level is responsible to the local divisional/branch manager in a line sense and subordinate to the Manager-Personnel at head office in a staff or functional sense. Personnel manager at divisional/branch level has to help the divisional/branch manager in developing personnel programmes and in the management of personnel of the division/ branch concerned. The deputy manager personnel at the divisional level may contact the manager-personnel at the head office to gain acceptance of the personnel programmes. In case of rift between divisional manager and deputy manager, they may report their difficulties to their common superior who in turn consults higher management for correct decision. Similarly, the personnel officer at branch level may contact the deputy divisional manager-personnel at divisional level to gain acceptance of the personnel programmes and to get clarifications about personnel issues. In case of the rift between the branch manager and branch personnel officer, they may report their issues to their superior at divisional level. The branch personnel officer and branch manager may get the assistance from the personnel manager at the head office, in solving the problems of crucial and strategic nature as also those which cannot be solved at the branch/divisional level.

2.3.5 HRM Department in a Matrix Organisational Structure

In a matrix organisational structure, employees have two superiors, in that they are under dual authority. One chain of command is functional and the other is a project team. Hence, matrix structure is referred to as a multi-command system (both vertical and horizontal dimension). Thus, the team of employees which comprise the personnel department have two superiors, i.e., Personnel manager (vertical dimension) and Project manager horizontal dimension. Both dimensions of structure are permanent and balanced, with power held equally by both the functional head and a project manager.

2.4 LET US SUM UP

The role of HRM has undergone a dramatic change over the years. From control and direction of employees, HR department is expected to move toward clarifying goals and paths and creating a supportive and growth oriented environment. We have also discussed factors influencing future of HRM , emerging trends in 21st century affecting HRM and different types of organisation of HR department.

2.5 LESSON-END ACTIVITY

In small groups find out the trends relating to technology and diversity that have significant bearing on the way businesses are managed in the 21st century. What challenges do these trends present? What initiatives have been taken by modern businesses to meet these challenges?

2.6 KEYWORDS

Health care benefits

Planning

Controlling

Directing

Original

Job design

2.7 QUESTIONS FOR DISCUSSION

1. What are the different influencing factors considering the future of HRM?
2. What are the differences between Managerial functions and Operative functions?
3. "The challenge and the role of HR Department being what it is, it is strange that is status is not recognised and respected." Comment.
4. In what ways can effective HR contribute to benefits?

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LESSON

3

LINE AND STAFF FUNCTIONS

CONTENTS

3.0 AIMS AND OBJECTIVES

In this lesson we shall discuss about line and staff functions. After going through this lesson you will be able to:

(i) Understand description of line and staff function.

(ii) Analyse the role of HR managers.

3.1 INTRODUCTION

For any dynamic and growth-oriented organisation to survive in a fast-changing environment, HRD activities play a very crucial role. Recent economic restructuring in India at the macro level influenced the need for production restructuring at unit level and production restructuring necessitated labour restructuring vis-a-vis restructuring of HRD activities in organisations. The primary goal of HR manager is to increase a worker's productivity and a firm's profitability as investment in HRD improves a worker's skill and enhances motivation. The other goal of HR manager is to prevent obsolescence at all levels.

3.2 DESCRIPTION OF LINE AND STAFF FUNCTIONS

In a sense, all managers are HR managers as they all get involved in activities like selecting, training, compensating employees. Yet most firms, now a days, have the HR department headed by a person with requisite qualifications in behavioural sciences. How do the duties of this HR manager relate to the line managers' HR duties would be an interesting question to answer. Line managers have the final responsibility for achieving the organisation's goals. They also have the authority to direct the work of subordinates. Staff managers usually help and advise line managers in achieving organisational goals. HR managers are staff experts. They assist line managers in areas like recruiting, selecting, training and compensating. Managing people, in a broader context, is every manager's business and successful organisations generally combine the experience of line managers with the experience of HR specialists while utilising the talents of employees to their greatest potential. HR managers have to win the hearts of employees working alongside line mangers and deliver results in a cost-effective manner. HR managers as indicated earlier are assuming a greater role in top management planning and decision making-a trend that indicates the growing realisation among executives that HRM can make significant contributions to the success of an organisation.

The functions of human resource management may broadly be classified into two categories, i.e., managerial functions and operative functions.

3.2.1 Managerial Functions

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

i. ***Planning:*** This function deals with the determination of the future course of action to achieve desired results. Planning of personnel today prevents crises tomorrow. The personnel manager is expected to determine the personnel programme regarding recruitment, selection and training of employees.

ii. ***Organising:*** This function is primarily concerned with proper grouping of personnel activities, assigning of different groups of activities to different individuals and delegation of authority. Creation of a proper structural framework is his primary task. Organising, in fact, is considered to be the wool of the entire management fabric and hence cannot afford to be ignored.

iii. ***Directing:*** This involves supervising and guiding the personnel. To execute plans, direction is essential for without direction there is no destination. Many a time, the success of the organisation depends on the direction of things rather than their design. Direction then consists of motivation and leadership. The personnel manager must be an effective leader who can create winning teams. While achieving results, the personnel manager must, invariably, take care of the concerns and expectations of employees at all levels.

iv. ***Controlling:*** Controlling function of personnel management comprises measuring the employee's performance, correcting negative deviations and industrial assuring an efficient accomplishment of plans. It makes individuals aware of their performance through review reports, records and personnel audit programmes. It ensures that the activities are being carried out in accordance with stated plans.

3.2.2 Operative Functions

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

1. ***Procurement function:*** The first operative function of personnel management is procurement. It is concerned with procuring and employing people who possess necessary skill, knowledge and aptitude. Under its purview you have job analysis, manpower planning, recruitment, selection, placement, induction and internal mobility.

   i. *Job analysis:* It is the process of collecting information relating to the operations and responsibilities pertaining to a specific job.

   ii. *Human resources planning:* It is a process of determining and assuring that the organisation will have an adequate number of qualified persons, available at proper times, performing jobs which would meet their needs and provide satisfaction for the individuals involved.

   iii. *Recruitment:* It is the process of searching for prospective employees and stimulating them to apply for jobs in the organisation.

   iv. *Selection:* It is the process of ascertaining qualifications, experience, skill and knowledge of an applicant with a view to appraising his/her suitability to the job in question.

   v. *Placement:* It is the process that ensures a 360º fit, matching the employee's qualifications, experience, skills and interest with the job on offer. It is the personnel manager's responsibility to position the right candidate at the right level.

   vi. *Induction and orientation:* Induction and orientation are techniques by which a new employee is rehabilitated in his new surroundings and introduced to the practices, policies, and people. He must be acquainted with the principles which define and drive the organisation, its mission statement and values which form its backbone.

   vii. *Internal Mobility:* The movement of employes from one job to another through transfers and promotions is called internal mobility. Some employees leave an organisation due to various reasons leading to resignation, retirement and even termination. These movements are known as external mobility. In the best interest of an organisation and its employees, such job changes should be guided by well-conceived principles and policies.

2. ***Development:*** It is the process of improving, moulding, changing and developing the skills, knowledge, creative ability, aptitude, attitude, values and commitment based on present and future requirements both at the individual's and organisation's level. This function includes:

   i. *Training:* Training is a continuous process by which employees learn skills, knowledge, abilities and attitudes to further organisational and personnel goals.

   ii. *Executive development:* It is a systematic process of developing managerial skills and capabilities through appropriate programmes.

   iii. *Career planning and development:* It is the planning of one's career and implementation of career plans by means of education, training, job search and acquisition of work experiences. It includes succession planing which implies identifying developing and tracking key individuals for executive positions

   iv. *Human resource development:* HRD aims at developing the total organisation. It creates a climate that enables every employee to develop and use his capabilities in order to further both individual and organisational goals.

3. ***Motivation and compensation:*** It is a process which inspires people to give their best to the organisation through the use of intrinsic (achievement, recognition, responsibility) and extrinsic (job design, work scheduling, appraisal based incentives) rewards.

i. *Job design:* Organising tasks, and responsibilities towards having a productive unit of work is called job design. The main purpose of job design is to integrate the needs of employers to suit the requirements of an organisation.

ii. *Work scheduling:* Organisations must realise the importance of scheduling work to motivate employees through job enrichment, shorter work weeks flexi-time, work sharing and home work assignments. Employees need to be challenged at work and the job itself must be one that they value. Work scheduling is an attempt to structure work, incorporating the physical, physiological and behavioural aspects of work.

iii. *Motivation:* Combining forces that allow people to behave in certain ways is an integral aspect of motivation. People must have both the ability and the motivation if they are to perform at a high level. Managers generally try to motivate people through properly administered rewards (financial as well as non-financial).

iv. *Job evaluation:* Organisations formally determine the value of jobs through the process of job evaluation. Job evaluation is the systematic process of determining the relative worth of jobs in order to establish which jobs should be paid more than others within the organisation. Job evaluation helps to establish internal equality between various jobs.

v. *Performance appraisal:* After an employee has been selected for a job, has been trained to do it and has worked on it for a period of time, his performance should be evaluated. Performance evaluation or appraisal is the process of deciding how employees do their jobs. It is a method of evaluating the behaviour of employees at the workplace and normally includes both the quantitative and qualitative aspects of job performance. It is a systematic and objective way of evaluating work-related behaviour and potential of employees. It is a process that involves determining and communicating to an employee how he or she is performing and ideally, establishing a plan of improvement.

   The appraisal process consists of six steps: (1) establish performance standards with employees; (2) set measurable goals (manager and employee); (3) measure actual performance; (4) compare actual performance with standards; (5) discuss the appraisal with the employees and (6) if necessary initiate corrective action.

vi. *Compensation administration:* Compensation administration is the process of dividing how much an employee should be paid. The important goals of compensation administration are to design a low-cost pay plan that will attract, motivate and retain competent employees-which is also perceived to be fair by these employees.

vii. *Incentives and benefits:* In addition to a basic wage structure, most organisations nowadays offer incentive compensation based on actual performance. Unlike incentives, benefits and services are offered to all employees as required by law including social security, insurance, workmen's compensation, welfare amenities etc. Organisations have been offering a plethora of other benefits and services as well as a means of '*sweetening the pot*'. (employee stock options, birthday gifts, anniversary gifts, paid holidays, club membership)

4. ***Maintenance:*** It aims at protecting and preserving the physical and psychological health of employees through various welfare measures.

i. *Health and safety:* Managers at all levels are expected to know and enforce safety and health standards throughout the organisation. They must ensure a work environment that protects employees from physical hazards, unhealthy conditions and unsafe acts of other personnel. Through proper safety and health programmes, the physical and psychological well-being of employees must be preserved and even improved.

ii. *Employee welfare:* Employee welfare includes the services, amenities and facilities offered to employees within or outside the establishment for their physical, psychological and social well being. Housing, transportation, education and recreation facilities are all included in the employee welfare package.

iii. *Social security measures:* Managements provide social security to their employees in addition to fringe benefits. These measures include: (a) Workmen's compensation to those workers (or their dependents) who are involved in accidents; (b) Maternity benefits to women employees; (c) Sickness benefits and medical benefits; (d) Disablement benefits/allowance; (e) Dependent benefits; (f) Retirement benefits like Provident Fund, Pension, Gratuity, etc.

5. ***Integration function:*** This tries to integrate the goals of an organisation with employee aspirations through various employee-oriented programmes, like redressing grievances promptly, instituting proper disciplinary measures, empowering people to decide things independently, encouraging a participative culture, offering constructive help to trade unions etc.

i. *Grievance redressal:* A grievance is any factor involving wages, hours or conditions of employment that is used as a complaint against the employer. Constructive grievance handling depends first on the manager's ability to recognise, diagnose and correct the causes of potential employee dissatisfaction before it converts into a formal grievance.

ii. *Discipline:* It is the force that prompts an individual or a group to observe the rules, regulations and procedures, which are deemed necessary for the attainment of an objective.

iii. *Teams and teamwork:* Self-managed teams have emerged as the most important formal groups in today's organisations. They enhance employee involvement and have the potential to create positive synergy. By increasing worker interaction, they create camaraderie among team members. They encourage individuals to sublimate their individual goals for those of the group. Teams have inherent strengths which ultimately lead to organisational success at various levels.

iv. *Collective bargaining:* It is the process of agreeing on a satisfactory labour contract between management and union. The contract contains agreements about conditions of employment such as wages, hours, promotion, and discipline; lay off, benefits, vacations, rest pauses and the grievance procedure. The process of bargaining generally takes time, as both parties tend to make proposals and counter- proposals. The resulting agreement must be ratified by unions, workers and management.

v. *Employee participation and empowerment:* Participation means sharing the decision-making power with the lower ranks of an organisation in an appropriate manner. When workers participate in organisational decisions they are able to see the big picture clearly and also how their actions would impact the overall growth of the company. They can offer feedback immediately based on their experiences and improve the quality of decisions greatly. Since they are now treated with respect, they begin to view the job and the organisation as their own, and commit themselves to organisational objectives whole-heartedly.

vi. *Trade unions and employees association:* Trade union is an association either of employees or employers or independent workers. It is a relatively permanent a body formed by workers with the objective of countering exploitation and harassment. It strives towards providing economic and social benefits to the labour community. Trade unions have always played a powerful role in improving the lot of workers in India, using aggressive bargaining tactics. However since the 90's, the situation changed dramatically. Unable to fight the forces of competition, many employers have been forced to shutdown units and scale down operations. This has made both parties realise the importance of bargaining for their rights in an atmosphere of 'give and take'.

vii. *Industrial relations:* Harmonious industrial relations between labour and management are essential to achieve industrial growth and higher productivity. When the relationship between the parties is not cordial, discontentment develops and conflicts erupt abruptly. It is not always easy to put out the fires with the existing dispute-settlement-machinery, created by the government. Hence both labour and management must appreciate the importance of openness, trust and collaboration in their day-to-day dealings.

6. ***Emerging issues:*** Effective management of human resources depends on refining HRM practices to changing conditions. Hence the need to look at other important issues that can motivate people to give their best in a dynamic and ever-changing environment.

i. *Personnel records:* Personnel records such as papers, files, cards, cassettes and films are maintained to have tangible record of what is actually happening in an organisation and to formulate appropriate HR policies and programmes (based on historical records, actual experience and future trends) from time to time.

ii. *Human resource audit:* Human resource audit refers to an examination and evaluation of policies, procedures and practices to determine the effectiveness of HRM. Personnel audit (a) measures the effectiveness of personnel programmes and practices and (b) determines what should or should not be done in future.

iii. *Human resources research:* It is the process of evaluating the effectiveness of human resource policies and practices and developing more appropriate ones.

iv. *Human resources accounting (HRA):* It is a measurement of the cost and value of human resources to the organisation. Human resource management is said to be effective if its value and contribution in any organisation is more than its cost.

v. *Human resource information system:* HRIS is an integrated system designed to improve the efficiency with which HR data is compiled. It makes HR records more useful to the management by serving as a source of information.

vi. *Stress and counselling:* Stress is the psychological and physical reaction to certain life events or situations. At an organisational level, stress results in burn out, substance abuse in the form of alcohol or drug use/dependence reduced job satisfaction, increased absenteeism and increased turnover. Companies, therefore, are closely looking at what should be done to promote the physical and mental well being of employees through proper counseling and employee development programmes.

vii. *International human resource management:* International business is important to almost every business today and so firms must increasingly be managed with a clear global focus. This of course, poses many challenges before managers including coordinating production, sales and financial operations on a worldwide basis. International HRM places greater emphasis on a number of responsibilities and functions such as relocation, orientation and training services to help employees adapt to a new and different environment outside their own country.

3.3 ROLE OF HR MANAGERS

Human Resource Managers, nowadays, wear many hats. They perform mainly three different types of roles, while meeting the requirement of employees and customers, namely administrative, operational and strategic.

3.3.1 Administrative Roles

The administrative roles of human resource management include policy formulation and implementation, housekeeping, records maintenance, welfare administration, legal compliance etc.

i. ***Policy maker:*** The human resource manger helps management in the formation of policies governing talent acquisition and retention, wage and salary administration, welfare activities, personnel records, working conditions etc. He also helps in interpreting personnel policies in an appropriate manner.

ii. ***Administrative expert:*** The administrative role of an HR manager is heavily oriented to processing and record keeping. Maintaining employee files, and HR-related databases, processing employee benefit claims, answering queries regarding leave, transport and medical facilities, submitting required reports to regulatory agencies are examples of the administrative nature of HR management. These activities must be performed efficiently and effectively to meet changing requirements of employees, customers and the government.

iii. ***Advisor:*** It is said that personnel management is not a line responsibility but a staff function. The personnel manager performs his functions by advising, suggesting, counselling and helping the line managers in discharging their responsibilities relating to grievance redressal, conflict resolution, employee selection and training. Personnel advice includes preparation of reports, communication of guidelines for the interpretation and implementation of policies, providing information regarding labour laws etc.

iv. ***Housekeeper:*** The administrative roles of a personnel manager in managing the show include recruiting, pre-employment testing, reference checking, employee surveys, time keeping, wage and salary administration, benefits and pension administration, wellness programmes, maintenance of records etc.

v. ***Counsellor:*** The personnel manager discusses various problems of the employees relating to work, career, their supervisors, colleagues, health, family, financial, social, etc. and advises them on minimising and overcoming problems, if any.

vi. ***Welfare officer:*** Personnel manager is expected to be the Welfare Officer of the company. As a Welfare officer he provides and maintains (on behalf of the company) canteens, hospitals, creches, educational institutes, clubs, libraries, conveyance facilities, co-operative credit societies and consumer stores. Under the Factories Act, Welfare officers are expected to take care of safety, health and welfare of employees. The HR managers are often asked to oversee if everything is in line with the company legislation and stipulation.

vii. ***Legal consultant:*** Personnel manager plays a role of grievance handling, settling of disputes, handling disciplinary cases, doing collective bargaining, enabling the process of joint consultation, interpretation and implementation of various labour laws, contacting lawyers regarding court cases, filing suits in labour courts, industrial tribunals, civil courts and the like.

In some organisations, the above administrative functions are being outsourced to external providers in recent times, with a view to increasing efficiency as also cutting operational costs. Technology, is being put to good use to automate many of the administrative tasks.

3.3.2 Operational Roles

These roles are tactical in nature and include recruiting, training and developing employees; coordinating HR activities with the actions of managers and supervisors throughout the organisation and resolving differences between employees.

i. ***Recruiter:*** "Winning the war for talent" has become an important job of HR managers in recent times in view of the growing competition for people possessing requisite knowledge, skills and experience. HR managers have to use their experience to good effect while laying down lucrative career paths to new recruits without, increasing the financial burden to the company.

ii. ***Trainer developer, motivator:*** Apart from talent acquisition, talent retention is also important. To this end, HR managers have to find skill deficiencies from time to time, offer meaningful training opportunities, and bring out the latent potential of people through intrinsic and extrinsic rewards which are valued by employees.

iii. ***Coordinator/linking pin:*** The HR manager is often deputed to act as a linking pin between various divisions/departments of an organisation. The whole exercise is meant to develop rapport with divisional heads, using PR and communication skills of HR executives to the maximum possible extent.

iv. ***Mediator:*** The personnel manager acts as a mediator in case of friction between two employees, groups of employees, superiors and subordinates and employees and management with the sole objective of maintaining industrial harmony.

v. ***Employee champion:*** HR managers have traditionally been viewed as 'company morale officers' or employee advocates. Liberalisation, privatisation and globalisation pressures have changed the situation dramatically HR professionals have had to move closer to the hearts of employees in their own self interest. To deliver results they are now seriously preoccupied with:

- Placing people on the right job.
- Charting a suitable career path for each employee.
- Rewarding creditable performance.
- Resolving differences between employees and groups smoothly.
- Adopting family-friendly policies.
- Ensuring fair and equitable treatment to all people regardless of their background.
- Striking a happy balance between the employee's personal/professional as also the larger organisational needs.
- Representing workers' issues, problems and concerns to the management in order to deliver effective results HR managers have to treat their employees as valuable assets. Such an approach helps to ensure that HR practices and principles are in sync with the organisation's overall strategy. It forces the organisation to invest in its best employees and ensure that performance standards are not compromised.

3.3.3 Strategic Roles

An organisation's success increasingly depends on the knowledge, skills and abilities of its employees, particularly as they help establish a set of core competencies (activities that the firm performs especially well when compared to its competitors and through which the firm adds value to its goods and services over a long period of time, e.g. ONGC 's oil exploration capabilities and Dell's ability to deliver low cost, high-quality computers at an amazing speed) that distinguish an organisation from its competitors. When employees' talents are valuable, rare, difficult to imitate and organised, a firm can achieve sustained competitive advantage through its people. The strategic role of HR management focuses attention on how to enable ordinary employees to turn out extraordinary performance, taking care of their ever-changing expectations. The key areas of attention in this era of global competition include effective management of key resources (employees, technology, work processes), while delivering cost effective, value-enhancing solutions

i. ***Change agent:*** Strategic HR as it is popularly called now aims at building the organisation's capacity to embrace and capitalise on change. It makes sure that change initiatives that are focused on creating high-performing teams, reducing cycle time for innovation, or implementing new technology are defined, developed and delivered in a timely manner. The HR manager in his new avtar would help employees translate the vision statements into a meaningful format (Ulrich, 1998). HR's role as a change agent is to replace resistance with resolve, planning with results and fear of change with excitement about its possibilities. HR helps an organisation identify the key success factors for change and assess the organisation's strengths and weaknesses regarding each factor. It may not decide what changes the organisation is going to embrace, but it would certainly lead the process to make them explicit. In helping to bring about a new HR environment there needs to be clarity on issues like who is responsible for bringing about change? Why do it? What will it look when we are done? Who else needs to be involved? , How will it be measured? How will it be institutionalised? How will it be measured? How will it get initiated, developed and sustained?

ii. ***Strategic partner:*** HR's role is not just to adapt its activities to the firm's business strategy, nor certainly to carry out fire-fighting operations like compensating employees. Instead, it must deliver strategic services cost effectively by building a competent, consumer-oriented work force. It must assume important roles in strategy formulation as well strategy implementation. To this end, it must identify external opportunities from time to time, develop HR based competitive advantages and move in to close the gaps advantageously (like excellent training centre, design centre, automation centre etc. which could be used by others as well). While implementing strategies, HR should develop appropriate ways to restructure work processes smoothly.

Check Your Progress

1. Discuss HRM Development in a Matrix organisation and structure taking a suitable example.
2. What is sweetening the pot means?
3. Multiple choice questions:

(a) In the organisation, authority flows in a direct line from

(i) Supervisor to Managers

(ii) Supervisor to Supervisor

Contd....

(iii) Supervisor to Subordinates

(iv) Subordinates to Subordinates

(b) Personal Manager report

(i) Horizontal dimension

(ii) Vertical dimension

(c) Project Manager represent

(i) Vertical dimension

(ii) Horizontal dimension

(d) Matrix structure referred to

(i) Vertical dimension

(ii) Horizontal dimension

(iii) Multicommand system

(iv) Vertical, not horizontal

(v) Horizontal, not vertical

3.4 LET US SUM UP

HR can initiate systematic efforts to enhance skill levels of employees so that the firm can compete on quality. Globalisation, deregulation and technological innovations have, in recent times, created the need for rather, faster and more competitive organisations. The basic managerial functions comprise planning, organising, directing and controlling. The administrative roles of human resource management include policy formulation and implementation, housekeeping, records maintenance, welfare administration, legal compliance etc. Operational roles are tactical in nature and include recruiting, training and developing employees; coordinating HR activities with the actions of managers and supervisors throughout the organisation and resolving differences between employees.

3.5 LESSON-END ACTIVITY

Provide two examples of companies you are familiar with, which are not using their HRM programmers to maintain or create a competitive advantage. What specific suggestions would you offer to them.

3.6 KEYWORDS

Job evaluation

Motivation

Grievance Redressal

HRA (Human Resource Academy)

Lean and Mean organisaiton

3.7 QUESTIONS FOR DISCUSSION

1. What are the administrative roles of an HR Manager?
2. What are the different operational roles of a Manager?
3. Who is a employee champion?

4. What are the strategic roles of an HR Manager?
5. Why is it correct to say that all Managers are involved in the HRM function?
6. Critically examine the present state of HRM in India.
7. Why is it important for a company to make in HR into a competitive advantage?

3.8 SUGGESTED READINGS

Gary Dessler, *"Human Resource Management"*, Seventh edition, Prentice-Hall of India P. Ltd., Pearson.

David A. DeCenzo & Stephen P. Robbins, *Personnel/Human Resource Management*, Third edition, PHI/Pearson.

VSP Rao, *Human Resource Management: Text and cases*, First edition, Excel Books, New Delhi-2000.

Dr. R. Venkatapathy & Assissi Menacheri, *Industrial Relations & Labour Welfare*, Adithya Publications, CBE, 2001.

Robert L. Gibson and Marianne H. Mitchell, *Introduction to Counselling and Guidance*, VI edition, PHI, 2005.

PL Rao, *Comprehensive Human Resource Management*, Excel Books, New Delhi.

Unit-II

LESSON

4

JOB ANALYSIS

CONTENTS

4.0 AIMS AND OBJECTIVES

In this lesson we shall discuss about job analysis. After going through this lesson you will be able to:

(i) Describe methods of job analysis.

(ii) Understand IT and computerised skill inventory and writing job specification.

(iii) Analyse HR and the responsive organisation.

4.1 INTRODUCTION

Job analysis is a formal and detailed examination of jobs. It is a systematic investigation of the tasks, duties and responsibilities necessary to do a job. A *task* is an identifiable work activity carried out for a specific purpose, for example, typing a letter. A *duty* is a larger work segment consisting of several tasks (which are related by some sequence of events) that are performed by an individual, for example, pick up, sort out and deliver incoming mail. Job responsibilities are obligations to perform certain tasks and duties.

Job analysis is an important personnel activity because it identifies what people do in their jobs and what they require in order to do the job satisfactorily. The information about a job is usually collected through a structured questionnaire:

Box 4.1: Partial Job Analysis Questionnaire

JOB ANALYSIS INFORMATION FORMAT

Your Job Title____________________ Code____________ Date___________________

Class Title_______________________
Department______________________________

Your Name______________________
Facility_________________________________

Superior's Title___________________ Prepared by_____________________________

Superior's Name__________________

Hours Worked__________AM______to AM____ PM ____PM____

1. What is the general purpose of your job?
2. What was your last job? If it was in another organisation, please name it.
3. To what job would you normally expect to be promoted?
4. If you regularly supervise others, list them by name and job title.
5. If you supervise others, please check those activities that are part of your supervisory duties:

   ¨ Hiring ¨ Coaching ¨ Promoting

   ¨ Orienting ¨ Counselling ¨ Compensating

   ¨ Training ¨ Budgeting ¨ Disciplining

   ¨ Scheduling ¨ Directing ¨ Terminating

   ¨ Developing ¨ Measuring Performances ¨ Other____________

6. How would you describe the successful completion and results of your work?
7. Job Duties – Please briefly describe WHAT you do and, if possible, How you do it. Indicate those duties you consider to be most important and/or most difficult:

   (a) Daily Duties

   (b) Periodic Duties (Please indicate whether weekly, monthly, quarterly, etc.)

   (c) Duties Performed at Irregular Intervals

8. Education – Please check the blank that indicates the educational requirements for the job, not your own educational background.

   ¨ No formal education required ¨ College degree

   ¨ Less than high school diploma ¨ Education beyond graduate

   ¨ High school diploma or equivalent degree and/or professional license.

   ¨ College certificate or equivalent

   List advanced degrees or specified professional license or certificate required.

   Please indicate the education you had when you were placed on this job.

Source: Richard I Henderson, *Compensation Management* (Reston, Va.: Reston Publishing. 1976), pp. 98-99.

4.2 METHODS OF JOB ANALYSIS

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

1. ***Job performance:*** In this method, the job analyst actually performs the job in question. The analyst thus receives first-hand experience of contextual factors on the job including physical hazards, social demands, emotional pressures and mental requirements. This method is useful for jobs that can be easily learned. It is not

suitable for jobs that are hazardous (e.g., fire fighters) or for jobs that require extensive training (e.g., doctors, pharmacists).

2. ***Personal observation:*** The analyst observes the worker(s) doing the job. The tasks performed, the pace at which activities are done, the working conditions, etc., are observed during a complete work cycle. During observation, certain precautions should be taken:

   i. The analyst must observe average workers during average conditions.

   ii. The analyst should observe without getting directly involved in the job.

   iii. The analyst must make note of the specific job *needs* and not the *behaviours* specific to particular workers.

   iv. The analyst must make sure that he obtains a proper sample for generalisation.

   This method allows for a deep understanding of job duties. It is appropriate for manual, short period job activities. On the negative side, the method fails to take note of the mental aspects of jobs.

3. ***Critical incidents:*** The critical incident technique (CIT) is a qualitative approach to job analysis used to obtain specific, behaviourally focused descriptions of work or other activities. Here the job holders are asked to describe several incidents based on their past experience. The incidents so collected are analysed and classified according to the job areas they describe. The job requirements will become clear once the analyst draws the line between effective and ineffective behaviours of workers on the job. For example, if a shoe salesman comments on the size of a customer's feet and the customer leaves the store in a huff, the behaviour of the salesman may be judged as ineffective in terms of the result it produced. The critical incidents are recorded after the events have already taken place – both routine and non-routine. The process of collecting a fairly good number of incidents is a lengthy one. Since incidents of behaviour can be quite dissimilar, the process of classifying data into usable job descriptions can be difficult. The analysts overseeing the work must have analytical skills and ability to translate the content of descriptions into meaningful statements.

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

   Due diligence must be exercised while using the interview method. The interviewer must be trained in proper interviewing techniques. It is advisable to use a standard format so as to focus the interview to the purpose of the analyst.

Box 4.2: Guidelines for Conducting Job Analysis Interviews

- Put the worker at ease; establish rapport.
- Make the purpose of the interview clear.
- Encourage the worker to talk by using empathy creativity.
- Help the worker to think and talk according to the logical sequence of the duties performed.
- Ask the worker only one question at a time.
- Phrase questions carefully so that the answers will be more than just "yes" or "no".
- Avoid asking leading questions.
- Secure specified and complete information pertaining to the work performed and the worker's traits.

Contd....

- Conduct the interview in plain, easy language.
- Consider the relationship of the present job to other jobs in the department.
- Control the time and subject matter of the interview.
- Be patient and considerate to the worker.
- Summarise the information obtained before closing the interview.
- Close the interview promptly.

Although the interview method provides opportunities to elicit information sometimes not available through other methods, it has its limitations. First, it is time consuming and hence costly. Second, the value of data is primarily dependent on the interviewers' skills and may be faulty if they put ambiguous questions to workers. Last, interviewees may be suspicious about the motives and may distort the information they provide. If seen as an opportunity to improve their positions such as to increase their wages, workers may exaggerate their job duties to add greater weightage to their positions.

5. ***Panel of experts:*** This method utilises senior job incumbents and superiors with extensive knowledge of the job. To get the job analysis information, the analyst conducts an interview with the group. The interaction of the members during the interview can add insight and detail that the analyst might not get from individual interviews.
6. ***Diary method:*** Several job incumbents are asked to keep diaries or logs of their daily job activities – according to this method – and record the amount of time spent on each activity. By analysing these activities over a specified period of time, a job analyst is able to record the job's essential characteristics. However, it is a time consuming and costly exercise in that the analyst has to record entries for a painfully long time.
7. ***Questionnaire method:*** The questionnaire is a widely used method of analysing jobs and work. Here the job holders are given a properly designed questionnaire aimed at eliciting relevant job-related information. After completion, the questionnaires are handed over to supervisors. The supervisors can seek further clarifications on various items by talking to the job holders directly. After everything is finalised, the data is given to the job analyst.

The success of the method depends on various factors. The structured questionnaire must cover all job related tasks and behaviours. Each task or behaviour should be described in terms of features such as importance, difficulty, frequency, relationship to overall performance, etc. The job holders should be asked to properly rate the various job factors and communicate the same on paper. The ratings thus collected are then put to close examination with a view to find out the actual job requirements.

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

4.3 IT AND COMPUTERISED SKILL INVENTORY

The growth of Internet has changed the hiring landscape. Job seekers register their resume on the website and they are informed of vacancies in any organisation that match their qualifications through e-mail. Example of such websites in India are www.naukri.com, www.jobsahead.com.

Automated staffing software would seem to provide a much-needed technological edge for human resource professionals in the high-tech age. It allows employers to create a reusable pool of applicants from resumes they receive. Resumes received by employers may be in electronic formats—through e-mails, Internet applications or diskettes — or on paper that must be optically scanned and converted into computer files. The software programmes typically rank the resumes on the basis of how well each applicant matches the employer's criteria.

4.4 WRITING JOB SPECIFICATION

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

i. ***Essential attributes:*** skills, knowledge and abilities (SKAs) a person must possess.

ii. ***Desirable attributes:*** qualifications a person ought to possess.

iii. ***Contra-indicators:*** attributes that will become a handicap to successful job performance.

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

Box 4.3: An Example of Job Specification

Duties/Responsibilities and Tasks	Knowledge	Skills	Social Skills
1. Maintain cleanliness of front-of-house area, including exterior			
(i) Clean windows and glass doors in entrance and foyer	Cleaning materials, Stores indent procedure	Window and general glass work cleaning	Problems of interruption by guests (Diplomacy)
(ii) Clean and polish floor of entrance hall	parquet floor care, standards required	Use of mechanical cleaner/polisher	
(iii) Cleaning and maintenance of exterior advertisement and menu display cases	Recognition of electrical faults on signs (to inform maintenance), routine for menu display case especially when to display	Procedure for cleaning plastic advertisement signs, use of menu, receptionist cases. How to change menus	Liaison with maintenance department liaison with staff
2. Check and sort incoming mail and newspapers	Current guest lists, staff currently employed.	Sorting Mail into appropriate sections. Use of pigeon hole sorting system.	Ethics of mail handling (attitudes to)

4.5 HR AND THE RESPONSIVE ORGANISATION

Certain techniques that have helped in redefining jobs in this manner may be worth mentioning here:

i. ***Flatter organisations:*** Most progressive organisations have opted in favour of trimming the 'flab' at the top level, reducing the traditional pyramidical structures to barely three or four levels. As the remaining managers are left with more people reporting to them, they can supervise them less, so the jobs of subordinates end up bigger in terms of both breadth and depth of responsibilities (Dessler, p. 83).

ii. ***Work teams:*** Yesterday's jobs were dominated by the rigidity associated with them. Workers performed the same tasks daily. Now the situation is different. Work itself is increasingly organised around teams and processes rather than around specialised functions. Cross-functional, self-directed teams handle different jobs at different points of time. Individuals will work with other workers for a specified period of time and then take up another project. The project can be in the organisation as well as outside it. Workers will perform their duties as members of project teams, not necessarily as members of a particular department within the organisation.

iii. ***The boundaryless organisation:*** In a boundaryless organisation, the boundaries that typically separate organisational functions (production, marketing, finance, etc.) and hierarchical levels are reduced and made more permeable. Cross-functional teams are created and used widely. Employees are encouraged to get rid of "It is not my job" kind of attitudes. The focus, instead, is put on defining the job in a flexible way, keeping the best interests of the organisation in the background.

iv. ***Reengineering:*** Reengineering brings about a radical, quantum change in an organisation. It requires organisational members to rethink what work should be done, how it is to be done and how to best implement these decisions. Reengineering is achieved in several ways:

- Specialised jobs are combined and enlarged.
- Each person's job is made more interesting and challenging. Supervisory checks are reduced. Employees are allowed to oversee their own work.
- Workers are made collectively responsible for overall results rather than individually responsible for just their own tasks.
- The primary focus is on the customer and building an organisation structure that is production friendly. Workers are empowered to use more decision-making authority while carrying out work in small teams.

Check Your Progress

1. Fill in the blanks

(a) Job analysis is a .... and .... examination of jobs.

(b) .... is a systematic investigation of the tasks duties & responsibilities.

(c) A .... is an identifiable work activity carried out for a specific purpose.

(d) A .... is a larger work segment consisting of several tasks.

(e) Job responsibilities are .... to perform certain tasks and duties.

(f) The information about a job is usually collected through a structured ....

(g) In .... the job analyst actually perform the job in question.

Contd....

(h) In .... the analyst observer the worker(s) doing the job.

(i) The .... method consist of along questions to both incumbents and supervisors.

(j) .... summarises the human characteristics needed for satisfactory job.

2. Explain how the growth of Internet has change the wiring landscape.

4.6 LET US SUM UP

Job analysis is a systematic investigation of the tasks, duties and responsibilities necessary to do a job. Job analysis is an important personnel activity because it identifies what people do in their jobs and what they require in order to do the job satisfactorily. A variety of methods, are used to collect information about jobs. None of them, however, is perfect. In actual practice, therefore, a combination of several methods is used for obtaining job analysis data. These are job performance, personal observation, critical incidents, interview, panel of experts, diary method, questionnaire method. The growth of Internet has changed the hiring landscape. Job seekers register their resume on the website and they are informed of vacancies in any organisaiton that match their qualifications through e-mail. Example of such websites in India are ww.naukri.com, www.jobsahead.com.

4.7 LESSON-END ACTIVITY

Working with a group of three or four students, collect at least five different job descriptions from reputed organisations operating in your area. Compare the descriptions, highlighting similarities and differences.

4.8 KEYWORDS

Job Analysis

Job Performance

Personal Observation

Critical Incidents

Interview

Panel of Experts

Essential Attributes

Flatter Organisation, Reengineering

4.9 QUESTIONS FOR DISCUSSION

1. Distinguish between job analysis and job specification.
2. Write short notes on:
   (a) Uses of job analysis
   (b) Job analysis interview
   (c) Job specification
   (d) Tasks
   (e) Duty
3. “Job Analysis is the most basic personnel activity.” Discuss

4. Construct a job specification considering various jobs attributes.
5. Why is the design of work on important issue for a manager to be concerned about?
6. Discuss some techniques that have helped in redefining job?

4.10 SUGGESTED READINGS

Gary Dessler, *"Human Resource Management"*, Seventh edition, Prentice-Hall of India P. Ltd., Pearson.

VSP Rao, *Human Resource Management: Text and cases*, First edition, Excel Books, New Delhi-2000.

David A. DeCenzo & Stephen P. Robbins, *Personnel/Human Resource Management*, Third edition, PHI/Pearson.

Dr. R. Venkatapathy & Assissi Menacheri, *Industrial Relations & Labour Welfare*, Adithya Publications, CBE, 2001.

Robert L. Gibson and Marianne H. Mitchell, *Introduction to Counselling and Guidance*, VI edition, PHI, 2005.

PL Rao, *Comprehensive Human Resource Management*, Excel Books, New Delhi.

LESSON

5

RECRUITMENT AND SELECTION PROCESS

CONTENTS

5.0 AIMS AND OBJECTIVES

In this lesson we will discuss about recruitment and selection process. After going through this lesson you will be able to:

(i) Analyse recruitment

(ii) Discuss employment planning and forecasting

5.1 INTRODUCTION

Recruitment and selection are the process of locating and encouraging potential applicants to apply for existing or anticipated job openings. Certain influences restrain (the freedom of) managers while choosing a recruiting source such as: image of the company, attractiveness of the job, internal policies, budgeting support, government policies etc. Companies generally rely on time lapse data, yield ratios, surveys etc., to evaluate the sources of recruiting carefully.

5.2 WHAT IS RECRUITMENT?

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

5.2.1 Constraints and Challenges

In actual practice, it is always not easy to find and select a suitable candidate for a job opening. The recruiter's choice of a communication medium (e.g. advertising in a trade journal read by the prospective candidate) may not be appropriate. Some of the bright candidates may begin to view the vacancy as not in line with their current expectations (e.g. challenging work, excellent rewards, flexible schedules and so on).

The most suitable ones may not have been motivated to apply due to several other constraints.

- ***Poor image:*** If the image of a firm is perceived to be low (due to factors such as operating in a declining industry, earning a bad name because of environmental pollution, poor quality products, nepotism, insider trading allegations against promoters etc.), the likelihood of attracting a large number of qualified applicants is reduced.
- ***Unattractive job:*** If the job to be filled is not very attractive, most prospective candidates may turn indifferent and may not even apply. This is especially true in case of jobs that are dull, boring, anxiety producing, devoid of career growth opportunities and generally do not reward performance in a proper way. (e.g., jobs in departmental undertakings such as Railways, Post and Telegraphs, public sector banks and Insurance companies failing to attract talent from premier management institutes.)
- ***Conservative internal policies:*** A policy of filling vacancies through internal promotions based on seniority, experience, job knowledge etc. may often come in the way of searching for qualified hands in the broader job market in an unbiased way. Likewise, in firms where powerful unions exist, managers may be compelled to pick up candidates with questionable merit, based on issues such as caste, race, religion, region, nepotism, friendship etc.
- ***Limited budgetary support :*** Recruiting efforts require money. Sometimes because of limited resources, organisations may not like to carry on the recruiting efforts for long periods of time. This can, ultimately, constrain a recruiter's efforts to attract the best person for the job.
- ***Restrictive policies of government:*** Governmental policies often come in the way of recruiting people as per the rules for company or on the basis of merit/seniority, etc. For example, reservations for special groups (such as scheduled castes, scheduled tribes, backward classes, physically handicapped and disabled persons, ex-servicemen, etc.) have to be observed as per Constitutional provisions while filling up vacancies in government corporations, departmental undertakings, local bodies, quasi-government organisations, etc.

5.2.2 Selection Process

The selection process is a series of steps through which applicants pass.

i. ***Preliminary Reception:*** Selection starts with a visit to the HRM office or with a written request for an application. If an applicant appears in person, an impromptu preliminary interview may be granted as a courtesy, simply as a matter of good public relations.

ii. ***Employment Tests:*** Employment tests are devices that assess the probable match between applicants and job requirements. When tests are used for these positions, however, they often are a simulation of real-life situations.

   a. *Test Validation:* For a test to be relied upon, it should be valid. Validity means that the test scores have a significant correlation to job performance or to some other relevant criterion.

   b. *Testing Tools:* There is a wide variety of employment tests. But each type of test has only limited usefulness. The exact purpose of a test, its design, its direction for administration and its applications are recorded in the test manual, which should be reviewed before a test is used.

5.3 EMPLOYMENT PLANNING AND FORECASTING

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

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

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

ii. ***Cope with changes:*** HR planning is required to cope with changes in market conditions, technology, products and government regulations in an effective way. These changes may often require the services of people with the requisite technical knowledge and training. In the absence of an HR plan, we may not be in a position to enlist their services in time.

iii. ***Use existing manpower productively:*** By keeping an inventory of existing personnel in an enterprise by skill, level, training, educational qualifications, work experience, it will be possible to utilise the existing resources more usefully in relation to the job requirements. This also helps in decreasing wage and salary costs in the long run.

iv. ***Promote employees in a systematic manner:*** HR planning provides useful information on the basis of which management decides on the promotion of eligible personnel in the organisation. In the absence of an HR plan, it may be difficult to ensure regular promotions to competent people on a justifiable basis.

5.3.1 Importance

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

i. ***Reservoir of talent:*** The organisation can have a reservoir of talent at any point of time. People with requisite skills are readily available to carry out the assigned tasks.

ii. ***Prepare people for future:*** People can be trained, motivated and developed in advance and this helps in meeting future needs for high-quality employees quite easily. Likewise, human resource shortages can also be met comfortably (when people quit the organisation for various reasons) through proper human resource planning.

iii. ***Expand or contract:*** If the organisation wants to expand its scale of operations, it can go ahead easily. Advance planning ensures a continuous supply of people with requisite skills who can handle challenging jobs easily.

iv. ***Cut costs:*** Planning facilitates the preparation of an appropriate HR budget for each department or division. This, in turn, helps in controlling manpower costs by avoiding shortages/excesses in manpower supply. The physical facilities such as canteen, quarters, school, medical help, etc., can also be planned in advance.

v. ***Succession planning:*** Human Resource Planning, as pointed out previously, prepares people for future challenges. The 'stars' can be picked up and kept ready for further promotions whenever they arise. All multinational companies for example, have this policy of having a 'hot list' of promising candidates prepared in advance e.g., HLL, Proctor & Gamble, Godrej consumer products etc.[3] Such candidates are rolled over various jobs and assessed and assisted continuously. When the time comes, such people 'switch hats' quickly and replace their respective bosses without any problem.

5.3.2 The Process of Human Resource Planning

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

Forecasting the Demand for Human Resources

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

1. ***External challenges:*** These challenges arise from three important sources:

   i. *Economic developments:* Liberalisation, opening up of banking sector, capital market reforms, the on-line trading systems have created huge demand for finance professionals during 1990-1995 in India. The late 90s saw the rise of manufacturing, FMCG, Pharmaceuticals, Auto-components, Healthcare and Chemical Industries in a steady manner. Consequently, the demand for Engineering and Management graduates, Scientists and Healthcare professionals has picked up in recent times.

   ii. *Political, legal, social and technical changes:* The demand for certain categories of employees and skills is also influenced by changes in political, legal and social structure in an economy. Likewise, firms employing latest technology in construction, power, automobiles, software, etc., have greatly enhanced the worth of technicians and engineers during the last couple of years. Technology, however, is a double-edged weapon and hence, its impact on HR plans is difficult to predict. For example, computerisation programme in Banks, Railways, Post and Telegraph Departments may reduce demand in one department (book keeping, for example) while increasing it in another (such as computer operations). High technology with all its attendant benefits may compel organisations to go lean and downsize workforce suddenly. Employment planning under such situations becomes complicated.

   iii. *Competition:* Companies operating in fields where a large number of players are bent upon cutting each other's throat (with a view to enhance their market shares) often reduce their workforce. Competition is beneficial to customers but suicidal for companies operating on thin margins. Such companies have to necessarily go 'lean' by reducing their workforce. On the other hand, companies that are doing well and progressing smoothly will always look for people with critical skills.

2. ***Organisational decisions:*** The organisation's strategic plan, sales and production forecasts and new ventures must all be taken into account in employment planning. If Britannia Industries Ltd expects higher demand for biscuits and bread, the long-term HR plan must take this into consideration. Likewise, if it tries to venture into other lucrative fields such as milk based products and confectionery items, the demand for people possessing requisite skills in those areas in the next couple of years should be looked into carefully.

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

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

   i. *Expert forecasts:* In this method, managers estimate future human resource requirements, using their experiences and judgements to good effect.

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

Box 5.1: Trend Analysis (An Example)

2001-02	Production of Units	:	5,000
2002-03	No. of Workers	:	100
	Ratio	:	100:5000
2003-04	Estimated Production	:	8,000
No. of Workers required		:	$8000 \times \frac{100}{5000} = 160$

If supervisors have a span of 20 workers, 8 supervisors are also needed in 2003-04.

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

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

   i. *Workforce analysis:* The average loss of manpower due to leave, retirement, death, transfer, discharge, etc., during the last 5 years may be taken into account. The rate of absenteeism and labour turnover should also be taken into account. The nature of competition say from foreign banks, other non-banking financial institutions may also be considered here to find out actual requirements in a year (Box. 5.2).

Box 5.2: Manpower Flows in a Bank

		Promotions out	
Transfers In	>	>	Job Hopping
		>	Transfers Out
		>	Retirement
		>	VRS Scheme (Golden handshake)
Recruits In	>	>	Discharge or Dismissal
		>	Terminations
		>	Resignations
Promotions In	>	>	Retrenchment
		>	Attractions in Other Banks, etc.

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

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

Box 5.3: Work Load Analysis (An Example)

Planned output for the year	10,000	pieces
Standard hours per piece	3	hours
Planned hours required	30,000	hours
Productive hours per person per year	1,000	hours (estimated on annual basis)
(allowing for absenteeism, turnover, idle time etc.)		
No. of workers required	30	
If span of control in the unit is 10 per officer, then 3 officers are also required.		

While determining manpower requirements through work load analysis, commercial banks may have to take the following factors into consideration: (i) the number of transactions to be handled by an employee; (ii) the amount of deposits and advances per employee; (iii) special requirements in respect of managing extension counters, currency chests, mobile branches, etc.; (iv) future expansion plans of the bank concerned. Managerial judgement – a study of the past trends – may serve as a useful guide in this regard. Statistical and econometric models may also be pressed into service, sometimes, depending on the requirement(s).

iii. *Job analysis:* Job analysis helps in finding out the abilities or skills required to do the jobs efficiently. A detailed study of jobs is usually made to identify the qualifications and experience required for them. Job analysis includes two things: Job description and job specification. Job description is a factual statement of the duties and responsibilities of a specific job. It gives an indication of what is to be done, how it is to be done and why it is to be done. Job specification provides information on the human attributes in terms of education, skills, aptitudes and experience necessary to perform a job effectively.

5.3.3 Preparing Manpower Inventory (Supply Forecasting)

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

1. ***Internal labour supply:*** A profile of employees in terms of age, sex, education, training, experience, job level, past performance and future potential should be kept ready for use whenever required. Requirements in terms of growth/diversification, internal movement of employees (transfer, promotions, retirement, etc.) must also be assessed in advance. The possibilities of absenteeism and turnover should be kept in mind while preparing the workforce analysis. Through replacement charts or succession plans, the organisation can even find out the approximate date(s) by which important positions may fall vacant. Frequent manpower audits may be carried out to find out the available talent in terms of skills, performance and potential. (see Figure 5.1)

   Some of the important forecasting techniques may be summarised thus:

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

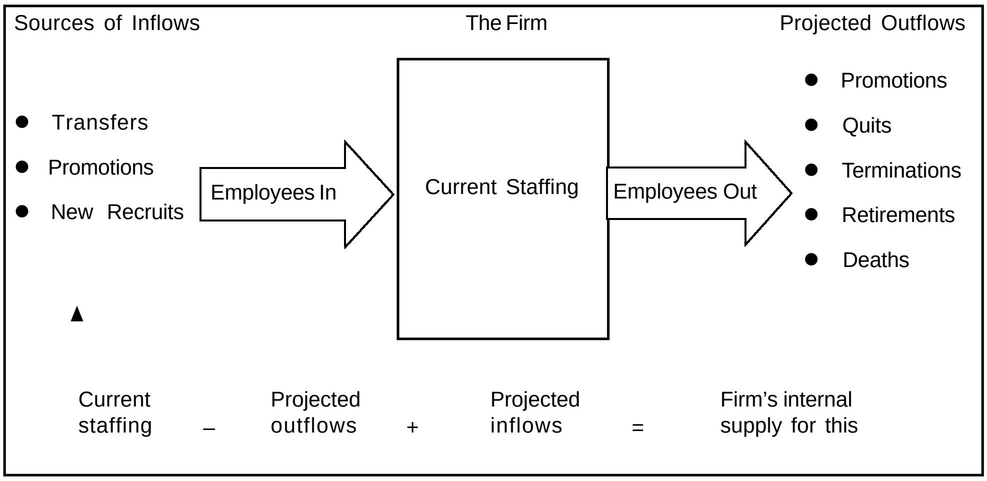

Figure 5.1: Estimated Internal Labour Supply for a given Firm

ii. *Markov Analysis:* In hierarchical systems, routes for the employees, which is the promotion ladder, are well defined. It means every employee elevates himself in the organisation through a well defined career path. All employees start in an organisation at the bottom rung and climb up the ladder one at a time. Any wastage is falling off the ladder. Young and Almond (1961), devised a hierarchical manpower system, framing sub-groups on the basis of salary grade and length of service. They have used the theory of the Markov process to measure the long-term equilibrium distribution of staff among the sub-groups. The basic assumption of this model is that an employee in a particular grade or a status group has a fixed chance of promotion in a given year, independent of vacancy. Thus number receiving promotion depends on the number of eligible staff in the grade below, subject to fulfillment of eligibility criteria, which may be age, seniority, qualifications or experience. The central equation for this model is:

$$n(t+1) = n(t)P + R(t+1)r$$

Where, n (t) is the vector of stocks at a given time t, i.e. number of employees in each status group.

P is the matrix of transition probabilities between each of status groups.

r is the vector of probabilities of a recruit starting in particular status groups.

R(t) is the number of new recruits at time t.

If the number of employees n (t) in each status group at a particular time is known, the equation may be used to predict the value of n (t), i.e., number of employees in each status group at a later time t. This is, however, subject to the conditions that recruitment levels, i.e., R (t) during the period, i.e., t = 0 to t = T, are already known or specified. Alternatively, the total number of staff in the system, which is N (t) may be specified. The prediction equation, therefore, may be rewritten in the following form.

$$n(t+1) = n(t)q + m(t+1)r$$

This is the more usual form of the Markov chain model than the earlier one. Here, M (t +1) = N (t+1) and includes not only transition within the organisation but also the effects of wastage and recruitment to maintain the balance in the organisation. HRP using Markov Chain is considered mere probabilistic. Moreover, Markov models allow too much fluctuations of the sizes of the status group, while in practice sizes are tightly constrained. To avoid such problems the renewal theory of HRP was developed.

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

Figure 5.2: Estimated Internal Labour Supply for a given Firm

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

Name : A.K. Sen | **Date printed :** 1-4-2004
Number : 429 | **Department :** 41

Key words

Word	Description	Activity
Accounting	Tax	Supervision and analysis
Book Keeping	Ledger	Supervision
Auditing records	Computer	Analysis

Work experience

From	To		
1998	2000	Tax clerk	ABC Company
2000	2002	Accountant	XYZ Co.
2002	2003	Chief Accounts Officer	TT Bank

Education

Degree	Major	Year
MBA	Finance	1998
B.Com	Accounts	1995

Special Qualifications

Course	Date
• DBF	1996
• Risk Management	1999

Memberships

1. AIMA
2. ISTD
3. ICA

Computer Literacy
- Tally
- Banking Software

Languages
- French

Position preference

Accounting
Auditing

Location choice
- Kolkata
- Delhi
- Bangalore

Hobbies
- Chess
- Football
- Boating

Employees Signature __________ HR Department________
Date ______________________ Date ________________

Figure 5.3: An Example of a Skills Inventory

iv *Replacement chart:* It shows the profile of job holders department-wise and offers a snapshot of who will replace whom if there is a job opening. (See Figure 5.4).

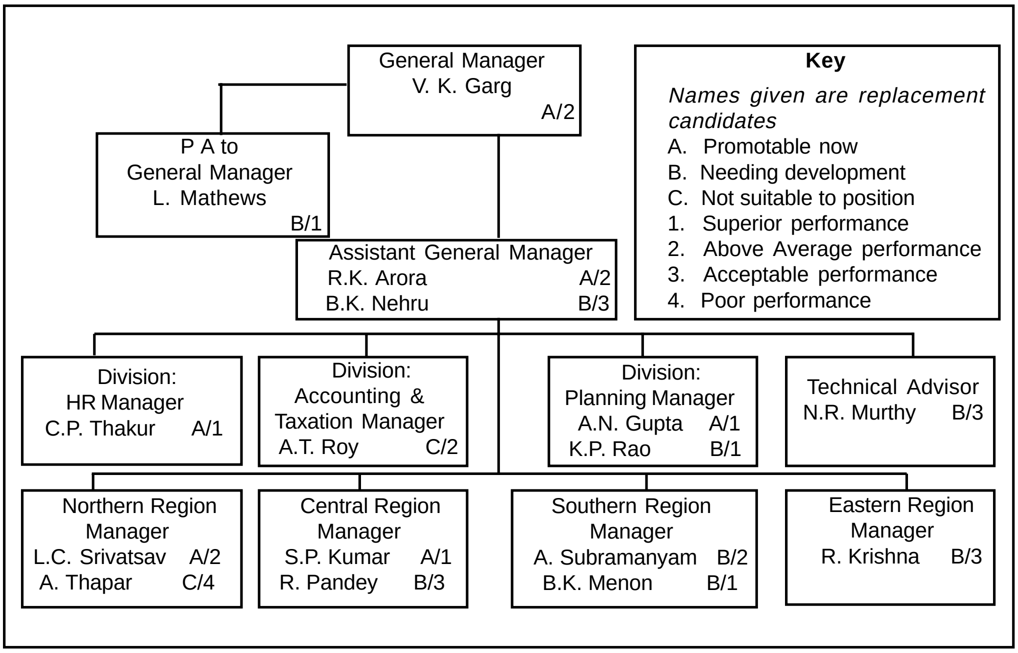

Figure 5.4: An Executive Replacement Chart

2. ***External labour supply:*** When the organisation grows rapidly, diversifies into newer areas of operations (merchant banking, capital market operations, mutual funds, etc. in the case of a bank) or when it is not able to find the people internally to fill the vacancies, it has to look into outside sources. To the extent an organisation is able to anticipate its outside recruitment needs and looks into the possible sources of supply keeping the market trends in mind, its problem in finding the right personnel with appropriate skills at the required time would become easier. (see Box 5.4)

   Organisations, nowadays, do not generally track the qualifications of thousands of employees manually. Details of employees in terms of knowledge, skills, experience, abilities etc., are computerised, using various packaged software systems. [There are over 300 computerised human resource informations systems now available].

Box 5.4: Important Barometers of Labour Supply

1. Net migration into and out of the area
2. Education levels of workforce
3. Demographic changes in population
4. Technological developments and shifts
5. Population Mobility
6. Demand for specific skills
7. National, regional unemployment rates
8. Actions of competing employers
9. Government policies, regulations, pressures
10. Economic Forecasts for the next few years
11. The attractiveness of an area
12. The attractiveness of an industry in a particular place

5.3.4 Determining Manpower Gaps

The existing number of personnel and their skills (from human resource inventory) are compared with the forecasted manpower needs (demand forecasting) to determine the quantitative and qualitative gaps in the workforce. A reconciliation of demand and supply forecasts will give us the number of people to be recruited or made redundant as the case may be. This forms the basis for preparing the HR plan. Box 5.5 shows how demand and supply forecasts can be related over a period of three years.

Box 5.5: Determining Human Resource Requirements

		Year 1 2 3
1.	Number required at the beginning of the year	
2.	Changes to requirements forecast during the year	DEMAND
3.	Total requirements at the end of the year (1+2)	-------------
4.	Number available at the beginning of the year	
5.	Additions (transfers, promotions)	SUPPLY
6.	Separations (retirement, wastage, promotions out and other losses)	
7.	Total available at the end of year (4+5+6)	--------------------
8.	Deficit or surplus (3-7)	RECONCILIATION
9.	Losses of those recruited during the year	OF THE ABOVE
10.	Additional numbers needed during the year (8+9)	MANPOWER NEEDED

5.3.5 Formulating HR Plans

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

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

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

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

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

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

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

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

5.3.6 Responsibility for HRP

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

i. Assist and counsel operating managers to plan and set objectives.

ii. Collect and summarise manpower data keeping long-run objectives and broad organisational interests in mind.

iii. Monitor and measure performance against the plan and keep top management informed about it.

iv. Provide proper research base for effective manpower and organisational planning.

Check Your Progress

1. Match the following:

(a)	Recruitment	(i)	Services of steps to be posessed by an applicant
(b)	CIT	(ii)	Assessment of knowledge
(c)	Selection	(iii)	Process of locating and encouraging potential for applying for a job
(d)	Skill inventory	(iv)	Critical incident technique
(e)	Top level executives	(v)	Responsible for HR planning.

2. Discuss Markov analysis with suitable example.

5.4 LET US SUM UP

Recruitment is the process of locating and encouraging potential applicants to apply for existing or anticipated job opening. The selection process is a series of steps through which applicants pass. The basic purpose of having a human resource plan is to have an accurate estimate of the number of employees required, with matching skill requirements to meet organisational objectives. It provides information about the manner in which existing personnel are employed, the kind of skills required for different categories of jobs and human resource requirements over a period of time in relation to organisational objectives. The basic purpose of preparing manpower inventory is to find out the size and quality of personnel available within the organisation to man various positions. Every organisaton will have two major sources of supply of manpower: internal and external. Some of the important forecasting techniques are Staffing table, Markov analysis, Skills inventory, Replacement chart, External labour supply. Top level executives are responsible for HR planning as it is one of the important factors influencing the success of an organisation. The plans are usually prepared by the Human Resource Division in consultation with other corporate heads. The responsibility and accountability for manpower aspects of various divisions is on their respective heads.

5.5 LESSON-END ACTIVITY

Design and describe a recruiting process for filling openings for sales representatives job for a large pharmaceutical company.

5.6 KEYWORDS

Poor image

Preliminary Reception

Employment Tests

Cut Costs

Succession Planning

Organisational Decisions

Work force Analysis

Work load Analysis

Markov Analysis

Recruitment Plan

5.7 QUESTIONS FOR DISCUSSION

1. What are the different steps involved in selection process?
2. What are different employment related tests?
3. What is the basic purpose of HRP is an organisaiton?
4. What is the importance of HRP in an organisaiton?
5. What are the external challenges in the process of HRP?

5.8 SUGGESTED READINGS

Gary Dessler, *"Human Resource Management"*, Seventh edition, Prentice-Hall of India P. Ltd., Pearson.

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LESSON
6

BUILDING EMPLOYEE COMMITMENT

CONTENTS

6.0 AIMS AND OBJECTIVES

In this lesson we shall discuss about building employee commitment. After going through this lesson you will be able to:

(i) Understand importance of employee commitment and sources, developing and using of application form.

(ii) Analyse IT and recruiting on the Internet.

6.1 INTRODUCTION

An effective productivity management process is simply not possible without the commitment and involvement of employees at all levels. Those organisations that recognise the role of human resources in productivity movement and appreciate the power of a committed and involved workforce typically devote substantial resources and management energies toward the development of an environment to which employees can and will contribute to performance improvement to the maximum of their capabilities. These efforts are typically characterised as employee involvement (EI) strategies.

Commitment is the binding of the individual to behavioural acts. In prospective view, commitment is conceived as an individuals psychological bond to the organisation or social system as reflected in his involvement with loyalty for and belief in the values of the organisation. Involvement describes a congruence between personal and organisational goals, i.e., "the degree to which members of a work organisation are able to satisfy important personal needs through their experiences with the organisation".

6.2 CHARACTERISTICS OF EI ENVIRONMENT

i. Employee input to decisions

ii. Employee participation in problem-solving

iii. Information sharing

iv. Constructive feedback

v. Teamwork and collaboration

vi. Meaningful and challenging work

vii. Employment security

6.3 EMPLOYEE INVOLVEMENT APPROACHES

i. ***Human Relations Approach:*** The human relations approach is based on the belief that more satisfied employees are more productive employees. Organisations operating under the human relations framework utilise involvement techniques such as suggestion schemes, survey feedback and quality circles, but do not seek to redesign jobs, change the organisation structure or transform the organisation's culture to promote maximum employee involvement in decision making.

ii. ***Human Resources Approach:*** The key assumption here is that people are a valuable resource, capable of making significant contributions to organisational performance. They should be developed to increase their capabilities and, when people have input to decisions, better decisions result.

iii. ***High Involvement Approach*:** High involvement systems operate under the assumption that employees are capable of making important decisions about their work and that maximum organisational performance results when people exercise considerable control over their work activities.

High involvement organisations typically utilise profoundly different approaches to job design such as autonomous work teams. They are very flat organisations, as employees make most of the routine, day-to-day decisions that are made by supervisors in traditionally managed organisations. All of the organisation's systems, such as the reward system and the goal-setting system, are designed to reinforce maximum employee involvement in decision-making. High involvement systems represent a radical departure from traditional management assumptions and thus require a great deal of management commitment to change.

6.4 KEY TO SUCCESS OF EMPLOYEE INVOLVEMENT

Success in the employee involvement arena requires, first and foremost, a recognition by top management that participative management means cultural change which, requires management commitment and a long-term perspective.

i. ***Management Commitment:*** People resist change, as it requires behaviours and responses that are not familiar. Management commitment to change must be apparent and unambiguous, if this resistance is to be overcome. Management must be willing to support change through the provision of resources, modification of the organisational systems and personal involvement in the change process.

ii. ***Long-term View:*** Management must also adopt a long-term view for the change to succeed. Attitudes and behaviours do not change overnight, and managements demand for quick success will heighten resistance and undermine the process.

iii. ***Supervisory Support:*** Being the buffer between the top management and non-management employees, it is upon the front-line supervisor that the greatest pressures in EI effort fall. He is called upon to transform his familiar and comfortable style, yet he lacks the knowledge and skills to do so. If his needs are not attended to, there is a strong likelihood that he will resist.

   Since supervisory support is such an essential ingredient to this process, they must be educated about EI; they must understand what it is, why it is needed, their new roles and how they will be supported. The resistance of supervisors can be further reduced by involving them in planning and managing the EI process. Their input in the plan and its ongoing execution will provide them with a sense of ownership and control and a better plan will probably result.

   To be effective, the supervisor must also be provided with the needed skills such as group leadership, active listening, communications, providing feedback and problem solving through training, coaching and reinforcement.

iv. ***Union Support:*** If the Union, as an institution, is not involved in the employee involvement initiative, they may well resist the effort. Awareness programmes should also be conducted for them covering the business scenario, status of the organisation, need of EI, management plans etc, so that they also understand, appreciate and extend necessary support for the success of the EI programme.

v. ***Training and Development:*** Awareness training must be conducted at all levels in the organisation. Managers and supervisors must appreciate that participative management represents a major change from the traditional styles of management. For them to embrace this change, they must understand the nature, rationale and implications of participative management. Training in problem solving must also be provided to equip the employees and supervisors / managers with the skills to analyse problems and to develop solutions.

vi. ***Strategy:*** Employee involvement requires a well-developed strategy to achieve long-term success. EI challenges long-held beliefs and impacts broad areas of organisational functioning. Changing management style is probably the most difficult and frustrating task facing the chief executive who desires to institutionalise the EI process for performance improvement in the organisation. An intelligent, long-term strategy is, therefore, a vital ingredient for success.

6.5 SOURCES, DEVELOPING AND USING APPLICATION FORMS

Many organisations prefer to fill vacancies through promotions or transfers from within wherever possible. Promotion involves movement of an employee from a lower level position to a higher level position accompanied by (usually) changes in duties, responsibilities, status and value. The Tatas, the Birlas and most multinationals (e.g. HLL's Lister programme tracking star performers at an early stage and offering stimulating opportunities to grow vertically) have fast-track promotion systems in place.

The credo now is reward performance, but promote competency. In the recent past, the AV Birla group has placed over 200 people through the fast-tracker system (promoting star performers quickly). A transfer, on the other hand, involves lateral movement within the same grade, from one job to another. It may lead to changes in duties and responsibilities, working conditions, etc., but not necessarily salary. Internal promotions and transfers certainly allow people greater scope to experiment with their careers, kindling ambitions and motivating them to take a shot at something they might otherwise never have considered. The system, of course, works best for young executives who are willing to take risks.

6.5.1 Job Posting

Job posting is another way of hiring people from within. In this method, the organisation publicises job openings on bulletin boards, electronic media and similar outlets. Hindustan Lever introduced its version of open job postings in early 2002 and over 40 positions have since been filled through the process. HLL even allows its employees to undertake career shifts, for example from technical positions to non-technical jobs such as marketing, market research etc., through the open job posting system. The AV Birla group allows its employees an opportunity to apply not just for jobs within their own companies, but for jobs in any company in the Birla group both in India and abroad.

6.5.2 Sources

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

The merits and demerits of recruiting candidates from outside an organisation may be stated thus:

Box 6.1: Merits and Demerits of External Sources of Recruitment

Merits	Demerits
Wide choice: The organisation has the freedom to select candidates from a large pool. Persons with requisite qualifications could be picked up.	**Expensive:** Hiring costs could go up substantially. Tapping multifarious sources of recruitment is not an easy task, either.
Injection of fresh blood: People with special skills and knowledge could be hired to stir up the existing employees and pave the way for innovative ways of working.	**Time consuming**: It takes time to advertise, screen, to test and to select suitable employees. Where suitable ones are not available, the process has to be repeated.
Motivational force: It helps in motivating internal employees to work hard and compete with external candidates while seeking career growth. Such a competitive atmosphere would help an employee to work to the best of his abilities.	**Demotivating:** Existing employees who have put in considerable service may resist the process of filling up vacancies from outside. The feeling that their services have not been recognised by the organisation, forces them to work with less enthusiasm and motivation.
Long term benefits: Talented people could join the ranks, new ideas could find meaningful expression, a competitive atmosphere would compel people to give of their best and earn rewards, etc.	**Uncertainty:** There is no guarantee that the organisation, ultimately, will be able to hire the services of suitable candidates. It may end up hiring someone who does not 'fit' and who may not be able to adjust in the new set-up.

6.5.3 Developing and Using Application Forms

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

i. Personal data (address, sex, identification marks)

ii. Marital data (single or married, children, dependents)

iii. Physical data (height, weight, health condition)

iv. Educational data (levels of formal education, marks, distinctions)

v. Employment data (past experience, promotions, nature of duties, reasons for leaving previous jobs, salary drawn, etc.)

vi. Extra-curricular activities data (sports/games, NSS, NCC, prizes won, leisure-time activities)

vii. References (names of two or more people who certify the suitability of an applicant to the advertised position)

Even when applicants come armed with elaborate resumes, it is important to ask the applicants to translate specific resume material into a standardised application form. Job seekers tend to exaggerate, or overstate their qualifications on a resume. So it's always better to ask the applicant to sign a statement that the information contained on the resume or application blank is true and that he or she accepts the employer's right to terminate the candidate's employment if any of the information is found to be false at a later date.

6.5.4 Weighted Application Blanks (WABs)

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

6.5.5 Usefulness

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

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

Box 6.2: Sample Application Blank

Name: ____

Address: ____

Phone Number (Res): ______________________

Contd....

Education
College/University Attended: ___________ Highest Degree (a) BA/BSc/MA/MSc/MBA/MCom
(b) BE/BTech/ MTech
(c) Any other
High School Attended: ____________________________
Work Experience (List most recent jobs first)
Name of the Organisation:
Gross Salary: _______________ (annual; be sure to include any bonuses or commission earned)
Job Title: ____
Name of Last Supervisor: ____
May we contact this supervisor? Yes / No
Reason(s) for Leaving: ____

Name of Organisation: ____________________ Date of Employment: ______ from to ____
Gross Salary: ____________ (annual; be sure to include any bonuses or commission earned)
Job Title: ____
Name of Last Supervisor: ____
May we contact this supervisor? Yes / No
Reason(s) for Leaving: ____

Name of Organisation: ____________________ Date of Employment: ______ from to ____
Gross Salary: ____________ (annual; be sure to include any bonuses or commission earned)
Job Title: ____
Name of Last Supervisor: ____
May we contact this supervisor? Yes / No
Reason(s) for Leaving: ____

Work skills
1. List any job-related languages you are able to speak or write: _________________________
2. List any job-related clerical (e.g., typing) or technical skills (e.g., computer programming) that you have:

A. ___________________________________ B. ___________________________________
C. ___________________________________

Additional Information
In case of an emergency, please contact.
Name: ____
Address: _______________________________________
Telephone: ______________________________________

I understand that falsification of information is grounds for dismissal.
I understand that my employment at the company may be discontinued at any time for any reason either by myself or by the company.
I agree to submit to a drug and/or alcohol test as a condition of employment.

Signature Date

6.6 IT AND RECRUITING ON THE INTERNET

In recent years most companies have found it useful to develop their own website and list job openings on it. The website offers a fast, convenient and cost effective means for job applicants to submit their resume through the Internet. Infosys Technologies Ltd., for example, gets over 1000 resumes a day from prospective candidates through the Net. The resumes are then converted into a standard format using the software that the company has developed for short listing candidates according to a set criteria such as alma mater, qualifications, experience etc. The HR manager has to key in his or her requirement and 'profiles' of candidates from the company's database get generated.[9] There are a variety of websites available – in addition to a company's own website –

where applicants can submit their resumes and potential employers can check for qualified applicants. (such as (i) www.jobsahead.com (ii) www.headhunters.com (iii) www.naukri.com (iv) www.monsterindia.com (v) www.mafoi.com (vi) www.abcconsultants.net (vii) www.datamaticsstaffing.com (viii) www.timesjobs.com etc.) Internet recruiting, as mentioned earlier, generates fast, cost-effective, timely responses from job applicants from different parts of the world. And that's where the problem lies: the website might be flooded with resumes from unqualified job seekers. Applications may also come from geographic areas that are unrealistically far away.

Check Your Progress

Fill in the blanks:

1. .... is based on the belief that the more satisfied employees are more productive employees.
2. Awareness training must be conducted at all levels in the ....
3. Employee involvement requires a .... to achieve long-term success.
4. Job posting is another way of .... people from within.

6.7 LET US SUM UP

An effective productivity management process is simply not possible without the commitment and involvement of employees at all levels. Commitment is the binding of the individual to behavioural acts. In prospective view, commitment is conceived as an individuals psychological bond to the organisation or social system as reflected in his involvement with loyalty for and belief in the values of the organisation. Success in the employee involvement arena requires, first and foremost, a recognition by top management that participative management means cultural change which, requires management commitment and a long-term perspective. Many organisations prefer to fill vacancies through promotions or transfers from within wherever possible. Promotion involves movement of an employee from a lower level position to a higher level position accompanied by (usually) changes in duties, responsibilities, status and value. Job posting is another way of hiring people from within. In recent years most companies have found it useful to develop their own website and list job openings on it. The website offers a fast, convenient and cost effective means for job applicants to submit their resume through the Internet. There are a variety of websites available – in addition to a company's own website – where applicants can submit their resumes and potential employers can check for qualified applicants. (such as (i) www.jobsahead.com (ii) www.headhunters.com (iii) www.naukri.com (iv) www.monsterindia.com (v) www.mafoi.com (vi) www.abcconsultants.net (vii) www.datamaticsstaffing.com (viii) www.timesjobs.com etc.)

6.8 LESSON-END ACTIVITY

Consider the scenario: you have a vacancy which you know can be filled internally by a suitable candidate related to the Managing Director. Is it ethical to try to encourage the candidate to apply and if so, how would you go about doing so?

6.9 KEYWORDS

Management Commitment

Long-term View

Supervisory Support

Union Support

Strategy

Job Posting

WABs Selection

6.10 QUESTIONS FOR DISCUSSION

1. What are the characteristics of Employee input environment?
2. What are the merits of Application blank?

6.11 SUGGESTED READINGS

Gary Dessler, *"Human Resource Management"*, Seventh edition, Prentice-Hall of India P. Ltd., Pearson.

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LESSON
7

EMPLOYEE TESTING AND SELECTION

CONTENTS

7.0 AIMS AND OBJECTIVES

In this lesson we shall discuss about employee testing and selection. After studying this lesson you will be able to:

(i) Understand selection process and simulation.

(ii) Analyse small business application.

7.1 INTRODUCTION

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

7.2 SELECTION PROCESS

The selection process is a series of steps through which applicants pass.

1. ***Preliminary Reception:*** Selection starts with a visit to the HRM office or with a written request for an application. If an applicant appears in person, an impromptu preliminary interview may be granted as a courtesy, simply as a matter of good public relations.
2. ***Employment Tests:*** Employment tests are devices that assess the probable match between applicants and job requirements. When tests are used for these positions, however, they often are a simulation of real-life situations.
   i. *Test Validation* : For a test to be relied upon, it should be valid. Validity means that the test scores have a significant correlation to job performance or to some other relevant criterion.
   ii. *Testing Tools* : There is a wide variety of employment tests. But each type of test has only limited usefulness. The exact purpose of a test, its design, its direction for administration and its applications are recorded in the test manual, which should be reviewed before a test is used.

7.2.1 Basic Testing Concepts

Another important decision in the selection process involves applicant testing and the kinds of tests to use. A test is a standardised, objective measure of a person's behaviour, performance or attitude. It is standardised because the way the test is carried out, the environment in which the test is administered and the way the individual scores are calculated – are uniformly applied. It is objective in that it tries to measure individual differences in a scientific way, giving very little room for individual bias and interpretation.

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

7.2.2 Types of Test

1. ***Intelligence tests:*** These are mental ability tests. They measure the incumbent's learning ability and also the ability to understand instructions and make judgements. The basic objective of intelligence tests is to pick up employees who are alert and quick at learning things so that they can be offered adequate training to improve their skills for the benefit of the organisation. Intelligence tests do not measure any single trait, but rather several abilities such as memory, vocabulary, verbal fluency, numerical ability, perception, spatial visualisation, etc., Stanford-Binet test, Binet-Simon test, The Wechsler Adult Intelligence Scale are examples of standard intelligence tests. Some of these tests are increasingly used in competitive examinations while recruiting graduates and post-graduates at entry level management positions in Banking, Insurance and other Financial Services sectors.
2. ***Aptitude tests:*** Aptitude tests measure an individual's potential to learn certain skills – clerical, mechanical, mathematical, etc. These tests indicate whether or not

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

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

Personality tests are used to measure basic aspects of an applicant's personality such as motivation, emotional balance, self-confidence, interpersonal behaviour, introversion, etc. The most frequently used tests are the Minnesota Multiphasic Personality Inventory (MMPL), the California Psychological Inventory, the Manifest Anxiety Scale, Edwards Personal Performance Schedule, etc. Some of the items in personality inventory run thus:

Box 7.1

	True/False
Evil spirits possess me at times	__________
I believe I am being followed	__________
I am fascinated by fire	__________
I have never indulged in any unusual sex practices	__________
I am a special agent of God	__________
I day-dream very little	__________

There are three types of PIP tests: projective (personality), interests and preferences. Let's examine these in detail:

i. *Projective tests:* These tests expect the candidates to interpret problems or situations based on their own motives, attitudes, values, etc. Many personality tests are projective in nature. A picture is presented to the person taking the test who is then asked to interpret or react to it. Since the pictures are clouded, the person's interpretation must come from inside – and thus get projected. The person supposedly projects into the picture his or her own emotional attitudes, motives, frustrations, aspirations and ideas about life. Standard tests are also frequently used to assess the personality of the testee. For example, in the Thematic Appreciation Test, the testee is shown a picture and is asked to make up a story based on the picture. The responses are analysed and a profile of personality is developed. However, projective tests have been under attack since they are unscientific and often reveal the bias of the test evaluator, particularly if he is not properly trained.

ii. *Interest tests:* These are meant to find how a person in tests compare with the interests of successful people in a specific job. These tests show the areas of work in which a person is most interested. The basic idea behind the use of interests tests is that people are most likely to be successful in jobs they like. These tests could be used as effective selections tools. Obviously if you can select people whose interests are roughly the same as those of successful investments by using, say the Strong-Campbell inventory, in the jobs for which you are recruiting, it is more likely that the applicants will be more successful in their new jobs. The chief problem with using the interest tests for selection purposes is that responses to the questions are not always sincere.

iii. *Preference tests:* These tests try to compare employee preferences with the job and organisational requirements. The job diagnostic survey developed by Hackman and Oldham, is an example of a preference test. This test shows how people differ in their preferences for achievement, meaningfulness, discretion etc., in their jobs.

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

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

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

6. ***Assessment centre:*** An assessment centre is an extended work sample. It uses procedures that incorporate group and individual exercises. These exercises are designed to simulate the type of work which the candidate will be expected to do. Initially a small batch of applicants come to the assessment centre (a separate room). Their performance in the situational exercises is observed and evaluated by a team of 6 to 8 trained assessors. The assessors' judgements on each exercise are compiled and combined to have a summary rating for each candidate being assessed. The assessment centre approach, thus, evaluates a candidate's potential for management on the basis of multiple assessment techniques, standardised methods of making inferences from such techniques, and pooled judgements from multiple assessors.

Box 7.2

Work Sample	**Assessment Centre**
• Suitable for routine, repetitive jobs with visible outcomes	• Suitable for managerial jobs, the outcomes are not behaviourally observable
• Takes a few minutes to test the applicant	• Takes days to conduct various exercises
• Evaluated by one supervisor	• Evaluated by a team of trained observers
• Can be done on location where the applicant	• Requires a separate facility. The centres are conducted
• Performs a small segment of the job	• For a variety of task segments (that may not be the real job) that may be included in the real job
• Usually completed on one applicant at a time	• Usually performed on groups of applicants at the same time

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

i. *The in-basket:* Here the candidate is faced with an accumulation of reports, memos, letters and other materials collected in the in-basket of the simulated job he is supposed to take over. The candidate is asked to take necessary action within a limited amount of time on each of these materials, say, by writing letters, notes, agendas for meetings, etc. The results of the applicant's actions are then reviewed by the evaluators. In-baskets are typically designed to measure oral, and written communication skills, planning, decisiveness, initiative and organisation skills.

ii. *The leaderless group discussion (LGD):* This exercise involves groups of managerial candidates working together on a job-related problem. The problem is generally designed to be as realistic as possible and is tackled usually in groups of five or six candidates. A leader is not designated for the group, but one usually emerges in the course of the group interaction. Two or more assessors typically observe the interaction as the group tries to reach consensus on a given problem. The LGD is used to assess dimensions such as oral communication, tolerance for stress, adaptability, self confidence, persuasive ability etc.

iii. *Business games:* Here participants try to solve a problem, usually as members of two or more simulated companies that are competing in the market place. Decisions might include how to advertise and produce, how to penetrate the market, how much to keep in stock, etc. Participants thereby exhibit planning and organisational abilities, interpersonal skills and leadership abilities. Business games may be simple (focussing on very specific activities) or complex models of complete organisational systems. They may be computer-based or manually operated, rapidly programmed or flexible. In computer based games, participants typically draw up plans for an organisation to determine such factors as the amount of resources to allocate for advertising, product design, selling and sales effort. The participants arrive at a number of decisions, and then the computer tells them how well they did in comparison to competing individuals or teams. Business games have several merits: they reduce time, events that might not take place for months or years are made to occur in a matter of hours. They are realistic and competitive in nature. They also offer immediate feedback.

iv. *Individual presentations:* Participants are given a limited amount of time to plan, organise and prepare a presentation on an assigned topic. This exercise is meant to assess the participant's oral communication skill, self-confidence, persuasive abilities, etc.

v. *Structured interview:* Evaluators ask a series of questions aimed at the participant's level of achievement, motivation, potential for being a 'self-starter' and commitment to the company.

7.2.3 Evaluation of Assessment Centre Technique

The assessment centre technique has a number of advantages. The flexibility of form and content, the use of a variety of techniques, standardised ways of interpreting behaviour and pooled assessor judgements account for its acceptance as a valuable selection tool for managerial jobs. It is praised for content validity and wide acceptance in corporate circles. By providing a realistic job preview, the technique helps a candidate make an appropriate career choice. The performance ratings are more objective in nature and could be readily used for promotion and career development decisions. However, the method is expensive to design and administer. Blind acceptance of assessment data without considering other information on candidates (past and current performance) is always in advisable.

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

ii. ***Polygraph (lie-detector) tests:*** The polygraph (The lie detector consists of a rubber tube around the chest, a cuff round the arm, and sensors attached to the fingers that record the physiological changes in the examinee as the examiner puts questions that call for an answer of yes or no) records physical changes in the body as the test subject answers a series of questions. It records fluctuations in respiration, blood pressure and perspiration on a moving roll of graph paper. The polygraph operator forms a judgement as to whether the subject's response was truthful or deceptive by examining the biological movements recorded on the paper. Polygraphs, despite strong resistance by many applicants, are increasingly being used by companies which have problems with inventory and security of funds. Government agencies have begun to use the polygraph, though in a limited way, after the passage of the Employee Polygraph Protection Act in USA in 1988, especially for filling security, police, fire and health positions. Critics, however, question the appropriateness of polygraphs in establishing the truth about an applicant's behaviour. The fact is that polygraph records biological reaction in response to stress and does not record lying or even the conditions necessarily accompanying lying. Is it possible to prove that the responses recorded by the polygraph occur only because a lie has been told? What about those situations in which a person lies without guilt (a pathological liar) or lies believing the response to be true? The fact of the matter is that polygraphs are neither reliable nor valid. Since they invade the privacy of those tested, many applicants vehemently oppose the use of polygraph as a selection tool.

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

Box 7.3

Typical Integrity Questions	Yes/No
• Have you ever told a lie? • Do you report to your boss if you know of another employee stealing from the store? • Do you carry office stationery back to your home for occasional use? • Do you mark attendance for your colleagues also?	

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

7.2.4 Work Sampling Tests

A work sampling test requires the applicant actually do a sample of the work that the job involves in a controlled situation. Examples of work sampling tests include:

i. Programming test for computer programmers.

ii. Standard driving course for deliver persons.

iii. Standardized typing, work processing, or spreadsheet applications problems for secretarial and clerical help.

iv. Auditions used by a symphony orchestra or balled company.

v. Stimulated "in basket" tests for managers. A standardized set of memos, requests, and so on, is given to the applicant, who must dispense with them as she or he would if the work were real.

Variations of these work sampling tests are used in many organizations. Applicants are frequently asked to run the machines they would run if they got the job. Then the quantity and quality of their work are systematically graded and compared with the work of other applicants.

Over a large number of selection situations, work sampling tests have demonstrated some of the highest validities of all selection tests. The presumed superiority of these tests over other types of selection tools lies in their direct and obvious relationship with performance of the job. However, for this relationship to actually exist, the content of the job must be well documented through job analyses. Care must be taken not to confuse face validity with actual validity. Face validity is how good a test looks for a given situation. Many test that are valid also look valid, but that is not always the case. Sometimes a test that appears to have no logical relationships to a particular job may prove to be a valid predictor of performance on that job. Nonetheless, job sample tests are a proven method of selection in many organizations.

7.3 SIMULATION

To simulate is to initiate. In general terms, simulation involves developing a model of some real phenomenon and then performing experiments on the model evolved. It is a descriptive, and not an optimizing, technique. In simulation, a given system is copied and the variables and constants associated with it are manipulated in an artificial environment to examine the behaviour of the system. Using simulation, an analyst can introduce the constants and variables related to the problem, set up the possible courses of action and establish criteria, which act as measures of effectiveness. The benefit of simulation from the view point of the analyst stems from the fact that the results of taking a particular course of action can be estimated prior to its implementation in the real world. Instead of using hunches and intuition to determine what may happen, the analyst using simulation can test and evaluate various alternatives and select the one that gives the best results.

Broadly, there are four phases of the simulation process. They are:

a. Definition of the problem and statement of objectives.

b. Construction of an appropriate model.

c. Experimentation with the model constructed, and

d. Evaluation of the results of simulation.

7.3.1 Monte Carlo Simulation

It is also known as probabilistic simulation method. It can be described as a numerical technique that involves modeling with the objectives of predicting the system's behaviour. The chance element is a very significant feature of Monte Carlo simulation and this approach can be used when the given process has a random, or chance component.

Illustration

A hotel keeps a record of the number of staff requirement of various categories. Information relating to 200 days' requirement are as under:

	Demand								Total
No. of staff	5	6	7	8	9	10	11	12	
No. of days	4	10	16	50	62	38	12	8	200

Develop a simulation model to predict the demand of staff for a 10-day period.

Solution

Firstly, derive the probability distribution of demand for the staff, expressing each of the frequencies in terms of proportions. This is done by dividing each of the values by 200, i.e. the total frequency. The resultant distribution would, therefore, be as follows:

No. of staff	5	6	7	8	9	10	11	12
No. of days	.02	.05	.08	.25	.31	.19	.06	.04

Secondly, determine random numbers using any mechanism of random number generator. There are various ways in which random numbers can be generated. These could be result of some device like coin or die, published table of random numbers, etc. However, the most convenient method is to make use of the published table of random numbers, published by the Rand Corporation of USA.

An assignment has to be worked out so that the interval of random numbers correspond to the probability distribution. Since the probabilities have been calculated to two decimal places, which add upto 1.00, we need 100 numbers of two digits to represent each point of probability. Thus we take random numbers 00 through 99 to represent them. Now, as the probability of 5 staff is equal to .02, we assign two random numbers 00-01 to this demand level; the probability of 6 staff being equal to .05, the next five numbers, 02-06 would be assigned to this level. In a similar manner each of the demand levels would be assigned appropriate intervals as under:

Demand (No. of staff)	**Probability**	**Cumulative probability**	**Random number interval**
5	.02	.02	00-01
6	.05	.07	02-06
7	.08	.15	07-14
8	.25	.40	15-39
9	.31	.71	40-70
10	.19	.90	71-89
11	.06	.96	90-95
12	.04	1.00	96-99

The Cumulative probabilities column analyses the assigned numbers to correspond to the same probability range for each event.

Thirdly, once the random number intervals are determined, we select a tracking pattern for drawing random numbers from the random number table. We may start with any column and row of the table and read the values in any set manner – horizontally, vertically or diagonally. Using the pattern, we draw the random numbers and match them with the assigned events.

Let us assume for the purpose of this problem, we have decided to take every third value horizontally, starting with the fifth column and fourth row of the table of random numbers. The random numbers, according to this pattern are 61, 74, 24, 03, 59, 16, 84, 92, 52, 07…….. etc. (for 10-day demand period). We draw as many random numbers as the number of days' demand required to be simulated.

The first number, i.e. 61, lies in the interval 40-70. Corresponding to the demand level of 9 staff. Thus, the simulated demand for the first day is 9 staff members. In a similar manner, we can obtain the demand for each of the day. For the 10-day period, we have the following demand:

Day	1	2	3	4	5	6	7	8	9	10
Number	61	74	24	03	59	16	84	92	52	07
Demand of staff	9	10	8	6	9	8	10	11	9	7

Exercise

A caterer keeps on reserve cooks during marriage season. Previous experience indicates the daily demand of cooks is as under:

Daily demand	0	10	20	30	40	50
Probability	.01	.20	.15	.50	.12	.02

Consider the following sequence of random numbers:

48, 78, 19, 51, 56, 77, 15, 14, 68, 09

Using this sequence, simulate the demand for the next 10 days. Find out the reserve situation if the owner of the caterer decides to maintain on payroll 30 cooks everyday. Also estimate the daily average demand for the cooks on the basis of simulated data.

Solution

Demand (No. of staff)	**Probability**	**Cumulative probability**	**Random number interval**
0	0.01	0.01	00
10	0.20	0.21	01-20
20	0.15	0.36	21-35
30	0.50	0.86	36-85
40	0.12	0.98	86-97
50	0.02	1.00	98-99

The simulated demand for the cooks for the next 10 days and the stock position for various days when the decision is to make available 30 cooks a day, would be as under:

Determination of Demand and Stock levels

Day	**Random number**	**Demand**	**Stock**
1	48	30	–
2	78	30	–
3	19	10	20
4	51	30	20
5	56	30	20
6	77	30	20
7	15	10	40
8	14	10	60
9	68	30	60
10	09	10	80

Expected demand = 220/10 = 22 cooks per day.

7.3.2 Advantages and Disadvantages of Simulation

Advantage: The chief merit of the simulation technique is its capacity to lend itself to problems that are cumbersome, or impossible to handle mathematically using analytical methods. Not only this, the technique allows the analyst to experiment with the system behaviour without subjecting it to the risks that would be inherent in experimenting with the real system. It also compresses time to enable the manager to visualize the long-term effects in a quick manner. Besides, simulation is often used to test proposed analytic solutions as well.

Disadvantage: It does not represent a methodology for derivation of optimal solutions to the given problems. This approach is designed merely to provide characterisation of the behaviour of the system in question for a given set of inputs. Further, the simulation approach is not precise in the sense that it yields only estimates which are subject to sampling error. Of course, the sampling error can be reduced by increasing the sample size.

Another drawback is that it may not prove economical, as it requires lot of efforts to develop a suitable model.

It is a tool of solution evaluation and does not generate problem solution. Thus the analyst has to develop the proposed solution; then simulation can be used to test the relative desirability of those solutions.

7.3.3 Selection Techniques

Immediately after the interview ends, the interviewer should record specific answers and general impressions about the candidate. Use of a checklist like one in Box 5.1 can improve the reliability of the interview as a selection technique.

7.3.4 Interview

Interview is the oral examination of candidates for employment. This is the most essential step in the selection process. In this step, the interviewer tries to obtain and synthesise information about the abilities of the interviewee and the requirements of the job. Interview gives the recruiter an opportunity to:

i. size up the interviewee's agreeableness;

ii. ask questions that are not covered in tests;

iii. obtain as much pertinent information as possible;

iv. assess subjective aspects of the candidate – facial expressions, appearance, nervousness and so forth;

v. make judgements on interviewee's enthusiasm and intelligence;

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

Box 7.4: A Post-interview Checklist

Interview Evaluation Form

POST: NAME OF THE CANDIDATE:

Weightage Outstanding	Description	0 Not acceptable	1 Below average	2 Average	3	4 Good
2.	a. Appearance & attitude, courtesy & dress					
4.	b. Experience (for post)					
2.	c. Communication (ability to express himself)					
3.	d. Technical competence					

Contd....

2.	e.	Ambition in line with anticipated job progression					
3.	f.	Potential (ability & motivation to grow or advance, capable of developing)					
2.	g.	Reasoning & judgement (clear thinking, logical reasoning, jumping to conclusions)					
2.	h.	General Knowledge (information in many fields, broad interests, only few subjects)					
2.	i.	Health (general stamina Energetic/sickly)					
3.	j.	Leadership (can head a group of people to achieve target, develops group for better activity)					
25							

General Evaluation
Suitability & Recommendation : YES / NO Time Taken:
Remarks, if any :
Date: Signature of the Member

Source: Visakha Cooperative Dairy

7.3.5 Types of Interviews

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

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

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

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

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

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

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

7.3.6 Common Interviewing Mistakes

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

i. favour applicants who share his own attitudes;

ii. find it difficult to establish rapport with interviewees, because he himself does not possess good interpersonal skills;

iii. not be asking right questions and hence not getting relevant responses;

iv. resort to *snap judgements*, making a decision as to the applicant’s suitability in the first few minutes of the interview. Too often interviewers form an early impression and spend the balance of the interview looking for evidence to support it;

v. may have forgotten much of the interview’s content within minutes after its conclusion;

vi. may have awarded high scores by showing leniency (leniency);

vii. may have been influenced by ‘*cultural noise*’ . To get the job, the applicants try to get past the interviewer. If they reveal wrong things about themselves, they realise that they may not get the job, so they try to give the interviewer responses that are socially acceptable, but not very revealing. These types of responses are known as cultural noise – responses the applicant believes are socially acceptable rather than facts;

viii. may have allowed himself to be unduly influenced by associating a particular personality trait with a person’s origin or cultural background and that kind of stereotyping/generalising ultimately determining the scores of a candidate (*stereotyping*). For example, he may feel that candidates from Bihar may find it difficult to read, write and speak English language and hence not select them at all!

ix. may allow the ratings to be influenced by his own likes and dislikes (*bias*)

x. may conclude that a poorly dressed candidate is not intelligent, attractive females are good for public dealings, etc. This is known as '*halo effect*', where a single important trait of a candidate affects the judgement of the rater. The halo effect is present if an interviewer allows a candidate's accomplishments in athletics to overshadow other aspects and leads the interviewer to like the applicant because 'athletes make good sales people';

xi. have rated an applicant poorly, following the interview of very favourable or unfavourable candidates (an anomaly known as *candidate-order error*; the order in which you interview applicants can also affect how you rate them);

xii. have been influenced more by unfavourable than favourable information about, or from, the candidate. Unfavourable information is given roughly twice the weight of favourable information. According to Dobmeyer and Dunette, a single negative characteristic may bar an individual from being accepted, whereafter no amount of positive features will guarantee a candidate's acceptance.

xiii. have been under pressure to hire candidates at short notice;

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

7.3.7 Designing & Conducting the Effective Interview

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

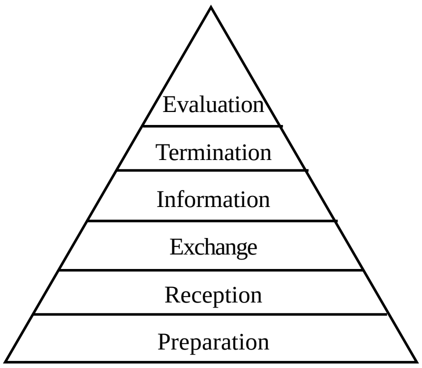

Figure: 7.1

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

   i. Establishing the objectives of the interview and determining the areas and specific questions to be covered.

   ii. Reviewing the candidate's application and resume, noting areas that are vague or that may show candidate's strengths and weaknesses on which questions could be asked.

   iii. Keeping the test scores ready, along with interview assessment forms.

   iv. Selecting the interview method to be followed.

   v. Choosing the panel of experts who would interview the candidates (list the number of experts to be called plus the chairman).

   vi. Identifying a comfortable, private room preferably away from noise and interruptions (neat and clean; well furnished, lighted and ventilated) where the interview could be held.

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

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

   i. State the purpose of the interview, how the qualifications are going to be matched with skills needed to handle the job. Give information about the job for which the interviewee is applying. Known as a realistic job preview, such an exercise would be most fruitful when the applicant gets a realistic picture of what he is supposed to do on the job. A realistic job preview helps minimise surprises for the new recruit, enhancing the comfort level and decreasing ambiguity and uncertainty in the early stages of work. Also, the first impression a firm makes on a new hire is one of being an honest organisation, that stays with the employee, increasing the employee's level of commitment.

   ii. Begin with open-ended questions where the candidate gets enough freedom to express himself freely instead of 'yes' or 'no' type of responses.

   iii. Do not put words in the applicant's mouth by asking: You have worked in a private management institute before. Haven't you?

   iv. Do not telegraph the desired answer by nodding or smiling when the right answer is given.

   v. Do not interrogate the applicant as if the person is a prisoner and do not be patronising, sarcastic or ultra-critical.

   vi. Do not monopolies the conversation, giving very little chance to the applicant to reveal himself.

   vii. Do not let the applicant dominate the interview by rambling from point to point so you cannot ask all your questions. Establish an interview plan and stick to it.

   viii. Do not use difficult words to confuse the applicant. Provide information as freely and honestly as possible

Box 7.5: Common Interview Questions (R-Lathrop)

Openers

- May I see your resume?
- What can I do for you?
- Why are you interested in joining our company?
- Why do you feel that you are qualified for this job?
- What do you think you can do for us?

Contd....

- What attracts you to us?
- Tell me about your experience.
- What pay do you have in mind? (Try tactfully to avoid answering this one early in the interview).

Regarding motivation and interests

- Is your present employer aware of your interest in a job change?
- Why do you want to change jobs?
- What caused you to enter your job field?
- Why do you want to change your field of work?
- Why are you leaving military service at this point?
- What would you like to be doing five years from now? When you retire?
- What is the ideal job for you?
- If you had complete freedom of choice to be a great success in any job field, which would you choose? Why?

Regarding education and intellectual capacity

- Describe your education for me.
- Why did you pick your major (area of specialisation)?
- What was your class standing?
- What were your activities?
- What honours/awards did you earn?
- What were your average grades?
- Did your grades adequately reflect your full capability? Why not?
- What courses did you like best/least and why?
- Have you had any special training for this job?

Regarding pay

- What do you require?
- What is the minimum pay you will accept?
- What is your pay record for the last five years?
- Why do you believe you are qualified for so much more?
- We can’t pay the salary you should have. Would you be willing to start lower and work up to that figure?
- What do you expect to be earning five years from now?

Regarding experience

- Why should I hire you?
- How do you fit the requirements for this job?
- What did you do in military service?
- What would you do to improve our operations?
- Who has exercised the greatest influence on you? How?
- What duties performed in the past have you liked best/least and why?
- What are your greatest strengths/limitations for this job?
- What are the strongest limitations you have found in past supervisors?
- Which supervisor did you like the best and why?
- What kinds of people appeal most/least to you as work associates?
- How many people have you supervised? What types?
- What are your greatest accomplishments to date?
- What equipment can you work with?
- Why have you changed jobs so frequently?
- Have you ever been fired or asked to resign?
- Describe the biggest crisis in your career.
- What were you doing during the period not covered in your resume?
- Why were you out of work so long?
- What was the specific nature of your illness during your extended hospitalisation?
- What made you leave your previous jobs?
- Could I see samples of your work?

- Focus on the applicant's education, training, work experience, etc. Find unexplained gaps in applicant's past work or college record and elicit facts that are not mentioned in the resume. Avoid questions that are not job-related.
- Listen to the applicant's answers attentively and patiently. And pay attention to non verbal cues (applicant's facial expressions, gestures, body language, etc.). To increase reliability and avoid discrimination, ask the same questions of all applicants for a particular job. Keep careful notes and record facts.

4. ***Termination:*** End the interview as happily as it began without creating any awkward situation for the interviewee. Here, avoid communicating through unpleasant gestures such as sitting erect, turning towards the door, glancing at watch or clock, etc. Some interviewers terminate the show by asking: do you have any final questions? At this point inform the applicant about the next step in the interview process, which may be to wait for a call or letter. Regardless of the interview performance of the candidate and interviewer's personal opinion, the applicant should not be given any indication of his prospects at this stage.
5. ***Evaluation:*** After the interview is over, summarise and record your observations carefully, constructing the report based on responses given by applicant, his behaviour, your own observations and the opinions of other experts present during the interview. Better to use a standardised evaluation form for this purpose.

7.4 SMALL BUSINESS APPLICATION

Box 7.6: Some Applications of Employment-Related Tests

PSYCHOLOGICAL TESTS

Measures personality or temperament (executives, nuclear power, security)

Measures personality or temperament (executives, managers, supervisors)

Measures personality or temperament (sales personnel)

Measures logic and reasoning ability (executives, managers, supervisors)

Measures creativity and judgement ability (engineers)

Measures personality components (managers)

KNOWLEDGE TESTS

Measures knowledge of leadership practices (managers and supervisors)

Measures verbal, spatial, numeric and other aptitudes and manual dexterity (job seekers at unemployment offices)

PERFORMANCE TESTS

Measures physical coordination (shop workers)

Measures spatial visualization (draughtsmen and draughtswomen)

Measures ability to work with numbers and names (clerks)

Measures a sample of "on-the-job" demands (managers, professionals)

GRAPHIC RESPONSE TEST

Measures physiological responses to questions (police, retail store workers)

ATTITUDE TESTS

Measures attitudes about theft and related subjects (retail workers, security personnel, bank staff).
Measures attitudes about work and values (entry level, low income workers)

MEDICAL TESTS

Measures the presence of illegal or performance-affecting drugs (government employees, equipment operators). Identifies genetic predispositions to specific medical problems. Measures and monitors exposure to hazardous chemicals (miners, factory workers, researchers)

7.4.1 Computer Aided Interview

Advances in technology, coupled with increased access to the World Wide Web, are changing the face of recruitment and selection as we know it. Apply for a graduate post with KPMG, for example, and the first stage is an on-line self assessment test designed to help candidates decide if they match the company specifics. Shell International and Marks & Spencer are among other big names using this D.I.Y. approach to help weed out unsuitable applicants at an early stage. A growing number of organisations — Boeing and the BBC for example — actively encourage on-line application, providing a form that can be filled in on-screen.

`Electronic' applications of this kind are typically sifted with the help of computer software which searches for key words or phrases and singles out candidates worth investigating further. Job-seekers who successfully negotiate this hurdle might subsequently find themselves facing a more detailed, on-line assessment — perhaps in the form of a live, interactive, simulated exercise.

The use of IT in selection encourages candidates to respond more honestly and openly to questions. Job-seekers can use material freely available on the Internet to prepare for assessment by employers. There are sites that offer a free practice run of the type of aptitude tests and personality profiles commonly used in industry.

Psychometric tests appear to be undergoing a transformation too. An increased emphasis on softer skills, such as leadership and teamwork, has led to a glut of new tests designed to find out not just where candidates are likely to excel — but also what might make them go off the rails. In the same way creativity can lead to eccentricity, conscientiousness can turn into obsessive perfectionism and charm can cross the barrier into manipulation. Knowing how somebody behaves when they're under pressure is important because it has a direct impact on the team. Another test dreamed up by psychologists aims to assess a candidate's integrity. Called Giotto, it is designed to reveal those traits — such as carelessness, tardiness and intolerance — that an employer might want to avoid.

Recruitment agencies have been conducting basic aptitude and skills tests as standard procedure for some time. But Addeco Alfred Marks has taken the concept further with its Expert testing and matching system. The system allows recruitment consultants to evaluate applicants in three core areas — skills, motivation and attitude and preferred working environment. Under the first stage, `Can do', applicants are tested for basic numeracy, literacy and job-related skills. The next step, `will do', assesses areas such as reliability, stress tolerance, motivation and energy. The final part of the evaluation, `will fit', compares information about the employer's working environment with details of the candidate's preferences. The results are then compared to ensure an optimum `fit' for job-seekers and employers alike.

There is now a wide menu of alternative assessment techniques that organisations can experiment with if they feel so inclined. The interview, references and that important first impression still have their place. Tests don't do the whole job. They're just a way of enabling you to make your decision in the best possible light with the best available information.

Check Your Progress

1. List out the keys to success of employee involvement.
2. What is WABs stands for? What are its usefulness?
3. What is simulation test?
4. Draft a restaurant advertisement for any university. Assume that university wants to recruit manpower for position of progress or of commerce, librarian and also for administrative staff.

7.5 LET US SUM UP

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

The selection process is a series of steps through which applicants pass. i.e.

Preliminary Reception

Employment Tests

Another important decision in the selection process involves applicant testing and the kinds of tests to use. A test is a standardised, objective measure of a person's behaviour, performance or attitude. To simulate is to initiate. In general terms, simulation involves developing a model of some real phenomenon and then performing experiments on the model evolved. It is a descriptive, and not an optimizing, technique. In simulation, a given system is copied and the variables and constants associated with it are manipulated in an artificial environment to examine the behaviour of the system. The interview is a good selection tool in the hands of the person who knows how to use it. If it is not used properly or the interviewer himself is not in a positive frame of mind, mistakes may occur.

7.6 LESSON-END ACTIVITY

You work for a medium-sized software solutions company that faces intense competition from local as well as global competitors. Change seems to be the only permanent feature in your workspot and each employee's responsibilities shift from project to project. Suppose you have been asked to fill up the job openings at your company. How would you identify the best people to work in such an environment?

7.7 KEYWORDS

Preliminary Reception

Aptitude Test

Achievement Test

Simulation Test

Monte Carlo Simulation

7.8 QUESTIONS FOR DISCUSSION

1. What is testing in selection? Explain its validity and reliability in the selection process.
2. What are the different types of Interviews? Explain each.
3. If you were responsible for hiring someone for your job state "which recruitment sources would you consider, and also which you will avoid." Explain with reason?
4. Write notes on:

   (a) Personality Tests (b) Achievement Tests

   (c) Polygraph (d) Europhology

7.9 SUGGESTED READINGS

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Unit-III

LESSON

8

ORIENTATION & TRAINING

CONTENTS

8.0 AIMS AND OBJECTIVES

In this lesson we shall discuss orientation and training. After going through this lesson you will be able to:

(i) Understand training process.

(ii) Analyse training techniques and special purpose training.

8.1 INTRODUCTION

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

8.2 ORIENTING THE EMPLOYEES

Orientation or induction is the task of introducing the new employees to the organisation and its policies, procedures and rules. A typical formal orientation programme may last a day or less in most organisations. During this time, the new employee is provided with information about the company, its history, its current position, the benefits for which he is eligible, leave rules, rest periods, etc. Also covered are the more routine things a newcomer must learn, such as the location of the rest rooms, break rooms, parking spaces, cafeteria, etc. In some organisations, all this is done informally by attaching new employees to their seniors, who provide guidance on the above matters. Lectures, handbooks, films, groups, seminars are also provided to new employees so that they can settle down quickly and resume the work.

Box 8.1: Flowers for Attending an Interview

> "I came for an interview here in 2000. At that time Mind Tree Consulting (1045 employees software consulting outfit with nearly $29 million global sales) had about a hundred employees," says a Senior Consultant. "I had not made up my mind about the company, and had a few other offers. Soon after the inter interview the company sent me a bouquet of flowers, thanking me for attending the interview. For me that was the 'clincher' – after all how many companies would do that, just for attending an interview? [See B. World, 6.12.2004]

8.2.1 Objectives

Induction serves the following purposes:

1. ***Removes fears:*** A newcomer steps into an organisation as a stranger. He is new to the people, workplace and work environment. He is not very sure about what he is supposed to do. Induction helps a new employee overcome such fears and perform better on the job.

   i. It assists him in knowing more about:

   ii. The job, its content, policies, rules and regulations.

   iii. The people with whom he is supposed to interact.

   iv. The terms and conditions of employment.

2. ***Creates a good impression:*** Another purpose of induction is to make the newcomer feel at home and develop a sense of pride in the organisation. Induction helps him to:

i. Adjust and adapt to new demands of the job.

ii. Get along with people.

iii. Get off to a good start.

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

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

8.3 INDUCTION PROGRAMME: STEPS

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

i. Welcome to the organisation.

ii. Explain about the company.

iii. Show the location/department where the new recruit will work.

iv. Give the company's manual to the new recruit.

v. Provide details about various work groups and the extent of unionism within the company.

vi. Give details about pay, benefits, holidays, leave, etc. Emphasise the importance of attendance or punctuality.

vii. Explain about future training opportunities and career prospects.

viii. Clarify doubts, by encouraging the employee to come out with questions.

ix. Take the employee on a guided tour of buildings, facilities, etc. Hand him over to his supervisor.

(a) ***Content:*** The topics covered in employee induction programme may be stated thus:

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

(c) ***Follow up:*** Despite the best efforts of supervisors, certain dark areas may still remain in the orientation programme. New hires may not have understood certain things. The supervisors, while covering a large ground, may have ignored certain important matters. To overcome the resultant communication gaps, it is better to use a supervisory checklist and find out whether all aspects have been covered or not. Follow up meetings could be held at fixed intervals, say after every three or six months on a face-to-face basis. The basic purpose of such follow up orientation is to offer guidance to employees on various general as well as job related matters without leaving anything to chance. To improve orientation, the company should make a conscious effort to obtain feedback from everyone involved in the programme. There are several ways to get this kind of feedback: through round table discussions with new hires after their first year on the job, through in-depth interviews with randomly selected employees and superiors and through questionnaires for mass coverage of all recent recruits.

8.4 THE TRAINING PROCESS

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

8.4.1 Modelling

Modelling is simply copying someone else's behaviour. Passive class room learning does not leave any room for modelling. If we want to change people, it would be a good idea to have videotapes of people showing the desired behaviour. The selected model should provide the right kind of behaviour to be copied by others. A great deal of human behaviour is learned by modelling others. Children learn by modelling parents and older children, they are quite comfortable with the process by the time they grow up. As experts put it. "managers tend to manage as they were managed!"

8.4.2 Motivation

For learning to take place, intention to learn is important. When the employee is motivated, he pays attention to what is being said, done and presented. Motivation to learn is influenced by the answers to questions such as: How important is my job to me? How important is the information? Will learning help me progress in the company? etc. People learn more quickly when the material is important and relevant to them. Learning is usually quicker and long-lasting when the learner participates actively. Most people, for example, never forget how to ride a bicycle because they took an active part in the learning process!

8.4.3 Reinforcement

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

8.4.4 Feedback

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

8.4.5 Spaced Practice

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

8.4.6 Whole Learning

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

8.4.7 Active Practice

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

8.4.8 Need Analysis

Training efforts must aim at meeting the requirements of the organisation (long-term) and the individual employees (short-term). This involves finding answers to questions such as: Whether training is needed? If yes, where is it needed? Which training is needed? etc. Once we identify training gaps within the organisation, it becomes easy to design an appropriate training programme. Training needs can be identified through the following types of analysis, as shown in Box 8.2.

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

    i. *Analysis of objectives:* This is a study of short term and long term objectives and the strategies followed at various levels to meet these objectives.

ii. *Resource utilisation analysis:* How the various organisational resources (human, physical and financial) are put to use is the main focus of this study. The contributions of various departments are also examined by establishing efficiency indices for each unit. This is done to find out comparative labour costs, whether a unit is under-manned or over-manned.

iii. *Environmental scanning:* Here the economic, political, socio-cultural and technological environment of the organisation is examined.

Box 8.2: Data Sources used in Training Needs Assessment

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

Source: M.L. Moore and P. Dutton, Training needs analysis: Review and Critique. *Academy of Management Review*, 3, 1978

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

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

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

diagnostic tests help in collecting the required information and select particular training options that try to improve the performance of individual workers. (see Box next page)

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

Box 8.3: Model Form for Conducting a 'Training Needs' Assessment

Conducting a Needs Assessment: A Model Form

Job ________________________________ Title _________________________________

Interviewer(s) ________________________ Date ________________________________

Part I Background Information on Interviewee

Years on the Job _____________________ Years in the company____________________

Educational/Technical
Qualifications________________________

Part II Organisational Analysis

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

Part III Task and Person Analysis

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

8.5 TRAINING TECHNIQUES

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

8.5.1 Job Instruction Training (JIT)

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

i. The trainee receives an overview of the job, its purpose and its desired outcomes, with a clear focus on the relevance of training.

ii. The trainer demonstrates the job in order to give the employee a model to copy. The trainer shows a right way to handle the job.

iii. Next, the employee is permitted to copy the trainer's way. Demonstrations by the trainer and practice by the trainee are repeated until the trainee masters the right way to handle the job.

iv. Finally, the employee does the job independently without supervision.

Box 8.4: Job Instruction Training

Merits	Demerits
• Trainee learns fast through practice and observation.	• The trainee should be as good as the trainer. If the trainer is not good, transference of knowledge and skills will be poor.
• It is economical as it does not require any special settings. Also, mistakes can be corrected immediately.	• While learning, trainee may damage equipment, waste materials, cause accidents frequently.
• The trainee gains confidence quickly as he does the work himself in actual setting with help from supervisor.	• Experienced workers cannot use the machinery while it is being used for training.
• It is most suitable for unskilled and semi -skilled jobs where the job operations are simple; easy to explain and demonstrate within a short span of time.	

8.5.2 Coaching

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

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

i. an employee demonstrates a new competency

ii. an employee expresses interest in a different job within the organisation

iii. an employee seeks feedback

iv. an employee is expressing low morale, violating company policies or practices or having performance problems

v. an employee needs help with a new skill following a formal training programme.

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

i. explaining appropriate ways of doing things

ii. making clear why actions were taken

iii. stating observations accurately

iv. offering possible alternatives / suggestions

v. following up

8.5.3 Mentoring

Mentoring is a relationship in which a senior manager in an organisation assumes the responsibility for grooming a junior person. Technical, interpersonal and political skills are generally conveyed in such a relationship from the more experienced person. A mentor is a teacher, spouse, counsellor, developer of skills and intellect, host, guide, exemplar, and most importantly, supporter and facilitator in the realisation of the vision the young person (protégé) has about the kind of life he wants as an adult. The main objective of mentoring is to help an employee attain psychological maturity and effectiveness and get integrated with the organisation. In a work situation, such mentoring can take place at both formal and informal levels, depending on the prevailing work culture and the commitment from the top management. Formal mentoring can be very fruitful, if management invests time and money in such relationship building exercises. The important features/processes of mentoring may be presented thus (Figure 8.1):

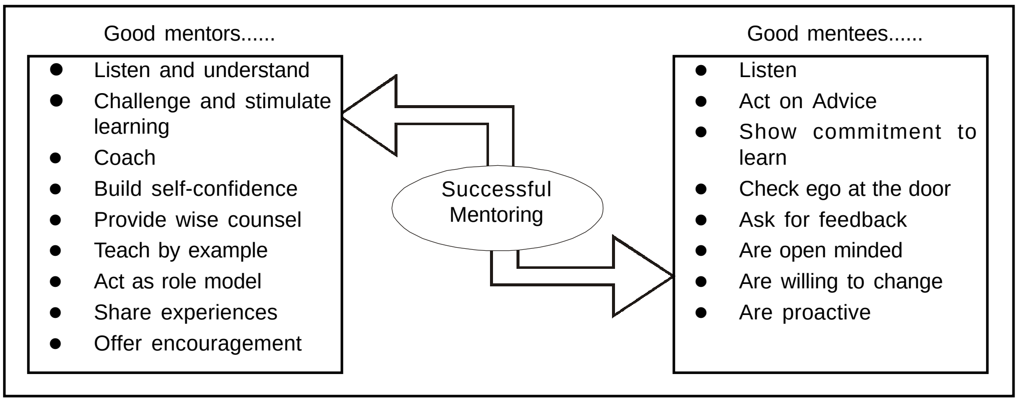

Figure 8.1: Mentoring Functions

1. ***Career functions:*** Career functions are those aspects of the relationship that enhance career advancement. These include:

   i. *Sponsorship:* Where mentors actively nominate a junior person (called 'mentee') for promotions or desirable positions.

   ii. *Exposure and visibility:* Where mentors offer opportunities for mentees to interact with senior executives, demonstrate their abilities and exploit their potential.

   iii. *Coaching:* Mentors help mentees to analyse how they are doing their work and to define or redefine their aspirations. Here mentors offer practical advice on how to accomplish objectives and gain recognition from others.

   iv. *Protection:* Mentors shield the junior person from harmful situations/seniors.

   v. *Challenging assignments:* Mentors help mentees develop necessary competencies through challenging job assignments and appropriate feedback. Mentors create opportunities for their clients to prove their worth – to demonstrate clearly what they have to offer.

2. ***Psychological functions:*** Psychological functions are those aspects that enhance the mentee's sense of competence, and identify effectiveness in a professional role. These include:

   i. *Role modelling:* Mentors offer mentees a pattern of values and behaviours to imitate

ii. *Acceptance and confirmation:* mentors offer support, guidance and encouragement to mentees so that they can solve the problems independently and gain confidence in course of time. Mentors also help people to learn about the organisation's culture and understand why things are done in certain ways.

iii. *Counselling:* Mentors help mentees work out their personal problems, learn about what to do and what not to do, offer advice on what works and what doesn't, and do everything to demonstrate improved performance and prepare themselves for greater responsibility.

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

Box 8.5: Merits and Demerits of Mentoring

Merits	Demerits
• There is an excellent opportunity to learn	• It may create feelings of jealousy among quickly through continuous interaction. other workers who are not able to show equally good performance.
• Constant guidance helps the mentee to be on track, using facilities to good advantage.	• If mentors form overly strong bonds with trainees, unwarranted favouritism may result. This can have a demoralising effect on other workers, affecting their work performance in a negative way.

Mentoring in India is based on the time-honoured guru-shishya relationship where the guru would do everything to develop the personality of the shishya, offering emotional support, and guidance. Companies like TISCO, Neyveli Lignite Corporation, Polaris, Coca-Cola India have used mentoring systems to good effect in recent times (*Economic Times*, 25 Oct., 2002). Organisations like General Electric, Intel, Proctor & Gamble have given a lot of importance to mentoring programmes, going even gone to the extent of penalising senior managers if they fail to develop leadership skills among subordinates. Of course, mentoring is not without its problems. Mentors who are dissatisfied with their jobs and those who teach or narrow or distorted view of events may not help a protégé's development. Not all mentors are well prepared to transfer their skills and wisdom to their junior colleagues. When young people are bombarded with conflicting viewpoints – about how things should go – from a series of advisors, they may find it difficult to get ahead with confidence. Mentoring can succeed if (i) there is genuine support and commitment from top management (ii) mentors take up their job seriously and transfer ideas, skills and experiences in a systematic way and (iii) mentees believe in the whole process and carry out things in an appropriate manner.

8.5.4 Job Rotation

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

Job rotation may pose several problems, especially when the trainees are rolled on various jobs at frequent intervals. In such a case, trainees do not usually stay long enough in any single phase of the operation to develop a high degree of expertise. For slow learners, there is little room to integrate resources properly. Trainees can become confused when they are exposed to rotating managers, with contrasting styles of operation. Today's manager's commands may be replaced by another set from another manager! Further, job rotation can be quite expensive. A substantial amount of managerial time is lost when trainees change positions, because they must be acquainted with different people and techniques in each department. Development costs can go up and productivity is reduced by moving a trainee into a new position when his efficiency levels begin to improve at the prior job. Inexperienced trainees may fail to handle new tasks in an efficient way. Intelligent and aggressive trainees, on the offer hand, may find the system to be thoroughly boring as they continue to perform more or less similar jobs without any stretch, pull and challenge. To get the best results out of the system, it should be tailored to the needs, interests and capabilities of the individual trainee, and not be a standard sequence that all trainees undergo. Box 8.6 presents the merits and demerits of job rotation:

Box 8.6: Job Rotation: Merits and Demerits

Merits	Demerits
● Improves participant's job skills, job satisfaction	● Increased workload for participants
● Provides valuable opportunities to network within the organisation	● Constant job change may produce stress and anxiety
● Offers faster promotions and higher salaries to quick learners	● Mere multiplication of duties do not enrich the life of a trainee
● Lateral transfers may be beneficial in rekindling enthusiasm and developing new talents	● Development costs may shoot up when trainees commit mistakes, handle tasks less optimally

8.5.5 Apprenticeship Training

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

8.5.6 Committee Assignments

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

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

8.6 SPECIAL PURPOSE TRAINING

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

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

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

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

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

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

8.6.1 Training via Internet

Training programmes delivered via intranet have now been thought of most cost effective route. It is not only cost effective but also caters to the real time information need of employees. However, it involves convergence of several technologies, like; hardware, software, web-designing and authoring, instructional design, multi-media design, telecommunications and finally internet intranet network management. Organisations can outsource e-learning training modules at relatively cheaper rate. Even though training through e-learning is globally increasing, we do not have adequate empirical evidence to justify this.

Check Your Progress

1. Give one line definition for following:
   (a) Orientation
   (b) Motivation
   (c) Reinforcement
   (d) JIT
   (e) Apprentice Training
2. Write True and False against each statement.
   (a) The advantage of lecture method is that it direct & can be used for a large no. of groups/trainees. ( )
   (b) The limitation of lecture method is that it does not provide for transfer of training effectively. ( )
   (c) Role playing means act of doing something dramatically. ( )
   (d) Job Rotation means movement of trainee from one job to another. ( )

8.7 LET US SUM UP

Orientation or induction is the task of introducing the new employees to the organisation and its policies, procedures and rules. A typical formal orientation programme may last a day or less in most organisations.

Induction serves various purposes like:

Removes fears, Creates a good impression and Acts as a valuable source of information.

Acts as valuable source of information.

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

Training methods are usually classified by the location of instruction.

Some of the widely used training methods are:

Job Instruction Training (JIT), Coaching, Mentoring etc.

Training programmes delivered via internet have now been thought of next cost effective route. It is not only cost effective but also caters to the real time information need of employees.

8.8 LESSON-END ACTIVITIES

(i) Assume you were asked to develop a training programme to improve customer sales skills. What training techniques would your use? Why?

(ii) Specify the training methods you recommend for each of the following occupations. Why?

(a) A plumber

(b) An unskilled-assembly line worker

(c) An office clerk

(d) An unexperienced manager

8.9 KEYWORDS

Induction

Modelling

Motivation

Reinforcement

Feedback

Spaced Practice

JIT

Mentoring

8.10 QUESTIONS FOR DISCUSSION

1. What are true objectives of training?
2. Distinguish between training and development.
3. Explain various method of trap.
4. Distinguish between induction and training.
5. Brief outline the steps involved in conducting a training programme in a systematic way.

8.11 SUGGESTED READINGS

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LESSON

9

DEVELOPING MANAGERS

CONTENTS

9.0 AIMS AND OBJECTIVES

In this lesson we shall discuss about developing managers. After going through this lesson you will be able to:

(i) Understand management development programme and on-off the job development techniques and skills.

(ii) Analyse CD ROMs and key factors for success.

9.1 INTRODUCTION

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

9.2 MANAGEMENT DEVELOPMENT

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

9.2.1 Definition

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

Box 9.1: Features of Executive Development

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

9.2.2 Importance

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

i. For any business, Executive Development is an invaluable investment in the long run. It helps managers to acquire knowledge, skills and abilities (KSAs) required to grapple with complex changes in environment, technology and processes quite successfully. They can have a better grip over market forces and get ahead of others in the race in a confident manner.

ii. Developmental efforts help executives to realise their own career goals and aspirations in a planned way.

iii. Executives can show superior performance on the job. By handling varied jobs of increasing difficulty and scope, they become more useful, versatile and productive. The rich experience that they gain over a period of time would help them step into the shoes of their superiors easily.

iv. Executive Development programmes help managers to broader their outlook, look into various problems dispassionately, examine the consequences carefully, appreciate how others would react to a particular solution and discharge their responsibilities taking a holistic view of the entire organisation.

v. The special courses, projects, committee assignments, job rotation and other exercises help managers to have a feel of how to discharge their duties without rubbing people (subordinates, peers, superiors, competitors, customers, etc.) the wrong way.

9.3 STEPS IN THE ORGANISATION OF A MANAGEMENT DEVELOPMENT PROGRAMME

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

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

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

ii. ***Appraisal of present management talents:*** In order to make the above suggested comparison, a qualitative assessment of the existing executive talents should be made and an estimate of their potential for development should be added to that. Only then can it be compared with the projected required talents.

iii. ***Inventory of management manpower:*** This is prepared to have a complete set of information about each executive in each position. For each member of the executive team, a card is prepared listing such data as name, age, length of service, education, work experience, health record, psychological test results and performance appraisal data, etc. The selection of individuals for a management development programme is made on the basis of the kind of background they possess.

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

iv. ***Planning of individual development programmes:*** Guided by the results of the performance appraisal that indicates the strengths and weaknesses of each of the executives, this activity of planning of individual development programme can be performed.

v. ***Establishment of development programmes:*** It is the duty of the HR department to establish the developmental opportunities. The HR department has to identify the existing level of skills, knowledge, etc., of various executives and compare them with their respective job requirements. Thus, it identifies developmental needs and requirements and establishes specific development programmes, like leadership courses, management games, sensitivity training, etc.

vi. ***Evaluation of results:*** Executive development programmes consume a lot of time, money and effort. It is, therefore, essential to find out whether the programmes have been on track or not. Programme evaluation will cover the areas where changes need to be undertaken so that the participants would find the same to be relevant and useful for enriching their knowledge and experience in future. Opinion surveys, tests, interviews, observation of trainee reactions, rating of the various components of training, etc., could be used to evaluate executive development programmes.

9.4 THE RESPONSIVE MANAGERS-ON THE JOB AND OFF THE JOB DEVELOPMENT TECHNIQUES AND SKILLS

Management development programmes help in acquiring and developing different types of managerial skills and knowledge. Different types of techniques are used to acquire and develop various types of managerial skills and knowledge. They are (See Box 9.2):

Box 9.2: Methods of Developing Managers

1. Decision-making skills	(a) In-basket
	(b) Business game
	(c) Case study
2. Interpersonal skills	(a) Role play
	(b) Sensitivity training
	(c) Behaviour Modelling
3. Job knowledge	(a) On-the-job experiences
	(b) Coaching
	(c) Understudy
4. Organisational knowledge	(a) Job rotation
	(b) Multiple management
5. General knowledge	(a) Special courses
	(b) Special meetings
	(c) Specific readings
6. Specific individual needs	(a) Special projects
	(b) Committee assignments

9.4.1 Decision-making Skills

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

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

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

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

- analytic, problem-solving and thinking skills are most important.
- the KSAs are complex and participants need time to master them.
- active participation is required.
- the process of learning (questioning, interpreting etc.) is as important as the content.
- team problem solving and interaction are possible.

Box 9.3: Merits and Demerits of the Case Study Method

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

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

Box 9.4: When Using Case Studies

- Be clear about learning objectives and explore possible ways to realise the objectives.
- Decide which objectives would be best served by the case method.
- Find out the available cases that might work or consider developing your own.

Contd....

- Set up the activity – including the case material, the room and the schedule
- Observe the principles that guide effective group interactions
- Provide an opportunity to all trainees to participate meaningfully and try to keep the groups small.
- Stop for process checks and get set to intervene when interactions go out of hand
- Allow for different learning styles
- Clarify the trainer's role as a facilitator
- Bridge the gap between theory and practice

Source: Einseidel A.A., Case studies: Indispensable Tools for Trainers, *Training and Development*, August 1995.

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

Box 9.5: Merits and Demerits of the Business Game Method

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

9.4.2 Interpersonal Skills

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

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

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

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

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

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

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

Box 9.6: Features of T-Group Training

- T-Group consists of 10-12 persons.
- A leader acts as a catalyst and provides a free and open environment for discussion
- There is no specified agenda
- Members express their ideas, feelings and thoughts freely and openly
- The focus is on behaviour rather than on duties
- The aim is to achieve behaviour effectiveness in transactions with one's environment

3. ***Benefit and Costs:*** The benefits and costs of sensitivity training have been summarised through Box 9.7.

Box 9.7: Sensitivity – A Balance Sheet

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

9.4.3 Job Knowledge

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

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

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

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

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

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

   iii. *Role playing:* Trainees participate in extensive rehearsal of the behaviours shown by the models.

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

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

Behaviour modelling can be effective. Several controlled studies have demonstrated success in helping managers interact with employees, handle discipline, introduce change and increase productivity.[8] This method of learning in isolation may prove to be inadequate, but in combination with other off-the-job techniques may prove to be useful.

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

   In coaching, participants can learn by actually doing a piece of work and obtain feedback on performance quickly.[9] However, there is no guarantee that supervisors will be able to coach in an effective way. It is easy for the 'coach' to fall short in guiding the learner systematically, even if he knows which systematic experiences are best. Sometimes doing the job on hand may score over learning and watching. Many skills that have an intellectual component are best learned from a book or lecture before coaching could take place. Further, in many cases, the learner cannot develop much beyond the limits of his own boss's abilities. Coaching would work well if the coach provides a good model with whom the trainee can identify, if both can be open with each other, if the coach accepts his responsibility fully, and if he provides the trainee with recognition of his improvement and appropriate rewards.

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

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

9.4.4 Organisational Knowledge

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

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

b. ***Multiple management:*** Multiple management is a system in which permanent advisory committees of managers study problems of the company and make recommendations to higher management. It is also called a Junior-board of executives. These committees discuss the actual problems and different alternative solutions after which the decisions are taken. Multiple management technique offers several advantages: it helps board members to gain first hand experience in various important aspects of business; it becomes easy to spot people with talent; juniors get a chance to improve their problem solving skills; and more importantly it is an inexpensive way of training a good number of executives to do things on their own and develop fast.

9.4.5 General Knowledge

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

i. ***Special courses:*** Special courses – like the workshops or executive development programmes organised by the institutes, universities and colleges – help the trainees to acquire general knowledge.

ii. ***Special meetings:*** Special meetings organised in Consumers’ Forums, Voluntary Organisations, etc., help the trainees develop their general knowledge.

iii. ***Specific readings:*** Specific articles published by various journals, specific portions of important books are provided to the trainees to improve their general knowledge.

9.4.6 Specific Individual Needs

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

i. ***Special projects:*** In this method, a trainee is put on a project closely related to the objectives of his department. For example, a new recruit in a property evaluation firm may be asked to do a small project reviewing the prospects of selling commercial space in satellite townships (like Gurgaon, Rohtak and Ghaziabad) near Delhi. The project will give a first hand experience of the problems and prospects in space selling to the new recruit.

ii. ***Committee assignment:*** In this method, an *ad hoc* committee is appointed to discuss, evaluate and offer suggestions relating to an important aspect of business.

For example, a group of experts may be asked to look into the feasibility of developing a Software Technology Park in an upcoming area by the Delhi Development Authority.

9.4.7 Other Off-the-Job Methods

1. ***Conferences:*** The conference method is another commonly used method of executive development. Topics such as human relations, safety education, customer relations, sales training, are often discussed, debated, spoken about at conferences specially organised and designed for the purpose. A conference is a meeting of people to discuss a subject of common interest. The conference is structured around a small group meeting wherein a leader helps the group identify and define a problem, guides the discussion along desired lines and summarises the views that represent the consensus of the group in dealing with the problem. The participants exchange notes, opinions, ideas on the subject in a systematic, planned way. A conference may be divided into small groups for focused discussions. Participants are expected to air their opinions and thoughts freely. In order to ensure its success, (i) participants are expected to come prepared for the conference, (ii) the conference leader should conduct the sessions according to a plan, giving enough room for healthy interchange of different viewpoints, (iii) the discussion should proceed along desired lines and (iv) the size of the group should not be too large.

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

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

   i. The presentation should be interesting, lively and leave enough room for healthy discussions mid-way.

   ii. The presenter must possess excellent communication and interpersonal skills. Adequate preparation must precede the actual presentation.

   iii. To enrich the presentation, audio-visual aids, examples, cases, and real-life incidents should be used freely, encouraging the audience to participate freely. Better to set time limits to the lecture, since listeners tend to switch off completely beyond a point (say, one or two hours).

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

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

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

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

9.5 CD-ROMS

Some intranets can also support the delivery of CD-ROM-based training. As CD-ROM programs continue to become more sophisticated, trainers can learn more about them through the use of "authoring" software, which ranges in difficulty from straightforward, template-based programs to more complex applications requiring expert programming skills.

HRM practitioners and trainers should also have a working knowledge of multimedia technology. It enhances learning in individual and group settings with audio, animation, graphics, and interactive video delivered via computer. Those capabilities let trainees retrieve information when they want it and in the way that makes the most sense to them.

Box 9.8: 360-degree Performance Appraisals

ADVANTAGES

1. Provides a more comprehensive view of employee performances.
2. Increases credibility of performance appraisal.
3. Feedback from peers enhances employee’s self-development.
4. Increases accountability of employees to their customers.

DISADVANTAGES

1. Time consuming and more administratively complex.
2. Extensive giving and receiving feedback can be intimidating to some employees.
3. Requires training and significant change effort to work effectively.

9.6 KEY FACTOR FOR SUCCESS

The success of any management development programme largely depends on the selection of the method. The objectives of the programme should be kept in mind while choosing a particular method. However, no single technique may prove to be sufficient, but only a suitable combination of techniques may yield results.

The following Box 9.9 may help in making a suitable choice:

Box 9.9

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

Check Your Progress

1. What is meant by executive/management development programme?
2. What are the steps involved in the MDP?
3. Differentiate between Case study method and Business game method.
4. What are specific individual needs?
5. What are the key factors for success in MDP?

9.7 LET US SUM UP

Managers are the indispensable resources, the priceless assets of an organisation. They generate creative ideas, translate them into concrete action plans and produce results. When they succeed, they are able to keep everyone in good humour – including shareholders, employees and the general public. Executive or management development is a planned, systematic and continuous process of learning and growth by which managers develop their conceptual and analytical abilities to manage. Management development programmes help in acquiring and developing different types of managerial skills and knowledge. In addition to job knowledge, managers should also possess knowledge of various jobs, products, markets, finances creditors of the organisation, etc. Some intranets can also support the delivery of CD-ROM-based training. As CD-ROM programs continue to become more sophisticated, trainers can learn more about them through the use of "authoring" software, which ranges in difficulty from straightforward, template-based programs to more complex applications requiring expert programming skills. The success of any management development programme largely depends on the selection of the method. The objectives of the programme should be kept in mind while choosing a particular method.

9.8 LESSON-END ACTIVITY

You have just been hired as the new training and development manager in a large private sector bank. This is a new position in the bank and the senior executives have asked you to attend their executive meeting at the end of the week. You are supposed to give a presentation throwing light on how the training and development of employees would help reduce the increasing turnover the bank is currently experiencing.

9.9 KEYWORDS

Management Development

Interpersonal Skills

Role Play

Senstivity Training

Job Rotation

Multiple Management

Proframmed Instructions

CD-ROMs

9.10 QUESTIONS FOR DISCUSSION

1. Why Management Development has become indispensable to modern Organisations? Give reasons.
2. What are the important steps in the organisation of Management Development Programme?
3. Explain Sensitivity Training?
4. Explain Case Study. What are the merits and demerits of the Case Study Method?
5. What are the techniques of imparting organisational knowledge? Explain.
6. Name off-the-Job Methods.
7. Write notes on following:
   (a) CD-Roms
   (b) Key factor for success

9.11 SUGGESTED READINGS

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LESSON

10

PERFORMANCE APPRAISAL

CONTENTS

10.0 AIMS AND OBJECTIVES

In this lesson we shall discuss about performance appraisal. After going through this lesson you will be able to:

(i) Discuss methods, problems and solutions of performance appraisal.

(ii) Analyse performance appraisal in practice.

10.1 INTRODUCTION

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

10.2 DEFINITION

Performance appraisal is a method of evaluating the behaviour of employees in the workspot, 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 or she is performing the job and ideally, establishing a plan of improvement.

10.3 FEATURES

The main characteristics of performance appraisal may be listed thus:

i. The appraisal is *a systematic process* involving three steps:

   a. Setting work standards.

   b. Assessing employee's actual performance relative to these standards.

   c. Offering feedback to the employee so that he can eliminate deficiencies and improve performance in course of time.

ii. It tries to find out how well the employee is performing the job and tries to establish a plan for further improvement.

iii. The appraisal is carried out periodically, according to a definite plan. It is certainly *not a one shot deal*.

iv. Performance appraisal is *not a past-oriented activity,* with the intention of putting poor performers in a spot. Rather, it is a future oriented activity showing employees where things have gone wrong, how to set everything in order, and deliver results using their potential in a proper way.

v. Performance appraisal is *not job evaluation*. Performance appraisal refers to how well someone is doing an assigned job. Job evaluation, on the other hand, determines how much a job is worth to the organisation and therefore, what range of pay should be assigned to the job.

vi. Performance appraisal is *not limited to ‘calling the fouls’*. Its focus is on employee development. It forces managers to become coaches rather then judges. The appraisal process provides an opportunity to identify issues for discussion, eliminate any potential problems, and set new goals for achieving high performance.

vii. Performance appraisal may be *formal or informal*. The informal evaluation is more likely to be subjective and influenced by personal factors. Some employees are liked better than others and have, for that reason only, better chances of receiving various kinds of rewards than others. The formal system is likely to be more fair and objective, since it is carried out in a systematic manner, using printed appraisal forms.

10.4 METHODS

The performance appraisal methods may be classified into three categories, as shown in Figure 10.1.

Performance Appraisal Methods

Individual evaluation methods	Multiple-person evaluation methods	Other methods
1. Confidential report	9. Ranking	12. Group Appraisal
2. Essay evaluation	10. Paired comparison	13. HRA
3. Critical incidents	11. Forced distribution	14. Assessment centre
4. Checklists		15. Field review
5. Graphic rating scale		
6. Behaviourally anchored rating scales		
7. Forced choice method		
8. MBO		

Figure 10.1: Performance Appraisal Methods

10.4.1 Individual Evaluation Methods

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

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

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

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

   i. It is highly subjective; the supervisor may write a biased essay. The employees who are sycophants will be evaluated more favourably than other employees.

   ii. Some evaluators may be poor in writing essays on employee performance. Others may be superficial in explanation and use flowery language which may not reflect the actual performance of the employee. It is very difficult to find effective writers nowadays.

iii. The appraiser is required to find time to prepare the essay. A busy appraiser may write the essay hurriedly without properly assessing the actual performance of the worker. On the other hand, appraiser takes a long time, this becomes uneconomical from the view point of the firm, because the time of the evaluator (supervisor) is costly.

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

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

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

   July 20 – The sales assistant stayed 45 minutes over on his break during the busiest part of the day. He failed to answer the store manager's call thrice. He is lazy, negligent, stubborn and uninterested in work.

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

   i. Negative incidents may be more noticeable than positive incidents.

   ii. The supervisors have a tendency to unload a series of complaints about incidents during an annual performance review session.

   iii. It results in very close supervision which may not be liked by the employee.

   iv. The recording of incidents may be a chore for the manager concerned, who may be too busy or forget to do it.

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

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

   i. *Is the employee really interested in the task assigned?* *Yes/No*

   ii. *Is he respected by his colleagues (co-workers)* *Yes/No*

   iii. *Does he respect his superiors?* *Yes/No*

   iv. *Does he follow instructions properly?* *Yes/No*

   v. *Does he make mistakes frequently?* *Yes/No*

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

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

Box 10.1: Typical Graphic Rating Scale

Employee Name.................. Job title ....
Department .... Rate ....
Data ....

	Unsatis-factory	**Fair**	**Satis-factory**	**Good**	**Outstanding**
• **Quantity of work** Volume of work under normal working conditions					
• **Quality of work** neatness, thoroughness and accuracy of work					
• **Knowledge of job** A clear understanding of the factors connected with the job					
• **Attitude** Exhibits enthusiasm and cooperativeness on the job					
• **Dependability** Conscientious, thorough, reliable, accurate, with respect to attendance, reliefs, lunch breaks, etc.					
• **Cooperation** Willingness and ability to work with others to produce desired goals.					

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

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

6. ***Behaviourally anchored rating scales:*** Also known as the behavioural expectations scale, this method represents the latest innovation in performance appraisal. It is a combination of the rating scale and critical incident techniques of employee performance evaluation. The critical incidents serve as anchor statements

on a scale and the rating form usually contains six to eight specifically defined performance dimensions. Figure 8.2 represents a BARS scale for a college professor.

How to construct BARS? Developing a BARS follows a general format which combines techniques employed in the critical incident method and weighted checklist rating scales. Emphasis is pinpointed on pooling the thinking of people who will use the scales as both evaluators and evaluees.

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

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

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

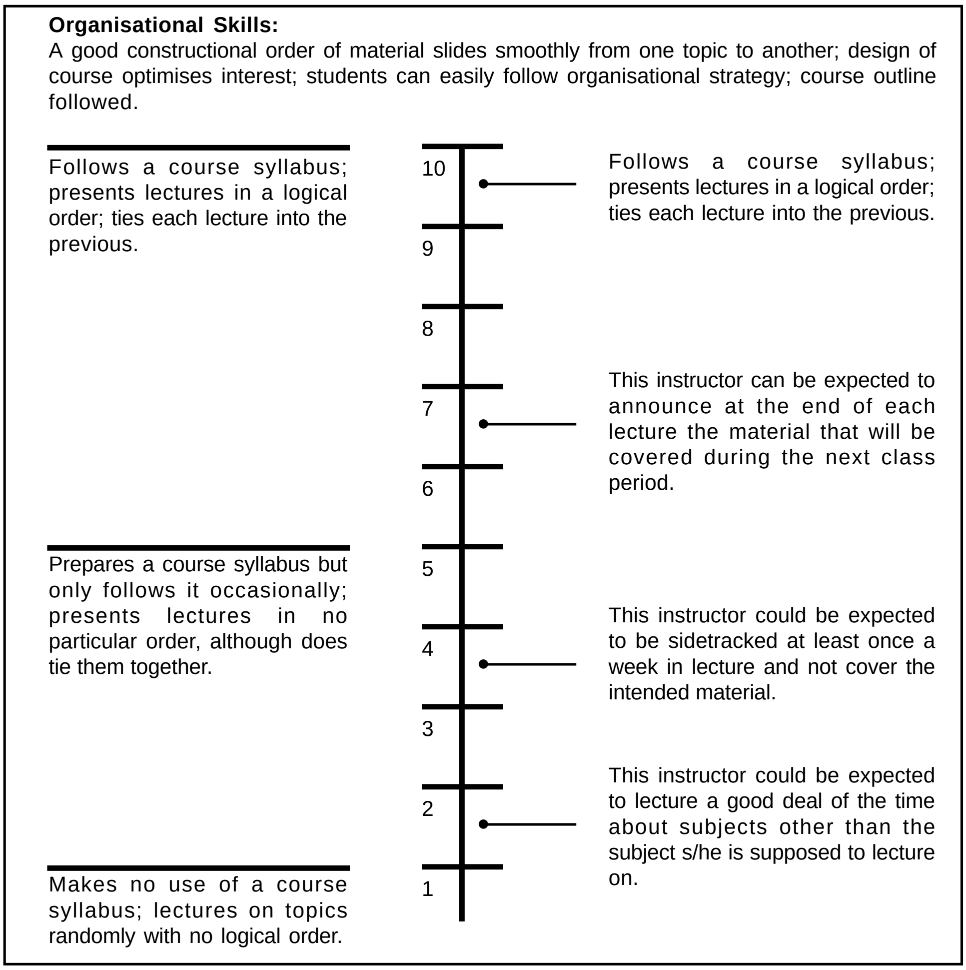

Figure 10.2: A Sample Behaviourally Anchored Rating Scale for a College Professor

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

Step V: Producing the final instrument: About six or seven incidents for each performance dimension – all having met both the retranslating and standard deviation criteria – will be used as behavioural anchors. The final BARS instrument consists of a series of vertical scales (one for each dimension) anchored (or measured) by the final incidents. Each incident is positioned on the scale according to its mean value.

Because the above process typically requires considerable employee participation, its acceptance by both supervisors and their subordinates may be greater. Proponents of BARS also claim that such a system differentiates among behaviour, performance and results and consequently is able to provide a basis for setting developmental goals for the employee. Because it is job-specific and identifies observable and measurable behaviour, it is a more reliable and valid method for performance appraisal.

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

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

Box 10.2

1.	Least		Most
	A	Does not anticipate difficulties	A
	B	Grasps explanations easily and quickly	B
	C	Does not waste time	C
	D	Very easy to talk to	D
2.	Least		Most
	A	Can be a leader	A
	B	Wastes time on unproductive things	B
	C	At all times, cool and calm	C
	D	Smart worker	D

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

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

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

   i. *Set the organisation's goals:* Establish an organisationwide plan for next year and set company goals.

   ii. *Set departmental goals:* Departmental heads at this stage take the broader company goals (such as improving profits by 20 per cent, increasing market share by 10 per cent etc.) and, with their superiors, jointly set goals for their departments.

   iii. *Discuss departmental goals:* The departmental goals are now put to discussion in a departmental meeting with subordinates. The departmental heads would require the subordinates to set their own preliminary individual goals, focusing mostly on what they can do to achieve the department's goals.

   iv. *Define expected results:* In the next step, the departmental heads and their subordinates agree on a set of participatorily set short term, and individual performance targets.

   v. *Performance reviews:* Departmental heads compare each employee's actual and targeted performance, either periodically or annually. While periodic review is intended to identify and solve specific performance problems, the annual review is conducted to assess and reward one's overall contribution to the organisation. Because employees are evaluated on their performance results, MBO is often called a result-based performance appraisal system.

   v. *Provide feedback:* Both parties now discuss and evaluate the actual progress made in achieving goals, where things have gone off the track, how best to rectify the mistakes made in the past, and how the employee could meet the targets next time, focusing attention on his strengths.

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

10.4.2 Multiple-person Evaluation Techniques

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

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

   i. The 'whole man' is compared with another 'whole man' in this method. In practice, it is very difficult to compare individuals possessing varied behavioural traits.

   ii. This method speaks only of the position where an employee stands in his group. It does not tell anything about how much better or how much worse an employee is when compared to another employee.

   iii. When a large number of employees are working, ranking of individuals becomes a vexing issue.

   iv. There is no systematic procedure for ranking individuals in the organisation. The ranking system does not eliminate the possibility of snap judgements.

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

2. ***Paired comparison method:*** Ranking becomes more reliable and easier under the paired comparison method. Each worker is compared with all other employees in the group; for every trait, the worker is compared with all other employees. For instance, when there are five employees to be compared, then A's performance is compared with that of B's and decision is arrived at as to whose is better or worse. Next, B is also compared with all others. Since A is already compared with B, this time B is to be compared with only C, D and E. By this method, when there are five employees, fifteen decisions are made (comparisons). The number of decisions to be made can be determined with the help of the formulae n (n-2). Ranking the employees by the paired comparison method may be illustrated as shown in the Box 10.3.

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

Trait: 'Quantity of work'

Box 10.3: Employee Rated

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

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

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

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

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

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

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

5. ***Human resource accounting:*** HRA is a sophisticated way to measure (in financial terms) the effectiveness of personnel management activities and the use of people in an organisation. It is the process of accounting for people as an organisational resource. It tries to place a value on organisational human resources as assets and not as expenses. The HRA process shows the investment the organisation makes in its people and how the value of these people changes over time. The acquisition cost of employees is compared to the replacement cost from time to time. The value of employees is increased by investments made by the company to improve the quality of its human resources such as training, development, and skills acquired by employees over a period of time through experience, etc. When qualified, competent people leave an organisation, the value of human assets goes down. In this method, employee performance is evaluated in terms of costs and contributions of employees. Human resource costs include expenditure incurred by the company in hiring, training, compensating and developing people. The contributions of human resources is the money value of labour productivity. The cost of human resources may be taken as the standard. Employee performance can be measured in terms of employee contribution to the organisation. Employee performance can be taken as positive when contribution is more than the cost and performance can be viewed as negative if cost is more than contribution. Positive performance can be measured in terms of percentage of excess of employee contribution over the cost of employee. Similarly negative performance can be calculated in terms of percentage of deficit in employee contribution compared to the cost of employee. These percentages can be ranked to 'Zero Level' as shown in the Box 10.4.

Box 10.4

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

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

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

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

7. ***Field review method:*** Where subjective performance measures are used, there is scope for rater's biases influencing the evaluation process. To avoid this, some employees use the field review method. In this method, a trained, skilled representative of the HR department goes into the 'field' and assists line supervisors with their ratings of their respective subordinates. The HR specialist requests from the immediate supervisor specific information about the employees performance. Based on this information, the expert prepares a report which is sent to the supervisor for review, changes, approval and discussion with the employee who is being rated. The ratings are done on standardised forms.

10.5 PROBLEMS AND SOLUTIONS

The problems inherent in performance appraisal may be listed thus:

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

   i. *First impressions (primacy effect):* The appraiser's first impression of a candidate may colour his evaluation of all subsequent behaviour. In the case of negative primacy effect, the employee may seem to do nothing right; in the case of a positive primacy effect, the employee can do no wrong (Harris, p.192).

   ii. *Halo:* The Halo error occurs when one aspect of the subordinate's performance affects the rater's evaluation of other performance dimensions. If a worker has few absences, his supervisor might give the worker a high rating in all other areas of work. Similarly, an employee might be rated high on performance simply because he has a good dress sense and comes to office punctually!

   iii. *Horn effect:* The rater's bias is in the other direction, where one negative quality of the employee is being rated harshly. For example, the ratee rarely smiles, so he cannot get along with people!

   iv. *Leniency:* Depending on rater's own mental make-up at the time of appraisal, raters may be rated very strictly or very leniently. Appraisers generally find evaluating others difficult, especially where negative ratings have to be given. A professor might hesitate to fail a candidate when all other students have cleared the examination. The leniency error can render an appraisal system ineffective. If everyone is to be rated high, the system has not done anything to differentiate among employees.

   v. *Central tendency:* An alternative to the leniency effect is the central tendency, which occurs when appraisers rate all employees as average performers. For example, a professor, with a view to play it safe, might give a class grades nearly equal to B, regardless of the differences in individual performance.

vi. *Stereotyping:* Stereotyping is a mental picture that an individual holds about a person because of that person's sex, age, religion, caste, etc. By generalising behaviour on the basis of such blurred images, the rater grossly overestimates or underestimates a person's performance. For example, employees from rural areas might be rated poorly by raters having a sophisticated urban background, if they view rural background negatively.

vii. *Recency effect:* In this case, the rater gives greater weightage to recent occurrences than earlier performance. For example, an excellent performance that may be six or seven months old is conveniently forgotten while giving a poor rating to an employee's performance which is not so good in recent weeks. Alternatively, the appraisal process may suffer due to a 'spill over effect' which takes place when past performance influences present ratings.

2. ***Poor appraisal forms:*** The appraisal process might also be influenced by the following factors relating to the forms that are used by raters:
   - The rating scale may be quite vague and unclear
   - The rating form may ignore important aspects of job performance.
   - The rating form may contain additional, irrelevant performance dimensions.
   - The forms may be too long and complex.

3. ***Lack of rater preparedness:*** The raters may not be adequately trained to carry out performance management activities. This becomes a serious limitation when the technical competence of a ratee is going to be evaluated by a rater who has limited functional specialisation in that area. The raters may not have sufficient time to carry out appraisals systematically and conduct thorough feedback sessions. Sometimes the raters may not be competent to do the evaluations owing to a poor self-image and lack of self-confidence. They may also get confused when the objectives of appraisal are somewhat vague and unclear.

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

10.5.1 Solutions

The following are some of the steps required to be followed while introducing a potential appraisal system:

1. ***Role Descriptions:*** Organisational roles and functions must be defined clearly. To this end, job descriptions must be prepared for each job.

2. ***Qualities needed to perform the roles:*** Based on job descriptions, the roles to be played by people must be prepared (i.e., technical, managerial jobs and behavioural dimensions).

3. ***Rating mechanisms:*** Besides listing the functions and qualities, the potential appraisal system must list mechanisms of judging the qualities of employees such as:

i. *Rating by others:* The potential of a candidate could be rated by the immediate supervisor who is acquainted with the candidate's work in the past, especially his technical capabilities.

ii. *Tests:* Managerial and behavioural dimensions can be measured through a battery of psychological tests.

iii. *Games:* Simulation games and exercises (assessment centre, business games, in-basket, role play, etc.) could be used to uncover the potential of a candidate.

iv. *Records:* Performance records and ratings of a candidate on his previous jobs could be examined carefully on various dimensions such as initiative, creativity, risk taking ability, etc., which might play a key role in discharging his duties in a new job.

- ***Organising the system***

  After covering the above preliminaries, the HR manager must set up a system that will allow the introduction of the scheme smoothly incorporating answers to some complex questions such as:

  i. How much weightage to accord to merit in place of seniority in promotions?

  ii. How much weightage to accord to each of the performance dimensions – technical, managerial, behavioural qualities?

  iii. What are the mechanisms of assessing the individual on different indicators of his potential, and with what degree of reliability?

- ***Feedback***

  The system must provide an opportunity for every employee to know the results of his assessment. "He should be helped to understand the qualities actually required for performing the role for which he thinks he has the potential, the mechanisms used by the organisations to appraise his potential and the results of such an appraisal".

10.5.2 The Appraisal Interviews

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

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

10.6 PERFORMANCE APPRAISAL IN PRACTICE

Leading Indian companies like Philips, Glaxo, Cadbury, Sandoz, Pfizer, Mafatlal, Proctor and Gamble have all redesigned their systems in recent times, shifting from a pure performance orientation to a potential-cum-performance based appraisal system. The Philips model, in this connection, is worth mentioning, shown below.

a. ***Low potential-low performance:*** Employees with low potential and low performance levels ('question marks') are asked to improve their performance initially. If that effort fails, Philips works towards a planned separation

b. ***Low potential-high performance:*** Defined as solid citizens-high skills but limited capability to grow beyond their current job profile-they constitute 70 to 75 per cent of the company's employees. The company has to constantly recognise their limitations and look after their needs.

c. ***Low performance-high potential:*** These are the problem children. In most cases, they do well in their jobs – if a location, boss or job profile is changed. To tap their potential, such employees are given a new scenario to work in and are closely observed. If they continue to show low performance, the separation process is initiated.

d. ***High performance-high potential:*** They are the star performers and ought to be pampered like race horses – putting them on challenging tasks constantly.

Philips uses a five-point scale to measure the potential of an employee and put him into one of the above quadrants. The potential appraisal criteria include the following: 1. *Conceptual effectiveness* (including vision, business orientation, entrepreneurial orientation, sense of reality), 2. *Interpersonal effectiveness* (network directedness, negotiating power, personal influence, verbal behaviour), 3. *Operational effectiveness* (result orientation, individual effectiveness, risk-taking, control), 4. *Achievement Motivation* (drive, professional ambition, innovativeness, stability). Once the potential of an employee is measured along these dimensions on a five-point scale, Philips lays down a fast-track, career growth plan for the star performers. (5 year to 10 year plan). Companies like Glaxo, Cadbury have similar processes in place to separate the star performers from the employee ranks and exploit their potential fully using rewards and incentive schemes to good effect.

10.6.1 Performance Appraisal Practices in India

There are three different approaches for carrying out appraisals. Employers can be appraised against (i) absolute standards (where employees' performance is measured against some established standards; the subjects here are not compared with any other person) (ii) relative standards (where the subjects are compared against other individuals) and (iii) objective. Here, employees are evaluated by how well they accomplish a specific set of objectives that have been determined to be critical in the successful completion of their job. No one approach is always best; each has its strengths and weaknesses. Of course, a successful performance appraisal system requires more than good technique. It depends on a consistent approach for comparability of results, clear standards and measures, and bias-free ratings. Against this backdrop, let's see how some of the leading companies in India carry out the appraisal process.

i. ***Hughes Escorts:*** Hughes Escorts, the subsidiary of the US-headquartered telecom company, Hughes, uses a competency-based performance-enhancement model. Each position in the organisation is defined in terms of 23 key competencies, categorised into four groups: attitude-based, knowledge-driven, skill-centred, and value based. The company uses these competencies to measure shortfalls and provide relevant training inputs. This is done to both maximise productivity and make employees aware of their professional standing.

ii. ***National Panasonic:*** This Japanese white-goods major has developed a performance-assessment system driven by key result areas (KRAs). KRAs describe performance goals – business, functional, and behavioural ones – with defined time-frames and are decided jointly by the employee and the manager at the beginning of the year. It is a structured exercise using a written format. These KRAs are then used to map the employee's progress and, based on the results, the company decides to plug performance gaps with the help of relevant training inputs. National Panasonic puts a great deal of emphasis on this process for re-skilling its employees as it believes in growing its own timber rather than opting for expensive mid-career hires.

iii. ***Larsen & Toubro:*** Engineering major Larsen & Toubro has developed a competency matrix which lists 73 competencies – that vary across managerial levels – to measure performance and gauge development needs of its employees. Each listed competency has associated knowledge, skills, and attributes. The company appraises individual employees in the listed competencies, and zeroes in on the functional, managerial, and behavioural skill gaps. Subsequently, customised reinforcement is provided. Further, as the matrix is linked to business strategy on the one hand and training needs on the other, strategic needs drive the company's development policies, making the process of re-learning and re-skilling easier, and more focused.

iv. ***Daewoo Motors:*** Auto major Daewoo Motors Ltd. has introduced a parameter on team work in its appraisal process. Targets are set according to business plans in the beginning of the year and assigned to various functional teams. Subsequently, the team's performance is measured on the basis of its achievement vis-à-vis its goals. This done, the top management allocates ratings (which can vary from outstanding to average) to each team. In a parallel process, the team-supervisor appraises each team member. Both ratings are taken into account before a final rating is assigned by the senior management team to each functional team and every team member. Rewards, including performance increments, bonuses, and promotions are given out on the basis of this final rating.

v. ***EIH Ltd.:*** Hospitality company EIH recently overhauled its performance appraisal system to make it more participatory and competency-driven. Now, employees are appraised on the achievement of specific individual and functional targets, as well as generic competencies like technical, functional, managerial, decision-making, and leadership skills. Performance ratings ranging from outstanding to below-average are given accordingly. The exercise is followed by an employee feedback process, where employees are required to answer. EIH had taken its managers through an extensive tour of its new appraisal process to raise comfort levels, and hopes to use its as a vehicle for people-based growth.

vi. ***Pepsi Co. India:*** Beverage giant Pepsi Co. (India) employs an annual appraisal process that is (numerical) target driven. As a large part of Pepsi's compensation package comprises performance pay in the form of bonuses – varying from 15 per cent at junior levels to 60-plus per cent at senior rungs – the manager's performance is determined on three key parameters: volume growth, marketshare, and net operating profit, to compute the variable component to compensation. Managers are also rated on key behavioural and functional competencies to assess their potential for advancement within the organisation.

Check Your Progress

1. Fill in the blanks.

   (a) Performance appraisal is a method of .... the behaviour of employee in the organisaiton.

   (b) In .... evaluation, the rater is asked to express the strong as well as weak points of the employee's behaviour.

   (c) In critical incident technique the .... prepares the lists of statement of every effective and his effective behaviour of an employee.

   (d) .... represent a set of objectives or descriptive statements about the employee and his behaviour.

   (e) The method to eliminate bias & the preponderance of high rating is called .... method.

2. Match the following:

(a)	Ranging Method	(i)	HR specialist move to fields.
(b)	Field review method	(ii)	Halo effect
(c)	Judgement errors	(iii)	Relative position of employee is expressed in numerical ranks.
(d)	Performance appraisal	(iv)	Redesigning to further one's career
(e)	Leveraging	(v)	Chance to express his rating

10.7 LET US SUM UP

Performance Evaluation or Appraisal is the process of deciding how employees do their jobs. Performance appraisal is a method of evaluating the behaviour of employees in the workspot, normally including both the quantitative and qualitative aspects of job performance.

The performance appraisal methods may be classified into three categories, i.e. Individual evaluation methods, Multiple-person evaluation methods, Other methods.

Forced choice method was developed to eliminate bias and the preponderance of high ratings that might occur in some organisations.

Management by Objectives (MBO) technique emphasises participatively set goals (that are agreed upon by the superior and the employee) that are tangible, verifiable and measurable.

The problems inherent in performance appraisal may be listed as:

Judgement errors, Poor appraisal forms, Lack of rater preparedness, Ineffective organisational policies and practices.

There are three different approaches for carrying out appraisals. Employers can be appraised against (i) absolute standards (where employees' performance is measured against some established standards; the subjects here are not compared with any other person) (ii) relative standards (where the subjects are compared against other individuals) and (iii) objective.

10.8 LESSON-END ACTIVITIES

(i) Working individually or in groups, develop, over a period of a week, a set of critical incidents covering the classroom performance of one of your teachers.

(ii) Develop a thirty-minute presentation about the purposes of the performance management systems: who benefits, the basic six steps–clarify the difference between relative and absolute standards, possible distortions and introduce the 360-degree feedback system.

10.9 KEYWORDS

Confidential Report

Graphic Rating Scale

Forced Choice Method

MBO

Group Appraisal

Assessment Centre

10.10 QUESTIONS FOR DISCUSSION

1. Define Performance Appraisal.
2. List out the main characteristic of Performance appraisal.
3. What are the three categories in which Performance appraisal methods can be classified?
4. Write a short note on:
    (a) Graphic Rating Scale
    (b) The Appraisal Interview
    (c) Forced Choice Method
    (d) MBO

10.11 SUGGESTED READINGS

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LESSON

11

MANAGING CAREERS

CONTENTS

11.0 AIMS AND OBJECTIVES

In this lesson we shall discuss about managing careers. After going through this lesson you will be able to:

(i) Analyse career planning and developing.

(ii) Discuss career development.

11.1 INTRODUCTION

A career is a sequence of positions held by a person during the course of a lifetime. People pursue careers to satisfy deeply individual needs. Career planning is the process by which one selects career goals and the path to these goals. Career planning is not a sure bet, but without it, employees are seldom ready for the career opportunities that arise.

11.2 CAREER PLANNING AND DEVELOPING

Career planning is the process by which one selects career goals and the path to these goals. The major focus of career planning is on assisting the employees achieve a better match between personal goals and the opportunities that are realistically available in the organisation. Career programmes should not concentrate only on career growth opportunities. Practically speaking, there may not be enough high level positions to make upward mobility a reality for a large number of employees. Hence, career-planning efforts need to pin-point and highlight those areas that offer psychological success instead of vertical growth.

Career planning is not an event or end in itself, but a continuous process of developing human resources for achieving optimum results. It must, however, be noted that individual and organisational careers are not separate and distinct. A person who is not able to translate his career plan into action within the organisation may probably quit the job, if he has a choice. Organisations, therefore, should help employees in career planning so that both can satisfy each other's needs.

11.2.1 Career Planning vs Human Resource Planning

Human Resource planning is the process of analysing and estimating the need for and availability of employees. Through Human Resource planning, the Personnel department is able to prepare a summary of skills and potentials available within the organisation. Career planning assists in finding those employees who could be groomed for higher level positions, on the strength of their performance.

Human Resource planning gives valuable information about the availability of human resources for expansion, growth, etc. (expansion of facilities, construction of a new plant, opening a new branch, launching a new product, etc.). On the other hand, career planning only gives us a picture of who could succeed in case any major developments leading to retirement, death, resignation of existing employees.

Human Resource planning is tied to the overall strategic planning efforts of the organisation. There cannot be an effective manpower planning, if career planning is not carried out properly.

11.2.2 Need for Career Planning

Every employee has a desire to grow and scale new heights in his workplace continuously. If there are enough opportunities, he can pursue his career goals and exploit his potential fully. He feels highly motivated when the organisation shows him a clear path as to how he can meet his personal ambitions while trying to realise corporate goals. Unfortunately, as pointed out by John Leach, organisations do not pay adequate attention to this aspect in actual practice for a variety of reasons. The demands of employees are not matched with organisational needs, no effort is made to show how the employees can grow within certain limits, what happens to an employee five years down the line if he does well, whether the organisation is trying to offer mere jobs or long-lasting careers, etc. When recognition does not come in time for meritorious performance and a certain amount of confusion prevails in the minds of employees whether they are 'in' with a chance to grow or not, they look for greener pastures outside. Key executives leave in frustration and the organisation suffers badly when turnover figures rise. Any recruitment effort made in panic to fill the vacancies is not going to be effective. So, the absence of a career plan is going to make a big difference to both the employees and the organisation. Employees do not get right breaks at a right time; their morale will be low and they are always on their toes trying to find escape routes.

Organisations are not going to benefit from high employee turnover. New employees mean additional selection and training costs. Bridging the gaps through short-term replacements is not going to pay in terms of productivity. Organisations, therefore, try to put their career plans in place and educate employees about the opportunities that exist internally for talented people. Without such a progressive outlook, organisations cannot prosper.

11.2.3 Objectives

Career planning seeks to meet the following objectives:

i. *Attract* and retain talent by offering careers, not jobs.

ii. *Use* human resources effectively and achieve greater productivity.

iii. *Reduce* employee turnover.

iv. *Improve* employee morale and motivation.

v. *Meet* the immediate and future human resource needs of the organisation on a timely basis.

11.2.4 Process

The career planning process involves the following steps:

i. ***Identifying individual needs and aspirations:*** Most individuals do not have a clear cut idea about their career aspirations, anchors and goals. The human resource professionals must, therefore, help an employee by providing as much information as possible showing what kind of work would suit the employee most, taking his skills, experience, and aptitude into account. Such an assistance is extended through workshops/seminars while the employees are subjected to psychological testing, simulation exercises, etc. The basic purpose of such an exercise is to help an employee form a clear view about what he should do to build his career within the company. Workshops and seminars increase employee interest by showing the value of career planning. They help employees set career goals, identify career paths and uncover specific career development activities (discussed later). These individual efforts may be supplemented by printed or taped information. To assist employees in a better way, organisations construct a data bank consisting of information on the career histories, skill evaluations and career preferences of its employees (known as skill or talent inventory).

ii. ***Analysing career opportunities:*** Once career needs and aspirations of employees are known, the organisation has to provide career paths for each position. Career paths show career progression possibilities clearly. They indicate the various positions that one could hold over a period of time, if one is able to perform well. Career paths change over time, of course, in tune with employee's needs and organisational requirements. While outlining career paths, the claims of experienced persons lacking professional degrees and that of young recruits with excellent degrees but without experience need to be balanced properly.

iii. ***Aligning needs and opportunities:*** After employees have identified their needs and have realised the existence of career opportunities the remaining problem is one of alignment. This process consists of two steps: first, identify the potential of employees and then undertake career development programmes (discussed later on elaborately) with a view to align employee needs and organisational opportunities. Through performance appraisal, the potential of employees can be assessed to some extent. Such an appraisal would help reveal employees who need further training, employees who can take up added responsibilities, etc. After identifying the potential of employees certain developmental techniques such as special assignments, planned position rotation, supervisory coaching, job enrichment, understudy programmes can be undertaken to update employee knowledge and skills.

iv. ***Action plans and periodic review:*** The matching process would uncover gaps. These need to be bridged through individual career development efforts and organisation supported efforts from time to time. After initiating these steps, it is necessary to review the whole thing every now and then. This will help the employee know in which direction he is moving, what changes are likely to take place, what kind of skills are needed to face new and emerging organisational challenges. From an organisational standpoint also, it is necessary to find out how employees are doing, what are their goals and aspirations, whether the career paths are in tune with individual needs and serve the overall corporate objectives, etc.

11.3 CAREER DEVELOPMENT

Career development consists of the personal actions one undertakes to achieve a career plan. The terms 'career development' and 'employee development' need to be differentiated at this stage. Career development looks at the long-term career effectiveness of employees, whereas employee development focuses on effectiveness of an employee in the immediate future. The actions for career development may be initiated by the individual himself or by the organisation. These are discussed below.

11.3.1 Individual Career Development

Career progress and development is largely the outcome of actions on the part of an individual. Some of the important steps that could help an individual cross the hurdles on the way 'up' may include:

i. ***Performance:*** Career progress rests largely on performance. If the performance is sub-standard, even modest career goals can't be achieved.

ii. ***Exposure:*** Career development comes through exposure, which implies becoming known by those who decide promotions, transfers and other career opportunities. You must undertake actions that would attract the attention of those who matter most in an organisation.

iii. ***Networking:*** Networking implies professional and personal contacts that would help in striking good deals outside (e.g., lucrative job offers, business deals, etc.). For years men have used private clubs, professional associations, old-boy networks, etc., to gain exposure and achieve their career ambitions.

iv. ***Leveraging:*** Resigning to further one's career with another employer is known as leveraging. When the opportunity is irresistible, the only option left is to resign from the current position and take up the new job (opportunity in terms of better pay, new title, a new learning experience, etc.). However, jumping too jobs frequently (job-hopping) may not be a good career strategy in the long run.

Box 11.1: Network Smart to Get a Dream Job

The corporate world is always on the look out for good people. However, to get that dream job, you need to be at the right place, at the right time. In short, you need to network smart to create space for yourself – thus:

- Make sure you know the right people, who can recommend your name to the decision makers in the company in which you are eyeing your dream job.
- Go out, attend seminars, and entertain your contacts. Your networked corporate friends could become your buddies, who would go all out to help you, including getting you a better job.
- Remember birthdays, anniversaries of your contacts. This helps add just a little personal touch to the relationship.
- Where a reference works out, be sure to say thanks. This cements your relationship.
- Be ready to help others when the time comes.

(A. Mittal, Collectors Series, Business World, 21.1.2002 and M.H. McCormack, "Building an Army of Allies", B. Today, 7.4.1999.)

v. ***Loyalty to career:*** Professionals and recent college graduates generally jump jobs frequently when they start their career. They do not think that career-long dedication to the same organisation may not help them further their career ambitions. To overcome this problem, companies such as Infosys, NIIT, WIPRO (all information technology companies where the turnover ratios are generally high) have come out with lucrative, innovative compensation packages in addition to employee stock option plans for those who remain with the company for a specified period.

vi. ***Mentors and sponsors:*** A mentor is, generally speaking, an older person in a managerial role offering informal career advice to a junior employee. Mentors take junior employees as their protégés and offer advice and guidance on how to survive and get ahead in the organisation. They act as role models. A sponsor, on the other hand, is someone in the organisation who can create career development opportunities.

vii. ***Key subordinates:*** Qualified and knowledgeable subordinates, often extend invaluable help that enables their bosses to come up in life. When the bosses cross the bridge, they take the key subordinates also along with them. In his own self interest, the subordinate must try to find that winning horse on which he can bet.

viii. ***Expand ability:*** Employees who are career conscious must prepare themselves for future opportunities that may come their way internally or externally by taking a series of proactive steps (e.g., attending a training programme, acquiring a degree, updating skills in an area, etc.).

Box 11.2: Avoid Big career Mistakes - to Get ahead

After interviewing more than 2000 executives, E.D. Betaf has identified the following career mistakes-which would come in the way of someone who wants to get ahead.

- ***Having no plan:*** Conflict is an inescapable path of organisational life. So if you are in conflict with someone who could derail your career-think twice before getting into the soup. Instead work out the details of a plan that would help you move closer to those who matter in your workspot.
- ***Lacking expectations:*** People who don't understand what their employer would expect them to deliver are bound to miss the bus. Always better to read your job description, identify important tasks to be carried out, seek clarifications from your boss and deliver things in tune with your boss's instructions.
- ***Being a loner:*** The golden rule of work is relationships, relationships and relationships. Friendly relationships help you move closer to your colleagues, make you an important member of a team and build long-lasting bonds with people in other departments as well. It's far too risky to be a loner and expect your work to speak for itself. Having allies who speak well of your has an added benefit in that it increases your visibility to top management.
- ***Waffling:*** Business respects those who are willing to take tough decisions and deliver things-right or wrong. People who continually waffle decisions, however, stand out for the wrong reasons.
- ***Focusing too Narrowly:*** Inability to develop and adapt is one of the important reasons for career failures at many levels. By making sure you develop a variety of widely applicable skills, you can better market yourself to your current employer or, if need be, to a new one.
- ***Covering up:*** When you commit a blunder the best thing to do is to own up to it and fix it as soon as possible. Handle it right, and you may even come out ahead of the game.

Source: D.B. Hogarthy, "6 Big career mistakes – and How to avoid them", *Reader's Digest*: Wim@Work, Mumbai, 2001.

11.3.2 Organisational Career Development

The assistance from managers and HR department is equally important in achieving individual career goals and meeting organisational needs. A variety of tools and activities are employed for this purpose (Bernardin, pp. 350-356).

i. ***Self-assessment tools:*** Here the employees go through a process in which they think through their life roles, interests, skills and work attitudes and preferences. They identify career goals, develop suitable action plans and point out obstacles that come in the way. Two self-assessment tools are quite commonly used in organisations. The first one is called the career-planning workshop. After individuals complete their self-assessments, they share their findings with others in career workshops. These workshops throw light on how to prepare and follow through individual career strategies. The second tool, called a career workbook, consists of a form of career guide in the question-answer format outlining steps for realising career goals. Individuals use this company specific, tailor-made guide to learn about their career chances. This guide, generally throws light on organisation's structure, career paths, qualifications for jobs and career ladders.

Box 11.3: Career Self Assessment Instrument

Name .... Age ....
Department ....

Part A Values and Experiences

1. Describe the roles in your life that are important to you (work life, family life, religious life, community life etc.). Explain why these roles are important to you. Indicate how these roles impact your total life satisfaction. Assign a per cent to each role (0 to 100 per cent) so that the total adds upto 100 per cent.
2. Describe your educational background, including the degrees earned, academic strengths and weaknesses, extra curricular activities etc.

Degrees/Diplomas	Academic Strengths	Academic Weaknesses	Extra curricular Activities
1	1	1	1
2	2	2	2
3	3	3	3

3. List any jobs you held and your experience in each position

Occupation	Job	Degree of specialisation	What I Linked	What I Disliked	Why I Left
1.					
2.					
3.					
4.					
5.					

4. Describe any skills (rank 1 to 5 (lowest to highest) that you possess

a.	Communication	1	2	3	4	5
b.	Leadership	1	2	3	4	5
c.	Interpersonal	1	2	3	4	5
d.	Team building	1	2	3	4	5
e.	Creativity	1	2	3	4	5
f.	Technical	1	2	3	4	5

(Tick the most appropriate one)

5. Summarise any recognition/awards that you have received in relation to your education, work experience, skills or extra curricular activities.

Part B. Career Goals, Work Attitudes and Preferences

1. The most important needs I want to satisfy in my career are
   a
   b
   c
2. These needs can be fulfilled in the following:

Contd....

Areas	Skills/Assistance needed
a:	a:
b:	b:
c:	c:

3. How important are these values to you in your work (I most important : 10 least important)

Values	Rank
1. Independence or autonomy	-
2. Financial rewards	-
3. Sense of achievement	-
4. Helping others	-
5. Creating something	-
6. Job security	-
7. Good working conditions	-
8. Friendships at work	-
9. Variety of tasks	-
10. Equality and fairness	-

4. Whatever job I handle, I do not wish to compromise on the following

1:	4:
2:	5:
3:	6:

5. What internal and external constraints might you encounter along the way toward achievement of your career goals?
6. List the specific jobs that might be in line with the above requirements
   a
   b
   c
7. Finally, rate yourself on each of the following personal qualities or work characteristics. Write one response for each characteristic (using the following scale: 1. very low, 2. low, 3. average, 4. high, 5. very high)

a. Emotional maturity	f. Dependability in completing work
b. Initiative/Independence	g. Flexibility and open mindedness
c. Punctuality	h. Perseverance/willingness to work
d. Ability to handle conflict	I. Ability to set and achieve goals
e. Ability to plan, organise	

ii. ***Individual counselling:*** Employee counselling is a process whereby employees are guided in overcoming performance problems. It is usually done through face-to-face meetings between the employee and the counsellor or coach. Here, discussions of employees' interests, goals, current job activities and performance and career objectives take place. Counselling is generally offered by the HR department. Sometimes outside experts are also be called in. If supervisors act as coaches they should be given clearly defined roles and training. This is, however, a costly and time consuming process.

iii. ***Information services:*** Employment opportunities at various levels are made known to employees through information services of various kinds. Records of employees' skills, knowledge, experience and performance indicate the possible candidates for filling up such vacancies. For compiling and communicating career-related information to employees, organisations basically use four methods:

- *Job posting system:* Job posting systems are used by companies to inform employees about vacancies in the organisation through notice boards, newsletters and other company publications.

- *Skills inventory:* Skills inventories (containing employees' work histories, qualifications, accomplishments, career objectives, geographical preferences, possible retirement dates, etc.) are created to help organisations learn the characteristics of their workforces so that they can use the skills of their employees, whenever required. Skills inventories also reveal shortage of critical skills among employees, which is helpful in tracing training needs.

- *Career ladders and career paths:* Career paths and ladders throw light on career progression and future job opportunities in the organisation. They indicate a career plan complete with the goal, intermediate steps and time-tables for realising the goal. Usually career paths for fast-track employees are laid down in most organisations outlining a series of career moves that these employees need to initiate in order to reach higher level positions.
- *Career resource centre:* The career centre is a sort of library in the organisation established to distribute career development materials such as reference books, career manuals, brochures, newsletters and learning guides and self-study tapes.

iv. ***Employee assessment programmes:*** Initially, a new recruit is informed about career policies and procedures of the company. Socialisation efforts help the recruit learn about these things quickly. An experienced employee, acting as a coach may also help the new recruit form a realistic view of the skills needed at various levels and develop appropriate career goals and action plans. Formal orientation programmes are used to educate employees on career programmes, career paths and opportunities for advancement within the company.

Several assessment programmes are also used to evaluate the employees' potential for growth and development in the organisation. They include assessment centre, psychological testing, promotability forecasts and succession planning.

Box 11.4: Career Development Strategies followed by Indian Companies

At the organisation level, let us examine the career development strategies adopted by three leading companies in India.

Ernst & Young (India)

The global consulting firm uses the same career development methodology in India that it uses elsewhere. Primarily, it seeks to align individual aspirations with organisational, business and functional goals, using the formal assessment system to check for skill gaps and career potential. While designing training tools, things that are given serious attention are past performance, future potential, the individual skill sets and competencies of each manager, and the need of the company. However, the firm often takes the assistance of professional trainers brought in from E&Y offices worldwide, or relevant institutions to design specific training programmes for different categories and levels of managers.

Hyundai Motor (India)

Most executives working for this South Korean car-maker, which started operations in India relatively recently, are middle-level recruits from different industries who have been chosen on the basis of their track record—a factor whose influence pervades the company's career development system. The company aims to convert these managers into 'achievers' for Hyundai, with attributes like mental toughness, professional competence, and an ambition to advance. The HR department devises interventions keeping these goals in mind. The HR functionaries are expected to look at the development process holistically. The company also conducts a three-day process lab where the system is discussed using case studies.

Seagram (India)

The Canadian liquor major has a career development system that hinges on speedy induction. Among the inputs given during the induction programme, fitting in with the organisational culture is critical. The aim is to enable the new entrant to hit the ground running in terms of performance. The programmes also includes sessions on the history of the organisation, product portfolio, and operations. The programme includes visits to markets and bottling units and sessions with each functional head.

- *Assessment centres:* A number of performance simulation tests and exercises (tests, interviews, in-baskets, business games) are used to rate a candidate's potential in assessment centre method. The performance on these exercises is evaluated by a panel of raters and the candidates are given feedback on their strengths and weaknesses. This feedback helps participants to assess where they stand and what is to be done to scale the corporate ladder in future.

- *Psychological tests:* Diagnostic tests are used to help candidates determine their vocational interests, personality types, work attitudes and other personal characteristics that may uncover their career needs and preferences.
- *Promotability forecasts:* This is a process of identifying employees with high career potential and giving them necessary training and thereby groom them for higher positions.
- *Succession planning:* This is a report card showing which individuals are ready to move into higher positions in the company. The HR department keeps records of all potential candidates who could move into senior positions, whenever required.

v. ***Employee developmental programmes:*** These consist of skill assessment (explained above) and training efforts that organisations use to groom their employees for future vacancies. Seminars, workshops, job rotations and mentoring programmes are used to develop a broad base of skills as a part of such developmental activities.

vi. ***Career programmes for special groups:*** In recent years, there is growing evidence regarding dual career families developing tensions and frictions owing to their inability to reconcile the differences between family roles and work demands. When we talk of dual career couples (a situation where both husband and wife have distinct careers outside the home) certain puzzling questions arise naturally: Whose career is important; Who takes care of children; What if the wife gets a tempting promotion in another location; Who buys groceries and cleans the house if both are busy, etc. Realising these problems, organisations are providing a place and a procedure for discussing such role conflicts and coping strategies. They are coming out with schemes such as part-time work, long parental leave, child care centres, flexible working hours and promotions and transfers in tune with the demands of dual career conflicts.

Outplacement assistance is extended to employees who are laid off for various reasons. In addition to holding workshops, outside experts are called in to show individuals how to focus on their talents, develop resumes and interview with prospective employers. Special programmes are also organised for minorities, employees with disabilities, women and late-career employees so that they can have clear career goals and action plans in line with organisational requirements.

11.4 LET US SUM UP

Career planning is the process by which one selects career goals and the path to these goals. The major focus of career planning is on assisting the employees achieve a better match between personal goals and the opportunities that are realistically available in the organisation. Identifying individual needs and aspirations, Analyising career opportunities, Aligning needs and opportunities, Action plans and periodic review.

11.5 LESSON-END ACTIVITY

Explain how you might use a self-assessment tool as part of a career development system you design for an organisation.

11.6 KEYWORDS

Personal Department

Carrer Planning

Career Progression

Career Strategy

Ambitions

Proactive steps

Assistance

Job-posting system

Individual counselling

11.7 QUESTIONS FOR DISCUSSION

1. How would you define Career Planning?
2. List out the steps involved in Career Planning.

11.8 SUGGESTED READINGS

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LESSON 12

MANAGING PROMOTIONS AND TRANSFERS

CONTENTS

12.0 AIMS AND OBJECTIVES

In this lesson we shall discuss about managing promotions and transfers. After going through this lesson you will be able to:

(i) Discuss promotions and its advantages purposes, bases, policy.

(ii) analyse transfer and its benefits, problems, purposes, policy.

12.1 INTRODUCTION

Promotion basically is a reward for efficiency. It is conferment of additional benefits, usually in the form of higher pay, for an increase in responsibility or skill which is formalised by an increase in status or rank. Yet, in another way, promotion can be defined as advancement of an employee in an organisation to another job, which commands better pay/wages, better status/prestige and higher opportunities/challenges and responsibilities, a better working environment, hours of work and facilities etc.

Transfer is the lateral movement of employees from one position, division, department or unit to another. Generally transfer does not involve any significant change in compensation, duties responsibilities or even status.

12.2 PROMOTIONS

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

12.2.1 Purposes and Advantages of Promotion

Promotion, based either on meritorious performance or continuous service, has powerful motivational value. It forces an employee to use his knowledge, skills and abilities fully and become eligible for vertical growth. It inspires employees to compete and get ahead of others. Those who fall behind in the race are also motivated to acquire the required skills to be in the reckoning. Promotion thus, paves the way for employee self development. It encourages them to remain royal and committed to their jobs and the organisation. The organisation would also benefit immensely because people are ready to assume challenging roles by improving their skills constantly. Interest in training and development programmes would improve. The organisation would be able to utilise the skills and abilities of its personnel more effectively.

12.2.2 Bases of Promotion

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

1. ***Merit-based promotions:*** Merit based promotions occur when an employee is promoted because of superior performance in the current job. Merit here denotes an individual's knowledge, skills, abilities and efficiency as measured from his educational qualifications, experience, training and past employment record. The advantages of this system are fairly obvious :

   i. It motivates employees to work hard, improve their knowledge, acquire new skills and contribute to organisational efficiency.

   ii. It helps the employer to focus attention on talented people, recognise and reward their meritorious contributions in an appropriate way.

   iii. It also inspires other employees to improve their standards of performance through active participation in all developmental initiatives undertaken by the employer (training, executive development, etc.)

   However, the system may fail to deliver the results, because:

   i. It is not easy to measure merit. Personal prejudices, biases and union pressures may come in the way of promoting the best performer.

   ii. When young employees get ahead of other senior employees in an organisation (based on superior performance), frustration and discontentment may spread among the ranks. They may feel insecure and may even quit the organisation.

   iii. Also, past performance may not guarantee future success of an employee. Good performance in one job (as a Foreman, for example) is no guarantee of good performance in another (as a supervisor).

2. ***Seniority-based promotions:*** Seniority refers to the relative length of service in the same organisation. Promoting an employee who has the longest length of service is often widely welcomed by unions because it is fairly objective. It is easy to measure the length of service and judge the seniority. There is no scope for favouritism, discrimination and subjective judgement. Everyone is sure of getting the same, one day.

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

   i. The assumption that the employees learn more with length of service is not valid as employees may learn upto a certain stage, and learning capabilities may diminish beyond a certain age.

   ii. It demotivates the young and more competent employees and results in greater employee turnover.

   iii. It kills the zeal and interest to develop, as everybody will be promoted without showing any all-round growth or promise.

   iv. Judging the seniority, though it seems to be easy in a theoretical sense, is highly difficult in practice as the problems like job seniority, company seniority, zonal/regional seniority, service in different organisations, experience as apprentice trainee, trainee, researcher, length of service not only by days but by hours and minutes will crop up.

12.2.3 Promotion Policy

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

i. Establish a fair and equitable basis for promotion i.e., merit or seniority or both.

ii. A promotion policy established thus, should provide equal opportunities for promotion in all categories of jobs, departments and regions of an organisation.

iii. It should ensure an open policy in the sense that every eligible employee is considered for promotion rather than a closed system which considers only a particular class of employees. It must tell the employees the various avenues for achieving vertical growth through career maps, charts etc.

iv. The norms for judging merit, length of service, potentiality, etc., must be established beforehand. The relative weightage to be given to merit or seniority or both should also be spelt out clearly.

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

vi. Appropriate authority should be entrusted with the responsibility of taking a final decision on promotion.

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

viii. It should be consistent in the sense that it is applied uniformly to all employees, inspective of their background.

ix. Promotion policy should contain alternatives to promotion when deserving candidates are not promoted due to lack of vacancies at higher level. These alternatives include upgradation, redesignation, sanctioning of higher pay or increments or allowances assigning new and varied responsibilities to the employee by enriching the job or enlarging the job.

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

xi. Promotions initially may be for a trial period so as to minimise the mistakes of promotion.

xii. Promotion policy, once it is formulated, should be communicated to all employees, particularly to the trade union leaders. It should be reviewed periodically, based on the experiences and findings of the attitude and morale surveys.

12.3 TRANSFERS

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

12.3.1 Purposes of Transfer

Organisations resort to transfers with a view to serve the following purposes:

i. ***To meet the organisational requirements:*** Organisations may have to transfer employees due to changes in technology, changes in volume of production, production schedule, product line, quality of products, changes in the job pattern caused by change in organisational structure, fluctuations in the market conditions like demands fluctuations, introduction of new lines and/or dropping of existing lines. All these changes demand the shift in job assignments with a view to place the right man on the right job.

ii. ***To satisfy the employee needs:*** Employees may need transfers in order to satisfy their desire to work under a friendly superior, in a department/region where opportunities for advancement are bright, in or near their native place or place of interest, doing a job where the work itself is challenging, etc.

iii. ***To utilise employees better:*** An employee may be transferred because management feels that his skills, experience and job knowledge could be put to better use elsewhere.

iv. ***To make the employee more versatile:*** Employees may be rolled over different jobs to expand their capabilities. Job rotation may prepare the employee for more challenging assignments in future.

v. ***To adjust the workforce:*** Workforce may be transferred from a plant where there is less work to a plant where there is more work.

vi. ***To provide relief:*** Transfers may be made to give relief to employees who are overburdened or doing hazardous work for long periods.

vii. ***To reduce conflicts:*** Where employees find it difficult to get along with colleagues in a particular section, department or location – they could be shifted to another place to reduce conflicts.

viii. ***To punish employees:*** Transfers may be effected as disciplinary measures – to shift employees indulging in undesirable activities to remote, far-flung areas.

12.3.2 Types of Transfers

Transfers can be classified thus:

i.	*Production transfers*	:	Transfers caused due to changes in production.
ii.	*Replacement transfers*	:	Transfers caused due to replacement of an employee working on the same job for a long time.
iii.	*Rotation transfers*	:	Transfers initiated to increase the versatility of employees.
iv.	*Shift transfers*	:	Transfers of an employee from one shift to another.
v.	*Remedial transfers*	:	Transfers initiated to correct the wrong placements.
vi.	*Penal transfers*	:	Transfers initiated as a punishment for indisciplinary action of employees.

12.3.3 Benefits and Problems

A summary of benefits and problems associated with transfers is given below:

Benefits	**Problems**
● Improve employee skills otherwise	● Inconvenient to employees who do not want to move
● Reduce monotony, boredom	● Employees may or may not fit in the new location/department
● Remedy faulty placement decisions	● Shifting of experienced hands may affect productivity
● Prepare the employee for challenging assignments in future	● Discriminatory transfers may affect employee morale.
● Stabilise changing work requirements in different departments/locations	
● Improve employee satisfaction and morale	
● Improve employer-employee relations	

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

12.3.4 Transfer Policy

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

i. Specification of circumstances under which an employee will be transferred in the case of any company initiated transfer.

ii. Name of the superior who is authorised and responsible to initiate a transfer.

iii. Jobs from and to which transfers will be made, based on the job specification, description and classification, etc.

iv. The region or unit of the organisation within which transfers will be administered.

v. Reasons which will be considered for personal transfers, their order of priority, etc.

vi. Reasons for mutual transfer of employees.

vii. Norms to decide priority when two or more employees request for transfers like priority of reason, seniority.

viii. Specification of basis for transfer, like job analysis, merit, length of service.

ix. Specification of pay, allowances, benefits, etc., that are to be allowed to the employee in the new job.

x. Other facilities to be extended to the transferee like special level during the period of transfer, special allowance for packaging luggage, transportation, etc.

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

Check your Progress

1. Fill in the blanks.

   (a) Human Resource Planning is the process of analysing and estimating the need for and availability of ....

   (b) Career progress rests largely on ....

   (c) A .... is an older person in a managerial role offering informal advice to a junior employee.

   (d) .... is a process whereby employees are guided in overcoming performance problems.

   (e) .... refers to upward movement of an employee from current job to another that is higher in pay, responsibility and organisational level.

12.4 LET US SUM UP

Promotion refers to upward movement of an employee from current job to another that is higher in pay, responsibility and/or organisational level. Promotion brings enhanced status, better pay, increased responsibilities and better working conditions to the promotee. A transfer is a change in job assignment. It may involve a promotion or demotion or no change at all in status and responsibility. A transfer has to be viewed as a change in assignment in which an employee moves from one job to another in the same level of hierarchy, requiring similar skills, involving approximately same level of responsibility, same status and same level of pay.

12.5 LESSON-END ACTIVITY

What are the benefits and problems associated with transfer? How can you maximise the benefits and minimise the problems?

12.6 KEYWORDS

Self Assessment tools

Individual Counselling

Skill Invention

Promotions

Transfers

12.7 QUESTIONS FOR DISCUSSION

1. What are the basics of Promotion?
2. Define Transfer.
3. What are the types of Transfer?

12.8 SUGGESTED READINGS

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Unit-IV

LESSON
13

ESTABLISHING PAY PLANS

CONTENTS

13.0 AIMS AND OBJECTIVES

In this lesson we shall discuss about establishing pay plans. After going through this lesson you will be able to:

(i) Understand basic of compensation and factors determining pay rate.

(ii) Discuss current trends in compensation and job evaluation and its methods.

(iii) Analyse pricing job and computerised job evaluation.

13.1 INTRODUCTION

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

13.2 BASIC OF COMPENSATION

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

13.2.1 Nature of Compensation

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

i. ***Base pay:*** It is the basic compensation an employee gets, usually as a wage or salary.

ii. ***Variable pay:*** It is the compensation that is linked directly to performance accomplishments (bonuses, incentives, stock options)

iii. ***Benefits:*** These are indirect rewards given to an employee or group of employees as a part of organisational membership (health insurance, vacation pay, retirement pension etc.)

13.2.2 Objectives of Compensation Planning

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

i. ***Internal equity:*** This ensures that more difficult jobs are paid more.

ii. ***External equity:*** This ensures that jobs are fairly compensated in comparison to similar jobs in the labour market.

iii. ***Individual equity:*** It ensures equal pay for equal work, i.e., each individual's pay is fair in comparison to others doing the same/similar jobs.

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

a. ***Attract talent:*** Compensation needs to be high enough to attract talented people. Since many firms compete to hire the services of competent people, the salaries offered must be high enough to motivate them to apply.

b. ***Retain talent:*** If compensation levels fall below the expectations of employees or are not competitive, employees may quit in frustration.

c. ***Ensure equity:*** Pay should equal the worth of a job. Similar jobs should get similar pay. Likewise, more qualified people should get better wages.

d. ***New and desired behaviour:*** Pay should reward loyalty, commitment, experience, risks taking, initiative and other desired behaviours. Where the company fails to reward such behaviours, employees may go in search of greener pastures outside.

e. ***Control costs:*** The cost of hiring people should not be too high. Effective compensation management ensures that workers are neither overpaid nor underpaid.

f. ***Comply with legal rules:*** Compensation programmes must invariably satisfy governmental rules regarding minimum wages, bonus, allowances, benefits, etc.

g. ***Ease of operation:*** The compensation management system should be easy to understand and operate. Then only will it promote understanding regarding pay-related matters between employees, unions and managers.

13.3 FACTORS DETERMINING PAY RATE

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

i. ***Job needs:*** Jobs vary greatly in their difficulty, complexity and challenge. Some need high levels of skills and knowledge while others can be handled by almost anyone. Simple, routine tasks that can be done by many people with minimal skills receive relatively low pay. On the other hand, complex, challenging tasks that can be done by few people with high skill levels generally receive high pay.

ii. ***Ability to pay:*** Projects determine the paying capacity of a firm. High profit levels enable companies to pay higher wages. This partly explains why computer software industry pays better salaries than commodity based industries (steel, cement, aluminium, etc.). Likewise, multinational companies also pay relatively high salaries due to their earning power.

iii. ***Cost of living:*** Inflation reduces the purchasing power of employees. To overcome this, unions and workers prefer to link wages to the cost of living index. When the index rises due to rising prices, wages follow suit.

iv. ***Prevailing wage rates:*** Prevailing wage rates in competing firms within an industry are taken into account while fixing wages. A company that does not pay comparable wages may find it difficult to attract and retain talent.

v. ***Unions:*** Highly unionised sectors generally have higher wages because well organised unions can exert presence on management and obtain all sorts of benefits and concessions to workers.

vi. ***Productivity:*** This is the current trend in most private sector companies when workers' wages are linked to their productivity levels. If your job performance is good, you get good wages. A sick bank, for example, can't hope to pay competitive wages, in tune with profit making banks.

vii. ***State regulation:*** The legal stipulations in respect of minimum wages, bonus, dearness allowance, allowances, etc., determine the wage structure in an industry.

viii. ***Demand and supply of labour:*** The demand for and the supply of certain skills determine prevailing wage rates. High demand for software professionals, R&D professionals in drug industry, telecom and electronics engineers, financial analysts, management consultants ensures higher wages. Oversupply kills demand for a certain category of employees leading to a steep fall in their wages as well.

13.4 CURRENT TRENDS IN COMPENSATION

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

13.4.1 Wages

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

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

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

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

i. Bonus or other payments under a profit-sharing scheme which do not form a part of contract of employment.

ii. Value of any house accommodation, supply of light, water, medical attendance, travelling allowance, or payment in lieu thereof or any other concession.

iii. Any sum paid to defray special expenses entailed by the nature of the employment of a workman.

iv. Any contribution to pension, provident fund, or a scheme of social security and social insurance benefits.

v. Any other amenity or service excluded from the computation of wages by general or special order of an appropriate governmental authority.

The term 'Allowances' includes amounts paid in addition to wages over a period of time including holiday pay, overtime pay, bonus, social security benefit, etc. The wage structure in India may be examined broadly under the following heads:

13.4.2 Basic Wage

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

13.4.3 Dearness Allowance (DA)

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

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

i. ***All India consumer price index (AICPI):*** The Labour Bureau, Shimla, computes the AICPI (Base 1960 = 100 points) from time to time.

ii. ***Time factor:*** In this case DA is linked to the rise in the All India Consumer Price Index (AICPI) in a related period, instead of linking it to fortnightly or monthly fluctuations in index.

iii. ***Point factor:*** Here DA rises in line with a rise in the number of index points above a specific level.

iv. ***Other allowances:*** The list of allowances granted by employers in India has been expanding, thanks to the increasing competition in the job market and the growing awareness on the part of employees. An illustrative list of allowances is furnished in Box 13.1 below:

Box 13.1: List of Allowances in the Organised Sector in India

• Attendance	• Night shift	• Tiffin
• Books	• Overtime	• Transport
• Car	• Paternity	• Telephone
• Card (Credit card)	• Pension	• Uniform
• City Compensatory	• Provident Fund	
• Club Membership	• Relocation	
• Computer	• Servant	
• Deputation		
• Driver		
• Education		
• ESIS		
• Family		
• Group Insurance		
• Leave Travel		
• Lunch		
• Medical		

13.5 JOB EVALUATION

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

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

13.5.1 Job Evaluation vs Performance Appraisal

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

Box 13.2: Job Evaluation vs Performance Appraisal

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

13.5.2 Features

The purpose of job evaluation is to produce a defensive ranking of jobs on which a rational and acceptable pay structure can be built. The important features of job evaluation may be summarised thus:

i. It tries to assess jobs, not people.

ii. The standards of job evaluation are relative, not absolute.

iii. The basic information on which job evaluations are made is obtained from job analysis.

iv. Job evaluations are carried out by groups, not by individuals.

v. Some degree of subjectivity is always present in job evaluation.

vi. Job evaluation does not fix pay scales, but merely provides a basis for evaluating a rational wage structure.

13.5.3 Process of Job Evaluation

The process of job evaluation involves the following steps:

i. ***Gaining acceptance:*** Before undertaking job evaluation, top management must explain the aims and uses of the programme to the employees and unions. To elaborate the programme further, oral presentations could be made. Letters, booklets could be used to classify all relevant aspects of the job evaluation programme.

ii. ***Creating job evaluation committee:*** It is not possible for a single person to evaluate all the key jobs in an organisation. Usually a job evaluation committee consisting of experienced employees, union representatives and HR experts is created to set the ball rolling.

iii. ***Finding the jobs to be evaluated:*** Every job need not be evaluated. This may be too taxing and costly. Certain key jobs in each department may be identified. While picking up the jobs, care must be taken to ensure that they represent the type of work performed in that department.

iv. ***Analysing and preparing job description:*** This requires the preparation of a job description and also an analysis of job needs for successful performance .

v. ***Selecting the method of evaluation:*** The most important method of evaluating the jobs must be identified now, keeping the job factors as well as organisational demands in mind.

vi. ***Classifying jobs:*** The relative worth of various jobs in an organisation may be found out after arranging jobs in order of importance using criteria such as skill requirements, experience needed, under which conditions job is performed, type of responsibilities to be shouldered, degree of supervision needed, the amount of stress caused by the job, etc. Weights can be assigned to each such factor. When we finally add all the weights, the worth of a job is determined. The points may then be converted into monetary values.

vii. ***Installing the programme:*** Once the evaluation process is over and a plan of action is ready, management must explain it to employees and put it into operation.

viii. ***Reviewing periodically:*** In the light of changes in environmental conditions (technology, products, services, etc.) jobs need to be examined closely. For example, the traditional clerical functions have undergone a rapid change in sectors like banking, insurance and railways, after computerisation. New job descriptions need to be written and the skill needs of new jobs need to be duly incorporated in the evaluation process. Otherwise, employees may feel that all the relevant job factors – based on which their pay has been determined – have not been evaluated properly.

13.5.4 Essentials for the Success of a Job Evaluation Programme

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

1. Compensable factors should represent all of the major aspects of job content. Compensable factors selected should (a) avoid excessive overlapping or duplication; (b) be definable and measurable; (c) be easily understood by employees and administrators; (d) not cause excessive installation or administrative cost; and (e) be selected with legal considerations in mind.

2. Operating managers should be convinced about the techniques and programme of job evaluation. They should also be trained in fixing and revising the wages based on job evaluation.

3. All the employees should be provided with complete information about job evaluation techniques and programme.

4. All groups and grades of employees should be covered by the job evaluation programme.

5. The programme of – and techniques selected for – job evaluation should be easy to understand by all the employees.

6. Trade unions acceptance and support to the programme should be obtained.

Experts have advanced certain *guidelines* for conducting the job evaluation programme in a systematic way:

1. Rate the job – not the person or employee on the job.

2. Strive to collect all the facts accurately.

3. Look especially for distinguishing features of jobs and for relationships to other jobs.

4. Study jobs independently and objectively, and then discuss views thoroughly and open-mindedly before reaching final decisions.

5. Job evaluation must be conducted systematically, based on factual and accurate information.

6. The results of job evaluation must be *fair* and rational and unbiased to the individuals being affected.

13.5.5 Benefits

The pay offs from job evaluation may be stated thus:

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

ii. It offers a systematic procedure for determining the relative worth of jobs. Jobs are ranked on the basis of rational criteria such as skill, education, experience, responsibilities, hazards, etc., and are priced accordingly.

iii. An equitable wage structure is a natural outcome of job evaluation. An unbiased job evaluation tends to eliminate salary inequities by placing jobs having similar requirements in the same salary range.

iv. Employees as well as unions participate as members of job evaluation committee while determining rate grades for different jobs. This helps in solving wage related grievances quickly.

v. Job evaluation, when conducted properly and with care, helps in the evaluation of new jobs.

vi. It points out possibilities of more appropriate use of the plant's labour force by indicating jobs that need more or less skilled workers than those who are manning these jobs currently.

13.6 JOB EVALUATION METHODS

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

13.6.1 Ranking Method

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

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

Box 13.3: Array of Jobs according to the Ranking Method

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

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

13.6.2 Classification Method

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

i. Class I - Executives: Further classification under this category may be Office Manager, Deputy office manager, Office superintendent, Departmental supervisor, etc.

ii. Class II - Skilled workers: Under this category may come the Purchasing assistant, Cashier, Receipts clerk, etc.

iii. Class III - Semiskilled workers: Under this category may come Stenotypists, Machine-operators, Switchboard operator etc.

iv. Class IV - Semiskilled workers: This category comprises Draftaris, File clerks, Office boys, etc.

The job classification method is less subjective when compared to the earlier ranking method. The system is very easy to understand and acceptable to almost all employees without hesitation. One strong point in favour of the method is that it takes into account all the factors that a job comprises. This system can be effectively used for a variety of jobs.

The weaknesses of the job classification method are:

- Even when the requirements of different jobs differ, they may be combined into a single category, depending on the status a job carries.
- It is difficult to write all-inclusive descriptions of a grade.
- The method oversimplifies sharp differences between different jobs and different grades.
- When individual job descriptions and grade descriptions do not match well, the evaluators have the tendency to classify the job using their subjective judgements.

13.6.3 Factor Comparison Method

A more systematic and scientific method of job evaluation is the factor comparison method. Though it is the most complex method of all, it is consistent and appreciable. Under this method, instead of ranking complete jobs, each job is ranked according to a series of factors. These factors include mental effort, physical effort, skill needed, responsibility, supervisory responsibility, working conditions and other such factors (for instance, know-how, problem solving abilities, accountability, etc.). Pay will be assigned in this method by comparing the weights of the factors required for each job, i.e., the present wages paid for key jobs may be divided among the factors weighted by importance (the most important factor, for instance, mental effort, receives the highest weight). In other words, wages are assigned to the job in comparison to its ranking on each job factor.

The steps involved in factor comparison method may be briefly stated thus:

i. Select key jobs (say 15 to 20), representing wage/salary levels across the organisation. The selected jobs must represent as many departments as possible.

ii. Find the factors in terms of which the jobs are evaluated (such as skill, mental effort, responsibility, physical effort, working conditions, etc.).

iii. Rank the selected jobs under each factor (by each and every member of the job evaluation committee) independently.

iv. Assign money value to each factor and determine the wage rates for each key job.

v. The wage rate for a job is apportioned along the identified factors.

vi. All other jobs are compared with the list of key jobs and wage rates are determined.

An example of how the factor comparison method works is given below:

Box 13.4: An Example of Factor Comparison Method

Factors / Key Job	Daily Wage Rate	Physical effort	Factors mental effort	Skill	Responsibility	Working conditions
Electrician	60	11(3)	14(1)	15(1)	12(1)	8(2)
Fitter	50	14(1)	10(2)	9(2)	8(2)	9(1)
Welder	40	12(2)	7(3)	8(3)	7(3)	6(3)
Cleaner	30	9(4)	6(4)	4(5)	6(4)	5(4)
Labourer	25	8(5)	4(5)	6(4)	3(5)	4(5)

After the wage rate for a job is distributed along the identified and ranked factors, all other jobs in the department are compared in terms of each factor. Suppose the job of a 'painter' is found to be similar to electrician in skill (15), fitter in mental effort (10), welder in physical effort (12) cleaner in responsibility (6) and labourer in working conditions (4). The wage rate for this job would be (15+10+12+6+4) is 47.

Box 13.5: Merits and Demerits of Factor Comparison Method

Merits	Demerits
• Analytical and objective. • Relative and valid as each job is compared jobs with all other jobs in terms of key factors. • Money values are assigned in a fair way based on an agreed rank order fixed by the job evaluation committee. • Flexible, as there is no upper limitation on the rating of a factor.	• Difficult to understand, explain and operate. • Its use of the same criteria to assess all jobs is questionable as jobs differ across and within organisations. • Time consuming and costly.

13.6.4 Point Method

This method is widely used currently. Here, jobs are expressed in terms of key factors. Points are assigned to each factor after prioritising each factor in order of importance. The points are summed up to determine the wage rate for the job. Jobs with similar point totals are placed in similar pay grades. The procedure involved may be explained thus:

i. Select key jobs. Identify the factors common to all the identified jobs such as skill, effort, responsibility, etc.

ii. Divide each major factor into a number of sub factors. Each sub factor is defined and expressed clearly in the order of importance, preferably along a scale.

The most frequent factors employed in point systems are (i) Skill (key factor); Education and training required, Breadth/depth of experience required, Social skills required, Problem-solving skills, Degree of discretion/use of judgement, Creative thinking (ii) Responsibility/Accountability: Breadth of responsibility, Specialised responsibility, Complexity of the work, Degree of freedom to act, Number and nature of subordinate staff, Extent of accountability for equipment/plant, Extent of accountability for product/materials; (iii) Effort: Mental demands of a job, Physical demands of a job, Degree of potential stress

The educational requirements (sub factor) under the skill (key factor) may be expressed thus in the order of importance.

Box 13.6

Degree	Define
1	Able to carry out simple calculations; High School educated
2	Does all the clerical operations; computer literate; graduate
3	Handles mail, develops contacts, takes initiative and does work independently; post graduate

Assign point values to degrees after fixing a relative value for each key factor.

Box 13.7: Point Values to Factors along a Scale

Factor	Point values for Degrees					Total
	1	2	3	4	5	
Skill	10	20	30	40	50	150
Physical effort	8	16	24	32	40	120
Mental effort	5	10	15	20	25	75
Responsibility	7	14	21	28	35	105
Working conditions	6	12	18	24	30	90
Maximum total points of all factors depending on their importance to job					=	540

(Bank Officer)

iii. Find the maximum number of points assigned to each job (after adding up the point values of all sub-factors of such a job). This would help in finding the relative worth of a job. For instance, the maximum points assigned to an officer's job in a bank come to 540. The manager's job, after adding up key factors + sub factors points, may be getting a point value of say 650 from the job evaluation committee. This job is now priced at a higher level.

iv. Once the worth of a job in terms of total points is expressed, the points are converted into money values keeping in view the hourly/daily wage rates. A wage survey is usually undertaken to collect wage rates of certain key jobs in the organisation. Let's explain this:

Box 13.8: Conversion of Job Grade Points into Money Value

Point range	Daily Wage rate (Rs)	Job grades of key bank officials
500-600	300-400	1 Officer
600-700	400-500	2 Accountant
700-800	500-600	3 Manager I Scale
800-900	600-700	4 Manager II Scale
900-1000	700-800	5 Manager III Scale

13.6.5 Merits and Demerits

The point method is a superior and widely used method of evaluating jobs. It forces raters to look into all key factors and sub-factors of a job. Point values are assigned to all factors in a systematic way, eliminating bias at every stage. It is reliable because raters using similar criteria would get more or less similar answers. The methodology underlying the approach contributes to a minimum of rating error (Robbins p.361). It accounts for differences in wage rates for various jobs on the strength of job factors. Jobs may change over time, but the rating scales established under the point method remain unaffected.

On the negative side, the point method is complex. Preparing a manual for various jobs, fixing values for key and sub-factors, establishing wage rates for different grades, etc., is a time consuming process. According to Decenzo and Robbins, "the key criteria must be carefully and clearly identified, degrees of factors have to be agreed upon in terms that mean the same to all rates, the weight of each criterion has to be established and point values must be assigned to degrees". This may be too taxing, especially while evaluating managerial jobs where the nature of work (varied, complex, novel) is such that it cannot be expressed in quantifiable numbers.

A comparative picture of various job evaluation methods is presented on Box 13.9.

Box 13.9: Major Job Evaluation Methods

Method	What facet of job is evaluated?	How is job evaluated?	Type of method	Major advantages(s)	Major disadvantage(s)
Ranking	Whole job (compensable factors are implicit)	Jobs are subjectively ordered according to relative worth	Non-quantitative	Relatively quick and in expensive	Entirely subjective
Class -ification	Whole job	Compare job to descriptions of job grades	Non-quantitative	Readily available and inexpensive	Cumbersome system
Factor comparison	Compensable factors of job	Compare job to key jobs on scales of compensable factors	Quantitative	Easy to use	Hard to construct; inaccurate over time
Point method	Compensable factors of job	Compare job to standardised descriptions of degrees of universal compensable factors and subfactors	Quantitative	Accurate and stable overtime	May be costly

13.7 PRICING MANAGERIAL AND PROFESSIONAL JOB

Organisations decide executive compensation packages, consisting of basic pay, allowances, perquisites, stock options, etc., based on a number of factors. The United States Compensation institutes' Phoenix plan uses 28 compensable factors:

Box 13.10: Phoenix Plan-Compensable Factors

- Job related experience
- Training time required
- Frequency of review of work
- Utilisation of independent choice
- Frequency of reference to guidelines
- Frequency of work transferred through supervisor
- Analytical complexity
- Time spent in processing information
- Supervisors reporting to position level
- Travel outside work location
- Salary grade to which this position reports
- Salary grade of positions supervised
- Management responsibility
- Revenue size
- Asset size
- Employment size
- Budget size
- Payroll size
- Time spent in planning
- Contact with suppliers/customers
- Impact on departmental budget
- Directing of others.
- Training of staff/physical stress experienced
- Time spent working under deadlines
- Time spent in hazardous conditions

The Hay Group, another specialised US Agency, uses three compensable factors: accountability, problem-solving and know-how. Sibson and company determines base compensation depending on the market value of the job, its relationship to other positions in the organisation and the person's value to the organisation based on long-term performance and experience. The Compensation Survey Report of Business International Asia – Pacific Limited, Hongkong considered the following factors to determine executive compensation: education, experience, scope of activities, need to negotiate, type of problems handled, decision making authority, influence on results, size of the unit managed, number of people supervised, number of reporting steps to the head of unit.

13.7.1 Indian Practices

Executive compensation in India is basically built around three important factors: job complexity, employers' ability to pay and executive human capital. The complexity of a chief executive's job would depend on the size of the company as measured by its sales volume, earnings and assets' growth, the geographic dispersal of the unit, etc. The employer's ability to pay is also a major factor to be considered while deciding executive compensation. A sick bank, for instance, cannot afford to pay the same kind of salary to its executives as that of a healthy and growing bank. This partly explains why executive compensation in public sector undertakings is less when compared to private sector units.

Box 13.11: Executive Compensation: Private Sector vs. Public Sector

In a well publicised front page news sometime back The Economic Times mentioned about the miserable salary levels of top executives in public sector units in India. For example the State Bank of India chief is paid 10% of HDFC Bank Managing Director, BHEL's chief getting about Rs.10 to 12 lakhs per year as against ABB's MD getting nearly Rs.40 to 50 lakhs; Indian Oil Corporation's chief getting Rs.10 to 15 lakhs per annum as against Reliance Industries' Ambanis getting a package of over Rs.10 crore per annum. Salary levels in 'hot' private sector such as BPO, hospitality, biotechnology 'Media', IT, Telecommunications, Oil, Automobiles and Insurance are way above the packages offered to executives in public sector for various reasons such as: overstaffing, inefficient processes, pressure on margins due to competition, appointment of people without requisite skills at the top level, political interference especially in pricing the products or services, legal constraints etc.

The economic theory of human capital says that the compensation of a worker should be equal to his marginal productivity. The productivity of an executive, likewise depends on his qualifications, job knowledge, experience and contribution. Indian companies usually structured executive compensation along the following factors: salary, bonus, commission, PF, family pension, superannuation fund, medical reimbursement, leave travel assistance, house rent allowance and other perquisites. In recent years, instead of increasing the base compensation, companies have been enhancing the worth of an executive job through novel payment plans based on earnings/assets or sales growth of the company over a period of time, well-supported by an ever-expanding list of allowances and perquisites including stock options, educational, recreational, academic allowances and several other developmental initiatives aimed at improving the overall personality of an executive.

13.8 COMPUTERISED JOB EVALUATION

The computerization of job evaluation is evolving into an effective way of supporting the ambitions of global organizations, largely due to the potential of networkbased job evaluation tools. They fall into two broad areas:

1. Administrative support, and
2. Evaluation decision support.

Administrative support is about managing the data with the usual array of reporting facilities.

Evaluation decision support provides guidance to the evaluator in various degrees with the aim of improving objectivity and consistency. Often built around a questionnaire that aids the analysis of a job using cross-comparisons and 'sense-checks', computerization supports a slotting process, improving speed, efficiency and the recording of 'evidence'. More sophisticated questionnaire approaches emulate the evaluation process through intelligent 'rules' that generate a computer decision. The 'rules' are, by definition, more precise, give a consistent result for a given set of inputs and can compute a range of job content features much faster.

There is now more choice than ever in implementing job evaluation, as follows:

i. Manual systems,

ii. Systems supported by stand-alone computers,

iii. Local networked systems on a common restricted database,

iv. Intranet/Internet-based systems that permit clear control from a central point but allow significant involvement, and

v. Intranet/Internet-based systems that permit job evaluation decisions to be devolved to line management.

Smaller organizations are likely to keep manual systems (including some spreadsheet tools) but may adopt more sophisticated computerized methods while keeping close central control. Larger organizations are likely to want to spread the management task beyond the centre and will wish to consider how the job evaluation process integrates with the mainstream HR information systems. Clearly, it is highly desirable to have common platforms, although the nature of job evaluation does not require a 'real-time' system.

A comprehensive system that incorporates a variety of job tools and processes - from a manual scheme to a computerized questionnaire and slotting process - is illustrated below in Figure 4. Assuming a single analytical job evaluation method, a particular job can be evaluated using a number of possible paths to arrive at a job evaluation score that is universally compatible with any of the processes. Figure 4 shows a manual process and a computerized administration option. In addition, it shows that a computerized analysis using a questionnaire might be employed to produce a job evaluation score and to enable easy comparison with a set of reference jobs. These first two computer-supported processes are analytical job evaluation methods. Finally, a rapid slotting process might be used to cross-compare with the set of reference jobs and, as a result of the linkage to one of these, suggest a job evaluation score. The common database of evaluation scores permits the management of comparisons to a set of reference jobs, which may be a combination of specifically targeted jobs or standard (generic) jobs. Reporting facilities will enable production of detailed standard and user-designed reports.

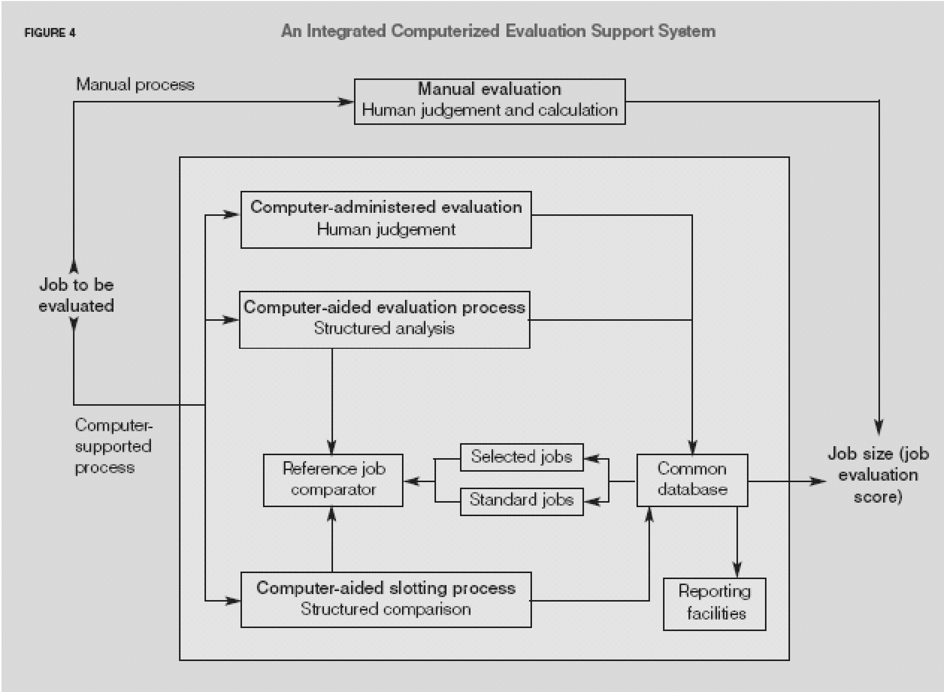

Figure 13.1

Check Your Progress

1. Match the following:

(a)	Suspension	(i)	Equal pay for equal work
(b)	Benefits	(ii)	Wages, DA
(c)	Individual value	(iii)	Systematic way of determining the of a job.
(d)	Factors affecting pay structures	(iv)	Employee receive in return of his/her contribution to organisaiton.
(e)	Job evaluation	(v)	Insurance, medical, recreational, retirement

2. Differentiate between Job evaluation and performance appraisal.
3. List down the essentials of a successful job evaluation programme.

13.9 LET US SUM UP

Compensation is what employees receive in exchange for their contribution to the organisation. Pay refers to the base wages and salaries employees normally receive. Compensation forms such as bonuses, commissions and profit sharing plans are incentives designed to encourage employees to produce results beyond normal expectation. Benefits such as insurance, medical, recreational, retirement, etc., represent a more indirect type of compensation. The amount of compensation received by an employee should reflect the effort put in by the employee, the degree of difficulty experienced while expending his energies, the competitive rates offered by others in the industry and the demand-supply position within the country, etc. The pay structure of a company depends on several factors such as labour market conditions, company's paying capacity and legal provisions. Under the Workmen's Compensation Act, 1923, "Wages for leave period, holiday pay, overtime pay, bonus, attendance bonus, and good conduct bonus" form part of wages. Under The Payment of Wages Act, 1936, Section 2 (vi), "any award of settlement and production bonus, if paid, constitutes wages. Under the Payment of Wages Act, 1948, “retrenchment compensation, payment in lieu of notice and gratuity payable on discharge constitute wages.” The computerization of job evaluation is evolving into an effective way of supporting the ambitions of global organizations, largely due to the potential of networkbased job evaluation tools. They fall into two broad areas: Administrative support, and Evaluation decision support.

13.10 LESSON-END ACTIVITIES

(i) If we pay predominantly for jobs rather than people, how can we reward the truly exceptional performing employee?

(ii) Ram won the Rs. 50 lac jackpot prize from an online lottery on Saturday. Why, according to motivation theory, did he quit his job on Monday?

  a. Ram’s ability to exert effort had changed.

  b. Ram’s individual needs changed.

  c. Ram’s individual interests changed.

  d. Organisational goals changed.

13.11 KEYWORDS

Base pay

Variable pay

Compensation

Benefits

Productivity

Wage

Dearness Allowance (DA)

Job evaluation

Managerial job

Professional Job

13.12 QUESTIONS FOR DISCUSSION

1. Write the difference between Pay and Compensation.
2. Name some benefits of an employee gain from an organisation.
3. Discuss the nature of compensation in brief.
4. What are the different objectives of compensation planning?
5. What are the different factors which determine pay rate?
6. What are the current trends in compensation?
7. Mention different types of remuneration, do not amount to wages.
8. What is performance appraisal?
9. The computerization of job evolution is evolving into an effective way of supports the ambitions of global organisation. Discuss.

13.13 SUGGESTED READINGS

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LESSON 14

PAY FOR PERFORMANCE AND FINANCIAL INCENTIVES

CONTENTS

14.0 AIMS AND OBJECTIVES

In this lesson we shall discuss about pay and financial incentives. After going through this lesson you will be able to:

(i) Discuss pay for performance and financial incentives.

(ii) Analyse incentives for employees, executives, individual and organisation wide incentive plans.

14.1 INTRODUCTION

The system of wage payment is an important issue between labour and management. Employees could be paid either on the basis of time spent or contributions made by them. the fringe benefits offered by various organisations in India may be broadly put into five compartments–payment for time not worked, employee security, safety and health, welfare and recreation facilities and old age and retirement benefits.

14.2 MONEY AND MOTIVATION

Intrinsic motivation stems from feelings of achievement and accomplishment and is concerned with the state of self-actualisation in which the satisfaction of accomplishing something worthwhile motivates the employee further so that this motivation is self-generated and is independent of financial rewards. Some of the intrinsic motivators are praise, recognition, responsibility, esteem, power, status, challenges and decision-making responsibility.

14.3 INCENTIVES FOR OPERATIONS EMPLOYEES AND EXECUTIVES

Incentive plans envisage a basic rate usually on time basis applicable to all workers and incentive rates payable to the more efficient among them as extra compensation for their meritorious performance in terms of time, costs and quality. The incentive rates may take the form of bonus or premium. Bonus means payment to workers of the entire benefit accruing from savings in costs, time, improvement in quality, etc. Premium means the benefits accruing to the firm as the result of higher output or better quality will be shared equally or on some agreed basis between the management and the workers.

14.4 FEATURES OF INCENTIVE PLANS

The characteristics of these plans are as follows:

1. Minimum wages are guaranteed to all workers.
2. Incentives by way of bonus, etc., are offered to efficient workers for the time saved.
3. A standard time is fixed and the worker is expected to perform the given work within the standard time. The standard time is set after making time studies for the performance of a specific job.

- **Guaranteed minimum wages:** It must guarantee minimum wages irrespective of the performance of the worker.
- **Simple:** It must be simple to operate and easy to understand.
- **Equitable:** All workers should get an equal opportunity to earn the incentive pay. Equal pay for equal work should be the rule.

- **Economical:** The incentive plan should not be a costly affair. The benefits must exceed the costs.
- **Flexible:** It must be reasonably flexible so as to take care of changes in technology, demand for and supply of skills, competitive rates in the industry, etc.
- **Support:** The incentive plan should take workers and unions into confidence. It should be implemented after consulting the workers and their union. Generally speaking, it should be the outcome of mutual trust and understanding between management and workers.
- **Motivating:** The incentive should be large enough to motivate the worker to superior performance. At the same time, there should be checks and balances to ensure that the worker does not exert himself to painful levels, affecting the quality.
- **Prompt:** There should be very little time gap between performance and payment. As soon as the job is finished, the worker should get his (incentive) earnings promptly.

Incentive plans incorporate all the advantages of piece rate wages but they resemble time wages so far as the payments are concerned. Under Incentive Plans, the employer as well as the employee share the benefit of time saved. The various incentive plans have benefited both workers and employers, as they result in higher wages, lower labour turnover and better industrial relations and morale. The following are the more important incentive plans of wage payment.

14.5 INDIVIDUAL INCENTIVES

Individual incentive plans are the most widely used pay for performance plans in industry. These pay plans attempt to relate individual effort to pay. Popular approaches include piece work plans, (such as Tayor's differential piece rate plan, Merrick's differential piece rate plan, etc.), standard hour plans, (such as Halsey plan, Bedeaux plan, Emerson's plan etc.) merit pay raises, lumpsum merit payments, sales incentives and commissions.

14.5.1 Piece Rate: Taylor's Differential Piece Rate System

F W Taylor, the father of Scientific Management, originated this system. The main features of this plan are:

i. There shall be two piece work rates, one is lower and the other is higher.

ii. The standard of efficiency is determined either in terms of time or output based on time and motion study.

iii. If a worker finishes work within standard time (or produces more than standard output within time) he will be given high piece rate.

This system penalises the slow worker by paying low rate because of low production, rewards an efficient worker by giving him high rate because of higher production. Indirectly, this system gives no place to inefficient work. In other words, if the output of a worker is less than the standard output, he is paid a low rate and vice versa.

14.5.2 Merrick's Differential Piece Rate System

We have seen that in Taylor's Method, the effect on the wages is quite severe in the marginal cases. To remove this defect, Merrick came out with a Multiple Piece Rate System. There are three piece rates under this scheme instead of two, and workers producing below the standard output are not penalised by the low piece rate. Since the earnings increase with increased efficiency, performance above the standard will be rewarded by more than one higher differential piece rate. The basic features of this scheme are: (a) upto 83% of the standard output workers are paid at the ordinary piece rate (b) 83% to 100% at 110% of the ordinary piece rate, and (c) above 100% at 120% of the ordinary piece rate.

14.5.3 Standard Hour Plans: Halsey Plan

This plan, originated by F A Halsey (an American engineer) recognises individual efficiency and pays bonus on the basis of time saved. The main features of this plan are:

1. Standard time is fixed for each job or operation.
2. Time rate is guaranteed and the worker receives the guaranteed wages irrespective of whether he completes the work in the time allowed or takes more time to do the same.
3. If the job is completed in less than the standard time, the worker is paid a bonus of 50% (33 1/3 per cent under Halsey-Weir Plan) of time saved at time rate in addition to his normal time wages.

   Total Earnings = Time taken × Hourly Rate plus Bonus

   Bonus = 50% of time saved

Merits

1. It is easy to follow and relatively simple to operate;
2. It guarantees minimum wage and thus provides security to the employees;
3. It provides increasing benefit and incentive to efficient workmen;
4. The benefit from time saved is shared equally between the employer and the workman;
5. It emphasises the saving of time rather than larger output, hence the workers do not resist its adoption.
6. The system is based on time saved and not on output, thus preventing over production.
7. Saving in time reduces both labour cost and overhead expenses.

Demerits

1. The worker may be encouraged to rush through work and thus neglect the quality of production to save more time and earn higher bonus;
2. It does not provide adequate incentive to highly efficient workmen as it involves sharing of the benefit with employers.
3. Fixation of standard is not easy.
4. Earnings are reduced at high level of efficiency. Therefore, it does not act as a sufficient incentive.

14.5.4 Rowan Plan

This plan was introduced by D. Rowan in 1901. As before, the bonus is paid on the basis of time saved. But unlike a fixed percentage in the case of Halsey plan, it takes into account a proportion as follows:

$$\frac{\text{Time saved}}{\text{Time allowed}}$$

Thus, under this plan bonus is that proportion of the wages of time taken which the time saved bears to the time allowed or standard time.

Bonus = Time taken × Hourly rate

Total earnings = Time Taken × Hourly Rate + Bonus

Merits

1. It assures minimum time wages. It is more liberal than the Halsey plan in that it provides incentive to work and earn extra remuneration.
2. As the increase in effort is much less rewarded after a certain stage, an automatic check for limiting production of inferior quality of goods is ensured.
3. This automatic check enables the worker to earn a fair wage, because there is less chance of rate-cutting by the employer, as he is not paying extraordinary wages.

Demerits

1. The ordinary worker may find the bonus calculation a bit difficult.
2. Like Halsey plan, this plan does not encourage extraordinary efficiency. For example, if the time saved is more than half the total, earnings begin decreasing.

14.5.5 Gantt Task and Bonus Plan

This plan combines time, piece and bonus systems. The main features of this plan are:

1. Day wages are guaranteed.
2. Standard time for task is fixed and both time wages as well as a high rate per piece are determined.
3. A worker who cannot finish the work within the standard time is paid on time basis.
4. If a worker reaches the standard, he will be paid time wage plus a bonus at fixed percentage (20%) of normal time wage.
5. If the worker exceeds the standards, he is paid a higher piece rate.

Merits

1. This plan is not as harsh as the Taylor's differential piece rate system. Hence it is more acceptable to the workers.
2. Workers can easily understand its working.
3. It ensures guaranteed time wages to inefficient workers also.
4. It makes distinction between efficient and inefficient workers because the system ensures time wages for inefficient workers and piece wages plus 20% bonus for efficient workers.
5. Labour cost per unit decreases with increase in production due to incentive for efficiency given under this plan.

Demerits

1. It classifies workers into two competing categories (efficient and inefficient) and this may bring disunity among workers.
2. When this method is used, labour cost will be high for low production.
3. Extreme care is to be exercised in fixing the guaranteed time rate and determination of standard output. Any error due to lack of experience will lead to unfavourable consequences.

14.5.6 Bedeaux Plan

Under this plan, every operation or job is expressed in terms of so many standard minutes, which are called 'Bedeaux points' or "B's", each B representing one minute through time and motion study. Upto 100% performance, i.e., upto standard B's, a worker is paid time wages without any premium for efficiency. If the actual performance exceeds the standard performance in terms of B's, then 75% of the wages of the time saved is paid to the worker as bonus and 25% is earned by the foremen. For example, if the standard time is 10 hours actual time taken is 8 hours and rate per hour Re.1, the worker will get:

= 8 hours at Re 1 + 75% of 120 (points saved) x 1/60

= Rs 9.50.

14.5.7 Haynes Manit Plan

This plan is just like the above plan, i.e., the Bedeaux plan with the difference that:

a. The standard is fixed in terms of standard minute known as 'Manit', instead of Bedeaux. Manit stands for man-minute.

b. The bonus is only 50% as against 75% of the Bedeaux plan. Of the remaining 50%, 10% bonus is paid to supervisors and 40% is retained by the employers.

14.5.8 Emerson's Efficiency Plan

Under this plan, when the efficiency of the worker reaches 67% he gets bonus at the given rate. The rate of bonus increases gradually from 67% to 100% efficiency. Above 100% bonus will be at 20% of the basic rate plus 1% for each 1% increase in efficiency.

14.5.9 Accelerated Premium Bonus Plan

This plan is also known as Sliding Scale Bonus Plan because the premium is paid at varying rates for increasing efficiency. In this plan, as efficiency of worker improves, his earnings would increase in greater proportion. This plan is most suitable for foremen and supervisors because it will stimulate them to get higher production from workers under their supervision but it is not advisable to use it for machine operators who may rush through work to earn more, disregarding quality of production.

There is no simple formula for this scheme. Therefore, each firm has to devise its own formula. However, by way of illustration, a graph of $y = 0.8x^2$ may be given as general picture of the scheme (where x is percentage efficiency 100 ÷ and y = wages).

Thus,

Percentage efficiency	100	110	130	150
x	1	1.1	1.3	1.5
x^2	1	1.21	1.69	2.25
$Y = 0.8x^2$	0.8	0.97	1.35	1.8

An Individual Incentive plan is likely to be more effective under certain circumstances:

i. The task is liked.

ii. The task is not boring.

iii. The supervisor reinforces and supports the system.

iv. The plan is acceptable to employees and managers and probably includes them in the plan's design.

v. The incentive is financially sufficient to induce increased output.

vi. Quality of work is not especially important.

vii. Most delays in work are under the employees' control.

T.L. Ross et al, "The Incentive Switch", Management Review, 18, May 1989.

14.6 BONUSES

A bonus is an incentive payment that is given to an employee beyond one's normal standard wage. It is generally given at the end of the year and does not become part of base pay.

Box 14.1: The Payment of Bonus Act, 1965

The Act defines an employee who is covered by it as one earning Rs 2,500 p.m. (w.e.f. 1.4.93) basic plus dearness allowance and specifies the formula for calculating the allocable surplus from which bonus is to be distributed. The minimum bonus to be paid has been raised from 4 per cent to 8.33 per cent (w.e.f. 25.9.75) and is sought to be linked to increased productivity in recent times. Through collective bargaining, the workers, through their representative union, can negotiate for more than what the Act provides and get the same ratified by the government, if necessary . In the absence of such a process, the Act makes it mandatory to pay bonus to employees (who have worked in the unit for not less than 30 working days in a year) following a prescribed formula for calculating the available surplus. The available surplus is normally the gross profits for that year after deducting depreciation, development rebate/investment allowance/development allowance, direct tax and other sums referred to in Sec. 6 The Act applies to every factory or establishment in which 20 or more persons are employed in an accounting year. Currently the position is such that even if there is a loss, a minimum bonus needs to be paid treating the same as deficit to be carried forward and set off against profits in subsequent years (Sec. 15). The Act is proposed to be changed since the amount of bonus, the formula for calculating surplus, and the set off provisions have all been under serious attack from various quarters.

14.7 MERIT PAY AND INDIVIDUAL INCENTIVE PLANS

Merit pay is a reward based on how well an employee has done the assigned job. The payout is dependent on individual employee's performance. Performance is evaluated in a subjective fashion. Advocates of merit pay call it the most valid type of pay increase. Rewarding the best performers with the largest pay is claimed to be a powerful motivator. Performance that is rewarded is likely to be repeated. People tend to do things that are rewarded. Generally speaking, individuals are goal oriented and financial rewards can shape an individual's goals over time. When high achievers are rewarded, they set the benchmarks for others to follow. Merit raises, unfortunately, may not always achieve their intended purpose. Unlike a bonus, merit raise may be perpetuated year after year even when performance declines. When this takes place, employees come to expect the increase and see it as being unrelated to their performance. Evaluating merit, further, is not easy. In most cases, merit raises may be based on seniority or favoritisms or sometimes just to cover rising inflationary pressures. Subordinates who are politically, socially and familially connected inside and outside the organisation, who have clout and who can hurt the supervisor in some way are likely to receive a larger share of the merit pie than their performance may warrant. Compensation specialists find fault with merit raises on the following grounds:

i Tying pay to goals may force people to be narrow-minded; they may focus on goals that are measurable, easy to achieve and avoid the more important goals.

ii It is difficult to define and measure performance objectively.

iii Employees fail to make the connection between pay and performance.

iv Every supervisor may not be a competent evaluator.

v There may be lack of honesty and cooperation between management and employees. Politics may come to pay a major role in recognising meritorious performers.

vi The size of merit award has little effect on performance.

Merit plans can work in cases where the job is well designed and the performance criteria are both well delineated and assessable.

14.7.1 Lumpsum Merit Pay

In this case, employees receive a single lumpsum payment at the time of their review – which in any case, is not added to their base pay. Such merit increases help the employer keep the wage bill under control as they do not contribute to escalating base salary levels. Employees receiving the fat, lumpsum merit payments are able to clearly identify the linkage between pay and performance.

14.8 COMMISSIONS FOR SALES PEOPLE

Compensation plans for sales personnel generally consist of a straight salary plan, a straight commission plan or a combination salary and commission plan.

14.8.1 Salary plan

Some firms pay sales people only a salary. Such a plan is useful when serving and retaining existing accounts is being emphasised more than generating new sales and accounts. This approach is generally used to protect the income of new sales representatives at the beginning of their career, trying to build their rapport with customers. It can also be put to use when both new and existing sales reps are supposed to spend a lot of time learning about and selling customers new products and services.

14.8.2 Commission plan

In this plan, a sales representative receives a percentage of the value of the sales made. He receives no compensation, if no sales are made. The sales representative must inevitably sell in order to earn. High-performing sales people could earn record commissions if they are able to deliver results. Sales costs, thus, are directly proportional to the sales made (rather than remaining fixed) and as such companies would be more than willing to pay commissions based on sales. The plan is quite easy to understand and compute. However, it is not without drawbacks. The emphasis here is always on sales volume rather than on profits. Sales representatives tend to concentrate more on generating sales volumes and on high-value items neglecting other important duties like serving small accounts, cultivating dedicated customers, and pushing hard-to-sell items. Earnings tend to fluctuate widely between good and poor periods of business. Wide variations in income would occur as sales people compete with other and this could ultimately lead to negative feelings of bitterness, jealousy and anguish among themselves. Again, sales people may be tempted to grant price concessions (against company policy) to push up sales.

14.8.3 Combination plan

The most frequently used form of sales compensation is the salary plus commission, which combines the stability of a salary with the performance aspect of a commission. Many companies also pay sales representatives salaries and then offer bonuses as a percentage of base pay tied to meeting various levels of sales targets or other criteria. A common split is 70% salary to 30% commission, although the split varies by industry and with other factors. Combination plans have many plus points. They offer sales people a floor to their earnings as they get a fixed salary for servicing current accounts and earn extra incentives for superior performance. Combination plans offer greater design flexibility as they can be set up to help maximise company profits. They can develop the most favourable ratio of sales expenses to sales.

Box 14.2: Comparative Analysis of three Gainsharing Plans

Program Dimension	Scanlon	Rucker	Improshare
1. Philosophy; theory	Original single unit; share improvements; people capable of and willing to make suggestions, want to make ideas	Primarily economic incentive; some reliance on employees' participations	Economic incentives increase performance
2. Primary goals	Productivity improvement	Improved productivity	Improved productivity
3. Subsidiary goals	Attitudes, communi-cation, work behaviours, quality, cost reduction	Attitudes, communication, work behaviours, quality, cost reduction	Attitudes, work behaviours
4. Worker's participation	Two levels of committees; screening (one) and production (many)	Screening committee and production committee (sometimes)	Bonus committee
5. Suggestion making	Formal system	Formal system	None
6. Role of supervisor	Chair of production committee	None	None
7. Role of managers	Direct participation in bonus committee assignments	Idea coordinators: Evaluate suggestions, committee assignments	None
8. Bonus formula	$\frac{\text{Sales}}{\text{Payroll}}$	$\frac{\text{Bargaining - unit payroll}}{\text{Production value}}$	Engineering standard ×BPF*
9. Frequency of payout	Monthly	Monthly	Total hours worked Weekly
10. Role of union	Negotiated provisions; membership on screening committee	Negotiated provisions; screening committee membership	Negotiated provisions
11. Impact on management style	Substantial	Slight	None

14.9 ORGANISATION WIDE INCENTIVE PLANS

Organisation wide incentive plans reward employees on the basis of the success of the organisation over a specified time period. These plans seek to promote a '*culture of ownership*' by developing a sense of belongingness, cooperation and teamwork among all employees. There are three basic types of organisation-wide incentive plans: profit sharing, gain sharing and employee stock ownership plans.

14.9.1 Profit Sharing

Profit sharing is a scheme whereby employers undertake to pay a particular portion of net profits to their employees on compliance with certain service conditions and qualifications. The purpose of introducing profit sharing schemes has been mainly to strengthen the loyalty of employees to the firm by offering them an annual bonus (over and above normal wages) provided they are on the service rolls of the firm for a definite period. The share of profit of the worker may be given in cash or in the form of shares in the company. These shares are called bonus shares. In India, the share of the worker is governed by the Payment of Bonus Act.

Merits

1. The idea of sharing the profits inspires the management and the worker to be sincere, devoted and loyal to the firm.

2. It helps in supplementing the remuneration of workers and enables them to lead a rich life.
3. It is likely to induce motivation in the workers and other staff for quicker and better work so that profits of the firm are increased which in turn increases the share of worker therein.
4. Workers do not require close supervision, as they are self-motivated to put in extra labour for the prosperity of the firm.
5. It attracts talented people to join the ranks of a firm with a view to share the profits.

Demerits

1. Profits sharing scheme is, in practice, a fair-weather plan. Workers may get nothing if the business does not succeed.
2. Management may dress up profit figures and deprive the workers of their legitimate share it profits.
3. Workers tend to develop loyalty toward firm discounting their loyalty toward trade unions, thus impairing the solidarity of trade unions.
4. Fixation of worker's share in the profits of firm may prove to be a bone of contention in the long run.

14.9.2 Gain Sharing

A gain sharing plan aims at increasing productivity or decreasing labour costs and sharing the resultant gains (usually a lumpsum payment) with employees. It is based on a mathematical formula that compares a baseline of performance with actual productivity during a given period. When productivity exceeds the base line an agreed-upon savings is shared with employees. Gainsharing is built around the idea that involved employees will improve productivity through more effective use of organisational resources. Three major types of gainsharing plans are currently in use: *Scanlon Plan, Rucker, Plan,* and *Improshare*. Improshare stands for improved productivity through sharing. This plan is similar to a piece rate except that it rewards all employees in an organisation. Input is measured in hours and output in physical units. A standard is calculated and weekly bonuses are paid based on the extent to which the standard is exceeded. The employees and the organisation each receive payment for 50 per cent of the improvement.

Unlike profit sharing plans which have deferred payments, gainsharing plans are current distribution plans. They are directly related to individual behaviour and are distributed on a monthly or quarterly basis. Gainsharing plans tend to increase the level of cooperation across workers and teams by giving them a common goal. Managers are not required to base their calculations on complex mathematical formulae, nor they are required to closely look into the specific contributions of individuals or independent teams. It is easier for both, to formulate bonus calculations and to achieve employee acceptance of those plans. Gainsharing plans, however, protect low performers. Where rewards are spread across a large number of employees, poor performers may get rewards for non performance at the cost of the bright performers. Gainsharing plans may fail due to other reasons as well: poorly designed bonus formulae, lack of management support for employees' participation, increasing cost factors that undermine the bonus formula, poor communication, lack of trust, and apathy on the part of employees. To develop an organisation-wide incentive plan that has a chance to survive, let alone succeed careful, in depth planning must precede implementation. A climate of trustworthy labour-management in also absolutely essential. The financial formula should be simple and should measure and reward performance with a specific set of measurable goals and a clear allocation method.

14.9.3 Employees Stock Ownership Plans

Employee stock ownership plans originated in the USA in early 90s. Such plans have not gained popularity in India till recently, due to the absence of legal provisions in the Companies Act covering stock options. However, in 1988, the Government has allowed stock options to software professionals, recognising the importance of retaining talent within the country.

Under employee stock option plan, the eligible employees are allotted company's shares below the market price. The term stock option implies the right of an eligible employee to purchase a certain amount of stock in future at an agreed price. The eligibility criteria may include length of service, contribution to the department/division where the employee works, etc. The company may even permit employees to pay the price of the stock allotted to them in installments or even advance money to be recovered from their salary every month. The allotted shares are generally held in trust and transferred to the name of the employee whenever he or she decides to exercise the option. The stock option empowers the employee to participate in the growth of the company as a part owner. It also helps the company to retain talented employees and make them more committed to the job.

Employee stock options are welcomed everywhere due to their in-built motivating potential. Some of the powerful benefits offered by Esops may be catalogued thus:

i. Stock options are a tremendous motivator because they directly link performance to the market place. The underlying rationale is to let employees add value to a company and benefit from it on the same terms as any other provider of risk-capital.

ii. Employees remain loyal and committed to the company. To become part owners, everyone has to stay for a while, contribute their best and then share the resultant gains according to an agreed criteria. Stock options motivate people to give their best to the company because individual performances will translate into share price increases only if it is part of a larger collective effort.

iii. By transforming your employee into a stockholder, stock options foster a long-term bond between the employee and the company. Employees begin to look at themselves as real owners in place of just paid servants of a company. ESOPs give employees a '*piece of the action*' so that they can share in the growth and profitability of their company. Everyone also loves the concept of employee ownership as a kind of "*People's capitalism*."

iv. ESOPs underscore the importance of team effort among employees.

v. Better industrial relations, reduced employee turnover, lesser supervision, increased dividend income, etc., are other incidental benefits.

ESOPs have their critics as well who attack the method on the following grounds:

vi Only profitable companies can use the tool

vii Stock prices do not always reflect fundamentals

viii Falling share price could mean losses for employees

ix The inability to cash in quickly can dampen interest

x Lack of transparency can earn accusations of favouritism

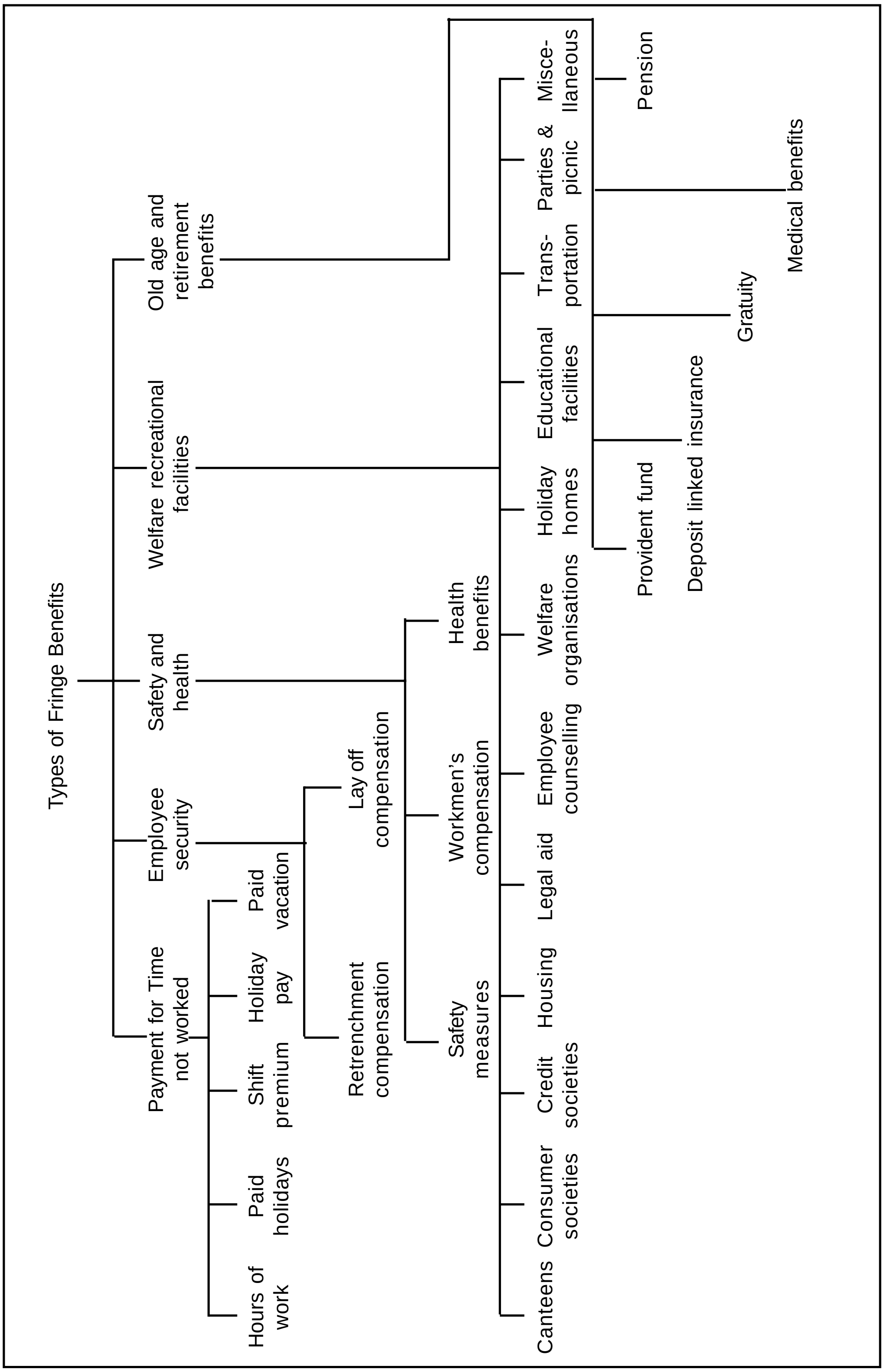

Figure 14.1: Type of Fringe Benefits

Employees' sharing the platform with owners, evidently, can be a disadvantage because they may feel 'forced' to join, thus placing their financial future at great risk (e.g., employees who opted for ESOPs during the software boom in the late 90s have suffered huge losses when stock prices crashed subsequently). Another drawback is that ESOps could be used by managements to fend off unfriendly takeover attempts. Holders of stock options often align with management to turn down bids that would benefit outside shareholders but would replace management and restructure operations. Surely, ESOPs are not meant to entrench inefficient management. Despite these disadvantages, ESOPs have grown in popularity in recent times.

14.9.4 Practices in Indian Organisations

Companies like Mastek, Godrej and Boyce have tried to link their rewards to team based performance in recent times quite successfully

Team-based rewards: Best practices

i. Set quantifiable targets when evaluating team performance for rewards.

ii. Ensure that top performers in each team earn the highest level of rewards.

iii. Link team performance closely to the company's profits and overall financial health.

iv. Avoid subjectivity when assessing both the team and its member's performance.

v. Offer uniform non-team based incentives to employees within each grade.

Other companies like Pfiger, Siemens have been linking rewards to shop floor workers based on the worker ability to meet productivity as well as performance targets. In any case, the emerging picture is quite clear especially in the post liberalisation era in India. The start that need entrepreneurial action from its employees will have to offer large doses of cash, goal linked incentive pay and possibly stock options to link compensation to profits. Mature companies, whose focus is on managing their earnings per share and protecting market shares, will have to seek out managerial talent and reward it with flexible tax-friendly compensation packages with benefits designed to improve the quality of working life.

Check Your Progress

1. Fill in the blanks.

   (a) .... is about Manging data with reports facilities.

   (b) .... provides guidances to the evaluation.

   (c) .... are guaranteed to all workers incentive plan.

   (d) .... was the father of scientific management.

   (e) Taylor's differential .... differentiate two work rates, one is lower & other is higher.

2. Write True and False against each statement.

   (a) Computerised Job evaluation falls into two broad areas. ( )

   (b) Evaluation of decision support Manages the data with reporting. ( )

   (c) Incentive plans do not incorporate all the advantages of piece rate wages. ( )

   (d) Habey plan was for standard house plans. ( )

   (e) Bonus = (Time saved /Standard time) × Time taken × having rate. ( )

   (f) Bonus is an incentive payment that is given to an employee beyond one's normal standard wage. ( )

3. Discuss commissions for sales people?

4. What is lumpsum merit pay ?

14.10 LET US SUM UP

The various incentive plans have benefited both workers and employers, as they result in higher wages, lower labour turnover and better industrial relations and morale. Merit pay is a reward based on how well an employee has done the assigned job. The payout is dependent on individual employee's performance. Performance is evaluated in a subjective fashion. Profit sharing is a scheme whereby employers undertake to pay a particular portion of net profits to their employees on compliance with certain service conditions and qualifications. Under employee stock option plan, the eligible employees are allotted company's shares below the market price. The term stock option implies the right of an eligible employee to purchase a certain amount of stock in future at an agreed price. The eligibility criteria may include length of service, contribution to the department/ division where the employee works, etc.

14.11 LESSON-END ACTIVITIES

(i) You are a small business owner wishing to establish a benefits programme for your employees. What things should you consider to ensure that the programme is a success for your employees?

(ii) Your company has just developed a new company sponsored savings plan for employees. Develop a strategy to publish the programme and to encourage to participate in it.

14.12 KEYWORDS

Incentives

Bedeaux plan

Merit pay

Bonus

Profit sharing

14.13 QUESTIONS FOR DISCUSSION

1. Write short notes on:
    (a) Taylor's piece rate system
    (b) Merrick's piece rate system
    (c) Halsey plan
    (d) Rowan plan
    (e) Gantt task
    (f) Bonus plan
2. Discuss how commission for sales people is distributed?
3. Give comparative analysis of three gain sharing plans.
4. What are the merits and demerits of profit sharing?
5. Mention some of the powerful benefits offered by ESOP.

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LESSON

15

BENEFIT AND SERVICES

CONTENTS

Contd...

15.0 AIMS AND OBJECTIVES

In this lesson we shall discuss about benefit and services. After studying this lesson you will be able to:

(i) Discuss significance of benefit and services and classification employee benefit

(ii) Analyse statutory and non-statutory welfare provision.

(iii) Understand flexible, insurance benefits and retirement benefits.

15.1 INTRODUCTION

Benefit is a generic word and used to describe a substantial elements of compensation which is unique and provided to the employee in non-cash form (there are some exception) and known as fringe benefits and services, other terms like perquisites perks, allowances etc. , are also used. There is a distinction between benefits and services. Benefit applies to those items for which a direct monitory value to the employees, can be ascertained, as in the case of pension, insurance, holiday pay, etc. Services applies to such items as companies newspaper, companies holiday homes, etc. , for which direct money value cannot be readily established by the employee. Perks is something in addition to the payment; car fuel etc. Allowance could be sum of money given at regular interval to cover some special circumstances like canteen allowance, clothing allowance, etc.

15.2 SIGNIFICANCE OF BENEFIT AND SERVICES

Benefits and Services are indirect compensation (as against direct compensation on critical job factors and performance) because they are usually extended as condition of employment or with intention of inducement or motivation and are not directly related to performance. Fringe benefits are suppose to be benefit at the fringes, or edge of the main pay. Now this has been replaced by simple benefits which forms a substantial part of the total compensation.

Employee benefits and services include any benefits that the employee receives in addition to direct remuneration.

A formal definition is:

"Fringes embrace a broad range of benefits and services that employees receive as part of their total compensation package—pay or direct compensation—is based on critical job factors and performance. Benefits and services, however, are indirect compensation because they are usually extended as a condition of employment and are not directly related to performance."

Employee benefits are elements of remuneration given in addition to the various forms of cash pay. They provide a quantifiable value for individual employees, which may be deferred or contingent like a pension scheme, insurance cover or sick pay, or may provide an immediate benefit like a company car. Employee benefits also include elements, which are not strictly remuneration, such as annual holidays.

The terms 'fringe benefits' and perks (perquisites) are sometimes used derogatively, but should be reserved for those employee benefits which are not fundamentally catering for personal security and personal needs.

15.2.1 Objectives

The objectives of the employee benefits policies and practices of an organisation might be:

- to increase the commitment of employees to the organization;
- to provide for the actual or perceived personal needs of employees, including those concerning security, financial assistance and thus, provision of assets in addition to pay, such as company cars and petrol;
- to demonstrate that the company cars for the needs of its employees;
- to ensure that an attractive and competitive total remuneration package is provided which both attracts and retains high-quality staff;
- to provide a tax-efficient method of remuneration which reduces tax liabilities compared with those related to equivalent cash payments.

Note that these objectives do not include 'to motivate employees'. This is because benefits seldom have a direct and immediate effect on performance unless they are awarded as an incentive; for example, presenting a sales representative with a superior car (e.g. a BMW) for a year if he or she meets a particularly demanding target. Benefits can, however, create more favourable attitudes toward the company leading to increased long-term commitment and better performance.

Why fringe Benefits?

1. Altruistic/Paternalistic consideration
2. Statutory requirements
3. Concern for well being
4. Damage and hazard of industrial working
5. Tax-planning consideration
6. Competitive consideration
7. Concern for quality of work-life
8. Mitigate fatigue and monotony
9. Discourage labour unrest
10. Reduce attrition
11. Build companies image
12. Attract, retain and motivate employees

15.2.2 Goals for Benefits

Benefits should be looked at as part of the overall compensation strategy of the organisation. For instance, an organisation can choose to compete for employees by providing base compensation, variable pay, or benefits, or perhaps all three. Which approach is chosen depends on many factors, such as the competition, organisational life cycle, and corporate strategy. For example, a new firm may choose to have lower base pay, and use high variable incentives to attract new employees, but keep the cost of benefits as low as possible for a while. Or an organisation that hires predominately younger female employees might choose a family-friendly set of benefits including on-site child care to attract good employees.

15.3 CLASSIFICATION OF EMPLOYEE BENEFITS

Employee benefits can be further classified under these seven major groups:

(1) Disability income continuation,

(2) Loss-of-job income continuation,

(3) Deferred income,

(4) Spouse or family income continuation,

(5) Health and accident protection,

(6) Property and liability protection, and

(7) A special group of benefits and services called perquisites.

15.3.1 Disability Income Continuation

Disability may be classified as regular, temporary, total, or partial. When employees are unable to work because of an accident or some health-related problem, disability income continuation payments assist them in maintaining their existing lifestyle without major modification. Various disability income continuation components provide weekly or monthly payments in lieu of the regular earned income paycheck. The following 11 components are among the more commonly available disability income continuation plans. Although all components will seldom be available to employees, components can be packaged to maximize employee protection while maintaining costs within reasonable limits for the employer. The major components are as follows:

1. Short-term disability
2. Long-term disability
3. Workers compensation
4. Non-occupational disability
5. Social security
6. Travel accident insurance
7. Sick leave
8. Supplemental disability insurance
9. Accidental death and dismemberment.
10. Group life insurance: Total Permanent Disability (TPD)
11. Retirement plans

15.3.2 Loss of Job Income Continuation

Loss-of-job-income continuation plans are designed to assist workers during short-term periods of unemployment due to layoffs and termination. The eight major compensation components that make up this group of benefits are as follows:

1. Unemployment Insurance (UI)
2. Supplemental Unemployment Benefit Insurance (SUBI)
3. Guaranteed Annual Income (GAI)
4. Guaranteed Income Stream (GIS)

15.3.3 Deferred Income

Over the year employers have established the following kinds of compensation components to help employees accumulate capital and meet future financial goals:

1. Social Security
2. Qualified Retirement Plan

   Pension plan

   Profit-sharing plan

   Stock bonus plan
3. Simplified Employee Pension Plans (SEPPs)
4. Supplemental Executive

   Retirement Plans (SERPs)
5. Supplemental & Executive

   Group Life Insurance Plans
6. Stock Purchase Plan
7. Stock Option Plan
8. Stock Grant

15.3.4 Spouse and Family Income Protection

Most employees attempt to ensure the future welfare of their dependents in case of their death. One component, life insurance, and a number of other components previously identified and described have specific features to assists a worker's dependents in the event of such a calamity. The major components available to protect workers' dependents are:

1. Life Insurance
2. Retirement Plans
3. Social Security and Medicare
4. Tax-sheltered Annuity
5. Workers' Compensation
6. Accidental Death and Dismemberment
7. Travel Accident Insurance
8. Health Care Coverage

15.3.5 Health & Accident Protection

Organisations provide their employees with a wide variety of insurance services to help them and their families maintain a normal standard of living when unusual or unexpected health-related adversities occur. These health care related insurance plans cover medical, surgical, and hospital bills resulting from an accident or illness.

Feature of Health Care Insurance Plans

Medical coverage included in medical plans continues to expend every year. Basic medical coverage includes payments for *diagnostic visits* to the doctor's office, *outpatient X-rays, and laboratory coverage*. Recent additions include home visits by the doctor and *ambulatory or outpatient surgery*. Although still rated among medical benefits, the *annual physical* is beginning to appear in more health insurance programmes. Another recent addition to health care insurance plans is the extension of comprehensive health care benefits to include some of the survivors of deceased company employees retirees. A relatively new provision covers out patient and non-hospital *psychiatric care*.

15.3.6 Property & Liability Protection

Of rather recent vintage is the addition of compensation components that provide employees with personal property and liability protection. These property and liability protection components include the following:

1. Group auto
2. Group home
3. Group legal
4. Group umbrella liability
5. Employee liability
6. Fidelity bond insurance

15.3.7 Employees Services "Fringe"

Employer provides a wide array of services that enhance the lifestyle of employees. In some cases, these services grant employees time off with pay. In other cases, the services include highly valued in-kind benefits, which, if purchased by employees themselves, would require the expenditure of after-tax dollars. In providing these services, the employer usually receives a tax deduction and, in most cases, the good or service is not considered an earned income item. Even in cases in which employees may be charged with additional earned income for the receipt of the good or service, the charge to income is considerably less than the cost that would have been incurred by the recipient. The three major sets of components that constitute the employee services group are:

(1) pay for time not worked

(2) time off without pay and

(3) income equivalent payments and reimbursements for incurred expenses.

15.3.8 Pay for Time Not Worked

Over the past 35 years the drive to reduce working hours and total time spent at work has focused on providing workers with more paid holidays and longer vacations. From an employee's perspective, possibly the most desired but frequently unrecognized benefit is time-off with pay. Numerous time-off with pay components have developed, and employees usually receive their daily base pay rate as the rate paid for these time-off opportunities. The more common time-off with pay components are these:

1. Holidays
2. Vacations
3. Jury duty
4. Election official
5. Witness in court
6. Civic duty
7. Military duty
8. Funeral leave
9. Illness in family leave
10. Marriage leave
11. Paternity leave
12. Maternity leave
13. Sick leave
14. Wellness leave
15. Time-off to vote
16. Blood donation
17. Grievance and contract negotiations
18. Lunch, rest and wash-up periods
19. Personal leave
20. Sabbatical leave

15.3.9 Time-off from Work Without Pay

For years, some organisation have provided employees with sabbaticals without pay. In this case, an employee has an opportunity to pursue a special interest area. Although the employee is not paid, he or she continues to be covered by the employer's medical, life insurance, disability programmes.

Income Equivalent Payments and Reimbursements for Incurred Expenses

The ever-increasing diversity and population of employee benefits have given rise to a significant number of benefits that can be grouped under a category called nonstatutory benefits. The majority of benefits previously described are either mandated by legislation or permitted by statutes and given preferential tax treatment.

This group of compensation components includes some of the most diverse and most desirable kinds of goods and services employees receive from their employers. Many of these components and new ones that appear almost daily have been introduced in response to changes in the economic situation and to tax demands. This broad group of services provides employees with the opportunity for an improved and more enjoyable lifestyle. Some of the more common components are as follows:

Preferred Benefits of Services

1. Charitable contributions
2. Counselling

   Financial

   Legal

Psychiatric

Psychological

3. Tax preparation opportunities
4. Education subsidies
5. Child adoption
6. Child care
7. Elderly care
8. Subsidized food service
9. Discounts on merchandise
10. Physical awareness and fitness programmes
11. Social and recreational
12. Parking
13. Transportation to and from work
14. Travel expenses

    Car reimbursement

    Tolls and parking

    Tool and entertainment reimbursement
15. Clothing reimbursement/allowance
16. Tool reimbursement/allowance
17. Relocation expenses
18. Emergency loans
19. Credit union
20. Housing

"Such services also give Income-tax".

15.3.10 Costing Benefits

1. Annual cost of benefits and services for all employees.
2. Cost per employee per year.
3. Percentage of payroll (annual cost divided by annual payroll).
4. Cents per hour (cost per employee per hour).

15.4 STATUTORY WELFARE PROVISIONS IN INDIA

These are amenities that are necessary to be provided to the employees under different labour legislations. The important legislations which call for these welfare provisions include The Factories Act, 1948, the Plantation Labour Act, 1951, Mines Act, 1952, Motor Transport Workers Act, 1961, and the Contract Labour (Regulation and Abolition) Act, 1970.

15.4.1 The Factories Act, 1948

The Act covers areas including health, welfare, safety, working hours, annual leave with wages and employment of women and children.

The Act is applicable to premises including precincts thereof where ten or more workers are employed with the aid of power, or where 20 or more workers are employed without power.

The welfare amenities provided under the act include:

1. Washing facilities. (Sec. 42)
2. Facilities for storing and dry clothing. (Sec. 43)
3. Sitting facilities for occasional rest for workers who are obliged to work standing. (Sec. 44)
4. First-aid boxes for cup boards - one for every 150 workers, and ambulance facilities if there are more than 500 workers. (Sec. 45)
5. Canteens if employing more than 250 workers. (Sec. 46)
6. Shelters, rest rooms and lunch rooms, if employing over 150 workers. (Sec. 47)
7. Crèche, if employing more than 30 women. (Sec. 48)
8. Welfare officer, if employing more than 500 workers. (Sec. 49)

15.4.2 The Mines Act, 1952

The mine owners should make provisions for:

1. Maintenance of crèches where 50 or more women workers are employed.
2. Shelters for taking food and rest if 150 or more workers are employed.
3. A canteen in mines employing 250 or more workers.
4. Maintenance of first-aid boxes and first-aid rooms in mines employing more than 150 workers. (Sec. 21)
5. (i) Pit-head baths equipped with shower baths, (ii) sanitary latrines, and (iii) lockers, separately for men and women workers. (Sec. 58 e)
6. Appointment of welfare officer in mines employing more than 500 persons to look after the matters relating to the welfare of the workers.

15.4.3 The Plantation Labour Act, 1951

The following welfare measures are to be provided to the plantation workers:

1. A canteen in plantations employing 150 or more workers. (Sec. 11(1))
2. Crèche in plantations employing 50 or more women workers. (Sec. 12)
3. Recreational facilities for the workers and their children. (Sec. 13)
4. Educational arrangements in the estate for the children of workers, where there are 25 workers' children between the age of 6 and 12. (Sec. 14)
5. Housing facilities for every worker and his family residing on the plantation. The standards and specifications of the accommodation, procedure for allotment and rent chargeable from workers etc. , are to be prescribed in the rules by the State Government. (Sec. 15)
6. Medical aid to workers and their families. The workers are also entitled, subject to any rules framed by the State Governments, to sickness allowance and maternity allowance.
7. The State Government may make rules requiring every plantation employer to provide the workers with such number and type of umbrellas, blankets, raincoats,

or other such amenities for protection from rain or cold as may be prescribed. (Sec. 17)

8. Appointment of a welfare officer in plantations employing 300 or more workers.

15.4.4 The Motor Transport Workers Act, 1961

The motor transport undertakings are required to make the following provisions in the areas of health and welfare:

1. Canteens of prescribed standard, if employing 100 or more workers. (Sec. 8)
2. Clean, ventilated, well-lighted and comfortable rest rooms at every place where motor transport workers are required to halt at night. (Sec. 9)
3. Uniforms, raincoats to drivers, conductors and line checkers for protection against rain and cold. A prescribed amount of washing allowance is to be given to the above-mentioned categories of staff. (Sec. 10)
4. Medical facilities are to be provided to the motor transport workers at the operating centres and at halting station as may be prescribed by the State Governments. (Sec. 11)
5. First-aid facilities equipped with the prescribed contents are to be provided in every transport vehicle. (Sec. 12)

15.4.5 The Contract Labour (Regulation & Abolition) Act, 1970

The contractor is required to provide the following welfare and health measures to the contract workers:

1. A canteen in every establishment employing 100 or more workers. (Sec. 16)
2. Rest rooms or other suitable alternative accommodation where the contract labour is required to halt at night in connection with work of an establishment. (Sec. 17)
3. Provision for washing facilities. (Sec. 18)
4. Provision for first-aid box equipped with the prescribed contents. (Sec. 19)

15.4.6 Canteen

The Royal Commission on Labour and the Labour Investigation Committee have laid considerable emphasis on the provision of a canteen inside the workplace. The ILO, in its Recommendation 102, mentioned this facility and felt that a competent authority in each country should guide establishments with regard to nutrition, hygiene, finance, etc. In India, the Factories Act places the responsibility on State Governments of making rules to ensure provisions of a canteen in any specified factory with more than 250 workers. Workers should be provided representation in the management of canteens. The Commission on Labour Welfare has suggested that canteens should be run on cooperative basis and that legislation should be amended to empower State Governments to make rules to meet the objective of nutrition.

15.4.7 Crèches

The need for setting up crèches in industrial establishments was stressed by the Royal Commission on Labour in its report way back in 1931. The Factories Act lays down that in any factory with more than 50 women workers a crèche should be provided and maintained for children under 6 years in clean and sanitary conditions. The crèche should be under the care of women trained in child care. The crèche should have adequate accommodation, should be properly lighted and ventilated. You must note that the State Government is empowered to make rules in respect of standards, equipment and facilities. Mothers should also be given time to feed their children at necessary intervals.

15.4.8 Labour Officer

The Factories Act, 1948, provides for the statutory appointment of welfare officer in a factory in which 500 or more workers are employed. The State Government may prescribe the duties, qualifications and conditions of service of officers employed. The functions of a welfare officer include the broad areas of (i) labour welfare (welfare function), (ii) labour administration (personnel function), and (iii) labour relations (conciliation function).

The labour welfare function includes advice and assistance in implementing legislative and non-legislative provisions relating to health, safety and welfare, hours of work, leave, formation of welfare committees, etc.

The labour administration covers organizational discipline, safety and medical administration, liaison, wage and salary administration, education of workers, etc. the labour relation consists of settlement of disputes, promotion of harmonious labour-management relations, etc.

15.5 NON-STATUTORY WELFARE PROVISIONS

There are employers who have taken the lead and provided a wide variety of welfare amenities to their employees.

15.5.1 Educational Facilities

Economic and social progress is dependent on the quality of workforce. Education plays a crucial role in motivating and preparing the workers for constant change and development that should necessarily happen in industry. The need for imparting necessary education to workers in India had been emphasized by the Indian Industrial Commission (1918) and the Royal Commission on Labour (1931). The educated worker is naturally more receptive and responsible.

Educating the worker's family, especially his children, is essential. It is an investment in training your future workforce. The Central Workers Education Board conducts classes for industrial workers. The National Commission on Labour and the interest in educating workers and running schools for workers' children. However there is no statutory obligation on any industry to impart education to workers' children except in plantations.

15.5.2 Housing Facilities

Both the Indian Industrial Commission (1918) and the Royal Commission realized the importance and necessity of improving housing conditions of industrial workers and suggested various measures. In 1948 the Government of India put forth the Industrial Housing scheme. The committee on Labour Welfare emphasized the importance of the role of the State Government in acquiring land near industrial areas and renting houses at reasonable rates. The National Commission on Labour recommended that the Government should take the major responsibility for housing. The Government should also use all the help that employers can provide and that fiscal and monetary incentives should be provided to employers to make it a viable proposition for them.

15.5.3 Transport Facilities

The growth and expansion of industries has also increased the distance for the worker from his place of residence to his place of work. Transport facilities for workers residing far from the workplace is essential to relieve strain and anxiety. Such facilities will, no doubt also provide greater opportunity for relaxation and reduce the rate of absenteeism.

The Committee on Labour Welfare recommended the provision of adequate transport facilities to workers to enable them to reach their workplace without loss of much time and without fatigue. The Committee also recommended that in industrial undertakings where transport services are not provided, some conveyance allowance mutually agreed upon between the employer and the employees, should be paid to the employees. To encourage the employees to have their own conveyance the Committee recommended that the employer should advance loans for purchase of bicycles, scooters, etc.

15.5.4 Recreational Facilities

Recreation in the form of music, art, theatre, sports and games can play an important role in the mental and physical development of your employees. The importance of recreation in creating a healthy climate for industrial peace and progress has been emphasized by several study teams, committees and commissions.

The ILO Recommendation on Welfare Facilities adopted in 1956 urged upon the member countries to take appropriate measures to encourage the provision of recreational facilities for the workers in or near the undertaking in which they are employed. These measures should, preferably, be taken in such a way as to stimulate and support action by the public authorities so that the community is able to meet the demand for recreational facilities.

In India; provision of recreational facilities has been made obligatory on employers in plantations. The committee on Labour Welfare recommended that small units could be lent a helping hand by the State in organizing recreational facilities for its workers in industrial housing colonies. Trade unions could also take the initiative and different agencies could combine their efforts to provide a minimum number of sports and recreational activities to keep the labour force fit and healthy. Excursions can be organized, youths clubs can be formed and holidays homes can be provided for the employees.

15.5.5 Consumer Cooperative Societies

The importance of opening Consumer Cooperative Societies/Fair Price Shops for the workers was first realized during the Second World War. During this period a large number of Consumer Cooperative Societies were organized by the Government for the distribution of controlled commodities. A committee was set up in 1961 by the National Cooperative Movement.

The Committee felt that it should be made obligatory for employers and industrial undertakings to introduce consumer cooperative activities in their labour welfare programmes. The Indian Labour Conference in 1962 adopted a scheme for setting up consumer cooperative stores in all industrial establishments including plantations and mines employing 300 or more workers. The employer was to give assistance in the form of share capital working capital, loan, free accommodation and other amenities. The Industrial Truce Resolution, 1962, aimed to keep prices of essential commodities low by opening a sufficient number of fair price shops and cooperative stores so that workers were assured of a regular supply of essential items.

15.6 FLEXIBLE BENEFITS

Inbasket benefits/Ala-carte/Flexible system of benefits and services are gaining popularity in multinational companies.

Advantages

1. Employees choose packages that best satisfy their unique needs.
2. Flexible benefits help firms meet the changing needs of a changing workforce.
3. Increased involvement of employees and families improves understanding of benefits.
4. Flexible plans make introduction of new benefits less costly. The new option is added merely as one among a wide variety of elements from which to choose.
5. Cost containment - The organisation sets the dollar maximum. Employee chooses within that constraint.

Disadvantages

1. Employees make bad choices and find themselves not covered for predictable emergencies.
2. Administrative burdens and expenses increase.
3. Adverse selection - employees pick only benefits they will use. The subsequent high benefit utilization increases its cost.
4. Subject to non-discrimination requirements in Section 125 of the Internal Revenue Code.

15.7 INSURANCE BENEFITS

Group life insurance scheme provides insurance cover to several employees working under one employer, as long as they remain in service of that employer. The employer enters into a master contract with the insurance company on behalf of all employees covered therein. The premium is paid jointly by the employer and the employee. It is paid to the insurance company at a flat rate without taking note of the age or salary of the employee. The insurance cover is on each employee's life and in case of injury or death, the compensation received from the insurance company is paid to the employee or his nominee. Since the premium is very low, it is highly attractive to salaried people in the low income category.

15.8 RETIREMENT BENEFITS AND OTHER WELFARE MEASURES TO BUILD EMPLOYEE COMMITMENT

Industrial life generally breaks joint family system. The saving capacity of the employees is very low due to lower wages, high living cost and increasing aspirations of the employees and his family members. As such, employers provide some benefits to the employees, after retirement and during old age, with a view to create a feeling of security about the old age. These benefits are called old age and retirement benefits. These benefits include (a) provident fund, (b) pension, (c) deposit linked insurance, (d) gratuity and (e) medical benefit.

15.8.1 Provident fund

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

15.8.2 Pension

The Government of India introduced a scheme of Employees Pension Scheme for the purpose of providing Family Pension and Life Insurance benefits to the employees of various establishments to which the Act is applicable. The Act was amended in 1971 when Family Pension Fund was introduced in the Act. Both the employer and the employee contribute to this fund. Contributions to this fund are from the employee contributions to the Provident Fund to the tune of 1.1/3% of employee wage.

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

Pay for month	**Rate**
Rs 800 or more	12% of the basic subject to a maximum of Rs. 150 as monthly pension.
More than Rs 200 but less than Rs 800	15% of the basic subject to a maximum of Rs 96 and a minimum of Rs 60 as monthly pension.
Rs 200 or less	30% of the basic subject to a minimum of Rs. 60 as monthly pension.

This scheme also provides for the payment of a lumpsum amount of Rs 4,000 to an employee on his retirement as retirement benefit and a lumpsum amount of Rs 2,000 in the event of death of an employee as life insurance benefits.

15.8.3 Deposit linked insurance

Employees deposit linked insurance scheme was introduced in 1976 under the P.F. Act, 1952. Under this scheme, if a member of the Employees Provident fund dies while in service, his dependents will be paid an additional amount equal to the average balance during the last three years in his account. (The amount should not be less than Rs 1000 at any point of time). Under the employee's deposit linked insurance scheme, 1976 the maximum amount of benefits payable under the deposit linked insurance is Rs 10,000.

15.8.4 Gratuity

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

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

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

15.8.5 Medical benefit

Some of the large organisations provide medical benefits to their retired employees and their family members. This benefit creates a feeling of permanent attachment with the organisation to the employees even when they are no longer in service.

Welfare and recreational benefits include: (a) canteens, (b) consumer societies, (c) credit societies, (d) housing, (e) legal aid, (f) employee counselling, (g) welfare organisations, (h) holidays homes, (i) educational facilities, (j) transportation, (k) parties and picnics and (l) miscellaneous.

i. ***Canteens:*** Perhaps no employee benefit has received as much attention in recent years as that of canteens. Some organisations have statutory obligation to provide such facilities as Section 46 of the Factories Act, 1948, imposes a statutory obligation to employers to provide canteens in factories employing more than 250 workers. Others have provided such facilities voluntarily. Foodstuffs are supplied at subsidised prices in these canteens. Some companies provide lunchrooms when canteen facilities are not available.

ii. ***Consumer stores:*** Most of the large organisations located far from the towns and which provide housing facilities near the organisation set up the consumer stores in the employees colonies and supply all the necessary goods at fair prices.

iii. ***Credit societies:*** The objective of setting up of these societies is to encourage thrift and provide loan facilities at reasonable terms and conditions, primarily to employees. Some organisations encourage employees to form cooperative credit societies with a view to fostering self-help rather than depending upon money lenders, whereas some organisations provide loans to employees directly.

iv. ***Housing:*** Of all the requirements of the workers, decent and cheap housing accommodation is of great significance. The problem of housing is one of the main causes for fatigue and worry among employees and this comes in the way of discharging their duties effectively. Most of the large factories organisations, e.g., sugar mills, are located very far from towns, at places where housing facilities are not available. Hence most of the organisations have built quarters nearer to factory and have thus provided cheap and decent housing facilities to their employees, whilst a few organisations provide and/or arrange for housing loans to employees and encourage them to construct houses.

v. ***Legal aid:*** Organisations also provide assistance or aid regarding legal matters to employees as and when necessary through company lawyers or other lawyers.

vi. ***Employee counselling:*** Organisations provide counselling service to the employee regarding their personal problems through professional counsellors. Employee counselling reduces absenteeism, turnover, tardiness, etc.

vii. ***Welfare organisations, welfare officers:*** Some large organisations set up welfare organisations with a view to provide all types of welfare facilities at one centre and appoint welfare officers to provide the welfare benefits continuously and effectively to all employees fairly.

viii. ***Holiday homes:*** As a measure of staff welfare and in pursuance of government's policy, a few large organisations established holiday homes at a number of hill stations, health resorts and other centres with low charges of accommodation, so as to encourage employees to use this facility for rest and recuperations in a salubrious environment.

ix. ***Educational facilities:*** Organisations provide educational facilities not only to the employees but also to their family members. Educational facilities include reimbursement of tution fees, setting up of schools, colleges, hostels, providing grants-in-aid to the other schools where a considerable number of students are from the children of employees. Further, the organisations provide rooms and libraries for the benefit of employees.

x. ***Transportation:*** Many large Companies provide conveyance facilities to employees, from their residence to the place of work and back, as most industries are located outside town and all employees may not get quarter facility.

xi. ***Parties and picnics:*** Companies provide these facilities with a view to inculcating a sense of association, belongingness, openness and freedom among employees. These activities help employees to understand others better.

xii. ***Miscellaneous:*** Organisations provide other benefits like organising games, sports with awards, setting up of clubs, community service activities, Christmas gifts, Diwali, Pongal and Pooja gifts, birthday gifts, leave travel concession annual awards, productivity/performance awards, etc.

Check Your Progress

1. What is the difference between profit sharing and gain sharing?
2. What are the various fringe benefits offered by various organizations in India?
3. What are various welfare and recreational benefits?

15.9 LET US SUM UP

The terms 'fringe benefits' and perks (perquisites) are sometimes used derogatively, but should be reserved for those employee benefits which are not fundamentally catering for personal security and personal needs. Benefits should be looked at as part of the overall compensation strategy of the organisation. Employer provides a wide array of services that enhance the lifestyle of employees. In some cases, these services grant employees time off with pay. The ever-increasing diversity and population of employee benefits have given rise to a significant number of benefits that can be grouped under a category called nonstatutory benefits. Amenities that are necessary to be provided to the employees under different labour legislations. The important legislations which call for these welfare provisions include The Factories Act, 1948, the Plantation Labour Act, 1951, Mines Act, 1952, Motor Transport Workers Act, 1961, and the Contract Labour (Regulation and Abolition) Act, 1970. Group life insurance scheme provides insurance cover to several employees working under one employer, as long as they remain in service of that employer. Industrial life generally breaks joint family system. The saving capacity of the employees is very low due to lower wages, high living cost and increasing aspirations of the employees and his family members. As such, employers provide some benefits to the employees, after retirement and during old age, with a view to create a feeling of security about the old age. These benefits are called old age and retirement benefits. These benefits include (a) provident fund, (b) pension, (c) deposit linked insurance, (d) gratuity and (e) medical benefit.

15.10 LESSON-END ACTIVITY

As a manager of a staff of customer service executives in a service business, what type of pay-for-performance plan do you think would work best? What about for automobile machines in a large car dealership company listed in the Bombay Stock Exchange?

15.11 KEYWORDS

Fringe Benefits

Remuneration

Fringes Embrance

Short-term Disability

Social Security

Accident Protection

Unrecognised Benefits

Maternity Leave

Statutory Benefits

Credit Union

Flexible Benefits

Gratuity

Legal Aid

Statutory Welfare

15.12 QUESTIONS FOR DISCUSSION

1. Distinguish between benefits and services.
2. What is a fringe benefit? Why is it necessary for employees?
3. What is disability? Describe the components of disability income continuation plans.
4. What do you mean by health and accident protection?
5. Give some common time-off with pay components.
6. Discuss about statutory welfare provision in India.
7. What are the advantages and disadvantages of flexible benefits? Describe.
8. Write short notes on:
    (i) Time-off from Work Without Pay
    (ii) The Contract Labour Act, 1970
    (iii) Recreational Facilities
    (iv) Insurance Benefits
    (v) Pension
    (vi) Provident Fund
9. Explain non-statutory welfare amenities.

15.13 SUGGESTED READINGS

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Unit-V

LESSON

16

INDUSTRIAL RELATION

CONTENTS

Contd...

16.0 AIMS AND OBJECTIVES

In this lesson we shall discuss about industrial relation. After going through this lesson you will be able to:

(i) Discuss trade unions.

(ii) Analyse all India trade union congress.

16.1 INTRODUCTION

The term 'industrial relations' refers to relationships between management and labour or among employees and their organisations that characterise or grow out of employment. Theoretically speaking, there are two parties in the 'employment' relationship – labour and management. Both parties need to work in a spirit of cooperation, adjustment and accommodation. In their own mutual interest certain rules for co-existence are formed and adhered to. Over the years, the State has also come to play a major role in industrial relations – one, as an initiator of policies and the other, as an employer by setting up an extremely large public sector.

The term 'industrial relations' has been defined by different authors in different ways. Dale Yoder defined it as "a relationship between management and employees or among employees and their organisations, that characterise and grow out of employment".

According to R A Lester, industrial relations "involve attempts to have workable solutions between conflicting objectives and values, between incentive and economic security, between discipline and industrial democracy, between authority and freedom and between bargaining and cooperation".

According to the ILO, "industrial relations deal with either the relationships between the state and the employers and the workers' organisation or the relation between the occupational organisations themselves". The ILO uses the expression to denote such matters as "freedom of association and the protection of the right to organise, the application of the principles of the right to organise, and the right of collective bargaining, collective agreements, concilitation and arbitration and machinery for cooperation between the authorities and the occupational organisations at various levels of the economy.

16.2 TRADE UNIONS

A trade union is a formal association of workers that promotes and protects the interests of its members through collective action. Under the Trade Union Act of 1926, the term is defined as any combination, whether temporary or permanent, formed primarily for the purpose of regulating the relations between workers and employers, or for imposing restrictive conditions on the conduct of any trade or business and includes any federation of two or more unions. Let us examine the definition in parts:

i. Trade union is an association either of employees or employers or of independent workers.

ii. It is a relatively permanent formation of workers. It is not a temporary or casual combination of workers. It is formed on a continuous basis.

iii. It is formed for securing certain economic (like better wages, better working and living conditions) and social (such as educational, recreational, medical, respect for individual) benefits to members. Collective strength offers a sort of insurance cover to members to fight against irrational, arbitrary and illegal actions of employers. Members can share their feelings, exchange notes and fight the employer quite effectively whenever he goes off the track

iv. It includes a federation of trade unions also.

v. It emphasises joint, coordinated action and collective bargaining.

16.3 OBJECTIVES OF TRADE UNIONS

The failure of an individual worker to seek solutions to problems, while discharging his duties, personal as well as organisational, led workers to form a formal group which is identified at present as trade union. Thus, the main objective of any trade union is to protect the interest of workers/employees in the organisation. However, the workers' interest/welfare is a broad term in which various subjects - wages and salaries, working conditions, working hours, transfers, promotions, recruitment and classification, training, discipline, leave and holidays, dearness allowance, bonus, incentives, quarters, sanitation, employee relations, mechanisation, facilities to unions, welfare, employee relations and the like are included. Thus, a trade union is meant to conduct negotiations on behalf of the individual workers in respect of several items. However, trade unions specifically concentrate their attention to achieve the following objectives:

16.3.1 Wages and Salaries

The subject which drew the major attention of the trade unions is wages and salaries. Of course, this item may be related to policy matters. However, differences may arise in the process of their implementation. In the case of unorganised sector the trade union plays a crucial role in bargaining the pay scales.

16.3.2 Working conditions

Trade unions with a view to safeguard the health of workers demands the management to provide all the basic facilities such as, lighting and ventilation, sanitation, rest rooms, safety equipment while discharging hazardous duties, drinking water, refreshment, minimum working hours, leave and rest, holidays with pay, job satisfaction, social security benefits and other welfare measures.

16.3.3 Discipline

Trade unions not only conduct negotiations in respect of the items with which their working conditions may be improved but also protect the workers from the clutches of management whenever workers become the victims of management's unilateral acts and disciplinary policies. This victimisation may take the form of penal transfers, suspensions, dismissals, etc. In such a situation the separated worker who is left in a helpless condition may approach the trade union. Ultimately the problem may be brought to the notice of management by the trade union and it explains about the injustice meted out to an individual worker and fights the management for justice. Thus, the victimised worker may be protected by the trade union.

16.3.4 Personnel policies

Trade unions may fight against improper implementation of personnel policies in respect of recruitment, selection, promotions, transfers, training, etc.

16.3.5 Welfare

As stated earlier, trade unions are meant for the welfare of workers. Trade union works as a guide, consulting authority and cooperates in overcoming the personnel problems of workers. It may bring to the notice of management, through collective bargaining meetings, the difficulties of workers in respect of sanitation, hospitals, quarters, schools and colleges for their children's cultural and social problems.

16.3.6 Employee-employer relations

Harmonious relations between the employee and employer is a sine qua non for industrial peace. A trade union always strives for achieving this objective. However, the bureaucratic attitude and unilateral thinking of management may lead to conflicts in the organisation which ultimately disrupt the relations between the workers and management. Trade union, being the representative of all the workers, may carry out continuous negotiations with the management with a view to promoting industrial peace.

16.3.7 Negotiating Machinery

Negotiations include the proposals made by one party and the counter proposals of the other party. This process continues until the parties reach an agreement. Thus, negotiations are based on 'give and take' principle. Trade union being a party for negotiations, protects the interests of workers through collective bargaining. Thus, the trade union works as the negotiating machinery.

16.3.8 Safeguarding organisational health and the interest of the industry

Organisational health can be diagnosed by methods evolved for grievance redressal and techniques adopted to reduce the rate of absenteeism and labour turnover and to improve the employee relations. Trade unions by their effective working may achieve employee satisfaction. Thus, trade unions help in reducing the rate of absenteeism, labour turnover and developing systematic grievance settlement procedures leading to harmonious industrial relations. Trade unions can thus contribute to the improvements in level of production and productivity, discipline and improve quality of work life.

16.4 FUNCTIONS OF TRADE UNIONS

The functions of trade unions can be divided into the following categories, viz:

16.4.1 Militant or protective or intra-mutual functions

These functions include protecting the workers' interests, i.e., hike in wages, providing more benefits, job security, etc., through collective bargaining and direct action such as strikes, gheraos, etc.

16.4.2 Fraternal or extra-mural functions

These functions include providing financial and non-financial assistance to workers during the periods of strikes and lock outs, extension of medical facilities during slackness and causalities, provision of education, recreation, recreational and housing facilities, provision of social and religious benefits, etc.

16.4.3 Political functions

These functions include affiliating the union to a political party, helping the political party in enrolling members, collecting donations, seeking the help of political parties during the periods of strikes and lockouts.

16.4.4 Social functions

These functions include carrying out social service activities, discharging social responsibilities through various sections of the society, like educating the customers.

16.5 UNION STRUCTURE

Indian labour is represented by many different kinds of unions:

16.5.1 Craft unions

A craft union is one whose members do one type of work, often using specialised skills and training. It is horizontal in character as its members belong to a single process or group of processes. A craft union enjoys strong bargaining power as its members possess specialised skills that cannot be easily replaced in case of a strike.

16.5.2 Industrial union

An industrial union is one that includes many persons working in the same industry or company, regardless of jobs held. It is vertical in nature as it consists of all types of workers in an industry. An industrial union also enjoys strong bargaining strength as it consists of both skilled and unskilled workers. The employer may find it easy to negotiate with one union covering all workers rather than deal with a number of craft unions in case of a dispute.

16.5.3 General union

This type of union consists of workers employed in different industries and crafts within a particular city or region. In this case, all workers are equal and there is no distinction between skilled and unskilled workers. There is convenience in negotiations as the employer need not bargain with so many splintered groups. Workers, of course, become part of a huge crowd and the interests of an important group many not be represented properly.

There could be plant level unions, in addition to the above, where all workers in a factory or establishment join hands to protect their interests.

16.5.4 Federations

These are national level entitles to which plant level unions, craft unions, industrial unions and general unions are affiliated. These are apex bodies, coordinating the affairs of various unions in their fold.

16.6 GROWTH OF TRADE UNION MOVEMENT AND MEMBERSHIP

Trade unions in India, as in most other countries, have been the natural outcome of the modern factory system. The development of trade unionism in India has a chequered history and a stormy career.

16.6.1 Early Period

Efforts towards organising the workers for their welfare were made, during the early period of industrial development by social workers, philanthropists and other religious leaders mostly on humanitarian grounds. The first Factories Act, 1881, was passed on the basis of the recommendations of the Bombay Factory Commission, 1875. Due to the limitations of the Act, the workers in Bombay Textile Industry under the leadership of N M Lokhande demanded reduced of hours of work, weekly rest days, mid-day recess and compensation for injuries. Bombay Mill owners' Association conceded the demand for weekly holiday. Consequently, Lokhande established the first Workers' Union in India in 1890 in the name of Bombay Millhands Association. A labour journal called "Dinabandu" was also published.

Some of the important unions established during the period are: Amalgamated society of Railway Servants of India and Burma (1897), the Printers Union, Calcutta (1905) and the Bombay Postal Union (1907), the Kamgar Hitavardhak Sabha (1910) and the Social Service League (1910). But these unions were treated as ad hoc bodies and could not serve the purpose of trade unions.

16.6.2 A Modest Beginning

The beginning of the Labour movement in the modern sense started after the outbreak of World War I in the country. Economic, political and social conditions of the day influenced the growth of trade union movement in India. Establishment of International Labour Organisation in 1919 helped the formation of trade unions in the country. Madras Labour Union was formed on systematic lines in 1919. A number of trade unions were established between 1919 and 1923. Categorywise unions like Spinners' Union and Weavers' Union came into existence in Ahmedabad under the inspiration of Mahatma Gandhi. These unions were later federated into an industrial union known as Ahmedabad Textile Labour Association. This union has been formed on systematic lines and has been functioning on sound lines based on the Gandhian Philosophy of mutual trust, collaboration and non-violence.

16.7 ALL INDIA TRADE UNION CONGRESS

The most important year in the history of Indian Trade Union movement is 1920 when the All India Trade Union Congress (AITUC) was formed consequent upon the necessity of electing delegates for the International Labour Organisation (ILO). This is the first All India trade union in the country. The first meeting of the AITUC was held in October, 1920 at Bombay (now Mumbai) under the presidentship of Lala Lajpat Rai. The formation of AITUC led to the establishment of All India Railwaymen's Federation (AIRF) in 1922. Many company Railway Unions were affiliated to it. Signs of militant tendency and revolutionary ideas were apparent during this period.

16.7.1 Period of splits and mergers

The splinter group of AITUC formed All India Trade Union Federation (AITUF) in 1929. Another split by the communists in 1931 led to the formation of All India Red Trade Union Congress. Thus, splits were more common during the period. However, efforts were made by the Railway Federation to bring unity within the AITUC. These efforts did bear fruit and All India Red Trade Union Congress was dissolved. Added to this, All India Trade Union Federation also merged with AITUC. The unified AITUC's convention was held in 1940 in Nagpur. But the unity did not last long. The World War II brought splits in the AITUC. There were two groups in the AITUC, one supporting the war with the other opposing it. The supporting group established its own central organisation called the Indian Federation of Labour. A further split took place in 1947, when the top leaders of the Indian National Congress formed another central organisation.

16.7.2 Indian national trade union congress

The efforts of Indian National Congress resulted in the establishment of Indian National Trade Union Congress (INTUC) by bringing about a split in the AITUC. INTUC started gaining membership right from the beginning.

16.7.3 Other central unions

Socialists separated from AITUC had formed Hind Mazdoor Sabha (HMS) in 1948. The Indian Federation of Labour merged with the HMS. Radicals formed another union under the name of United Trade Union Congress in 1949. Thus, the trade union movement in the country was split into four distinct central unions during the short span of three years, from 1946 to 1949.

Some other central unions were also formed. They were Bharatiya Mazdoor Sangh (BMS) in 1955, the Hind Mazdoor Panchayat (HMP) in 1965 and Centre of Indian Trade Unions (CITU) in 1970. Thus, splinter group of INTUC formed Union Trade Union Congress - the split in the Congress party in 1969 resulted in the split in INTUC and led to the formation of National Labour Organisation (NLO).

16.8 PRESENT POSITION

i. There are over 7,000 trade unions (submitting returns) in the country, and more than 70 federations and confederations registered under the Trade Unions Act, 1926. The degree of unionism is fairly high in organised industrial sector. It is negligible in the agricultural and unorganised sectors.

ii. Though the number of unions has greatly increased in the last four decades, the union membership per union has not kept pace. The National Commission on labour has stated that only 131 unions had a membership of over 5,000. More than 70% of the unions had a membership of below 500. Over the years the average membership figures per union have fallen steadily from about 1387 in 1943 to 750 in 2000. Unions with a membership of over 2000 constitute roughly 4 per cent of the total unions in the country.

iii. There is a high degree of unionisation (varying from 30% to over 70%) in coal, cotton, textiles, iron and steel, railways, cement, banking, insurance, ports and docks and tobacco sector. White collar unions have also increased significantly covering officers, senior executives, managers, civil servants, self employed professions like doctors, lawyers, traders, etc., for safeguarding their interests.

iv. Most of the unions in India are fairly small in size. Post-liberalisation, membership figures have become somewhat pathetic.

Box 16.1: Trade Unions and their Membership

Details	1998	1999	2000
1. No. of registered workers' unions	61,199	64,040	65,286
2. Number submitting returns	7,291	8,061	7,224
3. Membership of unions submitting returns ('000)	7,229	6,394	5,417
4. Average membership per union	991	793	749

Source: Pocket Book of Labour Statistics, 2003-2004.

The 12 million unionised workers in the country are scattered among 12 central trade union organisations (as against one or two in UK, Japan, USA) with the BMS, INTUC, AITUC, CITU and HMS among the top five. The membership figures of each such union, naturally are not very impressive – AITUC had 9.24 lakh; INTUC has 27.06 lakh; HMS had 14.77 lakh and UTUC 8.3 lakh (Lenin group); and CITU had 17.98 lakh members in 1995. The membership figures have not changed significantly over the years. Just about 10% of the total workforce in India is unionised. The last membership survey was carried out in 1989, the results came in 1992 suggesting the supremacy of BMS as the union having maximum union members in the country – about 31 lakh.

A lot of benefits in the form of representation in various government committees, PSU boards, wage negotiation committees would be available to the BMS as a result of this survey. In the 1980 survey INTUC emerged as the topper among the national trade unions in the country. The survey results of 1989 had been leaked to the press in 1992, but not officially endorsed by the government till recently. What about the figures of members claimed by INTUC and others after 1989 survey ? A meeting held on 2.10.1994 did not resolve the conflicting claims of RSS- affiliated BMS and Congress supported INTUC and the stalemate continues!

16.9 LET US SUM UP

The term 'industrial relations' refers to relationships between management and labour or among employees and their organisations that characterise or grow out of employment. Theoretically speaking, there are two parties in the 'employment' relationship – labour and management. A trade union is a formal association of workers that promotes and protects the interests of its members through collective action. A trade union always strives for achieving better objective. Organisational health can be diagnosed by methods evolved for grievance redressal and techniques adopted to reduce the rate of absenteeism and labour turnover and to improve the employee relations. Trade unions in India, as in most other countries, have been the natural outcome of the modern factory system. The development of trade unionism in India has a chequered history and a stormy career. There is a high degree of unionisation (varying from 30% to over 70%) in coal, cotton, textiles, iron and steel, railways, cement, banking, insurance, ports and docks and tobacco sector.

16.10 LESSON-END ACTIVITIES

(i) Outline the traditional and non-traditional tactics to be followed by a union in order to increase its membership ranks.

(ii) It is often felt that 'goodpay' and 'good management' are the keys to successful union avoidance. Spell out the kind of policies and practices companies should develop if they want to keep their workers from unionising.

16.11 KEYWORDS

Industrial Relation

Trade Unions

Negotiating Machinery

Craft Unions

Federations

16.12 QUESTIONS FOR DISCUSSION

1. What are Trade Unions? Give the objectives of Trade Unions.
2. Explain the various functions of Trade Unions.
3. Give a brief description on present position Trade Unions.

16.13 SUGGESTED READINGS

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LESSON

17

COLLECTIVE BARGAINING

CONTENTS

Contd....

17.0 AIMS AND OBJECTIVES

In this lesson we shall discuss about collective bargaining. After going through this lesson you will be able to:

(i) Discuss feature, type and objective of collective bargaining.

(ii) Analyse future of trade unionism and discipline administration.

17.1 INTRODUCTION

Bargaining is the process of cajoling, debating, discussing and even threatening so as to arrive at an amicable agreement for those being represented. Collective bargaining is a procedure by which the terms and conditions of workers are regulated by agreements between their bargaining agents and employers. The basic objective of collective bargaining is to arrive at an agreement on wages and other conditions of employment. Both the employer and the employees may begin the process with divergent views but ultimately try to reach a compromise, making some sacrifices. As soon as a compromise is reached, the terms of agreement are put into operation.

The underlying idea of collective bargaining is that the employer and employee relations should not be decided unilaterally or with the intervention of any third party. Both parties must reconcile their differences voluntarily through negotiations, yielding some concessions and making sacrifices in the process. Both should bargain from a position of strength; there should be no attempt to exploit the weaknesses or vulnerability of one party. With the growth of union movement all over the globe and the emergence of employers' associations, the collective bargaining process has undergone significant changes. Both parties have, more or less, realised the importance of peaceful co-existence for their mutual benefit and continued progress.

17.2 FEATURES OF COLLECTIVE BARGAINING

Some of the important features of collective bargaining may be listed thus:

17.2.1 Collective

It is collective in two ways. One is that all the workers collectively bargain for their common interests and benefits. The other is that workers and management jointly arrive at an amicable solution through negotiations.

17.2.2 Strength

Across the table, both parties bargain from a position of equal strength. In collective bargaining, the bargaining strength of both parties is equal. It is industrial democracy at work.

17.2.3 Flexible

It is a group action where representatives of workers and management expend energies in order to arrive at a consensus. It has sufficient flexibility, since no party can afford to be inflexible and rigid in such situations. The unique feature of collective bargaining is that usually the parties concerned start negotiations with entirely divergent views but finally reach a middle point acceptable to both. It is therefore not a one-way street but a give and take process.

17.2.4 Voluntary

Both workers and management come to the negotiating table voluntarily in order to have a meaningful dialogue on various troubling issues. They try to probe each other's views thoroughly before arriving at an acceptable solution. The implementation of the agreement reached is also a voluntary process.

17.2.5 Continuous

Collective bargaining is a continuous process. It does not commence with negotiations and end with an agreement. The agreement is only a beginning of collective bargaining. It is a continuous process which includes implementation of the agreement and also further negotiations.

17.2.6 Dynamic

Collective bargaining is a dynamic process because the way agreements are arrived at, the way they are implemented, the mental make-up of parties involved keeps changing. As a result, the concept itself changes, grows and expands over time.

17.2.7 Power relationship

Workers want to gain the maximum from management, and management wants to extract the maximum from workers by offering as little as possible. To reach a consensus, both have to retreat from such positions and accept less than what is asked for and give more than what is on offer. By doing so management tries to retain its control on workplace matters and unions attempt to strengthen their hold over workers without any serious dilution of their powers.

17.2.8 Representation

The chief participants in collective bargaining do not act for themselves. They represent the claims of labour and management while trying to reach an agreement. In collective bargaining the employer does not deal directly with workers. He carries out negotiations with representatives of unions who are authorised to bargain with the employer on work-related matters.

17.2.9 Bipartite process

The employers and the employees negotiate the issues directly, face to face across the table. There is no third party intervention.

17.2.10 Complex

Collective bargaining is a complex process involving a number of procedures, techniques and tools: preparation for negotiations, timing, selection of negotiators, agenda, tedious negotiations, make up of agreement, ratification, enforcement etc.

17.3 OBJECTIVES OF COLLECTIVE BARGAINING

The main objectives of collective bargaining are given below:

i. To settle disputes/conflicts relating to wages and working conditions.

ii. To protect the interests of workers through collective action.

iii. To resolve the differences between workers and management through voluntary negotiations and arrive at a consensus.

iv. To avoid third party intervention in matters relating to employment.

17.4 BARGAINABLE ISSUES

Which are the issues that could be bargained across the table? Practically speaking any issue that has relevance to management and workers becomes the subject matter of bargaining. However, in certain specific cases both management and workers are reluctant to yield ground. Traditionally, management is not willing to negotiate work methods, arguing that it is management's exclusive right to decide how the work is to be done. Likewise unions do not want negotiations on production norms and disciplinary matters, because any agreement in this regard would put limits on their freedom. However over the years, the nature and content of collective bargaining has changed quite dramatically, thanks to the pulls and pressures exercised by the bargaining parties.

Traditionally, wages and working conditions have been the primary focus areas of collective bargaining. However, in recent times, the process of bargaining has extended to almost any area that comes under the employer-employee relations, covering a large territory. (See Box 17.1)

17.5 TYPES OF BARGAINING

Four distinct types of bargaining have evolved over time, namely conjunctive, cooperative, productivity and composite bargaining. These are discussed below.

17.5.1 Conjunctive/distributive/bargaining

The parties try to maximise their respective gains. They try to settle economic issues such as wages, benefits, bonus, etc., through a zero-sum game (where my gain is your loss and your gain is my loss). Unions negotiate for maximum wages. Management wants to yield as little as possible – while getting things done through workers.

17.5.2 Cooperative bargaining

When companies are hit by recession, they cannot offer the kind of wages and benefits demanded by workers. At the same time they cannot survive without the latter's support. Both parties realise the importance of surviving in such difficult times and are willing to negotiate the terms of employment in a flexible way. Labour may accept a cut in wages in return for job security and higher wages when things improve. Management agrees to modernise and bring in new technology and invest in marketing efforts in a phased manner. In India, companies like TELCO, Ashok Leyland resorted to cooperative bargaining in recent times with a view to survive the recessionary trends in the automobile sector.

Box 17.1: The Substance of Bargaining

1. Wages and working conditions
2. Work norms
3. Incentive payments
4. Job security
5. Changes in technology
6. Work tools, techniques and practices
7. Staff transfers and promotions
8. Grievances
9. Disciplinary matters
10. Health and safety
11. Insurance and benefits
12. Union recognition
13. Union activities/responsibilities
14. Management rights

17.5.3 Productivity bargaining

In this method, workers' wages and benefits are linked to productivity. A standard productivity index is finalised through negotiations initially. Workers do not have to perform at exceptionally high levels to beat the index. If they are able to exceed the standard productivity norms workers will get substantial benefits. Management gains control over workplace relations and is able to tighten the norms still further in future negotiations. Without such productivity bargaining agreements, workers may not realise the importance of raising productivity for organisational survival and growth. Backed up by powerful unions, they may fail to read the danger signals from the market and respond quickly.

17.5.4 Composite bargaining

It is alleged by workers that productivity bargaining agreements have increased their workload. Rationalisation, introduction of high technology, and tight productivity norms have made the life of a worker somewhat uneasy. All these steps have started hitting the unions and workers below the belt. As an answer to such problems, labour has come to favour composite bargaining. In this method, labour bargains for wages as usual but goes a step further demanding equity in matters relating to work norms, employment levels, manning standards, environmental hazards, sub-contracting clauses, etc. When unions negotiate manning standards they ensure the workload of workers does not increase, this helps to maintain the status quo as far as employment level is concerned. By negotiating sub-contracting clauses, unions prevent management from farming out business to ancillaries. If permitted, such an action may result in lower employment in some other plant diluting the bargaining powers of unions substantially. Workers are no longer interested in monetary aspects to the exclusion of work related matters. There is no doubt that wages, bonus and other monetary aspects continue to occupy the centre-stage in bargaining sessions. But there is a definite shift towards composite bargaining. Without such a proactive stand, workers may not be able to withstand the forces of liberalisation, automation, farming out business to outsiders and survive. Through composite bargaining unions are able to prevent the dilution of their powers and ensure justice to workers by putting certain limits on the freedom of employers. For the employer this is a lesser evil when compared to strikes and lockouts. Apart from periodic wage hikes and day-to-day tussles over productivity norms and other related issues there is at least no danger of workers striking work every now and then. Of course, even this situation may not continue for long. In companies like SAIL, Philips, Bata, GKW and even TISCO, workforce reductions have to come if they have to survive in a high-tech environment. The compulsions of a free market economy cannot be put aside just for the sake of maintaining the labour force. It is small wonder despite serious warnings from unions, companies in the recession-hit automobile sector (Hindustan Motors, Premier Automobiles, Maruti, TVS Suzuki, Hero Honda) have either reduced the work force or cut down their benefits.

17.6 THE PROCESS OF COLLECTIVE BARGAINING

The following steps are involved in the collective bargainings process:

17.6.1 Identification of the problem

The nature of the problem influences whole process. Whether the problem is very important that is to be discussed immediately or it can be postponed for some other convenient time, whether the problem is a minor one so that it can be solved with the other party's acceptance on its presentation and does not need to involve long process of collective bargaining process, etc. It also influences selection of representatives, their size, period of negotiations and period of agreement that is reached ultimately. As such it is important for both the parties to be clear about the problem before entering into the negotiations.

17.6.2 Collection of data

Both labour and management initially spend considerable time collecting relevant data relating to grievances, disciplinary actions, transfers and promotions, lay-offs, overtime, former agreements covering wages, benefits, working conditions (internal sources) and current economic forecasts, cost of living trends, wage rates in a region across various occupations, competitive terms offered by rivals in the field etc.

17.6.3 Selection of negotiators

The success of collective bargaining depends on the skills and knowledge of the negotiators. Considerable time should, therefore, be devoted to the selection of negotiators with requisite qualifications. Generally speaking, effective negotiators should have a working knowledge of trade unions principles, operations, economics, psychology, and labour laws. They should be good judges of human nature and be able to get along with people easily. They must know when to listen, when to speak, when to stand their ground, when to concede, when to horse-trade, and when to make counter proposals. Timing is important. Effective speaking and debating skills are essential.

17.6.4 Climate of negotiations

Both parties must decide an appropriate time and set a proper climate for initial negotiations. At this stage the parties must determine whether the tone of the negotiations is going to be one of mutual trust with 'nothing up our sleeves', one of suspicion with lot of distortion and misrepresentation, or one of hostility with a lot of name calling and accusations.

17.6.5 Bargaining strategy and tactics

The strategy is the plan and the policies that will be pursued at the bargaining table. Tactics are the specific action plans taken in the bargaining sessions. It is important to spell out the strategy and tactics in black and white, broadly covering the following aspects:

- Likely union proposals and management responses to them.
- A listing of management demands, limits of concessions and anticipated union responses.
- Development of a database to support proposals advanced by management and to counteract union demands.
- A contingency operating plan if things do not move on track.

Box 17.2: Popular Bargaining Tactics (Sloane and Whitney)

1. ***Conflict-based:*** Each party uncompromising, takes a hard line, and resists any overtures for compromise or agreement. Typically, what happens is that one party mirrors the other party's actions.
2. ***Armed truce:*** Each party views the other as an adversary. Although they are adversaries, it is recognised that an agreement must be worked out under the guidelines specified by the law. In fact, the law is followed to the letter to reach agreement.
3. ***Power bargaining:*** Each party accepts the other party with the knowledge that a balance of power exists. It would be nonproductive to pursue a strategy of trying to eliminate the other party in the relationship.
4. ***Accommodation:*** Both parties adjust to each other. Positive compromises, flexibility, and tolerance are used, rather than emotion and raw power. It is claimed that most managers and union leaders have engaged in accommodation for the bulk of union-management bargaining issues.
5. ***Cooperation:*** Each side accepts the other as a full partner. This means that management and the union work together not only on everyday matters but in such difficult areas as technological change, improvements is quality of work life, and business decision making.

Generally each side tries to find how far the other side is willing to go in terms of concessions, and the minimum levels each is willing to accept. "*Take it or leave it*" kind of extreme positions would spoil the show and hence parties should avoid taking such a rigid and inflexible stand initially. Successful negotiations, after all, are contingent upon each side remaining flexible. Each party should be willing to concede upto a certain extent depending on one's own compulsions and pressures, with a view to win over the other party. This is popularly known as *"bargaining zone"* which is the area bounded by the limits within which the union and employees are willing to concede. If neither party is willing to concede a little bit, negotiations reach a deadlock or impasse, which can eventually result in a strike on the part of the union or a lockout on the part of management.

Box 17.3: Bargaining Limits

Reed Richardson has the following advice for bargainers:

1. Be sure to set clear objectives for every bargaining item, and be sure you understand the reason for each.
2. Do not hurry.
3. When in doubt, caucus with your associates.
4. Be well prepared with firm data supporting your position.
5. Always strive to keep some flexibility in your position.
6. Don't concern yourself just with what the other party says and does; find out why.
7. Respect the importance for face saving for the other party.
8. Be alert to the real intentions of the other party-not only for goals, but also for priorities.
9. Be a good listener.
10. Build a reputation for being fair but firm.
11. Learn to control your emotions and use them as a tool.
12. As you make each bargaining move, be sure you know its relationship to all other moves.
13. Measure each move against your objectives.
14. Pay close attention to the wording of every clause negotiated; they are often a source of grievances.
15. Remember that collective bargaining is a compromise process; There is no such thing as having all the pie.
16. Try to understand people and their personalities.
17. Consider the impact of present negotiations on those in future years.

Reed Richardson

Impasse, thus, is a collective bargaining situation when the parties are not able to overcome their differences, usually because one party is demanding more than the other will offer. One way to avoid impasse is to postponement of difficult issues to a later stage and take up easier ones first with a view to have a smoother passage initially. Another way to avoid breakdowns is for each side to be prepared to offer propositions and to accept alternative solutions to some of the more controversial issues. Skilled negotiators as mentioned by Richardson, take charge of the issue through logical presentations, good manners and cool behaviour.

- ***Formalising the agreement:*** When a solution comes through what is popularly known as *'good faith bargaining'* (Both parties are making every reasonable effort to arrive at agreement, proposals are being matched with counter proposals), a formal document must be prepared expressing everything in a simple, clear and concise form. After this, both parties must sign the agreement and abide by its terms and conditions during the entire term of the contract.

Box 17.4: Content of a Labour Agreement

Purpose and intent of the parties	Vacations
Scope of the agreement	Seniority
Management	Safety and health
Responsibilities of the parties	Military service
Union membership and checkoff	Severance allowance
Adjustment of grievance	Savings and vacation plan
Arbitration	Supplemental benefits program
Suspension and discharge cases	Prior agreements
Rates of pay	Termination date
Hours of work	
Overtime and holidays	

- ***Enforcing the agreement:*** Collective bargaining does not come to an end with the signing of the agreement. For the agreement to be meaningful and effective, both parties must adhere to the conditions agreed upon and implement every thing scrupulously.

17.7 COLLECTIVE BARGAINING IN INDIA

The story of collective bargaining is the story of the rise and growth of trade unionism itself. It had its roots in Great Britain and developed in response to conditions created by the Industrial Revolution. In early part of 18^{th} century when trade unions came into existence, the idea of bargaining collectively gained strength. Initially the negotiations were carried out at plant level. By early 1900, industry and national level agreements were quite common. Slowly but steadily the idea spread to France, Germany, USA. After a century of rapid growth, collective bargaining has more or less, become the gospel of industrial relations. It is being increasingly viewed as a social invention that has institutionalised industrial conflict. In other words it is through the process of collective bargaining that organisations have learnt to cope with industrial conflict.

In India trade unions have come to occupy the centre stage only after 1900. In 1918, Gandhiji, as the leader of the Ahmedabad Textile workers advocated the resolution of conflict through collective bargaining agreements. For another 10 years, this method of setting disputes did not gain popularity. The legal steps taken by the government after the Second World War revived interest in the subject once again. The legislative measures included the setting up of a machinery for negotiations, conciliation and arbitration. Basic conflicting issues concurring wages and conditions of employment were sought to be resolved through voluntary means.

After Independence, with the spread of trade unionism, collective bargaining agreements have become popular. A large majority of disputes were resolved through this mechanism.

Most agreements were concluded at the plant level. In centres like Mumbai, Ahmedabad industry level agreements were quite common – thanks to the legal blessings extended by the respective State Acts. The agreements were found in industries such as chemicals, petroleum, tea, coal, oil, aluminum, etc. In ports and docks, banking and insurance, collective agreements at the national level were also arrived at.

17.8 FUTURE OF TRADE UNIONISM

Public sympathy and unqualified support was there for the asking for trade unions and labour leaders when India gained Independence. They were treated as living legends and welcomed into corporate circles and political forums openly. Nationalisation of important services (railways, banking, insurance, power, posts and telegraph, aviation, docks and ports etc.) and core sector activities have paid dividends initially. Thanks to MS Swaminathan, the agricultural sector flourished during 60's and 70's. The industrial sector, unfortunately, failed to deliver the goods on all fronts. To cite an example, absence of competition has led to the government-owned insurance companies becoming slothful, unproductive and expensive to the customers (premium on life insurance is nearly 40 per cent more in India than in any developed country because the Life Insurance Corporation has to compulsorily invest in government securities). The entire decade of the 1970s was lost to empty slogans like 'Garibi Hatao'. The socialist leanings of Mrs. Gandhi did not take the nation to 'commanding heights'. Absence of competition, administrative controls, licensing restrictions, pro-labour policies, were the hallmarks of 1970s and 1980s. Owners were inward looking, focusing more on lobbying than on achieving production efficiency through investments in R & D, technology upgradation and total quality management. Assured jobs, weak employers, pro-labour government policies and collective strength of numbers have encouraged labour to be vociferous and demanding. Ever apprehensive of rubbing the unions the wrong way, governments-especially when elections are round the corner – preferred the velvet glove to the iron fist when dealing with unions. Secure jobs, high wages, absence of accountability and contempt for authority is what the workers of a public sector undertaking have come to personify. These employees (10% of Organised labour harming the interests of the remaining 90%) have held the country to ransom for far too long. They were, all along, inward-looking, resistant to change and always talked about their rights and not their duties.

The process of socio-political and economic churning that was forced upon the country in the early 90's – thanks to Mandal, Mandir and Manmohan (Economic Liberalisation) – has engulfed virtually every aspect of the nation's life. The Labour Unions during this period failed to catch up with the times. Their refusal to refocus their aims, or even acknowledge the need to change, has led to their irrelevance and alienation from those very sections of the Indian society whose support helped them grow.

17.9 DISCIPLINE ADMINISTRATION

There are two ways of dealing with employees who do not obey rules, indulge in acts that are not permitted and tend to fly off the hook at the slightest provocation: i.e., positive discipline approach and the progressive discipline approach. The best discipline is clearly self discipline, when most people understand what is required at work.

17.9.1 Positive Discipline Approach

This approach builds on the philosophy that violations are actions that usually can be corrected without penalty. In this approach, the focus is on fact-finding and guidance to encourage desirable behaviours instead of using penalties to discourage undesirable behaviours. There are three steps to positive discipline. The first is a conference between the employee and the supervisor. The purpose of this meeting is to arrive at a solution to the problem through discussion, with oral assurance by the employee to improve his performance. If improvement is not made after this first step, the supervisor holds a second conference with the employee to find why the solution agreed to in the first meeting did not produce results. At this stage a written reminder is handed over to the employee. This document details an agreed solution with an affirmation that improvement is the responsibility of the employee and a condition of continued employment. When both meetings fail to produce the desired results, the employees is given a paid leave for one day to decide his future in the organisation. The employee is expected to come back the next day with a decision to make a total commitment to improve performance or to quit the organisation. These three stages are depicted in Box 17.5:

Box 17.5: Steps in Positive Discipline

Step 1: An Oral Reminder	Notice here that the word *warning* is removed. The **oral reminder,** supported by written documentation, serves as the initial formal phase of the process to identify to the employee what work problems he or she is having. This reminder is designed to identify what is causing the problem and attempts to correct it before it becomes larger.
Step 2: A Written Reminder	If the oral reminder was unsuccessful, a more formalised version is implemented. This **written reminder** once again reinforces what the problems are and what corrective action is necessary. Furthermore, specific time tables that the employee must accept and abide by, and the consequences for failing to comply, are often included.
Step 3: A Decision-making Leave	Here, employees are given a decision-making leave—time off from work, usually with pay—to think about what they are doing and whether or not they desire to continue work with the company: This “deciding day” is designed to allow the employee an opportunity to make a choice—correct the behaviour, or face separation from the company.

17.9.2 Progressive Discipline Approach

In this approach discipline is imposed in a progressive manner, giving an opportunity to the employee to correct his or her misconduct voluntarily. The technique aims at nipping the problem in the bud, using only enough corrective action to remedy the shortcoming. The sequence and severity of the disciplinary action vary with the type of offence and the circumstances surrounding it. Progressive discipline is quite similar to positive discipline in that it too uses a service of steps that increase in imaginary and security until the final steps. However, positive discipline replaces the punishment used in progressive discipline with counselling sessions between employee and supervisor.

The concept of progressive discipline states that penalties must be appropriate to the violation. If inappropriate behaviour is minor in nature and has not previously occurred, an oral warning may be sufficient. If the violation requires a written warning, it must be done according to a procedure. After written warnings, if the conduct of the employee is still not along desired lines, serious punitive steps could be initiated. Major violations such as hitting a supervisor may justify the termination of an employee immediately.

In order to assist a manager to recognise the proper level of disciplinary action, some firms have formalised the procedure. One approach in the establishment of progressive disciplinary action is shown in Figure 17.1.

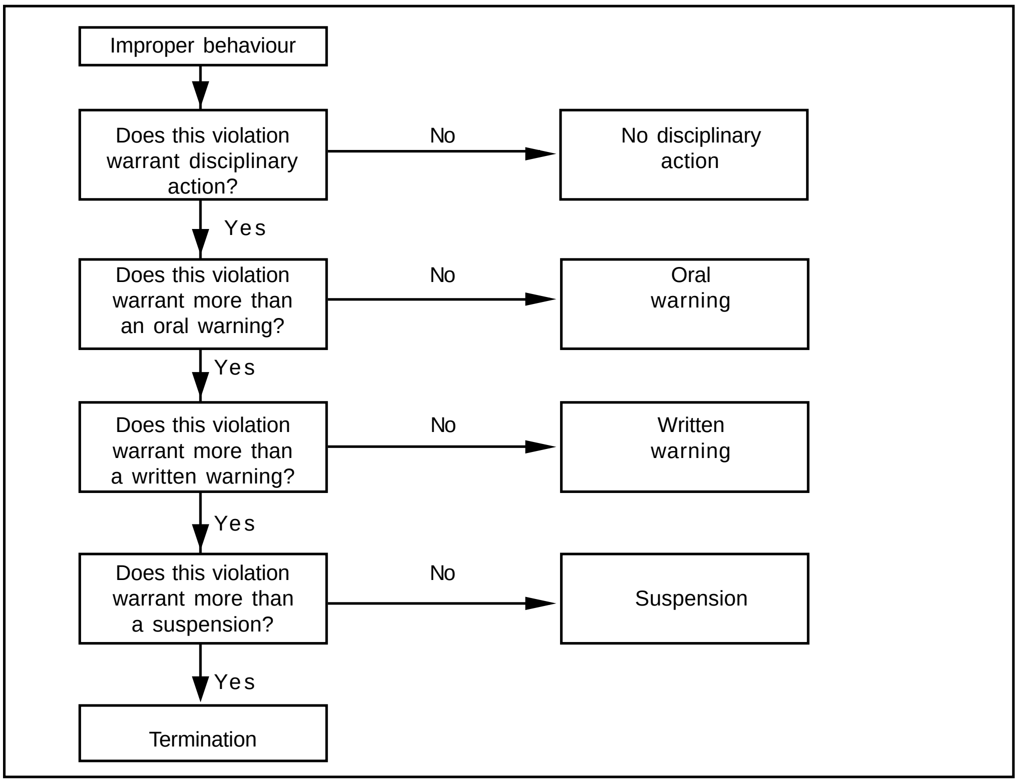

Figure 17.1: The Progressive Discipline Approach

17.10 THE RED HOT STOVE RULE

Without the continual support of subordinates, no manager can get things done. But, disciplinary action against a delinquent employee is painful and generates resentment on his part. Hence, a question arises as to how to impose discipline without generating resentment? This is possible through what Douglas McGregor called the "Red Hot Stove Rule", which draws an analogy between touching a hot stove and undergoing discipline.

According to the Red Hot Stove rule, disciplinary action should have the following consequences:

17.10.1 Burns immediately

If disciplinary action is to be taken, it must occur immediately so the individual will understand the reason for it. With the passage of time, people have the tendency to convince themselves that they are not at fault.

17.10.2 Provides warning

It is very important to provide advance warning that punishment will follow unacceptable behaviour. As you move closer to a hot stove, you are warned by its heat that you will be burned if you touch it.

17.10.3 Gives consistent punishment

Disciplinary action should also be consistent in that everyone who performs the same act will be punished accordingly. As with a hot stove, each person who touches it is burned the same.

17.10.4 Burns impersonally

Disciplinary action should be impersonal. There are no favourites when this approach is followed.

17.11 JUDICIAL APPROACH TO DISCIPLINE IN INDIA

The Industrial Employment (Standing orders) Act was passed in 1946 with a view to improve the industrial relations climate. The Act requires that all establishments must define the service rules and prepare standing orders. The term 'Standing orders' refers to the rules and regulations which govern the conditions of employment of workers. They indicate the duties and responsibilities on the part of both the employer and the employees. The standing orders contain rules relating to: classification of employees, working hours, holidays, shift working, attendance, leave, suspension, termination, stoppage of work, redressal of grievances against unfair treatment, etc. Thus, standing orders specify the terms and conditions which regulate the employee-employer relationship within a unit. Any violation or infringement of these terms and conditions may lead to misconduct or indiscipline.

Box 17.6: Major Acts of Misconduct

- does not discharge his duties properly, remains absent without leave
- indulges in acts which are unsafe for the employer
- is grossly immoral, dishonest
- is insulting, abusive and disturbs the peace of others
- in unfaithful, corrupt, disloyal
- indulges in theft, fraud, bribery
- does not obey orders
- resorts to illegal strike
- causes wilful damage to property, etc.

The Industrial Disputes Act 1947 (as amended in 1982) prescribes an elaborate procedure for dischanging a delinquent employee even on grounds of serious misconduct. Likewise, the Payment of Wages Act places restrictions on the imposition of fines on an accused employee. The legal position is quite clear. The employee should get a chance to explain the grounds under which he violated the standing orders. There must be a proper enquiry as per the principles of natural justice before resorting to punishment.

17.11.1 Disciplinary Action

Though there is no rigid and specific procedure for taking a disciplinary action, the disciplinary procedure followed in Indian industries usually consists of the following steps:

i. ***Issuing a letter of charge:*** When an employee commits an act of misconduct that requires disciplinary action, the employee concerned should be issued a charge sheet. Charges of misconduct or indiscipline should be clearly and precisely stated in the charge sheet. The charge sheet should also ask for an explanation for the said delinquent act and the employee should be given sufficient time for answering this.

ii. ***Consideration of explanation:*** On getting the answer for the letter of charge served, the explanation furnished be considered and if it is satisfactory, no disciplinary action need be taken. On the contrary when the management is not satisfied with the employee's explanation there is a need for serving a show-cause notice.

iii. ***Show-cause notice:*** Show-cause notice is issued by the manager when he believes that there is sufficient prima facie evidence of employee's misconduct. However, this gives the employee another chance to account for his misconduct and rebut the charges made against him. Enquiry should also be initiated by first serving him a notice of enquiry indicating clearly the name of the enquiring officer, time, date and place of enquiry, etc.

iv. ***Holding of a full-fledged enquiry:*** This must be in conformity with the principle of natural justice, that is, the employee concerned must be given an opportunity, of being heard. When the process of enquiry is over and the findings of the same are recorded, the Enquiry Officer should suggest the nature of disciplinary action to be taken.

v. ***Making a final order of punishment:*** Disciplinary action is to be taken when the misconduct of the employee is proved. While deciding the nature of disciplinary action, the employee's previous record, precedents, effects of disciplinary action on other employees, etc., have to be considered.

   When the employee feels that the enquiry conducted was not proper and the action taken is unjustified, he must be given a chance to make an appeal.

vi. ***Follow up:*** After taking the disciplinary action, a proper follow up action has to be taken and the consequences of the implementation of disciplinary action should be noted and taken care of.

17.12 LET US SUM UP

Bargaining is the process of cajoling, debating, discussing and even threatening so as to arrive at an amicable agreement for those being represented. Traditionally, wages and working conditions have been the primary focus areas of collective bargaining. When companies are hit by recession, they cannot offer the kind of wages and benefits demanded by workers. At the same time they cannot survive without the latter's support. The success of collective bargaining depends on the skills and knowledge of the negotiators. In India trade unions have come to occupy the centre stage only after 1900. In 1918, Gandhiji, as the leader of the Ahmedabad Textile workers advocated the resolution of conflict through collective bargaining agreements.

17.13 LESSON-END ACTIVITY

Outline the major collective bargaining issues of companies in India today. What do you foresee as the major issues of the future? Explain your response.

17.14 KEYWORDS

Collective Bargaining

Cooperative Bargaining

Composite Bargaining

Discipline Approach

Judicial Approach

17.15 QUESTIONS FOR DISCUSSION

1. What is Bargaining? Name the various types of Bargaining.
2. What is collective Bargaining? Explain the features of Collective Bargaining.
3. Describe different steps of Collective Bargainings.

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LESSON 18

GRIEVANCES HANDLING

CONTENTS

18.0 AIMS AND OBJECTIVES

In this lesson we shall discuss about grievances handling. After going through this lesson you will be able to:

(i) Analyse features, causes and form of grievances and its advantages and guidelines.

(ii) Discuss managing dismissals and separation.

18.1 INTRODUCTION

Every employee has certain expectations which he thinks must be fulfilled by the organisation he is working for. When the organisation fails to do this, he develops a feeling of discontent or dissatisfaction. When an employee feels that something is unfair in the organisation, he is said to have a grievance. According to Jucius, a grievance is "any discontent or dissatisfaction, whether expressed or not, whether valid or not, arising out of anything connected with the company which an employee thinks, believes or even feels to be unfair, unjust or inequitable."

18.2 FEATURES

If we analyse this definition, some noticeable features emerge clearly:

i. A grievance refers to any form of discontent or dissatisfaction with any aspect of the organisation.

ii. The dissatisfaction must arise out of employment and not due to personal or family problems.

iii. The discontent can arise out of real or imaginary reasons. When the employee feels that injustice has been done to him, he has a grievance. The reasons for such a feeling may be valid or invalid, legitimate or irrational, justifiable or ridiculous.

iv. The discontent may be voiced or unvoiced. But it must find expression in some form. However, discontent per se is not a grievance. Initially, the employee may complain orally or in writing. If this is not looked into promptly, the employee feels a sense of lack of justice. Now the discontent grows and takes the shape of a grievance.

v. Broadly speaking, thus, a grievance is traceable to perceived non-fulfillment of one's expectations from the organisation.

18.3 FORMS OF GRIEVANCES

A grievance may take any one of the following forms: (a) factual, (b) imaginary, (c) disguised.

18.3.1 Factual

A factual grievance arises when legitimate needs of employees remain unfulfilled, e.g., wage hike has been agreed but not implemented citing various reasons.

18.3.2 Imaginary

When an employee's dissatisfaction is not because of any valid reason but because of a wrong perception, wrong attitude or wrong information he has. Such a situation may create an imaginary grievance. Though management is not at fault in such instances, still it has to clear the 'fog' immediately.

18.3.3 Disguised

An employee may have dissatisfaction for reasons that are unknown to himself. If he/she is under pressure from family, friends, relatives, neighbours, he/she may reach the work spot with a heavy heart. If a new recruit gets a new table and almirah, this may become an eyesore to other employees who have not been treated likewise previously.

18.4 CAUSES

Grievances may occur for a number of reasons:

18.4.1 Economic

Wage fixation, overtime, bonus, wage revision, etc. Employees may feel that they are paid less when compared to others.

18.4.2 Work environment

Poor physical conditions of workplace, tight production norms, defective tools and equipment, poor quality of materials, unfair rules, lack of recognition, etc.

18.4.3 Supervision

Relates to the attitudes of the supervisor towards the employee such as perceived notions of bias, favoritism, nepotism, caste affiliations, regional feelings, etc.

18.4.4 Work group

Employee is unable to adjust with his colleagues; suffers from feelings of neglect, victimisation and becomes an object of ridicule and humiliation, etc.

18.4.5 Miscellaneous

These include issues relating to certain violations in respect of promotions, safety methods, transfer, disciplinary rules, fines, granting leave, medical facilities, etc.

18.5 ADVANTAGES OF HAVING A GRIEVANCE HANDLING PROCEDURE

The following are some of the distinct advantages of having a grievances handling procedure:

i. The management can know the employees' feelings and opinions about the company's policies and practices. It can feel the 'pulse' of the employees.

ii. With the existence of a grievance handling procedure, the employee gets a chance to ventilate his feelings. He can let off steam through an official channel. Certain problems of workers cannot be solved by first line supervisors, for these supervisors lack the expertise that the top management has, by virtue of their professional knowledge and experience.

iii. It keeps a check on the supervisor's attitude and behaviour towards their subordinates. They are compelled to listen to subordinates patiently and sympathetically.

iv. The morale of the employees will be high with the existence of proper grievance handling procedure. Employees can get their grievances redressed in a just manner.

18.6 GUIDELINES FOR HANDLING GRIEVANCES

The following guidelines may help a supervisor while dealing with grievances. He need not follow all these steps in every case. It is sufficient to keep these views in mind while handling grievances (W. Baer, 1970).

i. *Treat each case as important* and get the grievance in writing.

ii. *Talk to the employee directly*. Encourage him to speak the truth. Give him a patient hearing.

iii. *Discuss in a private place*. Ensure confidentiality, if necessary.

iv. *Handle each case within a time frame*.

v. *Examine company provisions* in each case. Identify violations, if any. Do not hold back the remedy if the company is wrong. Inform your superior about all grievances.

vi. *Get all relevant facts* about the grievance. Examine the personal record of the aggrieved worker. See whether any witnesses are available. Visit the work area. The idea is to find where things have gone wrong and who is at fault.

vii. *Gather information* from the union representative, what he has to say, what he wants, etc. Give short replies, uncovering the truth as well as provisions. Treat him properly.

viii. *Control your emotions*, your remarks and behaviour.

ix. *Maintain proper records* and follow up the action taken in each case.

x. Be proactive, if possible. Companies like VSP, NALCO actually invite workers to ventilate their grievances freely, listen to the other side patiently, explain the reasons why the problems arose and redress the grievances promptly.

18.7 MANAGING DISMISSALS AND SEPARATION

The end result of both the terms – discharge and dismissal – is same, that is, the employee's services stand terminated. In practical usage, both terms are therefore used interchangeably. Some minor differences, however, are worth mentioning here. While dismissal is a sort of punishment against alleged misconduct, discharge is not always a punishment. When the employer examines all background factors leading to the termination of services of an employee, he may simply discharge the employee instead of dismissing him. Dismissal has a negative connotation and carries a punitive label alongside. A person who is dismissed from service may find it difficult to find alternative employment, when compared to a person who is discharged from service. In case of discharge, the errant employee may be served a reasonable, advance notice. This is not so in the case of dismissal where the services are terminated immediately. In case of dismissal, the employer can withhold the dues payable to the employee whereas in case of discharge, usually all these are settled simultaneously. Finally, before dismissing an employee, the employer has to hold disciplinary proceedings (domestic enquiry) in a proper way. In case of discharge, he may or may not go for it.

The grounds for dismissing an employee are clearly stated in Industrial Disputes Act, 1947 (as amended in 1982) and the Industrial Employment (Standing Orders) Act, 1946 – such as wilful insubordination, theft, fraud, dishonesty, habitual late coming, habitual neglect of work, wilful damage to property, disorderly violent behaviour, striking work in violation of rules, taking bribes, etc.

18.8 SEPARATION

Employee separations occur when employees cease to be members of an organisation. The service agreement between the employee and the employer comes to an end and the employee decides to leave the organisation. Separations can take several forms such as:

18.8.1 Resignation

An employee may decide to quit an organisation voluntarily on personal or professional grounds such as getting a better job, changing careers, wanting to spend more time with family, or leisure activities. The decision could, alternatively, be traced to the employee's displeasure with the current job, pay, working conditions or colleagues. Sometimes an employee may be forced to quit the organisation compulsorily on grounds of negligence of duty, insubordination, misuse of funds, etc. The resignation in this case, unlike voluntary separation, is initiated by the employer. If the employee refuses to quit, he may have to face disciplinary action.

When employees resign or quit an organisation, there will be a certain amount of disruption to the normal flow of work. Replacing an experienced and talented person may not be easy in a short span of time. Training new recruits would take time and may even prove to be a prohibitive exercise in terms of costs. The HR Department, therefore, should examine the factors behind resignations carefully. Whenever possible, exit interviews must be conducted to find out why a person has decided to call it a day. To get at the truth behind the curtain, departees must be encouraged to speak openly and frankly. The interviewer must ensure confidentiality of the information leaked out by the employee. The purpose of the interview must be explained clearly and the interviewer must listen to the departee's views, opinions, critical remarks patiently and sympathetically. Every attempt must be made to make the parting of ways more pleasant (e.g., conducting interview in a place where the employee is comfortable, giving a patient and sympathetic hearing to the employee, wishing him success after settling all the dues, etc.) There should, however, be no attempt to (a) defend the company against criticism or attacks (b) justify actions which may have annoyed the employee (c) attack the departee's views or choice of new company or job (d) convince the employee to change his mind about leaving etc.

Box 18.1: Possible Exit Interview Questions to Get to the 'Truth' Behind the Curtain

1. Was the job challenging? Satisfying? Did it add value to you?
2. Was the location comfortable? Was the working environment enjoyable? Were you respected as an individual?
3. What were the three positive elements you saw in the organisation?
4. What are the major drawbacks and weaknesses of the organisation?
5. Did you experience growth in terms of level and responsibilities?
6. Did the organisation provide you with sufficient inputs to grow as a professional?
7. Did you feel your boss/organisation provided you with enough freedom and space to allow your creativity to blossom?
8. What changes would you like to see in this company if you were to reconsider joining it at some point of time in future?
9. How does your new assignment/job compare with your assignment here, in terms of job specifications, designation, and compensation?
10. Did the organisation treat you well after you decided to quit? Where did it go wrong?
11. Would you like to rejoin the organisation? Why/why not?
12. What are the two most crucial reasons for your quitting?

Source: S. Khanna, "The EXIT Interview Technique," *Business Today*, Jan. 7-21, 1996.

18.8.2 Retirement

Like a quit, a retirement is normally initiated by the employee. However, a retirement differs from a quit in a number of ways. First, a retirement usually occurs at the end of an employee's career. A quit can happen at any time. Second, retirements usually result in the retiree's receiving benefits in the form of provident fund, pension, gratuity, encashment of earned leave etc., from the organisation. People who quit do not receive these benefits, (without a minimum qualifying service period in case of voluntary separations). Finally, the organisation normally plans retirements in advance. HR staff can groom current employees or recruit new ones during the intervening period in a methodical way. Quits are not easy to estimate and plan for. Employees retire from service on account of two reasons:

- ***Compulsory retirement:*** Government employees retire compulsorily after attaining the age of superannuation (either 58 or 60). In the private sector, the retirement age may well go beyond 60, depending on a person's ability to perform well in a competitive scenario.

- ***Voluntary retirement:*** In case of voluntary retirement, the normal retirement benefits are calculated and paid to all such employees who put in a minimum qualifying service. Sometimes, the employer may encourage the employee to retire voluntarily– with a view to reduce surplus staff and cut down labour costs. Attractive compensation benefits are generally in-built in all such plans (referred to as golden handshake scheme). To reduce post-retirement anxieties, companies these days organise counselling sessions, and offer investment related services (e.g., Citibank, Bank of America). Some companies extend medical and insurance benefits to the retirees also, e.g., Indian Oil Corporation.

Box 18.2: Why Employees Love NTPC?

A wide-eyed recruit talks about an employee who was in coma for four months before passing away. The medical bills come to Rs. 1.5 crore. NTPC took care of it. Another talks about how it takes care of all hospitalisation expenses for employees and their families. A third talks about how the company sets up townships before beginning to work on a new plant. Last year NTPC spent Rs 102 crore (17 hospitals run by the company with over 3000 doctors) on medical infrastructure and recovered just Rs. 2 crore of that. The attrition rate, not surprisingly is very low at NTPC. [BT-Mercer-TNS Study, Business Today, 21-11-2004]

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

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

18.8.3 Lay off

A layoff is a temporary removal of an employee from the payroll of an organisation due to reasons beyond the control of an employer. Global competition, reductions in product demand, changing technologies that reduce the need for workers, and mergers and acquisitions are the primary factors behind most layoffs. The services of the employees are not utilised during the layoff periods. If the layoff is for a temporary period (sometimes it could the indefinite) the employee is likely to be called back to join the ranks once again. The employer-employee relationship, therefore, does not come to an end but is merely suspended during the period of layoff. The purpose of layoff is to trim the extra fat and make the organisation lean and competitive.

Under the Industrial Disputes Act, 1947, a lay-off implies the following things (Section 2 KKK)

i. The employer is temporarily unable to employ some workers on a full-time basis.

ii. The reasons for the refusal of employment could be traceable to shortage of inputs, power, accumulation of stocks, breakdown of machinery etc.

iii. The employer-employee relationship stands suspended during the period of lay off.

iv. The employee gets (excluding holidays) only fifty per cent of his normally eligible total basic wages plus dearness allowance during the period of lay off. (Section 25 C)

v. To claim this compensation, the laid off workman (a) should not be a casual worker (b) his name must be there on the muster rolls (c) he must have one year's continuous service (d) he must report for work at the appointed time at least once a day.

These conditions, however, do not apply when (i) the worker is able to find alternative employment in a nearby location (within 5 miles), (ii) the lay off is due to strike or slowing down of production by workers in another part of the establishment (iii) the industrial establishment is seasonal in character, and (iv) where less than 20 workers are normally employed therein.

Layoffs have a powerful impact on the organisation. They bring down the morale of the organisation's remaining employees, who are forced to live in an environment of uncertainty and insecurity. Sometimes, even employees whose services may be essential for the organisation, may quit fearing loss of membership – thus causing further damage to the organisation. The company's standing as a good place to work may suffer. It may be difficult for the company to have the services of talented people afterwards. Layoffs, therefore, have to be carried out in a cautious way keeping the financial, psychological and social consequences in mind.

Consulting firms offer the following advice for telling employees that they will be laid off

Box 18.3: The Do’s and Don'ts of Laying off or Terminating Employees

Do’s	Dont's
• Give as much warning as possible for mass layoffs • Sit down one-to-one with the individual in a private office • Complete the firing session quickly • Prepare the individual who is being asked to leave to cope with his emotions • Offer written explanations of severance benefits • Provide outplacement assistance away from company headquarters • Be sure the employee learns about the layoff from a manager, not a colleague • Appreciate the contributions made by the employee – if they are appropriate	• Don't leave the room, creating confusion. Tell the employee that he or she is laid off or terminated. • Don't allow time for debate • Don't make personal comments; keep the conversation professional • Don't rush the employee off-site unless security is really an issue • Don't fire people on important dates (birthdays, anniversary of their employment, the day their mother died, etc.) • Don't fire employees when they are on vacation or have just returned • Employees who continue to work with the company should not be ignored. They are as vulnerable to the changes as the ones being let go.

(S. Alexander, *The Wall Street Journal* 81, 1991. Also see “*Easing the Exit*”, B. World, 1.9.2003)

18.8.4 Retrenchment

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

Box 18.4

- Stop hiring people when the first signals of trouble ahead surface. This would send the right message to the trade unions.
- Better to be on good terms with all the trade unions.
- Allay the workers' suspicions by communicating with them directly.
- Design a severance package with incentives for training and redeployment.
- Never use pressure tactics to intimidate your workers into leaving.

Examples. JK Synthetics closed down its polyester staple fibre plant in 1981. A 14-year long legal battle followed. The closure was declared illegal in 1995. Now 1100 workers may have to be reinstated along with their salaries for 14 years! Companies have therefore started the voluntary retirement schemes. NTC has shed 45,000 workers, ACC, British Oxygen, Premier Automobiles–9,000, 3,700 and 3,500 employees respectively – after obtaining support from unions. HMT, Caltex have gone a step ahead and offered the chance to workers who opt for VRS to start retail and ancillary activities on behalf of these companies! Caltex sold petrol pumps to workers accepting VRS: others like Philips, Sandoz, TISCO are trying to come out with more attractive VRS packages.

Source: Business India. Jan 7-21, 1996 pp. 284-288

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

Box 18.5: Merits and Demerits of Outplacement

Merits	Demerits
• Shows the human face of the company.	• May be time consuming and costly.
• Eases the pain of retrenchment.	• Maintaining databases on other jobs is not easy.
• Preserves the morale of those who remain with the company.	• Can work only when retrenching a few managers at a time.
• Smoothens the way for future downsizing moves.	• Can be turned down by angry, disillusioned employees.
• Helps you retain your former employees' respect.	• Difficult to convince and implement at the level of workers.

Source: Business India Jan 7-21, 1996 pp. 300-504

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

18.8.5 Discharge and dismissal

Dismissal is the termination of the services of an employee as a punitive measure for some misconduct. Discharge also means termination of the services of an employee, but not necessarily as a punishment.A discharge does not arise from a single, irrational act. There could be many reasons for it such as:

- Inebriation and alcoholism
- Wilful violation of rules
- Carelessness
- Insubordination
- Physical disability
- Dishonesty
- Violent and aggressive acts
- Inefficiency

Discharge/dismissal is a drastic measure seriously impairing the earnings potential and the image of an employee. It should be used sparingly, in exceptional cases where the employee has demonstrated continued inefficiency, gross insubordination or continued violating rules even after several warnings. Before discharging the employee, advance notice of the impending danger must be given and the reasons of discharge must be stated clearly. The employee should be given the opportunity to defend himself. If the grounds under which an employee has been discharged are not strong enough, there should be a provision for reviewing the case. In any case, the punishment should not be out of proportion to the offence.

Check Your Progress

1. Give one line definition of following:
   (a) Trade Unions
   (b) Industrial Relations
   (c) Collective Bargaining
2. Differentiate different bargaining issues.

18.9 LET US SUM UP

Every employee has certain expectations which he thinks must be fulfilled by the organisation he is working for. When the organisation fails to do this, he develops a feeling of discontent or dissatisfaction. A person who is dismissed from service may find it difficult to find alternative employment, when compared to a person who is discharged from service. In case of discharge, the errant employee may be served a reasonable, advance notice. Layoffs have a powerful impact on the organisation. They bring down the morale of the organisation's remaining employees, who are forced to live in an environment of uncertainty and insecurity. Discharge/dismissal is a drastic measure seriously impairing the earnings potential and the image of an employee. It should be used sparingly, in exceptional cases where the employee has demonstrated continued inefficiency, gross insubordination or continued violating rules even after several warnings.

18.10 LESSON-END ACTIVITY

Organise a debate in class. Have one person take the position that 'Grievances have to be solved in a flexible manner, adopting an open door policy.' Have another take the position that 'Grievances have to be redressed through a model grievances procedure'– framed in advance and applied in an objective way.

18.11 KEYWORDS

Grievances

Factual Grievances

Compulsory Retirement

Voluntary Retirement

Outplacement

Suspension

Lay off

18.12 QUESTIONS FOR DISCUSSION

1. Write short notes on:
   (i) Collective Bargaining
   (ii) Composite Bargaining
   (iii) Grievances Handling

(iv) Future of Trade Unionism

(v) Positive Discipline Approach

2. Describe Red Hot Rule in India.

18.13 SUGGESTED READINGS

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LESSON

19

LABOUR WELFARE

CONTENTS

Contd...

19.0 AIMS AND OBJECTIVES

In this lesson we shall discuss about labour welfare. After going through this lesson you will be able to:

(i) Discuss importance and implications of labour legislations.

(ii) Analyse employee health.

19.1 INTRODUCTION

The legal provisions regarding safety cover areas such as fencing of machinery, not employing young persons near dangerous machines, using safe devices to cut off power, using good hoists and lifts, giving enough room for workers to move around safely, quality flooring, providing ventilators for pumping out fumes, gases; and precautions to be taken to prevent five accidents etc.

Health promotion covers areas such as healthy living, physical fitness, smoking cessation, stress to all troubled employees.

19.2 IMPORTANCE & IMPLICATIONS OF LABOUR LEGISLATIONS

Conventions and Recommendations have covered wide range of subjects concerning labour, for example, working conditions including hours of work, weekly rest, and holidays, wages, labour administration, employment of children and young persons including minimum age of employment, medical examination, night work, employment of women including maternity protection, night work and employment in unhealthy processes and equal pay, health, safety and welfare, social security, industrial relations including right to organise collective bargaining and conciliation, and employment and unemployment. By July 2002, India had ratified 39 out of 184 Conventions adopted by ILO Provisions of which most of the ratified Conventions have been incorporated in the labour laws of the country. Provisions of quite a number of Recommendations have, also, been embodied in labour law.

19.3 OBJECTIVES OF THE LABOUR LEGISLATIONS

Different Objectives

Labour legislation in India has sought to achieve the following objectives:

(1) Establishment of justice - Social, Political and Economic.

(2) Provision of opportunities to all workers; irrespective of caste, creed, religion, beliefs; for the development of their personality.

(3) Protection of weaker sections in the community.

(4) Maintenance of Industrial Peace.

(5) Creation of conditions for economic growth.

(6) Protection and improvement of labour standards.

(7) Protect workers from exploitation.

(8) Guarantee right of workmen to combine and form association or unions.

(9) Ensure right of workmen to bargain collectively for the betterment of their service conditions.

(10) Make state interfere as protector of social well being than to remain an onlooker.

(11) Ensure human rights and human dignity.

Proper regulation of employee-employer relationship is a condition precedent for planned, progressive and purposeful development of any society. The objectives of labour legislation are a developing concept and require ceaseless efforts to achieve them on a continuous basis.

In its landmark judgement in Hindustan Antibiotics vs. The Workmen (A.I.R. 1967, S.C. 948; (1967) 1, Lab.L.J.114) the Supreme Court of India made a significant observation. The object of the Industrial law, said the Court, was to bring in improvements in the service conditions of industrial labour by providing them the normal amenities of life, which would lead to industrial peace. This would accelerate the productive activities of the nation, bringing prosperity to all and further improving the conditions of labour.

19.4 THE CLASSIFICATION OF LABOUR LEGISLATIONS

On the basis of specific objectives, which it has sought to achieve, the labour legislations can be classified into following categories:

(1) Regulative

(2) Protective

(3) Wage-Related

(4) Social Security

(5) Welfare both inside and outside the workplace

19.5 THE REGULATIVE LABOUR LEGISLATION

The main objective of the regulative legislation is to regulate the relations between employees and employers and to provide for methods and manners of settling industrial disputes. Such laws also regulate the relationship between the workers and their trade unions, the rights and obligations of the organisations of employers and workers as well as their mutual relationships.

19.5.1 The Trade Unions Act, 1926

Trade unions are primarily formed to regulate the relations between workmen and employers. The Act provides for registration of trade unions, which also includes association of employers. Upon registration, trade unions enjoy certain protection and privileges under the law. In addition, the Act also provides for imposing restrictions on the conduct of any trade or business. Registration of a trade union is not compulsory but a registered union enjoys certain rights and privileges under the Act, it is always desirable to get a trade union registered. The Act requires that at least 50 per cent of the office bearers of a union should be actually engaged or employed in the industry. A registered trade union is a body corporate with perpetual entity under a common seal. It can acquire, hold, sell or transfer any movable or immovable property and can be party to contracts. It can sue or can be sued in his own name. From the HR manager's point of view, it is essential to invite registered trade unions of the unit only for collective bargaining and also form participative forums like works committee, etc., from their nominated representative.

19.5.2 The Industrial Disputes Act, 1947

The Industrial Disputes Act, 1947 primarily regulates industrial relations in India. The Act provides a machinery and procedure for settlement of industrial disputes by negotiation, without resorting to strikes and lockouts. The scope of the Act extends to the whole of India for every industrial establishment carrying on any business, trade, irrespective of the number of people employed. However, the Act is not applicable for people employed in managerial or administrative capacity and for those who are employed in Army, Air Force and Navy, Police Services and Prison Services. The Act defines industrial dispute as any dispute or difference between employers and employees or between workmen and workmen, which is connected with the employment or non-employment or the terms and conditions of employment. A tentative list of disputes, covered under this Act is reproduced below:

i. The propriety or legality of standing orders.

ii. Discharge or dismissal

iii. Matters pertaining to reinstatement or grant of relief for wrongful dismissal.

iv. Matters pertaining to withdrawal of any concession or privilege.

v. Matters pertaining to strike or lockout

vi. Payment of wages, including periodicity and mode of payment.

vii. Leave and hours of work

viii. Holidays

ix. Bonus

x. Retirement benefits

xi. Discipline

xii. Non-implementation of award, etc.

19.5.3 Industrial Relations Legislations enacted by states of Maharashtra, MP, Gujarat, UP, etc.

Labour legislation in India can be traced back to 1850's with the enactment of Apprentices Act. This Act was initially intended for destitute child to enable them to develop their skill base and get a job when they grow up. This was followed by the Fatal Accidents Act, 1955, Employers and Workmen (Disputes) Act, 1860, Factories Act, Mines Act, Plantation Labour Act and series of other legislations. Labour is a common central and the state subject. The constitution of India (Article 246/4) empowers both the central and the state Governments to legislate on issues related to labour, encompassing issues on trade unions, industrial disputes, social security, social insurance, employment and unemployment, welfare related issues, covering working conditions, provident funds, pensions, maternity leave and benefits, workmen's compensation, etc. The state Governments are empowered to change and modify labour laws, enacted by the central Government considering the specific issues and conditions of labour prevailing in the states.

19.5.4 Industrial Employment (Standing Orders) Act, 1946

This Act requires employers to clarify conditions of employment so as to enable the workmen (employed by them) to understand the rules of conduct pertaining to working hours, holidays, attendance, leave, termination of employment, suspension or dismissal, misconduct, etc. The Act is applicable to industrial establishments, employing 100 or more workmen. Under this Act, employers are required to submit a draft of standing orders to the certifying officer for certification. Upon certification it receive the force of law and employers are required to display the text in the language of the workmen and in English prominently. Once certified, employers cannot modify the standing orders without the approval of the certifying officer. Model standing orders cover following areas:

(i) Basis of classification of workman – permanent, probationers, temporary, casual, apprentices, badlis

(ii) Information on working time

(iii) Information on holidays and paydays

(iv) Wage rates

(v) Shift work

(vi) Attendance and late coming

(vii) Leave

(viii) Payment of wages

(ix) Stoppage of work

(x) Termination of employment

(xi) Act of misconduct, which is liable for disciplinary action, etc.

Standing orders are guidelines for HR decisions, hence HR managers must know legal interpretation of standing orders.

19.6 THE PROTECTIVE LABOUR LEGISLATIONS

Under this category come those legislations whose primary purpose is to protect labour standards and to improve the working conditions. Laws laying down the minimum labour standards in the areas of hours of work, supply, employment of children and women, etc. in the factories, mines, plantations, transport, shops and other establishments are included in this category. Some of these are the following:

19.6.1 Factories Act, 1948

This Act is divided into twelve chapters covering 141 sections, which again are supplemented by three schedules. The first Act was enacted in 1881 to regulate working conditions in factories primarily for women and children and to provide them health and safety measures. In 1911 the new Factories Act was enacted, replacing the old one, covering also the hours of work for adults. The Act was further improvised in 1934, incorporating recommendations of the Royal Commission of Labour. The new Act of 1948 replaced the earlier one and through a series of amendments made from time to time, the Act is now more comprehensive covering all areas of working conditions of labour.

19.6.2 The Shops and Establishments Acts

The Act in essence a state legislation. It seeks to regulate the working conditions of workers in the unorganized sector, including shops and establishments which do not come under the Factories Act Regulations for working hours, rest intervals, overtime, holidays, termination of service, maintenance of shops and establishments and other rights and obligations of the employer and employees are laid down.

19.7 WAGE-RELATED LABOUR LEGISLATIONS

Legislations laying down the methods and manner of wage payment as well as the minimum wages come under this category:

19.7.1 The Payment of Wages Act, 1936

The Act is intended to regulate payment of wages in a particular form at regular intervals without any unauthorised deductions. It is applicable to the employees receiving wages below Rs.1,600 per month. As per the Act, employers are responsible for payment of wages to the employees duly fixing the wage periods (which in no case should exceed one month), deciding about time of payment as per the norms (which requires payment within seven days of the expiry of the wage period for establishment where less than 1,000 people are employed and in other cases within ten days of the expiry of wage period), mode of payment (in cash or by cheque or by crediting to employee's bank account with prior consent) and ensuring no unauthorised deductions. All these aspects must be known to the HR manager.

19.7.2 The Minimum Wages Act, 1948

The Act provides for minimum statutory wages for scheduled employment. The Act also stipulates maximum daily working hours, weekly rest and overtime. It prevails over the rates fixed under any award agreement. The Act empowers the State Government to fix minimum wages, failing which they cease the right to engage labour and run the industry. Wages, as per the Act, include all remuneration capable of being expressed in terms of money including house rent allowance. However, it excludes the value of housing accommodation, supply of light, water, medical attendance, employer's contribution to provident fund and pension fund, travelling allowances or the value of travelling concession, gratuity payable on discharge or any other payments made to defray special expenses. For HR managers it is important to consider all these aspects while designing compensation package.

19.7.3 The Payment of Bonus Act, 1965

The Payment of Bonus Act, 1965 imposes statutory liability on employers (covered under the Act) to pay bonus to employees according to the prescribed formula, linking the bonus with profits or productivity. Bonus is payable to every employee receiving salary or wages up to Rs. 3,500 per month, provided the employee has worked at least for 30 days in that year, save and except those employees who have been dismissed from service for fraud, riotous or violent behaviour, or theft, misappropriation or sabotage of any property of the establishment. Such employees ceases the right to get bonus even for previous unpaid years, irrespective of the fact that they have committed such acts in the present year. Employers can deduct from the bonus any customary payment made to the employees (festival or interim bonus) earlier. Employers can also recover any financial loss caused for the misconduct of the employees.

19.8 SOCIAL SECURITY LABOUR LEGISLATIONS

They cover those legislations, which intend to provide to the workmen, social security benefits under certain contingencies of life and work.

19.8.1 The Workmen's Compensation Act, 1923

Factories and establishments which are not covered under the Employees State Insurance Act, are covered under this Act to provide relief to workmen and/or their dependents in case of accidents arising out of and in the course of employment causing either death or disablement of workmen. The workmen's compensation (Amendment) Act, 2000 w.e.f. 8-12-2000 has brought all the workmen within the limit of this Act, irrespective of their nature of employment. Under the Act, the employers are under obligation to pay compensation for any accident suffered by an employee in the course of employment, failing which the Act provides for penalties. There must be some causal connection with employment to become eligible for compensation, which may not necessarily be inside the workplace. Causal relationship is established by the circumstantial evidence, which my be even in cases where workmen sustain injury while coming to work or while going to his house after completion of work.

19.8.2 The Employees' State Insurance Act, 1948

The principal objective of this Act is to provide to the workers medical relief, cash benefits for sickness, compensation for employment injuries (which also covers occupational diseases), pension to the dependents of deceased workers and maternity benefits to women workers. All these benefits are given from a contributory fund. Once workmen are covered under ESI Scheme, compensation under Workmen's Compensation Act for employment injuries are not payable. The Act is applicable to all factories (excluding seasonal factories) employing ten or more (when manufacturing process is carried out using power). For factories carrying out the manufacturing process without the aid of power, the said number is 20 or more persons. The scope of the Act covers every employee, including those engaged as casual or by a contractor, provided they do not receive wages not exceeding Rs.6,500 per month. Apprentices engaged under the Apprentices Act are not eligible for ESI benefits. The Act requires registration of eligible factories and establishments within a prescribed time limit. Similarly entitled employees are also required to be insured in a prescribed manner under the Act. Since the nature of insurance is contributory, employers are required to pay @ 4.75 per cent and employees are required to contribute @ 1.75 per cent of the wages. However, such employees who are drawing less than Rs.40 as daily wages are exempted from the requirement of contribution. The Act provide benefits at prescribed rate and imposes penalty for violation up to 5 years imprisonment and fine upto Rs. 25,000.

19.8.3 The Employees PF and Miscellaneous Provisions Act, 1952

The Act provides for compulsory contributory fund for social security of the employees and their dependents (in case of death). It extends to every factory, establishment employing 20 or more persons. The Central Government , however, by notification, brings any establishment under the purview of the Act even in cases where such establishments employ less than 20 persons. However, cooperative societies employing less than 50 persons and working without the aid of power, newly set up establishments (for initial 3 years), and State/Central Government establishments (where they have their own schemes) are immune from the provisions of this Act. The Central Government has framed three schemes under the Act, i.e. Employees' Provident Fund Scheme, 1952 (for provident funds), Employees' Family Pension Scheme, 1971 for providing family pension and life assurance benefit, which been merged with, Employees' Pension Schemes, 1995 and the employees' Deposit Linked Insurance Scheme, 1976. The Act requires employers to contribute amount @ 12 per cent of the Wages, D.A. etc. (10% in case of BIFR referred establishments or establishments employing less than 20 persons or any establishments in the jute, beedi, brick, coir or gaur gum industry) and ensure similar deduction from employees and deposit the same together with administrative charges and required returns/attachments to the regional provident fund office or to their own private provident fund scheme (approved by the Provident Fund Commissioner).

19.8.4 The Maternity Benefit Act, 1961

This provides maternity benefits to women employees. It sets out that a woman may avail 3 months leave with full salary before or after the birth of her child.

19.8.5 Payment of Gratuity Act, 1972

This Act is also a social security measure to provide retirement benefit to the workmen, who have rendered long and unblemished service to the employer. Employees are entitled to receive gratuity under the Act, provided they have rendered continuous 5 years service or more at the rate of 15 days wages for each completed year, subject to a maximum of Rs.3,50,000. The gratuity may be wholly or partly forfeited by the employer if termination of services of an employee is due to his riotous or disorderly conduct or any other act of violence or any offence, including moral turpitude committed in the course of his employment.

Chapter V A of the Industrial Disputes Act 1947 is also, in a manner of speaking, of the character of social security in so far as it provides for payment or lay-off, retrenchment and closure compensation.

19.9 WELFARE LABOUR LEGISLATIONS

Legislations coming under this category aim at promoting the general welfare of the workers and improving their living conditions. Though, in a sense, all labour-laws can be said to be promoting the welfare of the workers and improving their living conditions and though many of the protective labour laws also contain chapters on labour welfare; the laws coming under this category have the specific aim of providing for improvements in the living conditions of workers. They also carry the term “Welfare” in their titles.

i. Limestone and Dolomite Mines Labour Welfare Fund Act, 1972

ii. The Mica Mines Welfare Fund Act, 1946

iii. The Iron Ore Mines, Manganese Ore Mines and Chrome Ore Mines Labour Welfare Fund Act, 1976

iv. The Cine Workers Welfare Fund Act, 1981

v. In addition, some state governments have also enacted legislations for welfare funds

vi. Beedi Workers Welfare Fund Act, 1976

19.10 MISCELLANEOUS LABOUR LEGISLATIONS

Besides the above, there are other kinds of labour laws, which are very important. Some of these are:

i. The Contract Labour (Regulation and Abolition) Act, 1970

ii. Child Labour (Prohibition and Regulation) Act, 1986

iii. Building and other construction workers (Regulation of Employment and Conditions of Service) Act, 1996

iv. Apprentices Act, 1961

v. Emigration Act, 1983

vi. Employment Exchange (Compulsory Notification of Vacancies) Act, 1959

vii. Inter State Migrant Workmen (Regulation of Employment and Condition of Service) Act, 1979

viii. Sales Promotion Employees (Condition of Service) Act, 1976

ix. Working Journalists and other Newspapers Employees (Condition of Service and Miscellaneous Provision) Act, 1955.

19.11 STATE LABOUR LAWS

General

An important feature of almost all labour laws is the existence of employer-employee nexus. Besides, each labour law has its provisions in terms of coverage, based mainly on the number of employees, salary levels and so on. The definition of expressions used in different labour laws is not necessarily uniform. All these have resulted in considerable amount of litigation, leading to a vast amount of industrial jurisprudence.

Another important point to note is that while all the labour laws, excepting Shops and Establishment Acts, are enacted by Parliament, quite a few of them are implemented, both by the Central Government and the State Governments (including Union Territories); the jurisdiction being determined by the definition of the term ‘appropriate government’ in the relevant statute. It is also relevant to point out that some of the Parliamentary laws are implemented exclusively by the State Governments, for example Trade Unions Act, 1926; Workmen’s Compensation Act, 1923; Plantation Labour Act, 1951; Working Journalists Act 1955; Factories Act 1948 and so on.

19.12 CONCLUSION

The evolution of labour jurisprudence is the culmination of the incessant struggle waged by the workers’ all over the world, for just and better conditions of work as well as security of their job. Labour legislations have now acquired the status of a separate branch of jurisprudence because of its special features and changing juristic ideas. Therefore, an idea about its concept, origin, development, objectives, approaches, influences and classification etc. will be of immense help to comprehend its principles.

Check Your Progress

1. Fill in the blanks.

   (a) Two ways of dealing with employees includes .... discipline approach and .... discipline approach.

   (b) .... builds on philosophy that violable are action that usually can be corrected without penalty.

   (c) .... state that penalties must be appropriate to the violation.

   (d) Stoane and Whitney explains ....

   (e) .... and .... are the primary focus areas of collective bargaining.

2. Match the following:

(a)	Act of misconduct	(i)	1946
(b)	Red hot stone role	(ii)	Amended in 1982
(c)	Standing orders Act	(iii)	1976
(d)	Industrial discipline Act	(iv)	Unlawful, Corrupt and disloyal
(e)	Equal Remuneration Act	(v)	Douglas Mc Gregor

19.13 EMPLOYEE HEALTH

Organisations are obliged to provide employees with a safe and healthful environment. Health is a general state of physical, mental and emotional well being. Safety is protection of a person's physical health. The main purpose of health and safety policies is the safe interaction of people and the work environment. Poor working conditions affect employee performance badly. Employees may find it difficult to concentrate on work. It would be too taxing for them to work for longer hours. Their health may suffer. Accidents and injuries may multiply causing enormous financial loss to the company. Absence and turnover ratios may grow. A company with a poor safety record may find it difficult to hire and retain skilled labour force. The overall quality of work may suffer. Many deaths, injuries and illnesses occur because of safety violations, poor equipment design or gross negligence. The Union Carbide accident in Bhopal, for example, which killed over 4,000 people in 1984, is considered by most experts to be the result of equipment design flaws which could have been avoided. Union labour ministry's records place companies in Maharashtra and Gujarat as the most dangerous places to work, with over 25,000 and 13,000 accidents respectively. The biggest offenders are generally from jute mills, lead battery manufactures, chemical units, textile mills, match and fireworks industry especially in Sivakasi, automotive industry, sugar crushing units, mining, heavy construction, flour mills, etc.

19.13.1 Need

Industrial heath is essential to:

i. *Promote* and *maintain* the highest degree of physical, social and mental well being of workers.

ii. *Improve* productivity and quality of work.

iii. *Reduce* accidents, injuries, absenteeism and labour turnover.

iv. *Protect* workers against any health hazard arising out of work or conditions in which it is carried on.

The following table indicates the primary health and safety responsibilities of the HR department and line managers.

Box 19.1: Typical Health and Safety Responsibilities

HR Unit	Managers
• Coordinates health and safety programmes • Develops safety reporting system • Offers accident investigation expertise • Provides technical expertise on accident prevention • Develops restricted- access procedures and employee identification systems • Trains managers to recognise and handle difficult employee situations	• Monitor health and safety of employees daily • Coach employees to be safety conscious • Investigate accidents • Observe health and safety behaviour of employees • Monitor workplace for security problems • Communicate with employees to identify potentially difficult employees • Follow safety provisions and security procedures and recommend changes as needed

19.14 LEGAL PROVISIONS REGARDING HEALTH

The Factories Act, 1948, lays emphasis on the following preventive measures (Sec. 11 to 20)

19.14.1 Cleanliness (11)

Every factory shall be kept clean and free from effluvia. Dirt must be removed daily. Benches, staircases, passages and the floor of the workroom must be cleaned daily so that there is no accumulation of dirt. Workroom floors must be washed at least once a week, with some disinfecting fluid. Walls, partitions, ceilings, doors, windows, etc., be painted, varnished periodically.

19.14.2 Wastes (12)

There must be effective arrangements for the disposal and/ or treatment of waste and effluents.

19.14.3 Ventilation and temperature (13)

Every workroom in the factory must have proper natural ventilation, permitting circulation of fresh air. The room temperature should be kept at a level comfortable to workers. The walls and roofs should be of such material and of such design so as to keep the temperature low. High temperature may be controlled by whitewashing, spraying and insulating the factory premises by screening outside walls, windows and roofs.

19.14.4 Dust and fumes (14)

Effective arrangements must be made to prevent or reduce the inhalation and accumulation of dust and fumes. Exhaust appliances should be employed near the place of origin of dust and fumes.

19.14.5 Artificial humidification (15)

In cotton textile and cigarette manufacturing units where artificial humidification is used, State Government rules should be followed. Water used for artificial humidification must be properly purified.

19.14.6 Overcrowding (16)

No room in the factory should be overcrowded. There should be at least 14.2 cubic meters of space for every workman.

19.14.7 Lighting (17)

The factory must have sufficient and suitable lighting arrangements – both natural and artificial glazed windows and skylights used to light the workroom should be kept clean. Provisions should be made for the prevention of glare and the formation of shadows in the work spot.

19.14.8 Drinking water (18)

The factory must provide wholesome drinking water at suitable, convenient points. All such points are marked 'drinking water' clearly in a language understood by majority of workers. Every such point should be away (not within 6 meters range) from urinals, latrine, spittoons, open drains, etc. Where the factory employs more than 250 employees, suitable arrangements must be made to provide cool drinking water during the hot summer months.

19.14.9 Latrines and urinals (19)

The latrines and urinals are (a) maintained separately for male and female workers, (b) having sufficient enclosed space, (c) conveniently situated and accessible to all workmen, (d) adequately lighted and ventilated, (e) cleanly kept at all times, (f) maintained properly by employing sweepers for this purpose.

19.14.10 Spittoons (20)

A sufficient number of spittoons should be provided at convenient places in every factory and these should be maintained in a clean and hygienic condition.

19.15 MEASURES TO PROMOTE EMPLOYEE HEALTH

Health promotion at the work place may be broadly defined as any effort to prevent disease or premature death through behavioural and organisational change. Health promotion focuses on prevention rather than treatment or cure. Therefore the health programme at the company is planned around improvement and prevention of controllable risk factors such as smoking, obesity, high level of cholesterol, stress, hypertension and low level of physical fitness, which are responsible for most major diseases. Promoting health consciousness is not an easy task. It requires continuous education, systematic campaign and genuine support from top management. Before the company starts planning for the programme, it must investigate the needs and resources of both the employees and the organisation. The planning programme, basically, involves five steps: *setting goals, developing the plan, allocation of resources, implementation and evaluation of the plan*. The core health promotion activities may cover such areas as:

i. Healthy living

ii. Eating wisely

iii. Exercise and Physical fitness

iv. Smoking cessation

v. Stress management

vi. Protecting one self from workplace hazards.

The initial effort and investment required to institute such health promotion programmes may prove to be quite heavy but the long run rewards are quite fruitful: improvements in employees health result in better work attitudes, higher morale, job satisfaction, reduced absenteeism and turnover.

Box 19.2: Components of A Typical Wellness Programme (Epstein)

The basic objective of wellness programmes is to help employees build lifestyles that will help them to achieve their full physical and mental potential. Such a programme is built around the following things:

- Educating employees about health-risk factors such as high blood pressure, smoking, high cholesterol levels, diabetes, a sedentary lifestyle, obesity, stress, poor nutrition etc.
- Identifying the health- risk factors that each employee faces
- Helping employees eliminate or reduce these risks through healthier lifestyles and habits
- Enabling employees to self monitor and evaluate where they stand from time to time.

19.16 LET US SUM UP

The main objective of the regulative legislation is to regulate the relations between employees and employers and to provide for methods and manners of settling industrial disputes. The Industrial Disputes Act, 1947 primarily regulates industrial relations in India. The scope of the Act extends to the whole of India for every industrial establishment carrying on any business, trade, irrespective of the number of people employed. The state Governments are empowered to change and modify labour laws, enacted by the central Government considering the specific issues and conditions of labour prevailing in the states. The evolution of labour jurisprudence is the culmination of the incessant struggle waged by the workers' all over the world, for just and better conditions of work as well as security of their job. Organisations are obliged to provide employees with a safe and healthful environment. Safety is protection of a person's physical health. The main purpose of health and safety policies is the safe interaction of people and the work environment. Health promotion focuses on prevention rather than treatment or cure.

19.17 LESSON-END ACTIVITY

Working individually or in groups, answer the question: Is there such a thing as an accident-prone-person? Develop your arguments using examples of actual people who suffered injuries while at work more frequently than the others, due to various reasons.

19.18 KEYWORDS

Labour Legislation

Wage Rates

Safety Record

Personnel Management

19.19 QUESTIONS FOR DISCUSSION

1. Give the main objectives of Labour Legislation?
2. Classify Labour Legislation in detail.
3. Give a brief description about Wage-Related Labour Legislations.
4. Write short notes on
   (i) Welfare Legislations
   (ii) State Labour Laws
5. Explain the various provisions regarding health.

19.20 SUGGESTED READINGS

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LESSON
20

AUDITING HR FUNCTIONS

CONTENTS

20.0 AIMS AND OBJECTIVES

In this lesson we shall discuss about auditing HR functions. After going through this lesson you will be able to:

(i) Analyse auditing Hr functions and types of personal records.

(ii) Discuss future of HRM function and HR audit process.

20.1 INTRODUCTION

Personnel records and reports provide information regarding the utilisation of human resources in an objective way. However, in most cases this is not sufficient. A critical evaluation of manpower programmes might be required to find out the areas where improvements are needed and to set things in order. In place of informal impressions gathered and summarised through records and reports, a systematic and analytical search is made to find out the effectiveness of personnel management. According to Seybold, personnel audit refers to an examination and evaluation of policies, procedures and practices to determine the effectiveness of personnel management. Personnel audit covers basically three things:

1. Measurement and evaluation of personnel programmes, policies and practices;
2. Identification of gap between objectives and results; and
3. Determination of what should or what should not be done in future.

20.2 OBJECTIVES

"The basic objective of personnel audit is to know how the various units are functioning and how they have been able to meet the policies and guidelines which were agreed upon; and to assist the rest of the organisation by identifying the gaps between objectives and results, for the end-product of an evaluation should be to formulate plans for corrections of adjustments" (Gray).

The objectives of personnel audit are:

i. To review the organisational system, human resources subsystem in order to find out the efficiency of the organisation in attracting and retaining human resources.

ii. To find out the effectiveness of various personnel policies and practices.

iii. To know how various units are functioning and how they have been able to implement the personnel policies, and

iv. To review the personnel system in comparison with organisations and modify them to meet the challenges of personnel management.

20.3 TYPES OF PERSONNEL RECORDS

Personnel records include the following:

i. Job application and test scores

ii. Job descriptions and job specifications

iii. Interview results

iv. Employment history

v. Medical reports

vi. Attendance records

vii. Payroll

viii. Employee ratings

ix. Training records

x. Leave records

xi. Accident and sickness records

xii. Grievances, disputes records

xiii. Contracts of employment

xiv. Records to be kept under various statutes

20.4 NEED FOR PERSONNEL AUDIT

Though there is no legal obligation to audit personnel policies and practices, some of the modern organisations have accepted it due to certain compelling reasons:

i. Increasing size of the organisation and personnel in several organisations.

ii. Changing philosophy of management towards human resources.

iii. Increasing strength and influence of trade unions.

iv. Changing human resources management philosophy and thereby personnel policies and practices throughout the world.

v. Increasing dependence of the organisation on the human resources system and its effective functioning.

20.5 BENEFITS

The benefits of a human resource management audit may be summarised thus:

i. Identifies the contributions of the HR department.

ii. Improves the professional image of HR department.

iii. Encourages greater responsibility and professionalisation among members of HR Department.

iv. Classifies the HR departments' duties and responsibilities.

v. Stimulates uniformity of personnel policies and practices.

vi. Finds critical personnel problems.

vii. Ensures timely compliance with legal requirements.

viii. Reduces human resource costs.

20.6 SCOPE OF PERSONNEL AUDIT

The scope of personnel audit is very wide. It covers areas like personnel philosophy, policies, programmes, practices and personnel results. The major areas of personnel audit include programming, forecasting and scheduling to meet organisation and personnel needs. The areas of recruitment, selection, careers, promotions, training and development also come within the scope of personnel audit. Further, the areas of leadership, welfare, grievances, performance appraisal, employee mobility, industrial relations are also included within the scope of personnel audit. The areas and levels of personnel audit, according to Dale Yoder, are fairly exhaustive (See Box 20.1).

Box 20.1: Levels & Examples of Audit Data

Major Areas	Level I – Results	Level II - Programmes	Level III – Policy & Procedures
Planning:			
Forecasting & scheduling to meet organisation & budget, etc.	Personnel shortages supplies, layoff, etc. plans for present & future	Time bound or network cost/benefit	Explicit statement to provide inclusive personnel needs.
Staffing & Development:			
Defined requirements & careers; sources, requirement, selection, training, promotions	Recruitment times costs; training times cost, labour turnover etc.	In house & out house training programmes; guidance in careers, etc.	Let cream rise; non-discrimination, etc.
Organising:			
Maintaining structures for co-ordinating, communicating, collaborating, etc.	Feedback, reader interest, extent of formal, organisation, reports, records, etc.	Job definitions for individuals, departments, task forces, house organs, etc.	Encourage flexibility, reduce resistance to change, effective three-way communication, etc.
Motivation & Commitment:			
Individual & group motivation, interest, effort, contribution	Productivity, performance norms comparative costs, etc.	Job enlargement; wage & salary administration; morale survey; exit interviews; fringe benefits, etc.	Gain high personal identification, ensure wholeman satisfactions.
Administration:			
Style of leadership and supervision; delegation, discipline, union-management cooperation.	Suggestions, promotions, grievances, union-management committees, etc.	Consultative supervision; collective bargaining, participative involvement, etc.	Style adapted to changing expectations; negotiation.
Research & Innovation:			
Experiments & theory testing in all areas.	Changes, experiments, research reports, publications.	R&D approach in all areas; suggestion plans, etc.	Test old & new theory; encourage creativity in management.

20.7 UTILITY OF RECORDS

Several personnel records are used in the process of personnel audit. They include: payroll, total and unit labour cost, interview reports, test scores, training records, labour productivity, work stoppage due to strikes, lockout, layoff, accident reports, turnover reports, absenteeism reports, etc.

20.8 HR AUDIT PROCESS

The personnel audit should probe much deeper, evaluating personnel policies, programmes, philosophy, practices and concepts comparing with standards and with those of the personnel records of the said organisation and other organisations. The level and the depth of the investigation should be decided in advance. The process of personnel audit, usually carried out through an attitudinal survey or by interpreting data, includes:

i. Identifying indices, indicators, statistical ratios and gross numbers in some cases.

ii. Examining the variations in time-frame in comparison with a similar previous corresponding period.

iii. Comparing the variations of different departments during different periods.

iv. Examining the variations of different periods and comparing them with similar units and industries in the same region.

v. Drawing trend lines, frequency distributions and calculating statistical correlations.

vi. Preparing and submitting a detailed report to the top management and to the managers at appropriate levels for information and necessary action.

Various personnel policies, procedures and practices can be evaluated by asking various questions of the following type:

1. What are they? (i.e., policies, procedures/ practices).
2. How are they established?
3. How are they communicated to various managers and employers concerned?
4. How are they understood by individual employers, supervisors and managers at various levels?
5. Are they consistent with the managements' organisational philosophy and human resource management philosophy?
6. Are they consistent with the existing trends towards human resource management and research?
7. What are the controls that exist for ensuring their effective and uniform application?
8. What measures exist to modify them to meet the organisational requirements?

Most organisations that employ HR audit examine the employment statistics pertaining to a period—making use of ratios (given below):

20.8.1 Effectiveness Ratios

Ratio of number of employees to total output in general.

Sales in dollars per employee for the whole company or by organisational unit (business).

Output in units per employee hour worked for the entire organisational unit.

Scrap loss per unit of the organisation.

Payroll costs by unit per employee grade.

20.8.2 Accident Ratios

Frequency of accident rate for the organisation as a whole or by unit.

Number of lost-time accidents.

Compensation paid for accidents per 1,000 hours worked.

Accidents by type.

Accidents classified by type of injury to each part of the body.

Average cost of accident by part of the body involved.

20.8.3 Organisational Labour Relations Ratios

Number of grievances filed.

Number of arbitration awards lost.

20.8.4 Turnover and Absenteeism Ratios

Attendance, tardiness, and overtime comparisons by organisational unit as a measure of how well an operation is handling employees.

Employee turnover by unit and for the organisation.

20.8.5 Employment Ratios

Vacations granted as a percentage of employees eligible.

Sick-leave days granted as a percentage of labour-days worked.

Maternity leaves granted per 100 employees.

Educational leaves granted per 100 employees.

Personal leaves granted per 100 employees.

Employment distribution by chronological age.

Employment distribution by length of service with organisation.

Employment distribution by sex, race, national origin, religion.

Managerial distribution by chronological age, sex, race, national origin, religion.

Average age of workforce.

Average age of managerial workforce.

20.9 FREQUENCY OF AUDIT

Generally top management thinks of personnel audit only when serious crisis occurs like strikes, increase in the number and/or magnitude of grievances or conflicts, etc. This type of audit is just like post-mortem of the situation. But a regular programme of auditing helps the management to find out some significant trends. The probability of some serious incidents hitting the organisation could he visualised and some remedial steps could be initiated. This ensures smooth running of an organisation in addition to controlling stressful situations, crises and conflicts.

The management has to, therefore, arrange for regular annual audit of almost all the personnel policies and practices. Certain indicators like absenteeism and employees' grievances should be audited at the end of every month/quarter depending upon the magnitude of the issues.

20.9.1 Types of Audit

Personnel audit may be done either by internal people or by external people. Internal audit is done by the employees in the personnel department. This kind of audit is called internal audit. The audit may be conducted by external specialists or consultants in personnel management. This type of audit is called external audit.

20.9.2 Audit report

The audit has to examine the various personnel reports, personnel policies and practices. Then the auditor has to record his observations, findings, prepare a report compiling all these findings and advance useful recommendations for the improvement of personnel management practices. The auditor submits a written report of his findings, conclusions and recommendations. The most common elements of the report are given below:

i. Table of contents

ii. Preface

iii. Statement of the objectives, methodology, scope and techniques used.

iv. A synopsis containing the summary and conclusions of the audit that has been carried out.

v. A clear and in-depth analysis of the data and information, furnished area-wise or department-wise.

vi. Evaluation, discussions and analysis. This part covers findings and suggestions offered by the auditor.

vii. Appendix – this includes supporting data and information which is not necessary in the main part of the report.

viii. Bibliography – important books and journals which are necessary for future reading are also included at the end.

20.10 PROBLEMS IN HR AUDIT

The rules, systems and regulations for financial audit are well developed. But it is very difficult to audit personnel policies and practices. Personnel audit involves comparison with past ratios, rates of turnover, expenditure etc., with those of other departments and organisations. The organisation by itself cannot be taken as standard for comparison and a decision arrived at. Hence, it is difficult to conduct the personnel audit. There may be a tendency to turn the survey into a fault-finding process. Every employee may then try to pass the buck. The audit may create more troubles than solutions. The audit has to be done carefully. It must evaluate things in an objective way, find out what has gone wrong and suggest improvements. The emphasis must be on rectifying things rather than fault finding.

20.11 FUTURE OF HRM FUNCTION

Even in the most archaic factories of today, 'job' has evolved to mean work that's more than just cutting or grinding a piece of metal. It means being able to operate more than one machine, self-maintain quality, read statistical charts and graphs and troubleshoot machine problems. The white-collar job has been transformed no less. The employee of a modern corporation no longer pushes paper from in-box to out-box. Instead, he must coordinate with all the constituents of the corporation (like suppliers, customers, and even other employees), communicate, analyse and make vital decisions—typically in that order.

Tomorrow, the order will change. Sophisticated infotech systems will automatically take care of the coordination and communication bit. It will even crunch mountains of discrete sets of information to throw up intelligent patterns.

The biggest challenge to the employee at Future Inc. would lie in the way he chooses to use that information. In other words, the worker @ futureinc.com would be a knowledge worker; in varying degrees, he or she would need to seek ways of constantly adding value to the task at hand. Employees would need to look at jobs as entrepreneurial assignments, and employers should treat them accordingly.

Check Your Progress

1. State True or False.

   (a) The main purpose of safe health to have strong fighting power in an organisation. ( )

   (b) Industrial health is essential to improve quality & productivity of work. ( )

   (c) Leave, payroll, are explain of personnel records ( )

   (d) Top managerial thinks of personnel audit regularly. ( )

2. What are the problems in HR audit ?

3. What is the difference between effectiveness ratio and Accident ratio in HR audit process?

20.12 LET US SUM UP

The major areas of personnel audit include programming, forecasting and scheduling to meet organisation and personnel needs. The personnel audit should probe much deeper, evaluating personnel policies, programmes, philosophy, practices and concepts comparing with standards and with those of the personnel records of the said organisation and other organisations. Generally top management thinks of personnel audit only when serious crisis occurs like strikes, increase in the number and/or magnitude of grievances or conflicts, etc. This type of audit is just like post-mortem of the situation. But a regular programme of auditing helps the management to find out some significant trends. The white-collar job has been transformed no less. The employee of a modern corporation no longer pushes paper from in-box to out-box. Instead, he must coordinate with all the constituents of the corporation (like suppliers, customers, and even other employees), communicate, analyse and make vital decisions—typically in that order.

20.13 LESSON-END ACTIVITIES

As the HR manager of a large auto components unit, safety is one of your major responsibilities. You have decided to conduct safety analysis of some jobs. Before ahead, you need a formal approval from the CEO. He now asked you to explain:

(i) Why the exercise is undertaken in view of the low accident rate history in the past?

(ii) why the analysis is limited to certain jobs?

(iii) The time and cost implications of the analysis, and

(iv) Whether the whole thing is likely to backfire in view of opposition from workers, unions etc.

20.14 KEYWORDS

Personnel Audit

Effectiveness Ratio

Accident Ratios

Utility Records

Employment Ratio

Bonus

20.15 QUESTIONS FOR DISCUSSION

1. Write a short note on:

   (i) HR Audit Process

   (ii) Scope of Personnel Audit

   (iii) The Trade Unions Act, 1926

2. What do you mean by personnel audit? Give its need and benefits.

20.16 SUGGESTED READINGS

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