

# *Directorate of Distance Education*

UNIVERSITY OF JAMMU  
JAMMU



**SELF LEARNING MATERIAL  
FOR  
HUMAN RESOURCE MANAGEMENT**

For the examination to be held in 2020 onwards

**M.COM SEMESTER - II<sup>nd</sup>**  
**COURSE NO. : M. COM-E 215**

**UNIT : I - IV**  
**LESSON No. : 1 - 20**

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# HUMAN RESOURCE MANAGEMENT

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**DIRECTORATE OF DISTANCE EDUCATION  
UNIVERSITY OF JAMMU  
M.COM SECOND SEMESTER  
HUMAN RESOURCE MANAGEMENT**

**Course: M.Com-E215**

**Maximum Marks: 100 Marks**

**Credit : 4**

**External : 80 Marks**

**Time : 3:00 Hrs.**

**Internal : 20 Marks**

**(Syllabus for the examinations to be held in May 2020, 2021, 2022)**

**OBJECTIVES**

To acquaint the students with fundamentals of managing human resources. It will provide students the knowledge about the techniques procedures and various aspects of human resource management.

**UNIT-I: INTRODUCTION TO HUMAN RESOURCE MANAGEMENT (HRM) (Page No.)**

**1-93**

HRM-Concept, Features, functions, principles and challenges; General Evolution of HRM evolution of HRM in India: HRM models- Harvard model, Guest Model, Michigan Model and Warwick Model; HR Policy-Specific and over all HR policies: Qualifications of HR professionals: Jobs in HRM: code of ethics of society for HRM: Personnel management V/S HRM;

**UNIT-II : PROCUREMENT, TRAINING & APPRAISAL 94-214**

Human resource planning- Features, process and factors affecting human resource planning; Job analysis- Concept, process, Job description & Job specification; Recruitment-Process and sources of recruitment; Selection- Process and Tests; Placement- Principles and process; Orientation-Concept and types; Promotion-Principles, types of promotions; Transfers, Separation, Absenteeism; Labour turnover;

Employee training; Performance appraisal Concept, evaluation process, ethics of appraisal.

### **UNIT-III: COMPENSATION & GRIEVANCE REDRESSAL MECHANISM**

**215-301**

Job evaluation Concept, need, process and techniques; Wage & Salary administration- Wage concept, theories, wage determination process, factors affecting wage & salary structure, principles of wage administration; Broad Banding- Concept and process, Incentives - Monetary and non-monetary incentives, Group incentives; Grievance Redressal- Causes, need, machinery & guiding principles.

### **UNIT-IV: INDUSTRIAL RELATIONS & LABOUR WELFARE 302-399**

Concept & approaches of industrial relations; Industrial dispute - Concept and Causes Machinery for settlement of disputes; Conciliation arbitration adjudication, Conflict resolution-Collective bargaining; Workers' participation in management; workers' empowerment & quality circles; Labour welfare - Features objectives, need types & approaches; Labour welfare - Qualification, functions & duties.

### **BOOKS RECOMMENDED**

1. Wanye F. Casecio and Ranjeet Nambudiri: Managing Human Resources, Tata McGraw Hill Education Pvt. Ltd. New Delhi.
2. Garry Dessler : Human Resource Management, Prentice Hall, India.
3. P. Suba Rao : Human Resource Management, Himalaya Publishing House
4. C.B. Memoria, Satish Memoria & SV Gankar : Dynamics of Industrial Relations, Himalaya Publishing House
5. Michael Armstrong: Armstrong's Handbook of Human Resource Management Practice Paperback, Kogan Page Publishers.

## **NOTE FOR PAPER SETTING**

The paper consists of two sections. Each section will cover the whole of the syllabus without repeating the question in the entire paper.

### **Section A:**

It will consist of eight short answer questions, selecting two from each unit. A candidate has to attempt any six and answer to each question shall be within 200 words. Each question carries four marks and total weightage to this section shall be 24 marks.

### **Section B:**

It will consist of six essay type questions with answer to each question within 800 words. One question will be set from each unit and the candidate has to attempt any four. Each question will carry 14 marks and total weightage shall be 56 marks.



**MODEL QUESTION PAPER**  
**HUMAN RESOURCE MANAGEMENT**

Time : 3.00 hours

M. Marks : 80

**SECTION A**

Attempt any six questions. Each question carries four marks. Answer to each question should be within 200 words.

1. Define HRM and discuss its main characteristics .
2. HRM and Personnel management are two different but interchangeable concepts How would you differentiate between these two?
3. Explain the main components of HR planning.
4. Write notes on: a) Absenteeism b) Labour turnover
5. Explain the guiding principles for a sound grievance redressal mechanism
6. Explain the concept of broad banding in wages and salary administration .
7. What are quality circles ? How these can be made efficient .
8. Explain the approaches to labour welfare.

**SECTION B**

Attempt any four questions. Each question carries 14 marks. Answer to each question should be within 800 words.

1. Trace evolution of HRM in detail. Being an HR manager what qualification you should possess. Discuss .
2. Explain merits and demerits of the internal and external resources of recruitment.
3. Explain different approaches to performance appraisal. Also discuss performance appraisal ethics.

4. Explain wages and salary administration process in detail. What factors affect wages and salary structure?
5. Explain different methods of workers participation in management in India. Why it has not been successful here?
6. Explain the causes of industrial disputes. What are different ways of settling these disputes ?



<b>Lesson No. 1</b>	<b>INTRODUCTION TO HUMAN</b>	<b>Unit-I</b>
<b>Semester-II</b>	<b>RESOURCE</b>	<b>M.Com-E215</b>
	<b>MANAGEMENT (HRM)</b>	

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**HRM-CONCEPT, FEATURES AND FUNCTIONS**

**STRUCTURE**

- 1.1 Introduction**
- 1.2 Objectives**
- 1.3 Concept of HRM**
- 1.4 Features of HRM**
- 1.5 Functions of HRM**
  - 1.5.1 Managerial Functions of HRM**
  - 1.5.2 Operative Functions of HRM**
- 1.6 Principles of HRM**
- 1.7 Challenges faced by HRM**
- 1.8 Competencies of HRM**
- 1.9 Summary**
- 1.10 Glossary**
- 1.11 Self Assessment Questions**
- 1.12 Lesson End Exercise**
- 1.13 Suggested Readings**

## 1.1 INTRODUCTION

In today's competitive environment, human capital management is critically important to remain viable in the global marketplace. Organizations may replicate processes, materials and structures of other successful organizations, but only the talent of an organization makes it unique and distinguishes it from all its competitors. As a result, HR plays a pivotal role in the world because people are truly the only thing that differentiates one business from another.

## 1.2 OBJECTIVES

After studying this lesson, you should be able to understand the concept of HRM, functions of HRM, principles of HRM and responsibilities and competencies of HR manager.

## 1.3 CONCEPT OF HRM

Human resource management (HRM) is a term used to describe a set of tasks aimed at effectively managing an organization's employees, commonly known as its human resources or human capital. HRM professionals oversee the business of managing people in an organization which includes compensation, benefits, training and development, staffing, strategic HR management and other functions. HR practitioners structure staffing programs to recruit and retain the best employees by making the company competitive in terms of its attractiveness to potential candidates, so that they will choose to accept a position with and remain working for an employer. It also oversees organizational leadership and culture, and ensures compliance with employment and labour laws. In circumstances where employees desire and are legally authorized to hold a collective bargaining agreement, HR will also serve as the company's primary liaison with the employees' representatives (usually a labour union). Some of the most accepted **definitions** of HRM are:

**“HRM is planning, organizing, directing, controlling of procurement, development, compensation, integration, maintenance and separation of human resources to the end that individual, organizational and social objectives are achieved.” Edwin B. Flippo**

**“HRM is a managerial perspective, which argues the need to establish an integrated series of personnel policies to support organizational strategy.” Buchanan and Huczynski**

**“HRM is a strategic approach to managing employment relations, which emphasizes that leveraging people’s capabilities are critical to achieving competitive advantage, this being achieved through a distinctive set of integrated employment policies, programmes and practices.” Bratton and Gold**

**“HRM is a distinctive approach to employment management, which seeks to achieve competitive advantage through the strategic deployment of a highly committed and capable workforce, using an array of cultural, structural and personnel techniques.” Storey**

Although there is no consensus on the definition or the characteristics of HRM, it can be concluded from the above definitions that HRM is a combination of people-oriented management practices that views employees as assets, not costs; and its main aim is to create and maintain a skilful and committed workforce to gain competitive advantage.

- i) According to George T. Milkovich and John W. Boudreau, “Human resource Management is a series of integrated decisions that form the employment relationship; their quality contributes to the ability of the organizations and the employees to achieves their objectives.

According to Institute of Personnel Management (IPM), “Human Resource Management is that part of Management which is concerned with people at work and with their relationships within an enterprise. Its aim is to bring together and develop into an effective organization the men and women who make up an enterprise and having regard for the well being of the individual and of working groups to enable them to make their best contribution to its suces.

## 1.4 FEATURES OF HRM

Human Resource Management is a process of bringing people and organizations together so that the goals of each are met. The various features of HRM include:

- **Human Resource Management Is Management of People in the Organisation**

Human resource management is concerned with people dimension of management. It is all about people at work; both as individuals and groups. Hence, it manages different people such as worker/labour, supervisors, managers, departmental heads and other related top managers too. Therefore, human resource management is defined as the management of human resource and their commitment towards work.

- **Harmonious Relation**

It tries to build and maintain cordial relations between people working at various levels in the organization e.g., between superior and subordinate, among fellow-workers and between management and employees

- **Human Resource Management is a Continuous Process**

Human resource management is not a short affair; rather it is an ongoing process of managing people and their competencies. It is continued till the dissolution of an organization. All the processes involved in HRM should run continuously.

- **Human Resource Management is a Dynamic Function**

The principles and practices of HRM should not be rigid. Rather they should be dynamic. It means HRM is a dynamic function whereby the procedures and practices are influenced by the environmental factors. Employees should gain an updated knowledge and ability to work in the changing environment.

- **Human Resource Management is a Universal Function**

It is pervasive in nature as it is present in all enterprises. HRM is a universal

function in the sense that it is applicable in all types of organizations. The principles and practices are applied irrespective of size, nature, scope and purpose of the organization.

- **Human Resource Management is a Strategic Approach**

HRM is taken as strategic approach for organizational development. It helps to mobilize human resource in the organization in order to achieve the stated goals and objectives strategically. All the activities of management are arranged in such a way that they are interconnected with efficient and effective utilization of human resources according to change in organizational strategy. It helps an organization meet its goals in the future by providing for competent and well-motivated employees. It tries to help employees develop their potential fully.

- **Integration of Goals**

Usually there is a difference between organizational goal and individual goal. An employee wants to satisfy his/her individual goal first. But managers want to accomplish organizational goals before something else. Hence, HRM practices and principles help in integrating individual and organizational goal into a framework. As a result of which, employees are motivated towards higher level work performance for achievement of organizational goal.

- **Human Resource Management Is Future-oriented**

HRM is future oriented behaviour in the sense that it helps in assessing human resource requirement for future. It helps in determining future goals and objectives of the organization and it employees the people to get the job done in future period of time.

- **Human Resource Management is Multidisciplinary**

It is a multidisciplinary activity, utilizing knowledge and inputs drawn from multiple disciplines such as psychology, economics, etc.

## 1.5 FUNCTIONS OF HRM

Functions of HRM can be divided into managerial and operative functions. The detailed explanation is as under:

### 1.5.1 Managerial Functions of HRM

Managerial functions of personnel management involve planning, organizing, directing, and controlling. All these functions influence the operative functions. These are discussed as under:

- a) **Planning:** Planning is such a crucial function for an organization that is the key to all other managerial functions. The steps involved in planning are:
  - Establishing goals and objectives to be achieved.
  - Developing rules and procedures
  - Determining plans and forecasting techniques.
- b) **Organising:** Once the plans are formulated, the next step is to organize the men and material in order to accomplish those plans. Organising is a process through which the firm establishes its structure and determines the authority, responsibility and accountability of each member in relation to the job. Thus, organising involves
  - Giving each member a specific tasks.
  - Establishing departments and divisions.
  - Establishing channels of authority and communication.
  - Creating a system to coordinate the works of the members.
- c) **Directing:** The next logical function after completing planning and organizing is the execution of the plan .The basic function of personnel management at any level is motivating, commanding, leading and activating people. The willing and effective co-operation of employees for the attainment of organizational goals, is possible through proper direction. Tapping the maximum potentialities of the people is possible through motivation and command. Thus, direction is an important managerial

function in building sound industrial and human relations besides securing employee contributions. Co-ordination deals with the task of blending efforts in order to ensure successful attainment of an objective. The personnel manager has to co-ordinate with various managers at different levels as far as personnel functions are concerned. Personnel management function should also be co-ordinated with other functions of management like management of material, machine and money.

- d) Co-ordinating:** Co-ordination is the unification, integration, synchronization of the efforts of group members so as to provide unity of action in the pursuit of common goals. According to Mooney and Reelay, “Co-ordination is orderly arrangement of group efforts to provide unity of action in the pursuit of common goals”. According to Charles Worth, “Co-ordination is the integration of several parts into an orderly whole to achieve the purpose of understanding”. The role of HR manager is one of central communicator. He is responsible for staying current with government legislation, procedures, and requirements. HR managers also coordinate personnel activities, a duty often referred to as **functional control**. Organizational objectives will be achieved only if group activities in the enterprise are co-ordinated effectively.
- e) Controlling:** It is the act of checking, regulating and verifying whether everything occurs as per the standards set and plans adopted. The performance of employees is regularly reviewed to find out whether it is according to the standards or not. If the performance is low then steps are taken to improve it in future.

### 1.5.2 Operative Functions of HRM

These functions are related to the procuring, developing, compensating, integrating and maintenance of work force for attaining organisational goals. These functions are also known as service functions and are discussed as under:

**Procurement Function:** It is concerned with procuring and employing with necessary skills, knowledge and aptitude. It includes the following:

- a) Job Analysis:** It is the process of study and collection of information relating to the operations and responsibilities of a specific job. It includes:
- ◆ Collection of data, information, facts and ideas relating to various aspects of jobs including men, machines and materials.
  - ◆ Preparation of job description, job specification, job requirements and employee specification, which help in identifying the nature, levels and quantum of human resources.
  - ◆ Providing the guidelines, plans and basis for job design and for all operative functions of HRM.
- b) Human Resources Planning:** It is a process for determination and assuring that the organization will have an adequate number of qualified persons, available at proper times, performing jobs which would meet the needs of the organization and which would provide satisfaction for the individuals involved. It involves
- ◆ Estimation of present and future requirement and supply of human resources basing on objectives and long range plans of the organization.
  - ◆ Calculation of net human resources requirement based on present inventory of human resources.
  - ◆ Taking steps to mould, change, and develop the strength of existing employees in the organization so as to meet the future human resources requirements.
  - ◆ Preparation of action programs to get the rest of human resources from outside the organization and to develop the human resources of existing employees.
- c) Recruitment:** It is the process of searching for prospective employees and stimulating them to apply for jobs in an organization. It deals with:

- ◆ Identification of existing sources of applicants and developing them.
  - ◆ Creation / Identification of new sources of applicants.
  - ◆ Stimulating the candidates to apply for jobs in the organization.
  - ◆ Striking a balance between internal and external sources.
- d) Selection:** It is the process of ascertaining the qualifications, experience, skill, knowledge etc., of an applicant with a view to appraising his / her suitability to a job appraising. This function includes:
- ◆ Framing and developing application blanks.
  - ◆ Creating and developing valid and reliable testing techniques.
  - ◆ Formulating interviewing techniques.
  - ◆ Checking of references.
  - ◆ Setting up medical examination policy and procedure.
  - ◆ Line manager's decision.
  - ◆ Sending letters of appointment and rejection.
  - ◆ Employing the selected candidates who report for duty.
- e) Placement:** It is the process of assigning the selected candidate with the most suitable job in terms of job requirements. It is matching of employees specifications with job requirements. This function includes:
- ◆ Counselling the functional managers regarding placement.
  - ◆ Conducting follow-up study, appraising employee performance in order to determine employee's adjustment with the job.
  - ◆ Correcting misplacements, if any.
- f) Induction and Orientation:** Induction and orientation are the techniques by which a new employee is rehabilitated in the changed surroundings and introduced to the practices, policies, purposes and people etc., of the organization.

- ◆ Acquaint the employee with the company philosophy, objectives, policies, career planning and development, opportunities, product, market share, social and community standing, company history, culture etc.
- ◆ Introduce the employee to the people with whom he has to work such as peers, supervisors and subordinates.
- ◆ Mould the employee attitude by orienting him to the new working and social environment.

**g) Compensation:** Compensation is one of many human resource (HR) tools that organizations use to manage their employees. For an organization to receive its money's worth and motivate and retain skilled employees, it needs to ensure that its compensation system is not an island by itself. Not only is it important for an organization to link compensation to its overall goals and strategies, it is important that its compensation system aligns with its HR strategy. Compensation function includes:

- ◆ **Job Evaluation:** Job evaluation is a systematic way of determining the value/worth of a job in relation to other jobs in an organization. It tries to make a systematic comparison between jobs to assess their relative worth for the purpose of establishing a rational pay structure. According to *Kimball and Kimball*, "Job evaluation represents an effort to determine the relative value of every job in a plant and to determine what the fair basic wage for such a job should be."
- ◆ **Salary Administration:** A large measure of the Compensation team's expertise surrounds salary administration or the review of salaries across the organization (Actual compensation issues such as pay cheque enquiries, deductions, or changes to personal or employment information). The goal of the salary administration program is to provide an equitable and systematic means of compensating various categories of employees in relation to their assigned duties and

responsibilities and, as much as possible, recognize differences in individual performance levels. Further, salary administration practices and compensation levels should be competitive with those in similar organizations for comparable job categories.

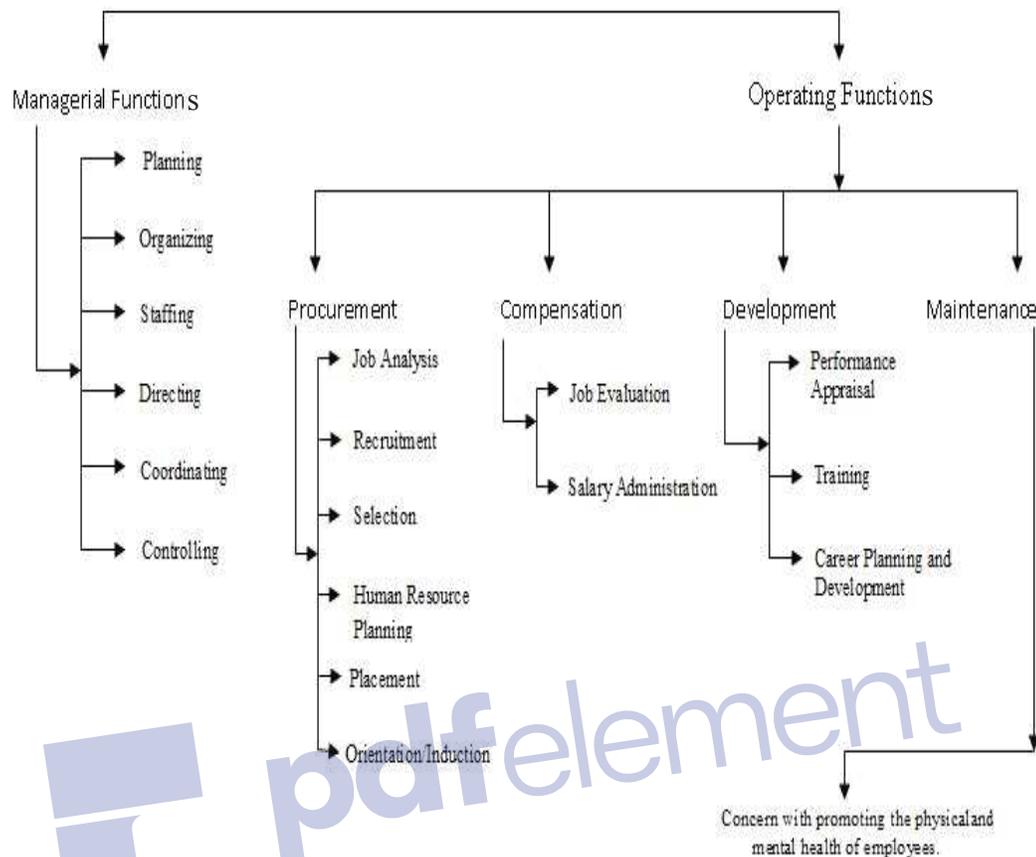
**h) Development:** It is a process of improving, moulding, changing and developing the skills, knowledge, creativity based on present and future requirements, both, at individual and organisational level. It includes appraisal system, career system, training and succession planning.

- ◆ **The performance appraisal** is the process of assessing employee performance by way of comparing present performance with already established standards which have been already communicated to employees, subsequently providing feedback to employees about their performance level for the purpose of improving their performance as needed by the organisation.
- ◆ **Career planning** is an individual's lifelong process of establishing personal career objectives and acting in a manner intended to bring them about. It is a deliberate process of becoming aware of self, opportunities, constraints, choices, and consequences; identifying career-related goals; and "career pathing" or programming work, education, and related developmental experiences to provide the direction, timing, and sequence of steps to attain a specific career goal.
- ◆ **Success on Planning Training and development** function gives employees the skills and knowledge to perform their jobs effectively. In addition to providing training for new or inexperienced employees, organisations often provide training programmes for experienced employees whose jobs are undergoing change. Large organisations often have development programmes which prepare employees for higher level responsibilities within the organisation. Training and development programmes provide useful means of assuring that employees are capable of performing their jobs at acceptable levels.

- i) **Maintenance:** Maintenance of human resources encompasses HRM activities related to employee benefits, safety and health, and worker-management relations. Employee benefits are non-incentive-oriented compensation, such as health insurance and free parking, and are often used to transfer non-taxed compensation to employees. The three major categories of benefits managed by HRM managers are: employee services, such as purchasing plans, recreational activities, and legal services; vacations, holidays, and other allowed absences; and insurance, retirement, and health benefits. To successfully administer a benefits program, HRM professionals need to understand tax incentives, retirement investment plans, and purchasing power derived from a large base of employees.

Human resource maintenance activities related to safety and health usually entail compliance with laws that protect employees from hazards in the workplace. HRM managers must work to minimize the company's exposure to risk by implementing preventive safety and training programs. They are also typically charged with designing detailed procedures to document and handle injuries.

Maintenance tasks related to worker-management relations primarily entail: working with labour unions, handling grievances related to misconduct such as theft or sexual harassment, and devising systems to foster cooperation. Activities in this arena include contract negotiation, developing policies to accept and handle worker grievances, and administering programs to enhance communication and cooperation.



**Fig. 1 Functions of HRM**

## 1.6 PRINCIPLES OF HRM

Human resources management is guided by very important aspects. These aspects are essential for any business to succeed. Principles of Human Resources Management have been well summarised in 10C's.

- **Comprehensiveness:** This involves the proper management of all aspects of the people you are working with bearing in mind that human resources is the most valuable resource your firm has. This means that the financial, health, transportation, tools and anything employees need to work should be well taken care of.

- **Cost-effectiveness:** Companies should ensure that they remunerate their employees in such a way that organisation is able to sustain it.
- **Control:** Firms should be able to take charge of their employees and ensure that productivity and quality is achieved and maintained. Control should be exercised carefully so that it does not seem like tyranny.
- **Coherence:** All the steps taken by a firm in the management of human resources must be in line with the mission and vision of the firm. Human Resources managers should direct their focus on what the company needs and employee abilities.
- **Communication:** It is very important in every organization. Through communication, firms can ensure there is flow of information that is necessary for efficiency.
- **Creativity:** It is key if a firm is to be efficient in human resources management. Firms should adopt new ways of human resources management as long as it fits their companies.
- **Competence:** It is an organization's responsibility to ensure that its employees are skilled to do their duties. Because the competence of a firm depends on that of its employees, firms should do everything to increase employee capabilities for example, by training them.
- **Credibility:** Firms must ensure that they remain the best brand to most of their clients by maintaining their credibility. They should put in place strategies that ensure all employees have a clear sense of direction to a common goal.
- **Change Management:** It is inevitable for businesses. The fastest business to embrace change in management of their human resources is better placed to produce better results.
- **Commitment:** Every organization has objectives which they intend to meet both for themselves and for their clients. To meet these goals, firms need committed staff therefore it is the firms responsibility to keep ITS employees motivated so as to ensure they are committed to the organizations course.

Besides these there some other principles of HRM, which are as under:-

1.	<b>Focus on the situation, issue, or behaviour, not on the person</b>	<ul style="list-style-type: none"> <li>• Remain objective when faced with challenging behaviours</li> <li>• Step back and look at the big picture when analyzing a situation</li> <li>• Avoid letting personality differences keep you from dealing with a problem</li> <li>• Ensure expectations are clear and consistently applied</li> <li>• Make decisions based on facts</li> <li>• Consider the points of view of others</li> </ul>
2.	<b>Maintain the self-confidence and self-esteem of others</b>	<ul style="list-style-type: none"> <li>• Create an atmosphere of acceptance, approval and respect</li> <li>• Openly express confidence in others</li> <li>• Recognize accomplishments and ideas</li> <li>• Encourage people to express their ideas</li> <li>• Encourage people to use and expand their abilities</li> <li>• Consider the impact of rank and power and how to mitigate any negative impact</li> </ul>
3.	<b>Maintain good working relationships</b>	<ul style="list-style-type: none"> <li>• Approach others with a positive attitude and communicate support</li> <li>• Use every interaction as an opportunity</li> </ul>

		<p>to build respectful relationships</p> <ul style="list-style-type: none"> <li>• Acknowledge problems openly, honestly and objectively</li> <li>• Deal with conflicts as they arise</li> <li>• Share information</li> </ul>
4.	<b>Take initiative to make things better</b>	<ul style="list-style-type: none"> <li>• Continually ‘survey’ the department/centre for ways to make things better</li> <li>• Look for opportunities for improvement</li> <li>• Ask for input and feedback from others</li> <li>• Stay informed and alert to changes that will affect staff</li> <li>• Take risks and stay open to creative solutions to problems</li> <li>• Know when to ask for and when to offer help to others</li> </ul>
5.	<b>Lead by example</b>	<ul style="list-style-type: none"> <li>• Model the behaviours you expect others to practice</li> <li>• Follow through on your commitments</li> <li>• Admit your mistakes</li> <li>• Remain calm and positive</li> <li>• Challenge yourself and others to try new ways of doing things</li> </ul>
6.	<b>Think beyond the moment</b>	<ul style="list-style-type: none"> <li>• Uphold ethical standards of the University</li> <li>• Deal with problems and issues as they arise.</li> </ul>

		<ul style="list-style-type: none"> <li>• Weigh the risks, benefits and potential impact of your decisions before taking action on them</li> <li>• Set objectives that motivate action</li> <li>• Plan ahead</li> </ul>
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Table 1: Basic Principles and Related Behaviours

### 1.7 CHALLENGES FACED BY HRM

Professional organizations such as the Society for Human Resource Management (SHRM) and the Human Resource Planning Society (HRPS) conduct ongoing studies on the most pressing competitive issues facing firms. By seeking the input of chief executives and HR managers, these organizations keep a finger on the pulse of major trends. The top trends, or challenges, they name today include those outlined in the sections that follow.

#### **Challenge 1: Responding Strategically to Changes in the Marketplace**

Given the pace of commerce, organizations can rarely stand still for long. In today's highly competitive environments in which competition is global and innovation is continuous, being able to adapt has become the key to capturing Opportunities and Overcome Obstacles as well as the very survival of organizations. As one pundit put it, "No change means chance." Successful companies, says Harvard Business School professor Rosabeth Moss Kanter, develop a culture that just keeps moving all the time.

Consider what happened to the parts suppliers for U.S. automakers when the bankruptcy of General Motors, Chrysler, and Ford looked imminent in 2008–2009. Most of the suppliers sold exclusively to the three automakers. As a result, they had to rapidly find other markets, products to make for those markets, and ways to sell them—all of which required significant human resources changes and challenges.

## Human Resources Managers and Business Strategy

Ten or 20 years ago, human resources personnel were often relegated to conducting administrative tasks. But that has changed. Executives know that human resource professionals can help them improve not only a company's bottom line by streamlining employment costs but the top line by forecasting labour trends, designing new ways to acquire and utilize employees, measuring their effectiveness, and helping managers enter new markets. Says Robin Lissak with the HR consulting arm of Deloitte, "Most business leaders say they want [HR] to focus on the new types of services companies need and want. They include driving mergers and acquisitions and helping companies enter new markets, like expanding to China." Executives at these companies expect their HR personnel to be able to answer questions such as, "What is our entry strategy? Who should we send first? Where should we locate our sales, production, and other personnel, and how do we keep them safe abroad? How do we manage a crisis should it occur?"

To answer questions such as these, human resources managers need an intimate understanding of their firms' competitive business operations and strategies, whatever they may be. During what is being called the "Great Recession," which began in 2008, many companies pursued cost-cutting strategies, often in part by trimming workers' benefits. Other companies took a different strategy: They beefed up their benefit programs to attract top talent from other companies and expanded in order to be ready when the economy began growing again. **Total quality improvements (TQM), reengineering, downsizing, outsourcing,** and the like are also examples of the means organizations use to modify the way they operate in order to be more successful. **Six Sigma** quality is a set of principles and practices whose core ideas include understanding customer needs, doing things right the first time, and striving for continuous improvement. **Reengineering** has been described as "the fundamental rethinking and radical redesign of business processes to achieve dramatic improvements

in cost, quality, service, and speed.” **Downsizing** is the planned elimination of jobs, and outsourcing simply means hiring someone outside the company to perform business processes that were previously done within the firm. A common denominator of all these strategies is that they require companies to engage in change management. **Change management** is a systematic way of bringing about and managing both organizational changes and changes on the individual level. According to a survey by the research institute Roffey Park, two-thirds of firms believe that managing change is their biggest challenge. Although most employees understand that change is continuous—responsibilities, job assignments, and work processes change—people often resist it because it requires them to modify or abandon ways of working that have been successful or at least familiar to them. Successful change rarely occurs naturally or easily.

To manage change, executives and managers, including those in HR, have to envision the future, communicate this vision to employees, set clear expectations for performance, and develop the capability to execute by reorganizing people and reallocating assets. Organizations that have been successful in engineering change:

- Link the change to the business strategy.
- Show how the change creates quantifiable benefits.
- Engage key employees, customers, and their suppliers early when making a change.
- Make an investment in implementing and sustaining change.

Some of the strategic changes companies pursue are reactive changes that result when external forces, such as a the competition, a recession, law change, or a crisis (such as BP’s offshore oil spill in the Gulf of Mexico in 2010) have already affected an organization’s performance. Other strategies are proactive change, initiated by managers to take advantage of targeted opportunities, particularly in fast-changing industries in which followers

are not successful. Good HR managers know that they can be key players when it comes to driving the business strategies of their organizations in order to make changes. That is why forward-looking CEOs such as Gary Kelly of Southwest Airlines, Howard Schultz at Starbucks, and Jeff Immelt at GE make certain that their top HR executives report directly to them and help them address key issues.

A rapidly growing number of companies, including Ford, Intel, and United Technologies, are assigning HR representatives to their core business teams to make certain they are knowledgeable about core business issues. Companies are increasingly rotating non-HR managers into HR positions and vice versa to give them exposure to different areas of the organization. Rather than emphasizing the administrative aspects of HR, forward-thinking companies develop and promote their HR personnel and provide them with key business statistics and numbers they can use to measure the effectiveness of the workforce. Meanwhile, keep in mind that HR's role is not all about providing advice to CEOs and supervisors. In addition to serving as a strategic partner to management, HR managers are also responsible for listening to and advocating on behalf of employees to make sure their interests are aligned with those of the firm and vice versa. A good deal of evidence suggests that this is one of the toughest parts of an HR manager's job.

### **Challenge 2: Competing, Recruiting, and Staffing Globally**

The strategies companies are pursuing today increasingly involve one or more elements of globalization. The integration of world economies and markets has sent businesses abroad to look for opportunities as well as fend off foreign competitors domestically. Consumers around the world want to be able to buy "anything, anytime, anywhere," and companies are making it possible for them to do so. Want to buy a Coke in Pakistan? No problem. Coca-Cola has an elaborate delivery system designed to transport its products to some of the remotest places on the planet. In fact, the company has long generated more of its revenues abroad than

it does in the U.S. But globalization is not of interest only to large firms like Coca-Cola. While estimates vary widely, approximately 70 to 85 percent of the U.S. economy today is affected by international competition, including small companies. About 10 percent of what Americans produce every year dollar-wise is sold abroad. According to the Small Business Administration, nearly 97 percent of all U.S. exporters are small companies. These firms employ about half of all the private sector employees in the nation. On the flip side, since the 1970s, every year, American citizens and businesses have purchased more goods and services abroad—including labour—than they have sold. Partnerships and mergers are two other ways companies both large and small are globalizing. Coca-Cola has tried to expand in China by partnering with that nation's largest juice maker. Spring Hill Greenhouses, a small firm in Lodi, Ohio, partners with florists through associations such as FTD and Teleflora to work with lily and tulip growers in the Netherlands and rose growers in Colombia to serve customers around the world.

As a result of globalization, the national identities of products are blurring too. BMW has traditionally been a German brand, but now the automaker builds cars in the United States, China, and elsewhere. Likewise, you probably think of Budweiser as an American beer, but would it surprise you to know that the maker of Budweiser (Anheuser-Busch) is owned by a Belgian company called InBev? Like many other companies, Anheuser-Busch InBev is now looking for factories and brands in China to purchase in order to expand its sales. Numerous free-trade agreements forged between nations in the last half century have helped quicken the pace of globalization. The first major trade agreement of the twentieth century was made in 1948, following World War II. Called the General Agreement on Tariffs and Trade (GATT), it established rules and guidelines for global commerce between nations and groups of nations. Although the Great Recession temporarily caused a sharp drop in the amount of world trade, since GATT began world trade has literally exploded, increasing nearly thirty times the dollar volume of what it once was. This

is three times faster than the world's overall output has grown during the same period. GATT paved the way for the formation of many major trade agreements and institutions, including the European Union in 1986 and the North American Free Trade Agreement (NAFTA) in 1994, encompassing the United States, Canada, and Mexico. The World Trade Organization (WTO), headquartered in Lausanne, Switzerland, now has more than 150 member countries, and new free-trade agreements seem to be forged annually.

**How Globalization Affects HRM:** For all of the opportunities afforded by international business, when managers talk about “going global,” they have to balance a complicated set of issues related to different geographies, including different cultures, employment laws, and business practices, and the safety of employees and facilities abroad. Human resources issues underlie each of these concerns. They include such things as dealing with employees today who, via the Internet and social media, are better informed about global job opportunities and are willing to pursue them, even if it means working for competing companies or foreign companies. Gauging the knowledge and skill base of workers worldwide and figuring out how best to hire and train them (sometimes with materials that must be translated into a number of different languages) is also an issue for firms. Relocating managers and training foreign managers abroad to direct the efforts of an international workforce is a challenge as well.

### **Challenge 3: Setting and Achieving Corporate Social Responsibility and Sustainability Goals**

Globalization has led to an improvement in people's living standards in the last half century. As a result of free trade, Americans are able to buy products made abroad more cheaply. Conversely people in low-wage countries that make those goods and services are becoming wealthier and are beginning to buy American-made products. Nonetheless, globalization stirs fierce debate—especially when it comes to jobs. Since the turn of the century, millions of U.S. jobs—both white and blue collar—

have been exported to low-wage nations all around the world. Some people worry that free trade is creating a “have/have not” world economy, in which the people in developing economies and the world’s environment are being exploited by companies in richer, more developed countries. This has sparked anti-free-trade protests in many nations. Concerns such as these, coupled with corporate scandals over the years, including the use of sweatshop labour in third-world countries, risky lending tactics that fuelled a worldwide banking crisis, and a class action lawsuit alleging Walmart discriminated against hundreds of thousands of female employees over the years, have led to a new focus on corporate social responsibility, or good citizenship. In a recent survey, the Chronicle of Philanthropy found that 16 percent of companies were making more donations of products and services and that 54 percent of companies were encouraging more employees to volunteer their time.<sup>11</sup> Companies are learning (sometimes the hard way) that being socially responsible both domestically and abroad can not only help them avoid lawsuits but also improve their earnings. For example, researchers at the Boston College’s Centre for Corporate Citizenship found that as a company’s reputation improved, so did the percentage increase in the number of people who would recommend that firm. Nearly two-thirds of the members of the 80-million strong millennial generation (people born in the 1980s and 1990s) consider a company’s social reputation when deciding where to shop, and 9 out of 10 of them say they would switch brands based on their perceptions of a company’s commitment to social responsibility. Moreover, prospective workers are saying corporate responsibility is now more important to their job selection. Sustainability is closely related to corporate social responsibility. Sustainability refers to a company’s ability to produce a good or service without damaging the environment or depleting a resource. Achieving complete sustainability is nearly impossible, but companies are making strides to reduce their “carbon footprints.” Those that are not are finding themselves under pressure from consumers and groups determined that they do. Consider what

happened to Hewlett-Packard (HP). After HP broke a promise to eliminate toxic materials in its computers by 2009, Greenpeace activists painted the words “Hazardous Products” on the roof of the company’s headquarters in Palo Alto, California. Meanwhile, a voicemail message from Star Trek actor William Shatner was delivered to all of the phones in the building. “Please ask your leader [HP CEO Mark Hurd] to make computers that are toxin free like Apple has done,” Shatner said in the recording. The stunt and publicity it generated worked. HP got the message and later delivered on its promise.

One of HR’s leadership roles is to spearhead the development and implementation of corporate citizenship throughout their organizations, especially the fair treatment of workers.

#### **Challenge 4: Advancing HRM with Technology**

Advancements in information technology have enabled organizations to take advantage of the information explosion. Computer networks and “cloud computing” (Internet computer services and data storage) have made it possible for nearly unlimited amounts of data to be stored, retrieved, and used in a wide variety of ways. Collaborative software that allows workers anywhere anytime to interface and share information with one another electronically—wikis, document-sharing platforms such as Google Docs, online chat and instant messaging, web and video conferencing, and electronic calendar systems—have changed how and where people and companies do business. For example, Boeing Satellite Systems has a “lessons learned” site on its intranet where people from all areas of the company can store the knowledge they have and others can access it. Executives at Boeing estimate the measure has reduced the cost of developing a satellite by as much as \$25 million.

The Internet and social media are also having an impact. Social media networking has become the new way to find employees and check them out to see if they are acceptable candidates. Companies are hiring firms such as Social Intelligence, which combs through Facebook, LinkedIn,

Twitter, Flickr, YouTube and “thousands of other sources” to create reports about the “real you”—not the “you” you have presented in your resume. HR managers are also grappling with whether or not to develop blogging and social media policies, and whether or not to establish rules about the amount of time employees can spend online or install software that cuts them off after a certain amount of time.

### **From Touch Labour to Knowledge Workers**

Advanced technology tends to reduce the number of jobs that require little skill and to increase the number of jobs that require considerable skill. In general, this transformation has been referred to as a shift from “touch labor” to knowledge workers, in which employee responsibilities expand to include a richer array of activities such as planning, decision-making, and problem-solving. Technology, transportation, communications, and utilities industries tend to spend the most on training. Knowledge-based training has become so important that Manpower Inc., the largest employment agency in the United States, offers free information technology training through its Manpower Training and Development Centre (<http://www.manpowerfdc.com>), an online university for its employees in its 4,000 offices worldwide. The Manpower site features thousands of hours of online instruction in technology applications, along with professional development, business skills, and telecommunications courses. In fact, Manpower is so focused on developing technical skills in potential employees that it has set up the system so that some training and career planning information is available to those who simply send the company a resume. “Just-in-time” learning delivered via the Internet to employees’ desktops when and where they need training has become commonplace. “Virtual” learning is taking place as well. IBM, Cisco, Kelly Services, and Manpower are among the companies that have built training facilities, offices, and meeting rooms inside the online reality game Second Life. The spaces these companies build online enable them to do certain things more easily and cheaply

than they can in the real world—for example, bringing people from several continents into one room for training.

**Influence of Technology on HRM:** Perhaps the most central use of technology in HRM is an organization's human resources information system (HRIS). Because HR affects the entire workforce—everyone who works for the company must be hired, trained, paid, and promoted, usually through HR—the impact of HRIS has been dramatic. It has become a potent weapon for lowering administrative costs, increasing productivity, speeding up response times, improving decision-making, and tracking a company's talent.

The most obvious impact has been operational—that is, automating routine activities, alleviating administrative burdens, reducing costs, and improving productivity internal to the HR function itself. The most frequent uses include automating payroll processing, maintaining employee records, and administering benefits programs. “Self-service”—setting up systems, usually on an intranet, allows managers to access employee records themselves for administrative purposes and allows employees to access and change their own benefits and other personal information. The second way in which information technology is affecting human resources management is relational in nature—connecting people with each other and with HR data they need. For example, companies are using software to recruit, screen, and pre-test applicants online before hiring them as well as to train, track, and promote employees once they have been hired. The drugmaker Merck's HRIS captures information from job recruiting sites, scans applicants resumes, and makes the information immediately accessible to managers so they can search systematically for the people whose skills they want. Managers can search online for internal and external talent by running searches of candidates who have been categorized by skill set.

The third effect of human resources information systems is transformational in nature—changing the way HR processes are designed and executed.

Corning, Inc. uses HR software, among other things, to set the developmental goals of its employees once they have been hired and to gauge how well they are meeting them. Employees can look online to see their own goals and mark their progress as well as see everyone else's goals in the command chain, from the CEO down to their immediate supervisors. This "cascading" of goals has helped Corning's employees align their personal goals with the organization's overall objectives in order to reach higher levels.

So what sort of system should HR professionals choose among the many options available to them? Pre-packaged, or "canned," HR web-based solutions are as commonly used as custom-designed systems. Generally, companies also have the choice of hosting the applications on their own servers or having software vendors such as IBM or PeopleSoft do it for them. Experts say the first step in choosing a HRIS is for HR personnel to evaluate the biggest "headaches" they experience, or most time consuming tasks, and then choose the applications that can have the strongest impact on the firm's financial measures—that is, the ones that get the "biggest bang for the buck." These applications are more likely to get "buy-in" from the firm's top managers. HR managers should then calculate the costs based on average salaries, or HR hours, that could be saved by using a human resources information system, along with the hours of increased productivity that would occur as a result.

When an effective HRIS is implemented, perhaps the biggest advantage gained is that HR personnel can concentrate more effectively on the firm's strategic direction instead of on routine tasks. This can include forecasting personnel needs (especially for firms planning to expand, contract, or merge), planning for career and employee promotions, and evaluating the impact of the firm's policies—both those related to HR functions and other functions—to help improve the firm's earnings and strategic direction.

Although the initial drive to adopt human resources information systems was related to cutting HR costs, HR managers have since discovered that the

systems have allowed them to share information with departmental managers, who, by having access to it, have been able to come up with better production practices and cost control solutions. As a result, HR managers are now requiring their application providers to provide them with software to meet certain goals, including lowering a company's total spending on employee health care and improving its customer service

### **Challenge 5: Containing Costs While Retaining Top Talent and Maximizing Productivity**

For years, most human resources managers have been under pressure to cut labour costs. When the Great Recession hit, stretching a company's labour dollars while gaining productivity from workers became an even bigger priority. Organizations take many approaches to lowering labour-related costs, including carefully managing employees' benefits, downsizing, outsourcing, off shoring, furloughing employees, and engaging in employee leasing in an attempt to enhance productivity.

Labour costs are one of the largest expenditures of any organization, particularly in service- and knowledge-intensive companies. As a result, most firms closely monitor employee pay and benefit programs. The biggest HR concern presently has, when it comes to benefits, is skyrocketing health care costs and complying with the nation's new health care reform laws. In many industries health care costs are now approaching 30 percent of total compensation. One trend is for firms to shift employees to high-deductible plans. Employees pay lower premiums, but they have to pay a certain amount of money, even for basic care, before their insurance will begin picking up the tab. Another approach is to offer employees incentives to get healthy—for example, by quitting smoking, losing weight, or exercising. According to research by the University of Pennsylvania's Center for Health, at least one-third of companies offer or plan to offer their employees incentives for activities such as these. Some companies offer money, prizes, vacation trips, lower health premiums, or refund the cost of weight loss programs.

- **Downsizing:** As you probably know, downsizing was used extensively by firms during the Great Recession, causing the U.S. unemployment rate to jump up to about 10 percent. (In some states it was higher: 15 percent in Nevada and over 12 in percent California and Michigan. By contrast, in North Dakota, it was a little over 4 percent). Downsizing does not just take a toll on those who lose their jobs. Employees who are “lucky” enough to keep their jobs often feel guilty they have been retained, mourn the loss of their co-workers, and worry that they will be the next to go. These people, who are generally the firm’s best performers, also usually end up picking up the work their former co-workers used to do for the same salary. When the economy improves or they see a chance, they tend to head for the door.

How do firms continue to encourage employees to work hard for the company in the face of such insecurity? More than one executive has concluded that you do not get dedicated and productive employees if, at the first sign of trouble, you show them that you think they are expendable. To approach downsizing more intelligently, companies such as Continental Airlines and Dial Corporation have made special efforts to reassign and retrain employees for new positions when their jobs are eliminated.

The results of working hard to retain an organization’s talent are measurable as well. A Watson Wyatt study showed that companies with excellent recruiting and retention policies provide a 1.4 percent higher return to shareholders compared to those that do not.

- **Furloughing:** An alternative to downsizing is furloughing. When a company furloughs employees, it asks them to take time off for either no pay or reduced pay. Some companies are utilizing creative furlough strategies to avoid downsizing and losing talent to competitors. Instead of laying off people, the consulting firm Accenture instituted a voluntary sabbatical program known as “Flexi-leave.” Employees got 20 percent of their salaries and continued benefits for 6–12 months, and their stock

options remained in place. The workers could take other jobs during their sabbaticals, as long as they did not work for a competitor

Although furloughs might sound preferable to downsizing, they have their drawbacks, too, say some human resources experts. Costs are not cut as significantly as they would be with downsizing because employees generally retain their benefits while they are furloughed. Employees who are not furloughed often end up with more work and feel resentful, and product and service quality as well as innovation suffer as a result of the higher workloads. And, as with downsizing, furloughing employees can hurt a company's recruiting efforts when the public discovers it has resorted to such a measure.

More diligent workforce planning is a better solution, says John Sullivan, an HR expert and consultant. Business revenues seldom fall off overnight. Sullivan says the best managers look for warning signs and develop a process that pinpoints skills the company no longer needs, low-impact jobs, and poor performers in advance of a crisis. Instead, part-time or contract employees can be hired and their hours of service adjusted as needed.

- **Outsourcing:** Over the past twenty-five years, the employment relationship between companies and employees has shifted from relationship based to transaction based. Fewer people are working for one employer over the course of their lifetimes, and as we have explained, the Internet has created a workforce that is constantly scanning for new opportunities. In addition, more people are choosing to work on a freelance, or contract, basis or to work part-time, especially women and senior citizens. Outsourcing is evidence of this trend. Companies hire accounting firms to take care of their financial services. They hire advertising firms to handle promotions, software firms to develop data-processing systems, and law firms to handle their legal issues. Maintenance, security, catering, payroll (and in small companies, sometimes entire HR departments) are outsourced to increase the organization's flexibility and lower its overhead costs. The interest in outsourcing has been spurred on by executives who want to focus their organization's activities

on what they do best. In fact, some management experts predict companies will one day strip away every function not regarded as crucial. Even now, many firms are outsourcing what would seem to be their core functions. Drug companies such as GlaxoSmithKline are outsourcing their research and development functions to smaller firms that can more cheaply and nimbly create new products for them. Procter & Gamble outsources a major portion of its product development.

- **Employee Leasing:** As an alternative to downsizing, outsourcing, off shoring, and furloughing, many companies, especially small ones, have decided to sign employee leasing agreements with professional employer organizations (PEOs). A PEO—typically a larger company—takes over the management of a smaller company’s HR tasks and becomes a co-employer to its employees. The PEO performs all the HR duties of an employer—hiring, payroll, and performance appraisal. Because PEOs can co-employ a large number of people working at many different companies, they can provide employees with benefits that small companies cannot afford, such as 401(k) and health care plans, workers’ compensation, and even adoption assistance. In addition, many PEOs offer their employees flex-time, job sharing, part-time employment, consulting arrangements, seasonal work, and on-call work. The value of employee leasing lies in the fact that an organization can essentially maintain its working relationships with its employees but shift some employment costs to the PEO, in return for a fee.
- **Productivity Enhancements:** The results of pure cost-cutting efforts such as downsizing, furloughing, outsourcing, and employee leasing can be disappointing, however, if managers use them as simple solutions to complex performance problems. Overemphasizing labor costs misses the broader issue of improving a firm’s productivity. Employee productivity is the result of a combination of employees’ abilities, motivation, and work environment and the technology they use to work. Since productivity can be defined as “the output gained from a fixed amount of

inputs,” organizations can increase their productivity either by reducing their inputs (the cost approach) or by increasing the amount that employees produce by adding more human and/or physical capital to the process. Companies such as Southwest Airlines, Nucor, and the manufacturing and technology firm Danaher achieve low costs in their industries not because they scrimp on employees but because they are the most productive.

Many companies are finding that providing work flexibility is a good way to improve the productivity and motivation of valuable employees, especially when giving them larger benefit packages is not an option. For example, when gasoline prices skyrocketed in 2008, most companies could not afford to automatically increase employees’ pay because they were facing higher transportation costs themselves for the goods and services they had to buy. But some companies let employees either telecommute or, or like the state of Utah did, let employees work ten hours per day, four days a week.

### **Challenge 6: Responding to the Demographic and Diversity Challenges of the Workforce**

Almost half of organizations reported that the biggest investment challenge facing organizations over the next ten years is obtaining human capital and optimizing their human capital investments. It is due to changes in the demographic makeup of employees, such as their ages, education levels, and ethnicities.

To forecast trends to support the strategies of their organizations, HR managers frequently analyze the capabilities of different demographic groups and how well each is represented in both fast-growing and slow-growing occupations. Women, for example, are fairly well represented in fast-growing occupations such as health services but are also represented in some slow-growth occupations such as administrative jobs and computer and financial records processing jobs. Blacks and Hispanics have been heavily

concentrated in several of the slow-growth and declining occupations. The U.S. labour force also grew more slowly in the last decade than it did in the previous one, a trend that is projected to continue

To accommodate shifts such as these, find qualified talent, and broaden their customer bases, businesses know it is absolutely vital to increase their efforts to recruit and train a more diverse workforce. And with a more diverse workforce comes more diverse expectations on the part of employees for their employers to meet.

### **Challenge 7: Adapting to Educational and Cultural Shifts Affecting the Workforce**

Over the years, the educational attainment of the U.S. labour force has risen dramatically. Education also helps a person stay out of the ranks of the unemployed. For example, in 2010, the unemployment rate of people aged twenty to twenty-four hit 17 percent. But those in the same age range with college degrees fared better. The unemployment rate for them was a little over 9 percent. Despite the fact the educational attainment of the labour force has risen in general, American students' math and science test scores lag behind those of students in China, Japan, Singapore, India, Finland, and several other nations. The U.S. Department of Education has found that less than half of all high school seniors can handle mathematics problems involving fractions, decimals, percentages, elementary geometry, and simple algebra. And between 45 and 50 percent of adults in the United States have only the limited reading and writing abilities needed to handle the minimal demands of daily living or job performance. Businesses now spend billions of dollars on basic skills training for their employees. As David Kearns, the renowned former CEO of Xerox Corporation and ardent education advocate, said, "The American workforce is in grave jeopardy. We are running out of qualified people. If current demographic and economic trends continue, American business will have to hire a million new workers a year who can't read, write, or count." As the baby boomers retire, the problem will likely

worsen. HR departments may have to offer higher compensation packages to attract qualified candidates, and recruiting and selection systems will have to function much more competitively.

- **Cultural and Societal Changes Affecting the Workforce:** The attitudes, beliefs, values, and customs of people in a society are an integral part of their culture. Naturally, their culture and society affect their behaviour on the job and the environment within the organization, influencing their reactions to work assignments, leadership styles, and reward systems. Cultural and societal changes are ongoing. HR policies and procedures therefore must be adjusted to cope with these changes.
- **Employee Rights:** Laws affecting employee rights are continually changing. In this book we will discuss the major laws affecting companies today. Among them are laws granting employees the right to equal employment opportunities ; union representation if they desire it ; a safe and healthful work environment; unemployment and health care benefits as required by law, and the regulation of pension plans by the government ; equal pay for equal work; and so on.
- **Privacy Concerns of Employees:** HR managers and their staff members, as well as line managers in positions of responsibility, generally recognize the importance of discretion in handling all types of information about employees. In addition to implementing privacy policies, most companies try to limit the use of Social Security numbers on time sheets, log-in sheets, and other employment forms. Companies also restrict access to employee files, conduct background checks on employees who have access to others' files, and contract with outside firms specializing in identity theft to prevent the abuse of employee information. Globalization has added another twist to privacy compliance. For example, EU countries prohibit the transfer of personal data to countries with inadequate data protection laws.
- **Changing Attitudes toward Work:** Employees today are less likely to define their personal success only in terms of financial gains. Many

employees, especially younger ones, believe satisfaction in life is more likely to result from balancing their work challenges and rewards with those in their personal lives. Though most people still enjoy work and want to excel at it, they tend to be focused on finding interesting work and are more inclined to pursue multiple careers. In fact, in a survey of more than 3,000 workers, 86 percent said work fulfillment and work-life balance were their top priorities. Only 35 percent said being successful at work and moving up the ladder were their top priorities. People also appear to be seeking ways of living that are less complicated but more meaningful. These new lifestyles cannot help having an impact on the way employees must be motivated and managed. Consequently, HRM has become more complex than it was when employees were concerned primarily with economic survival.

- **Balancing Work and Family:** Even though new Census Bureau figures show couples postponing marriage and parenthood, balancing work and family continues to be a major concern for firms and their employees. Employees are already working more hours than they have at any time since 1973, and increasingly employees are tethered to their companies around the clock via communication technologies. Complicating the task is the fact that today's families are also more diverse. They can consist of two-wage-earner families, single-parent families, families headed by same-sex couples, and families in which multiple generations of adults are living under one roof. Competitive organizations are finding it advantageous to provide employees with more family-friendly options. Those options include telecommuting, flexible work hours, day care, elder care, part-time work, job sharing, parental leave, adoption assistance, spousal involvement in career planning, and assistance with family problems. About 57 percent of Fortune 500 companies, for example, provide same-sex partner health insurance benefits, as do some states for their employees.

Companies with programs such as these calculate that accommodating their employees' individual needs and circumstances is a powerful way to attract and retain top calibre people.

## 1.8 COMPETENCIES OF HRM

As top executives expect HR managers to assume a broader role in overall organizational strategy, many of these managers will need to acquire a complementary set of competencies. These competencies are summarized here:

- **Business mastery:** As we have explained, HR professionals need to know the businesses of their organizations and their strategies thoroughly. This requires an understanding of an organization's customers and economic and financial capabilities to help a firm achieve its strategic direction and adjust it as needed. Human resource managers who have good problem-solving skills and are also innovative and creative are a strategic asset to their firms.
- **HR mastery:** HR professionals are the organization's behavioural science experts. HR professionals should develop expert knowledge in the areas of staffing, development, appraisals, rewards, team building, performance measurement, and communication. Good interpersonal skills are essential.
- **Personal credibility:** Like other management professionals, HR professionals must establish personal credibility in the eyes of people, both, internal and external to the firm. Credibility and trust are earned by developing good relationships with people both internal and external to the firm, demonstrating the values of the firm, standing up for one's own beliefs, and dealing with all parties equitably.

## 1.9 SUMMARY

HRM is a combination of people-oriented management practices that views employees as assets, not costs; and its main aim is to create and maintain a skilful and committed workforce to gain competitive advantage. HR manager performs managerial as well as operative functions. Managerial

functions of personnel management involve planning, organizing, directing, and controlling. All these functions influence the operative functions. Principles of Human Resources Management can be well summarised in 10Cs i.e., comprehensiveness, cost-effectiveness, control, coherence, communication, creativity, competence, credibility, change management and commitment.

## 1.10 GLOSSARY

- **Competence:** Competence can be defined as the ability to perform a particular activity to a prescribed standard. Competence is an acquired personal skill that is demonstrated in an employee's ability to provide a consistently adequate level of performance in a specific job function.
- **Human resources:** The function dealing with the management of people employed within the organization.
- **Human resource management:** The formal structure within an organization responsible for all the decisions, strategies, factors, principles, operations, practices, functions, activities and methods related to the management of people.
- **Managerial functions of HRM:** The managerial functions are the basic functions performed by the HR managers in their capacity as managers or heads of their own departments. Managerial functions involve planning, organizing, directing, and controlling. All these functions influence the operative functions.
- **Operative Functions:** The operative functions of personnel management are related to specific activities of personnel management viz., procurement, development, compensation, integration, maintenance and human relations.
- **Strategic Approach to HRM:** The strategic approach to human resources management is a developing process that is formed, and which changes according to events within the organization and environment.

- **Downsizing:** It is the planned elimination of jobs.
- **Outsourcing:** It simply means hiring someone outside the company to perform business processes that were previously done within the firm.
- **Furloughing:** When a company furloughs employees, it asks them to take time off for either no pay or reduced pay.
- **Workforce Diversity:** Employees with different cultural background.

### 1.11 SELF ASSESSMENT QUESTIONS

- Q1. Why is the task of an HR/personnel manager often likely to be more difficult than that of any other manager?
- Q.2. What do you consider to be the essentials of a good HR manager?
- Q.3. What personal attributes do you consider should be possessed by an HR/personnel manager if he or she is to be successful?
- Q.4. Differentiate between Managerial and operative functions of HRM.
- Q.5. Explain the terms: outsourcing, change management and downsizing.
- Q.6. What are the challenges of HRM in present scenario of competitive market?

### 1.12 LESSON END EXERCISE

Answer the following questions:

Fill ups :

- Q1. .... covers union-management relations, joint consultations, collective bargaining, grievance & disciplinary procedures, settlement of disputes, etc.
- (a) Personal Aspect of HRM
- (b) Welfare Aspect of HRM
- (c) Industrial Relations Aspect of HRM
- (d) All of the above

Q2. Explain the 10 Cs of HRM principles.

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Q2. How can we separate the individual from his or her behaviour?

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Q3. How do maintaining good working relationships help us in the workplace?

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Q4. Which are more important functions-managerial or operative for HR manager?

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Q5. Highlight the challenges faced by HRM

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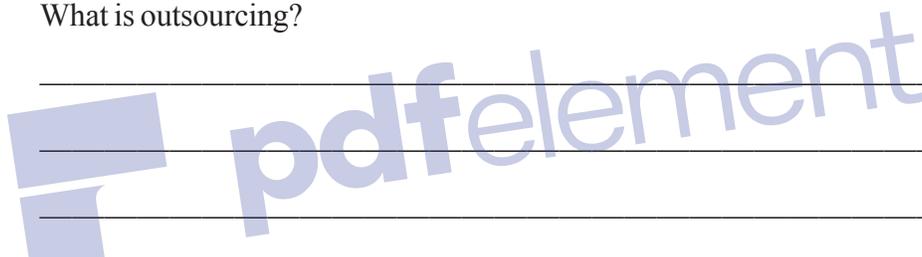
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Q6. What is outsourcing?



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**1.13 SUGGESTED READINGS**

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**Lesson No. 2****Unit-I****Semester-II****M.Com-E215**

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## **GENERAL EVOLUTION OF HRM**

### **STRUCTURE**

- 2.1 Introduction**
- 2.2 Objectives**
- 2.3 General Evolution of HRM**
- 2.4 Evolution of HRM in India**
- 2.5 Summary**
- 2.6 Glossary**
- 2.7 Self Assessment Questions**
- 2.8 Lesson End Exercise**
- 2.9 Suggested Readings**

### **2.1 INTRODUCTION**

Key principles and practices associated with HRM date back to the beginning of mankind. Mechanisms were developed for the selection of tribal leaders, for example. More advanced HRM functions were developed as early as 1000 and 2000 B.C. Employee screening tests have been traced back to 1115 B.C. in China. The terminology used to describe the role and functions of workers has evolved from “personnel” to “industrial relations” to “employee relations” to “human resource management.”

Because of continuous changing socio-economic, technological and political conditions, the human resource managers of the future shall have to face more problems in the management of human resources. The human resource managers of today may find themselves obsolete in the future due to changes in environment if they do not update themselves.

## **2.2 OBJECTIVES**

This lesson will enable the students to understand how HRM has evolved over a period of time throughout the world as well as in India. Further it will also highlight challenges faced by HRM.

## **2.3 GENERAL EVOLUTION OF HRM**

Looking at the historical context can help us to understand how human resource management has developed into a profession and how it is continuing to increase in importance. It has passed through the following phases during its evolution:

### **a) The late nineteenth century**

Wherever people have needed to be employed there has been some form of people management. Although, it has only been in recent years, a consistent view has emerged on how to develop people. At the end of the nineteenth century many workers were employed in the manufacturing sectors, where they had to put in long hours and conditions were often harsh. The welfare state did not exist and no work could mean destitution. However, even in such unenlightened times some employers did value their workers and took on a paternalist role for their employees. Such famous names as Cadbury, Rowntree and Bournville, (all chocolate manufacturers) and Lever (a soap manufacturer), all took their employees welfare very seriously and established the provision of health and education as part of their role as a responsible employer. These enlightened employers tended to be Quakers and were some of the first employers to employ welfare officers. The welfare officers were often women and were concerned not

only with visiting sick employees but also with supervising moral welfare. Pressures were also coming from an emerging labour movement and trades unions were gaining influence with a campaign for 'industrial betterment'.

The 1900s also saw the development of personnel management as a professional body, with the formation of the Welfare Workers' Association, a forerunner to the CIPD. Human resource management, as we know it today, also developed from a range of theories from sociologists, psychologists, and management and organisational behaviourists. One of the earliest can be traced back to the United States in the early 1900s with the development of 'time and motion' studies, which would find the 'one best way' of performing a task. The father of what became known as scientific management was Frederick Taylor. Taylor replaced haphazard rules of thumb with precise measure principles. He was one of the first to emphasise the prediction of behaviour and encouraged the use of training and other management techniques to influence work outcomes. Taylor identified the skills needed for a particular job and would hire and train workers to perform to the required standards. Employees were rewarded with a 'differential piece rate' pay system that rewarded work output. Many managers took on the ideas of Taylor, often without the pay incentives. Although Taylor publicised his ideas as a success, the reality was threats of industrial action, redundancies and disgruntled management.

## **b) Fordism**

The USA was also leading the way in developing large-scale industrialisation with car manufacturers such as Henry Ford. Ford continued with the scientific management approach and developed an assembly line where the workers were allowed a minimum amount of time to complete a task before the car moved to the next stage in the production process. Employees unable to keep up were fired; this led to a high level of absenteeism as well as high employment turnover. To counteract the high staff turnover Ford introduced 'the five dollar day' bonus, which would double workers' wages. However, the bonus was

payable only to employees whose moral and work ethic was seen as appropriate both at home and at work. Management control was also increased, through the use of job evaluation and a pay system that was matched to the difficulty or status of the job. Workers had to be with the company six months to qualify for the scheme and young people under 21 and women were not eligible. With mass production the role of managing people became a science and managers were expected to have not only technical expertise but also managerial ability. In the UK, however, reliability and the ability to impose discipline were seen as far more important than technical knowledge.

**c) The human relations movement**

The human relations movement began to grow in the 1920s with Elton Mayo and the famous Hawthorne experiments. This shifted the view of people management away from the mechanistic principles of scientific management and towards a behavioural approach of satisfying the social needs of workers. The results of the Hawthorne approach taught managers that concern for people did not mean lower production, but the reverse. This was seen as an anti-Taylor perspective as it argued against Taylor's 'One Best way', although it agreed with Taylor's idea of sufficient rest breaks for workers. Research in the UK was also emerging from the National Institute of Industrial Psychology (NIIP). It investigated methods of work and its relation to fatigue and concluded that fatigue, was not only psychological but also physiological. The resulting research, by what became known as the human relations school and other work psychologists, identified the importance of the human factor of work. They discovered that people were more effective if they were allowed a say in how to perform tasks and that social relations were often more important than money in maintaining morale.

**d) The First World War**

The war years of 1914–18 saw major developments in personnel management. The Munitions of War Act 1915 passed to ensure a sufficient

supply of labour to munitions' factories made the provision of welfare services compulsory. This led to a large increase in the number of welfare officers, many of whom were men as it was considered more appropriate from them to oversee the welfare of boys. However, women were also being recruited in large numbers to replace the men sent to the trenches. This led to some bitter disputes with trades unions, which saw craftsmen's jobs being filled by unskilled women. It led to the government having to enter into discussion and consultation with the unions (Cannel, 2004). Another development was the role of 'labour officers' needed to assist in the recruitment, selection, discipline and industrial relations on the shop floor of unionised workers. Labour officers also had to interpret the many government directives concerning the employment of civilians in wartime and aspects concerning discipline and dismissal. Many Labour Officers were male and came from an engineering and works management background (Evans, 2003).

**e) Between the wars**

The engineering industries developed the role of the personnel manager, and job titles such as 'labour manager' or 'employment manager' became more common. Their role was to handle recruitment, dismissal, absence and pay. Pay negotiations were becoming more common and officials appointed by employers' federations negotiated national pay rates with the unions. The inter-war years also saw the emergence of the title 'personnel manager', in companies such as Marks & Spencer. The personnel manager dealt with many of the functions of the human resource that we know today. However, senior management more often dealt with any industrial relations problems. Personnel was not the only name to change: the Worker's Welfare Association, after evolving through several name changes, finally became the Institute of Labour management in 1931, and eventually the Institute of Personnel Management (IPM) in 1945.

**f) The Second World War**

The 1939–45 war saw more government regulations introduced to regulate

employment and increase morale in a bid to boost the war effort. The role of the welfare and personnel manager was seen by government as a vital part of the drive to greater efficiency. Strikes were also made illegal and productivity improvements became part of a joint consultation and negotiation between unions and the government. By the end of the war the personnel profession had expanded and had approximately 5300 practitioners; many of the HRM practices in use today can trace their origins back to the war years.

**g) The Post-War Years**

With the post-war years came a time of economic boom, with manufacturing at its peak. Unemployment was low and personnel practices such as planning, recruitment and selection became important aspects of the personnel manager's role. During the war much of the personnel role had been to implement government rules, and the emerging personnel profession tended to be very bureaucratic and based on function (Cannel, 2004). Industrial relations also took on a new role. During the war years negotiations were centralised and often government led. With large companies now developing their own employment policies, negotiations became more and more decentralised with local shop stewards and local bargaining. Official and unofficial strikes became damaging to the economy and the UK became notorious for its poor industrial relations. Eventually, a report by Lord Donovan in 1968 criticised employers, managers and unions for their failure to negotiate and failure to plan for industrial relations strategies. Much of the criticism of the failure of industrial relations was directed at the failure of employers to give personnel management a high priority. The higher profile of personnel today can partly be seen as a response to the criticism made by Donovan (Cannel, 2004).

The 1960s also saw the introduction of new legislation, such as contracts of employment, training and redundancy payments. The 1970s saw the introduction of equal opportunities legislation and employment protection,

but there were also attempts to control trades union activity. The economy was also in decline and personnel departments were not only expected to implement the new legislation, but also directives on pay regulations to curb the spiralling inflation. New techniques needed to be developed to improve performance and much of the work done by social scientists, management and organisational behaviour theorists in the USA such as Herzberg's theory of motivation, found their way into the personnel departments.

#### **h) Social Issues Era (1963–1980)**

This period witnessed an unprecedented increase in the amount of labour legislation that governed various parts of the employment relationship, such as prohibition of discriminatory practices, occupational health and safety, retirement benefits, and tax regulation. As a result, the personnel department was burdened with the additional responsibility of legislative compliance that required collection, analysis, and reporting of voluminous data to statutory authorities. For example, to demonstrate that there was no unfair discrimination in employment practices, data pertaining to all employment functions, such as recruitment, training, compensation, and benefits, had to be diligently collected, analyzed, and stored. To avoid the threat of punitive damages for non-compliance, it was necessary to ensure that the data were comprehensive, accurate, and up-to-date. So, it became essential to automate the data collection, analysis, and report generation process.

It was about this time that personnel departments were beginning to be called Human Resources Departments and the field of human resource management was born. The increasing need to be in compliance with numerous employee protection legislations or suffer significant monetary penalties made senior managers aware of the importance of the HRM function. In other words, effective and correct practices in HRM were starting to affect the “bottom line” of the firms, so there was a significant growth of HR departments, and computer technology had advanced to the point where it was beginning to be used. As a result, there was an

increasing demand for HR departments to adopt computer technology to process employee information more effectively and efficiently. This trend resulted in an explosion in the number of vendors who could assist HR departments in automating their programs in terms of both hardware and software.

Simultaneously, computer technology was evolving, and delivering better productivity at lower costs. These technology developments and increased vendor activity led to the development of a comprehensive management information system (MIS) for HRM. The decreasing costs of computer technology versus the increasing costs of employee compensation and benefits made acquisition of computer-based HR systems (HRIS) a necessary business decision. However, the personnel departments were still slow in adopting computer technology, even though it was inexpensive relative to the power it could deliver for the storage and retrieval of employee information in MIS reports. So, the major issue at this time in the historical development of HRIS was not the need or capabilities of technology but how to best implement it.

Another factor was the booming economy in most industrialized countries. As a result, employee trade unions successfully bargained for better employment terms, such as healthcare and retirement benefits. As a result, labour costs increased, which put pressure on personnel managers to justify cost increases against productivity improvements. With the increased emphasis on employee participation and empowerment, the personnel function transformed into a “protector” rather than a “caretaker” functions, shifting the focus away from maintenance to development of employees. Thus, the breadth and depth of HRM functions expanded, necessitating the need for strategic thinking and better delivery of HR services.

**i) Cost-Effectiveness Era (1980 to the Early 1990s)**

With increasing competition from emerging European and Asian

economies, U.S. and other multinational firms increased their focus on cost reduction through automation and other productivity improvement measures. As regards HRM, the increased administrative burden intensified the need to fulfil a growing number of legislative requirements, while the overall functional focus shifted from employee administration to employee development and involvement. To improve effectiveness and efficiency in service delivery, through cost reduction and value-added services, the HR departments came under pressure to harness technology that was becoming cheaper and more powerful.

In addition, there was a growing realization within management that people costs were a very significant part of their budgets. Some companies estimated that personnel costs were as high as 80% of their operating costs. As a result, there was a growing demand on the HRM function to cost justify their employee programs and services. In one of the first books to address this growing need to cost justify the HRM function, Cascio (1984) indicated that the language of business is dollars and cents and HR managers need to realize this fact.

**j) Technological Advancement Era and Emergence of Strategic HRM (1990 to Present)**

The economic landscape underwent radical changes throughout the 1990s with increasing globalization, technological breakthroughs (particularly Internet-enabled Web services), and hyper-competition. Business process reengineering exercises became more common and frequent, with several initiatives, such as right sizing of employee numbers, reducing the layers of management, reducing the bureaucracy of organizational structures, autonomous work teams, and outsourcing.

Firms today realize that innovative and creative employees who hold the key to organizational knowledge provide a sustainable competitive advantage because unlike other resources, intellectual capital is difficult to imitate by competitors. Accordingly, the people management function has

become strategic in its importance and outlook and is geared to attract, retain, and engage talent. These developments have led to the creation of the HR or workforce scorecard as well as added emphasis on the return on investment (ROI) of the HR function and its programs.

The increased use of technology and the changed focus of the HRM function as adding value to the organization's product or service led to the emergence of the HR department as a strategic partner. With the growing importance and recognition of people and people management in contemporary organizations, strategic HRM (SHRM) has become critically important in management thinking and practice. SHRM derives its theoretical significance from the resource-based view of the firm that treats human capital as a strategic asset and a competitive advantage in improving organizational performance.

Reflecting the systems view, Becker and Huselid (2006) stressed the importance of HR structure—the “systems, practices, competencies, and employee performance behaviours that reflect the development and management of the firm's strategic human capital”—for organizational performance. Context is a crucial element in SHRM, and therefore, researchers increasingly emphasize the “best-fit” approach to SHRM as opposed to the “best-practice” approach. The success of SHRM is contingent on several factors, such as national and organizational culture, size, industry type, occupational category, and business strategy. Accordingly, Becker and Huselid (2006) argued that “it is the fit between the HR architecture and the strategic capabilities and business processes that implement strategy that is the basis of HR's contribution to competitive advantage”.

Therefore, in determining the strategic fit between technology and HR, it is not the strategy per se that leads to competitive advantage but rather how well it is “implemented” taking into account the environmental realities that can be unique to each organization and, indeed, between units and functions of the organization

## 2.4 EVOLUTION OF HRM IN INDIA

The evolution of HRM can be traced back to Kautilya's Artha Shastra, where he recommended that government must take active interest in public and private enterprise. He said that government must provide a proper procedure for regulating employee and employee relation. In the medieval times there were examples of kings like Allaudin Khilji, who regulated the market and charged fixed prices and provided fixed salaries to their people. This was done to fight inflation and provide a decent standard of living during the pre independence period of 1920 the trade union emerged. Many authors, who have given the history of HRM, say that HRM started because of trade union and the First World War. The Royal commission in 1931 recommended the appointment of a labour welfare officer to look into the grievances of workers. The Factory Act of 1942 made it compulsory to appoint a labour welfare officer if the factory had 500 or more than 500 workers. The international institute of personnel management and National Institute of Labour Management were set up to look into problems faced by workers to provide solutions to them. The Second World War created awareness regarding workers rights and 1940's to 1960's saw the introduction of new technology to help workers. The 1960's extended the scope of human resource beyond welfare. Now it was a combination of welfare, industrial relation, administration together it was called personnel management. With the second 5 year plan, heavy industries started and professional management became important. In the 70's the focus was on efficiency of labour while in the 80's the focus was on new technology, making it necessary for new rules and regulations. In the 90's the emphasis was on human values and development of people and with liberalization and changing type of working people became more and more important there by leading to HRM, which is an advancement of personnel management.

The present role of HRM can be summarised as below:

- The collective bargaining role – centred on dealing with trades unions and the development of industrial relation’s strategies.
- The implementer of legislation role – implying understanding and implementing a growing amount of legislation.
- The bureaucratic role – implementing a series of rules about behaviour at work, dealing with recruitment, managing absence, and so on.
- The social conscience of business role, or ‘value champion’ – a residue from the welfare worker function.
- Strategic Role- aligning the HR practices with organisational capabilities to achieve organisational goals.

## 2.5 SUMMARY

HRM date backs to the beginning of mankind. In late nineteenth century Cadbury, Rowntree and Bournville, (all chocolate manufacturers) and Lever (a soap manufacturer), all took their employees welfare very seriously and established the provision of health and education as part of their role as a responsible employer. Taylor replaced haphazard rules of thumb with precise measure principles. He was one of the first to emphasise the prediction of behaviour and encouraged the use of training and other management techniques to influence work outcomes. The human relations movement began to grow in the 1920s with Elton Mayo and the famous Hawthorne experiments. The results of the Hawthorne approach taught managers that concern for people did not mean lower production, but the reverse. The inter-war years also saw the emergence of the title ‘personnel manager’, in companies. The role of the welfare and personnel manager was seen by government as a vital part of the drive to greater efficiency. In seventies Herzberg’s theory of motivation, found the way into the personnel departments. The between 1960-1980 witnessed an unprecedented increase in the amount of labour legislation that governed

various parts of the employment relationship, such as prohibition of discriminatory practices, occupational health and safety, retirement benefits, and tax regulation. In between 1980 and 1990, there was a growing realization within management that people costs were a very significant part of their budgets. As a result, there was a growing demand on the HRM function to cost justify their employee programs and services. In one of the first books to address this growing need to cost justify the HRM function. Cascio (1984) indicated that the language of business is dollars and cents and HR managers need to realize this fact. The economic landscape underwent radical changes throughout the 1990s with increasing globalization, technological breakthroughs (particularly Internet-enabled Web services), and hyper-competition. Firms today realize that innovative and creative employees who hold the key to organizational knowledge provide a sustainable competitive advantage because unlike other resources, intellectual capital is difficult to imitate by competitors.

HRM also faces host of challenges viz., globalisation, diversity of work force, dynamic markets,

## 2.6 GLOSSARY

- **Fordism:** The era governed by Henry Ford. He continued with the scientific management approach and developed an assembly line where the workers were allowed a minimum amount of time to complete a task before the car moved to the next stage in the production process. Employees unable to keep up were fired; this led to a high level of absenteeism as well as high employment turnover. To counteract the high staff turnover Ford introduced ‘the five dollar day’ bonus, which would double workers’ wages.
- **Reengineering:** It has been described as “the fundamental rethinking and radical redesign of business processes to achieve dramatic improvements in cost, quality, service, and speed.

**2.7 SELF ASSESSMENT QUESTIONS**

- Q1. Is diverse workforce an advantage for business organisations or the reverse? Explain.
- Q2. How personnel management has evolved in India?

**2.8 LESSON END EXERCISES**

- Q1. Identify the historical developments and their impact on HRM.

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- Q2. Explain the Evolution of HRM in the postwar years.

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**2.9 SUGGESTED READINGS**

- ◆ Chan, Alvin (2013). The Challenges of Human Resource Management, available at: <http://EzineArticles.com/>
- ◆ Fleming, S. (1998), From Personnel Management to HRM: A Case Study of the Irish civil service, MBS unpublished, Dublin: UCD

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**Lesson No. 3****Unit-I****Semester-II**

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**M.Com-E215**

## **HRM MODELS**

### **STRUCTURE**

**3.1 Introduction**

**3.2 Objectives**

**3.3 HRM Models**

**3.3.1 Harvard Model**

**3.3.2 Guest's Model**

**3.3.3 Michigan Model**

**3.3.4 The Warwick Model**

**3.4 Summary**

**3.5 Glossary**

**3.6 Self Assessment Questions**

**3.7 Lesson End Exercise**

**3.8 Suggested Readings**

**3.1 INTRODUCTION**

The question is not either local or global but as Beaman (2003) and Hock(1993) have talked about “How do you build a “chaordic” organisation. An organisation that thrives on the border between “chaos” and “order, that is adaptive to changing conditions, controlling at the centre while empowering at

the periphery, leveraging worldwide learning capabilities, that transcend geographic and divisional borders?” For building such an organisation we have to look into the way we manage our human resources. Different models have been put forth from time to time that guide us towards optimal use of the precious asset i.e. the human resources, in an organisation. In a benchmark survey by The Hackett Group (2007), companies that had adopted an HR shared-services model reported reduction in process costs by as much as eighty percent. In adopting an organisational model for HR the danger is that we believe there is a one size fits all approach. We look for, one model that meets all needs, or look at external best practice in admired companies to decide what model to apply. The problem is that every organisation faces a unique set of challenges in terms of scale, culture, maturity, strategy, market, sector, geography, customer needs etc. Each organisation needs to look at its own context and develop a model that meets its own different challenges.

### 3.2 OBJECTIVES

This lesson will give you knowledge about different HRM Models put forth by different authors and how the concept has changed with the introduction of these models

### 3.3 HRM MODELS

#### 3.3.1 Harvard Model

Beer et al. (1984) proposed that long-term consequences (both benefits and costs of human resource policies) should be evaluated at three levels: individual, organizational and societal. The Harvard Map or Model outlines four HR policy areas:

- ◆ **Human resource flows** - recruitment, selection, placement, promotion, appraisal and assessment, promotion, termination, etc.
- ◆ **Reward systems** - pay systems, motivation, etc.
- ◆ **Employee influence** - delegated levels of authority, responsibility, power etc.

◆ **Work systems** - definition/design of work and alignment of people.

These in turn should be analyzed using the four Cs viz.,

- ◆ Commitment
- ◆ Congruence
- ◆ Competence
- ◆ Cost effectiveness

The Harvard model (Beer, Spector, Lawrence, Quin Mills and Walton, 1984) works as a strategic map to guide all managers in their relations with employees and concentrates on the human or soft aspect of HRM. It strives at employee commitment not control. It also works on the premise that employees needed to be congruent, competent and cost effective. Human resource flows into the organisation are used for recruitment, selection; with in the organisation by placement, promotion, out of the organisation as termination pay. The reward system was organised to attract and motivate so as to retain employees. More so, employee influence was tailored on controlled authority and decision making. Jobs were also defined and not based on tasks as with classical approaches.

The advantages of such a system lay on the premise that high employee commitment lead to better job performance. Also as selection criteria were based on competence, it also embraced the element of suitability and flexibility. Using the best employees fit for certain jobs led to effectiveness and reward system, aimed at attracting and motivating, held performance appraisal not evaluation as its tool.

However, this system could be criticised by resource based perspective of labour and the argument that soft HRM like the Harvard model may conflict with business focus of the organisation and also distort cost minimisation and profit maximisation.

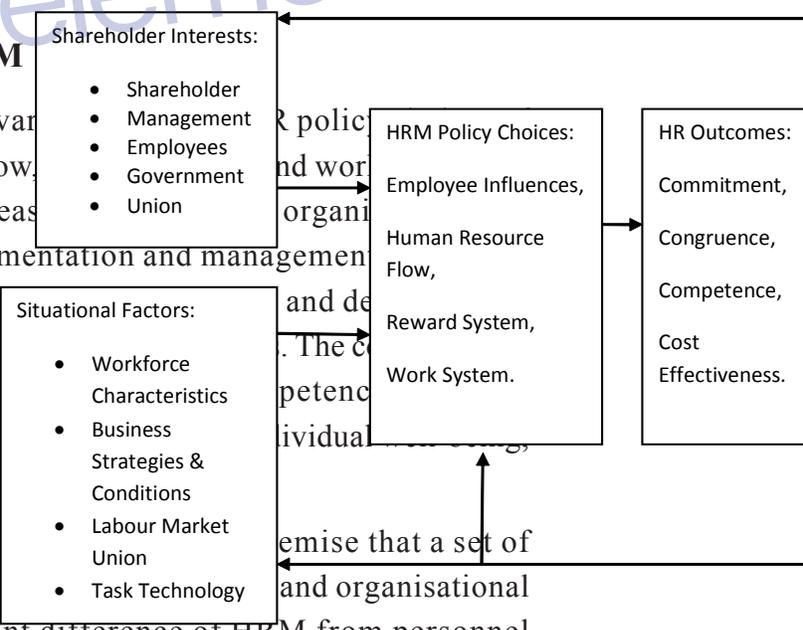
**Fig 3.1: Harvard model of HRM**

Source: Beer et al. (1984)

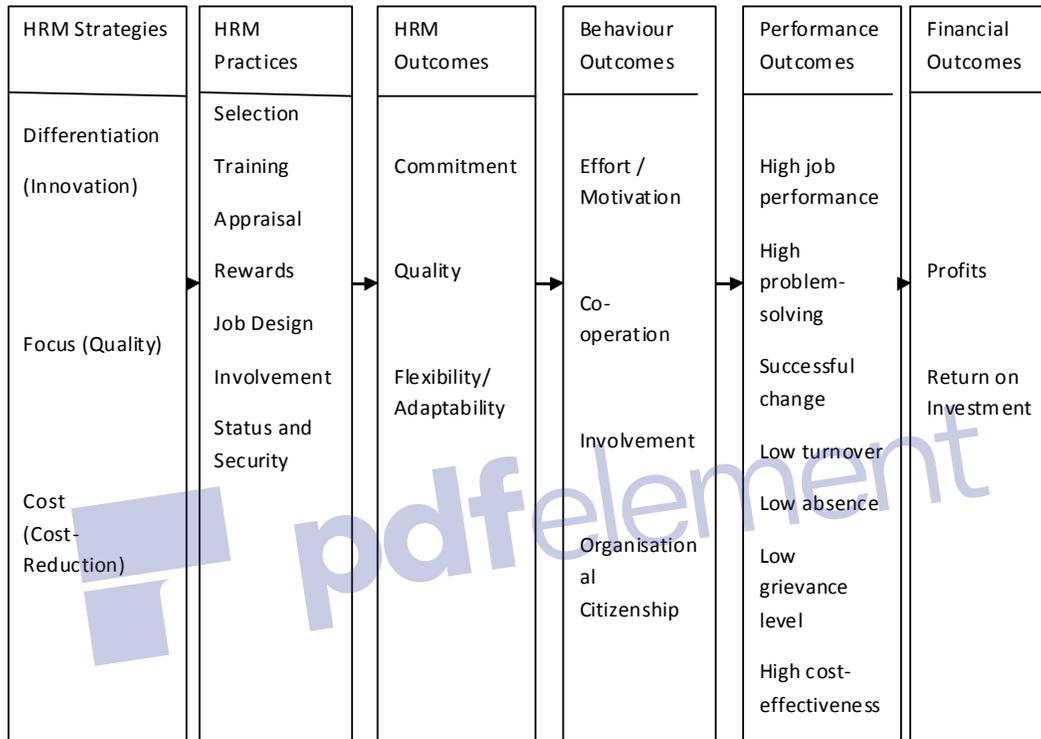
**3.3.2 Guest's Model of HRM**

Guest (1987) extended the Harvard model to include employee influence, human resource flow, a total of seven. These seven policy areas are: recruitment, selection and socialisation; manpower flows; reward systems and compensation choices will lead to HR outcomes of commitment, congruence, competence, cost effectiveness, and result in the long-term organisational effectiveness and societal performance.

David Guest's comparative model of HRM suggests that a set of integrated HRM practices will result to organisational performance. It advocates a significant difference of HRM from personnel management. It holds that HRM strategies like differentiation, innovation, the



focus on Quality and cost reduction will lead to practices like better training, appraisal, selection, rewards, job designs, involvement, and security leading to more quality outcomes; commitment and flexibility. It will then affect performance, which in turn will increase productivity. There will also be limited absences, labour turnover, and conflict or customer complaints.



**Fig. 3.2: Guest's Model of HRM**

*Source: Guest (1987).*

### 3.3.3 Michigan Model of HRM

Storey (2001) identified the 'hard' model of HRM as proposed by Fombrun et al.(1984), also referred to as the Michigan model. The 'hard' model of HRM emphasises that employees should be treated as a means of achieving the organisation's goals. This means that employees are a business resource and successful organisations are those that best deploy their human resources.

‘Hard’ HRM assumes that increasing performance will be the manager’s main reason for improving HRM. Fombrun et al. (1984) argue that the external environment of increased competition and market instability will necessitate HRM strategies be designed to achieve the goals of the organisation. Fombrun et al.(1984) also argued that organisations exist to accomplish a mission or achieve objectives, and strategic management takes into account three interconnected issues of mission and strategy, organisation’s structure and human resource systems.

- **Mission and strategy:** This refers to the organisation’s reason for being. The mission articulates the organisation’s fundamental purpose and defines the nature of the business. It is there to unify human and other resources. Organisations exist to achieve a mission and managers need to think strategically about how people are managed and deployed to this end.
- **Organisation structure:** This refers to the requirements and tasks needed to achieve the organisation’s goals. These include accounting systems and communication networks, as well as the personnel required at the different levels and the tasks to be accomplished.
- **Human resource management systems:** These establish the need for people to be recruited and developed, which in turn will enable them to achieve the organisational goals and maintain performance.
- **The external context:** The external environment influence the external context of the organisation. An organisation would not be effective if it ignored the external context of politics, economics, society and technology. In London and the south-east of England, there is a shortage of key workers, such as nurses and teachers and many workers have been employed from abroad to fill the vacancies. For organisations, this means a review of policies to ensure that new workers’ needs are considered. On the practical side, new aspects of training may have to be delivered to meet language needs. To do this an organisation needs

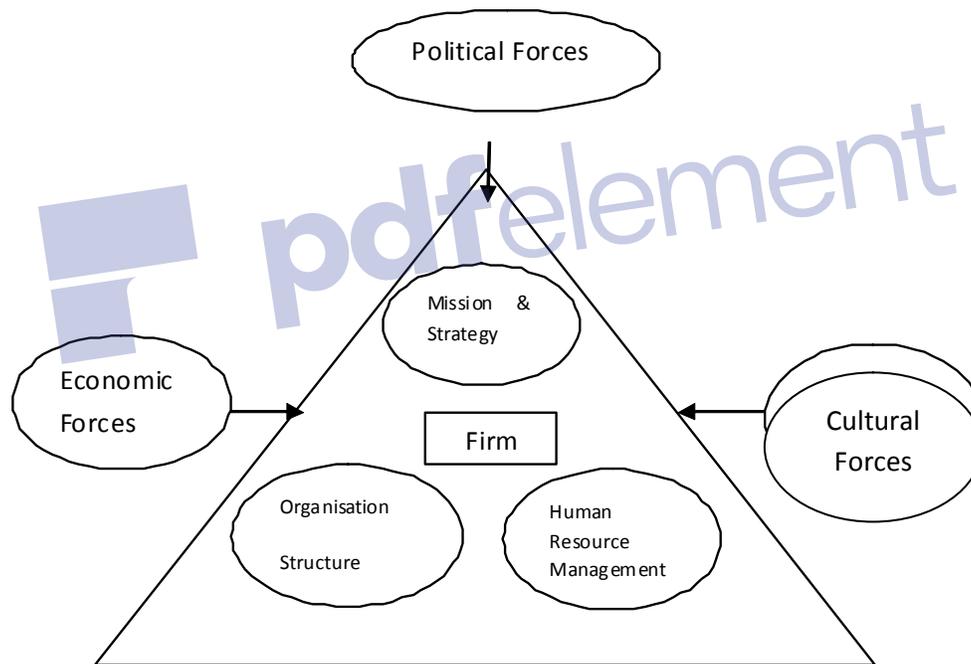
to operate as an open system, which can change to meet the needs of its external environment. Katz and Kahn (1966) identify open systems as those that interact with the environment; this makes them complex and difficult to control.

- **The political context:** The political context not only refers to the type of government in power at the time, but also whether the country is democratic or not. In the UK the political context changes depending on which political party is in power. In the past, the Conservative Government has tended to favour the employer over the employee; an example of this was the removal of the minimum wage. Traditional Labour Governments have focused on the employee and have had close links with the unions. With New Labour the lines have become somewhat blurred: although they have reintroduced the minimum wage, they have also formed close links with industry by encouraging public/private partnerships. With every change of government the HR practitioner needs to identify the impact on the organisation and the HR department.
- **The social context:** The social context refers to the culture, politics, leadership and management style that influence the organisation. The example of Enron in the opening vignette is an example of how culture, politics, leadership and management style can influence an organisation. An HR manager must be able to identify the culture within which the organisation operates. This means she or he needs to recognise and understand the values the organisation is trying to promote. However, they also need to understand the culture and society from which their employees are recruited.

An HR manager should not underestimate the importance of the societal context of business as, in many instances, businesses have foundered due to a lack of understanding of the culture. Examples are Euro Disney Paris, whose lack of understanding of European culture and its failure to embrace all things American, had a serious impact on business, or Wal-Mart in Argentina, which failed to understand how the Argentines liked to shop,

and could not understand why business was not booming in its bright and shiny new supermarkets.

The Michigan model recognises the external and internal forces of HRM as a triangle. Management decides the mission and strategy, it designs the organisational structure to meet the strategy and mission, and integrates and organises HRM to fit in with the structure and to fulfil the mission and strategy. The mission, strategy, organisational structure and human resource management cannot operate in isolation. They also need to respond to the external forces of politics, economics and culture. Once these have been taken into account, managers can begin to design the human resource system.



**Fig. 3.3: Strategic management and environmental pressures**

*Source: Fombrun et al. (1984)*

This approach is based on the assumption that there is a set of best HRM practices that are universal in the sense that they are best in any situation,

and that adopting them will lead to superior organizational performance. A number of lists of 'best practices' have been produced, the best known of which was produced by Pfeffer (1998a), namely:

1. employment security;
2. selective hiring;
3. self-managed teams;
4. high compensation contingent on performance;
5. training to provide a skilled and motivated workforce
6. reduction of status differentials;
7. sharing information

Delery and Doty (1996) identified seven strategic HR practices, which are related to overall organizational performance:

1. The use of internal career ladders,
2. Formal training systems,
3. Results-oriented appraisal,
4. Performance-based compensation, employment security,
5. Employee voice and
6. Broadly defined jobs

#### **3.3.4 The Warwick Model**

This model was developed by the Centre for Strategy and Change at Warwick University in the early 1990s. Developed from the Harvard model, it emphasises an analytical approach to human resource management. It also recognises the impact of the role of the HR function on the human resource strategy content. The researchers who developed the model, Hendry and Pettigrew, focused their research on mapping the context; identifying an inner (organisational) context and an external (environmental) context. It takes into account the importance of organisational learning in

the formation of strategy and thereby incorporates Mintzberg's model of emergent strategy formation rather than a purely top down rational planned approach. The five elements of the Warwick model are:

- Outer context (the external environment)
- Inner context (internal factors)
- Business strategy content
- Human resource management context
- Human resource management content.

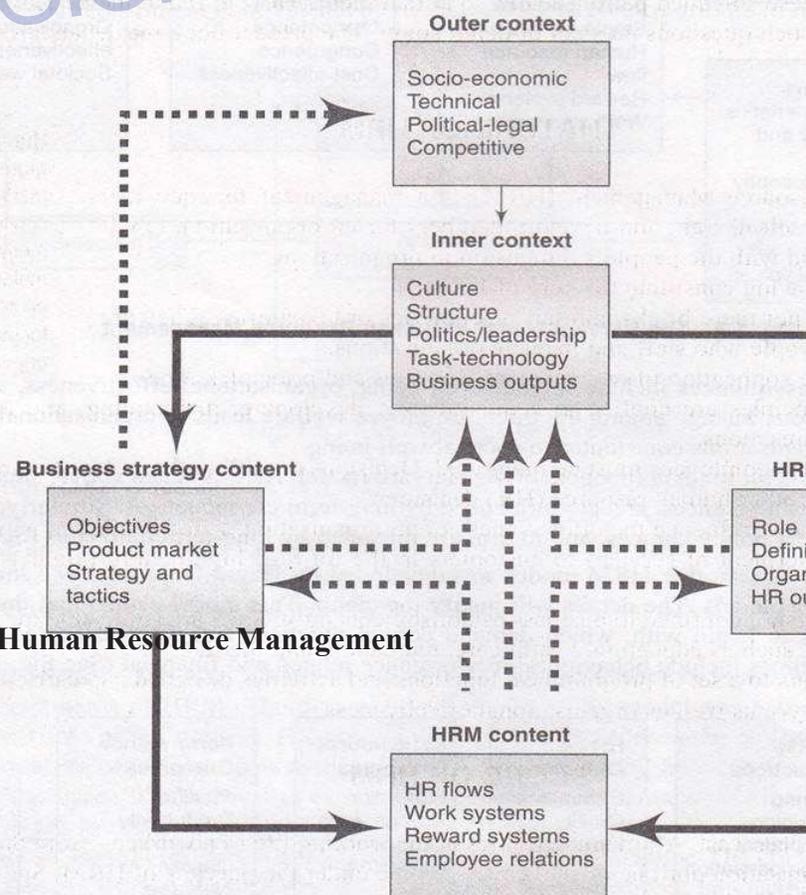


Fig. 3.4 The Warwick Model of Human Resource Management

### 3.4 SUMMARY

Different models of HRM have been put forth by different authors. Harvard model works on the premise that employees needed to be congruent, competent and cost effective. Guest (1987) extended the Harvard model. He viewed that the correct policy choices will lead to HR outcomes of commitment, competence and cost-effectiveness, and result in the long-term consequences of individual well-being, organisational effectiveness and societal well-being. The 'hard' model/Michigan Model of HRM emphasises that employees should be treated as a means of achieving the organisation's goals. This means that employees are a business resource and successful organisations are those that best deploy their human resources.

### 3.5 GLOSSARY

- **The Harvard Model:** The Harvard Model was postulated by Beer et al., (1984) at Harvard University. This model emphasizes more on the human's soft side of HRM.
- **The Michigan/Matching Model:** The Michigan model was propounded by Fombrun Tichy and Devanna (1984) at the Michigan Business School. It emphasizes more on "tight fit" between the HR strategy and the business strategy.
- **The Guest Model:** The Guest model was propounded by David Guest in 1987. This model is a fusion of aspects that resemble both a hard and a soft approach of HRM.
- **The Warwick Model:** This model was developed by the Centre for Strategy and Change at Warwick University in the early 1990s. Developed from the Harvard model, it emphasises an analytical approach to human resource management.
- **Soft HRM:** Soft HRM stresses the 'human' aspects of HRM. Its concerns are with communication and motivation. People are led rather than managed.

- **Hard HRM:** Treats employees simply as a resource of the business (like machinery & buildings) there is strong link with corporate business planning – what resources do we need, how do we get them and how much will they cost

### 3.6 SELF ASSESSMENT QUESTIONS

- Q1. What is the difference between Harvard and Michigan models of human resource management?
- Q2. Discuss the applicability of the Harvard and Warwick models in the development of human resource management policies.
- Q3. Which approach HR department should follow while designing HR policies?
- Q4. Explain in brief about the Models of HRM.

### 3.7 LESSON END EXERCISE

- Q1. Differentiate between Hard and soft HRM models.

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- Q2. Is Michigan Model is better than Harvard Model? Give reasons in support of your answer.

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### 3.8 SUGGESTED READINGS

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**Lesson No. 4****Unit-I****Semester-II****M.Com-E215**

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## **HR POLICY - JOBS IN HRM AND QUALIFICATION OF HR PROFESSIONALS**

### **STRUCTURE**

**4.1 Introduction**

**4.2 Objectives**

**4.3 Jobs in HRM**

**4.3.1 Career Paths in HR: Generalist vs. Specialist**

**4.4 Qualifications of HR Professional**

**4.5 HR Policy**

**4.5.1 Specific and Overall HR Policies**

**4.6 Summary**

**4.7 Glossary**

**4.8 Self Assessment Questions**

**4.9 Lesson End Exercise**

**4.10 Suggested Readings**

**4.1 INTRODUCTION**

HR professionals have evolved from the behind-the-scenes administrative role of the 20th century to active involvement in shaping corporate policy. Senior management recognizes the significant contributions of HR to their

organization's bottom line and overall success. This shift continues in the profession. To a more significant extent than ever before, many HR roles are consequently focused equally on contributing strategically and functionally to manage the organization's talent. This part of the lesson highlights the various pathways you may choose in order to pursue the career in HR that best meets your needs. It is also important to note that HR professionals often progress to higher levels in an organization and a career in HR can lead to a position as CEO.

## **4.2 OBJECTIVES**

This lesson will enhance your knowledge about different HR policies available in HR area. Further it will also provide you information about the qualifications required for this.

## **4.3 JOBS IN HRM**

Are you considering human resource management as a career choice? Wise decision! Not only do HR professionals contribute to business viability and success through the strategic management of human capital, but the profession itself continues to increase its stature as a career choice, pursued by many in today's ever-changing, competitive marketplace. In fact, in 2007, *Money* magazine and Salary.com researched hundreds of jobs and ranked Human Resource Manager as number four on its list of the Top Ten Best Jobs in America based on a variety of factors, including job growth in the next decade, earnings potential, creativity and flexibility.

HR is a key component of any organization's senior management team. Though the human resources department is widely known for conducting interviews, explaining company benefits, managing employee relations, providing career development advice and helping hiring managers with performance and productivity expectations, the profession has a much larger role in business today. HR professionals have evolved from the behind-the-scenes administrative role of the 20th century to active involvement in shaping corporate policy. Senior management recognizes the significant contributions of HR to their organization's bottom line and overall success. This shift continues in the profession. To a more

significant extent than ever before, many HR roles are consequently focused equally on contributing strategically and functionally to manage the organization's talent. This part of the lesson highlights the various pathways you may choose in order to pursue the career in HR that best meets your needs. It is also important to note that HR professionals often progress to higher levels in an organization—and a career in HR can lead to a position as CEO.

#### 4.3.1 Career Paths in HR: Generalist vs. Specialist

Deciding how to choose between an HR generalist and HR specialist career often depends not only on your personal preferences, but also upon the nature and size of the organization. This section describes the generalist and specialist roles to help you decide which path to follow.

- ◆ **The Generalist:** HR generalists have a broad spectrum of responsibilities: staffing the organization, training and developing employees at all levels, managing a diverse workforce, maintaining a fair and equitable compensation program, developing personnel policies and procedures, planning ways to meet the human resource needs of the future, and ensuring that internal policies and programs conform to all laws that affect the workplace. Entry-level generalist positions are often titled human resource/personnel assistant and support the work of the whole department. Examples of generalist job titles include HR business partner; HR generalist; HR department or branch manager; chief HR officer; people services specialist or manager.
- ◆ **The Specialist:** Larger organizations require specialists with technical knowledge and skills in specific areas of human resource management. The five most common areas of specialization are described here. Entry-level positions often fall within these specialties. Opportunities in these areas are more likely to be found in larger organizations. Below explained are some of the specialist roles:
  - a) **Workforce Planning and Employment:** The typical entry-level positions are often called interviewer or recruiter. The work

includes implementing the organization's recruiting strategy, interviewing applicants, administering pre-employment tests, etc. assisting with conducting background investigations, and processing transfers, promotions and terminations. Examples of job titles in this specialty area are chief talent manager or officer; recruiter; recruitment and retention specialist or manager; staffing specialist or manager.

- b) HR Development:** The typical entry-level position may be a training or orientation/on-boarding specialist. The work consists of conducting training sessions, administering on-the-job training programs, evaluating training programs and maintaining necessary records of employee participation in all training and development programs. Such training responsibilities may involve specific fields such as sales techniques or safety programs. Career planning and counseling are becoming increasingly important activities in this field, as are responsibilities for human resource planning and organizational development. Examples of job titles in this specialty area are trainer; employee development specialist or manager; leadership development specialist or manager; organizational development (OD) specialist or manager.
- c) Total Rewards:** Entry-level positions are typically salary administrators, compensation analysts and benefits administrators. Responsibilities in compensation include analyzing job duties, writing job descriptions, performing job evaluations and job analysis, and conducting and analyzing compensation surveys. Benefits professionals may develop detailed data analysis of benefits programs, administer benefits plans and monitor benefits costs. They may be responsible for oversight of vendors or partners to whom these functions have been outsourced. Example job titles in this specialty area are compensation and administrative services specialist; benefits analyst; compensation specialist or manager.

- d) **Employee and Labour Relations:** Entry-level positions include labor relations specialist, plan personnel assistant or employee relations specialist. In union environments, these positions involve interpreting union contracts, helping to negotiate collective bargaining agreements, resolving grievances and advising supervisors on union contract interpretation. In non-union environments, employee relations specialists perform a variety of generalist duties and may also deal with employee grievances, employee involvement or engagement programs and other employee relations work. Examples of titles in this specialty area are performance management specialist, manager or director; employee advocate; and manager of labor relations.
- e) **Risk Management:** Safety specialists' responsibilities include developing and administering health and safety programs, conducting safety inspections, maintaining accident records, and preparing government reports in order to maintain compliance obligations under the law. Security specialists are responsible for maintaining a secure work facility to protect the organization's confidential information and property, and the well-being of all employees. Employee assistance program counsellors and medical program administrators also work within this function. Examples of titles in this specialty area are safety officer; risk management specialist or manager.

Other specialists' responsibilities don't fall neatly into one functional area. Human resource information systems (HRIS) specialists manage the computerized flow of information and reports about employees, their benefits and programs. Some specialists manage global HR, a growing specialty area, while others concentrate on organizational development and meeting the organization's needs for workers in the future. Still, others pursue HR consultancy or teaching HR in an academic setting.

Many options are available, depending on the area of HR that interests you most.

Changing specialties within HR can also enhance career development possibilities; at some point in your HR career, you may wish to pursue another area of interest within the field.

#### 4.4 QUALIFICATIONS OF HR PROFESSIONALS

Given the wide range of responsibilities for which HR managers are held accountable, they need a wide range of skills, abilities and qualifications. HR managers interact with every level within the organization, from the executive-level decision makers to department managers and production staff. Therefore, their qualifications are broad and encompassing. They should be able to justify the budget allocations as easily as they monitor workplace investigations and resolve conflict among the workforce. To sum up an HR manager must have following qualifications:

- ◆ **Education:** Academic credentials haven't always been required for human resources managers. However, as the 1980s version of personnel administration evolved into human resources management, employers seek HR managers with formal education and academic credentials. With increasing competition for positions, you will find that the majority of HR roles will expect you to hold a degree in HR Management, Psychology, or a business-related subject. Some HR managers have two- or four-year degrees in HR management, and some senior-level managers have graduate or professional degrees, such as MBAs and law degrees. Following are the education qualifications an HR Manager may require
  - a) MBA from Hr stream
  - b) Post Graduate Diploma (HR)
  - c) Masters in Personnel Management & Industrial Relations
- ◆ **Certification:** The growing movement toward HR certification means higher numbers of HR managers with Senior Professional Human

Resources certification from the SPHR certifying body, the Human Resources Certification Institute. In its 2010 study of more than 1,500 HR professionals, the HRCI discovered that more employers are requiring HR certification and that more than half of employers in the United States and more than three-quarters of employers globally place a high value on HR certification. There are four HR certifications: PHR is Professional Human Resources, SPHR is Senior Professional Human Resources, GPHR is Global Professional Human Resources and PHR-CA is for certified PHRs whose work focuses on California employee law.

- ◆ **Experience:** For some HR managers, experience has been the best teacher, and many seasoned HR managers have several years' experience in different areas of the HR department. When an HR manager has taken advantage of these professional development and learning opportunities, he may have begun working as a coordinator and then moved up to an HR generalist or an HR specialist before transitioning into a management role.
- ◆ **Core Competencies:** Overall, the best-qualified HR managers must have a combination of education, certification and experience, as well as core competencies that enable their effective performance. They are involved in both strategy formulation and implementation; therefore, they should have good communication skills. Some aspects of HR are best learned by doing, such as processing new hire paperwork, developing affirmative action plans and outreach methods to improve recruitment and selection processes. Additional core competencies of effective HR managers include analytical and critical thinking skills and the ability to influence others and manage change.

#### 4.5 HR POLICY

Human resource policy defines the philosophies and values of the organization on how people should be treated and these philosophies and values help to derive the principles upon which managers are expected to act when dealing with human resource matters. Human resource policy provides

continuous guidelines on the approach on organization intends to adopt in managing its people. The specific guidelines about various matters concerning employment and state of the intent of the organization on different aspects of Human resource such as recruitment, selection, compensation, promotion training etc. are provided to human resource manager through human resource policy. The organization practices the rules and guidelines mentioned in human resource policy in hiring, training, assessing and rewarding the members of their work force (Armstrong, 2012)

The characteristics of human resource policy are:-

- It should present the principles that will guide the organization's actions and reflect a faith in ethical values of employees.
- It must be reasonably stable but not rigid.
- It must provide two-way communication system between management and employees.
- It should be consistent with public policy.
- It should be definite so that it is easy to understand. It should be stated in clear, definite and easily understood terms.
- It should be formulated after considering long range plans and needs of the organization.

#### **4.5.1 Specific and Overall HR Policies**

##### **(a) Specific Human Resources Policy:**

There are different aspects associated with management of Human resources within an organization. If there are different policies for different areas. If people's interest, such policies are known as specific human resource policies. This policy is area or criteria specific. It covers the guidelines relating to a specific human resource matter. The areas covered by specific human resource policy are:

- Age and Employment
- AIDS

- Bullying
- E-mails and the Internet
- Discipline
- Employee Development
- Equal opportunity
- Grievances
- Health and Safety
- Managing diversity
- Employment
- Promotion
- Reward
- Sexual Harassment
- Substance abuse
- Work Life balance
- Managing Diversity
- Redundancy

#### **b) Overall Human Resource Policy**

The overall human resource policy defines how the organization fulfills its social responsibilities for its employee and sets its attitude towards them. It is an expression of its values or beliefs regarding how people should be treated (Armstrong, 2012). The following values are expressed in overall human resource policy.

- **Equity** : It is concerned with fair and equal treatment for all employees ignoring biases and personal differences.
- **Organizational learning** : This value is related to the organizations which believe in need to promote the learning and development of all members in the organization.

- **Performance through people :** The overall human resource policy focuses on developing the performance of the employees by creating culture of continuous improvement.
- **Quality of Work life :** This aspect is related with increasing responsibility and autonomy and reducing stress and monotony of the work life.
- **Working Condition :** The working condition deals with maintaining safe, healthy, practicable and pleasant working condition.

Thus, overall human resource policy provide general guidelines about every human resource related components of the organisation while specific human resource planning deals with the detail guidelines regarding management component. All the specific policies of an organization combined together forms the overall human resource policy. The policies aim on maintaining consistency and discipline in carrying out the human resource functions.

#### 4.6 SUMMARY

HR is a key component of any organization's senior management team. Though the human resources department is widely known for conducting interviews, explaining company benefits, managing employee relations, providing career development advice and helping hiring managers with performance and productivity expectations, the profession has a much larger role in business today. The HR can play the general as well as specialist roles with appropriate educational qualifications and experience.

#### 4.7 GLOSSARY

- ◆ **HR Policy:** It defines the philosophies and values of the organization on how people should be treated. It provide continuous guidelines on the approach and organization intends to adopt in managing its people.
- ◆ **Generalist Role:** HR generalists have a broad spectrum of responsibilities: staffing the organization, training and developing employees at all levels, managing a diverse workforce, maintaining a fair and equitable

compensation program, developing personnel policies and procedures, planning ways to meet the human resource needs of the future, and ensuring that internal policies and programs conform to all laws that affect the workplace.

- ◆ **Specialist Role:** Larger organizations require specialists with technical knowledge and skills in specific areas of human resource management. The five most common areas of specialization are workforce planning, Human Resource development, total rewards, industrial relations and risk management.

#### 4.8 SELF ASSESSMENT QUESTIONS

- Q1. Give the importance of personnel management as a profession.
- Q2. Enumerate the qualifications of personnel manager.

#### 4.9 LESSON END EXERCISE

- Q1. Explain the specialist role of personnel manager.

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- Q2. Discuss the scope of personnel management as a career.

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Q3 Explain the difference between General and Overall HR Policies.

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**4.10 SUGGESTED READINGS**

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<http://www.cipd.co.uk/cipd-training/qualifications/human-resources/>
- ◆ P. Subha Rao : Essential of HRM and Industrial Relations
- ◆ Shashi K. Gupta and Rosy Joshi: HRM, Kalyani Publishers

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**Lesson No. 5****Unit-I****Semester-II****M.Com-E215**

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## **CODE OF ETHICS OF SOCIETY FOR HRM**

### **STRUCTURE**

- 5.1 Introduction**
- 5.2 Objectives**
- 5.3 Code of Ethics of Society for HRM**
- 5.4 Personnel Management V/S HRM**
- 5.5 Summary**
- 5.6 Glossary**
- 5.7 Self Assessment Questions**
- 5.8 Lesson End Exercise**
- 5.9 Suggested Readings**

### **5.1 INTRODUCTION**

A code of ethics offers an invaluable opportunity for a responsible organization to further its positive public identity. This can lead to a more supportive environment and an increased level of public confidence and trust among important stakeholders.

### **5.2 OBJECTIVES**

After reading this lesson you will be able to understand different ethical practices an HR manager should follow by use of code of ethics and you shall also be able to differentiate between personnel management and HRM.

### 5.3 CODE OF ETHICS OF SOCIETY FOR HRM

A code of ethics offers an invaluable opportunity for a responsible organization to further its positive public identity. This can lead to a more supportive environment and an increased level of public confidence and trust among important stakeholders. As the world's largest human resource management association, the Society for Human Resource Management (SHRM) has a responsibility to set and support ethical standards for the human resource profession. "The purposes of the Society is to promote the use of sound and ethical human resource management practices in the profession...to be the voice of the profession on human resource management issues ...to facilitate the development and guide the direction of the human resource profession ...and to establish, monitor and update standards for the profession." Original Code of Ethics was first developed in 1972 and was last modified in 1989 to reflect the change of name from the American Society for Personnel Administration to Society for Human Resource Management. This Code of Ethical and Professional Standards in Human Resource Management is one part of an overall ethics initiative undertaken by Society for HRM. The Code is supplemented by resources and services which SHRM members can use to promulgate ethics programs within their own organizations or chapters. Following are the contents of Code of Ethics of society for Human Resource Management:

#### a) Professional Responsibility

**Core Principle:** As HR professionals, we are responsible for adding value to the organizations we serve and contributing to the ethical success of those organizations. We accept professional responsibility for our individual decisions and actions. We are also advocates for the profession by engaging in activities that enhance its credibility and value.

#### Intent

- To build respect, credibility and strategic importance for the HR profession within our organizations, the business community, and the communities in which we work.

- To assist the organizations we serve in achieving their objectives and goals.
- To inform and educate current and future practitioners, the organizations we serve, and the general public about principles and practices that help the profession.
- To positively influence workplace and recruitment practices.
- To encourage professional decision-making and responsibility.
- To encourage social responsibility.

### **Guidelines**

1. Adhere to the highest standards of ethical and professional behaviour.
2. Measure the effectiveness of HR in contributing to or achieving organizational goals.
3. Comply with the law.
4. Work consistent with the values of the profession.
5. Strive to achieve the highest levels of service, performance and social responsibility.
6. Advocate for the appropriate use and appreciation of human beings as employees.
7. Advocate openly and within the established forums for debate in order to influence decision-making and results.

### **b) Professional Development**

**Core Principle:** As professionals we must strive to meet the highest standards of competence and commit to strengthen our competencies on a continuous basis.

### **Intent**

- To expand our knowledge of human resource management to further our understanding of how our organizations function.

- To advance our understanding of how organizations work (“the business of the business”).

### **Guidelines**

1. Pursue formal academic opportunities.
2. Commit to continuous learning, skills development and application of new knowledge related to both human resource management and the organizations we serve.
3. Contribute to the body of knowledge, the evolution of the profession and the growth of individuals through teaching, research and dissemination of knowledge.
4. Pursue certification such as CCP, CEBS, PHR, SPHR, etc. where available, or comparable measures of competencies and knowledge.

### **c) Ethical Leadership**

**Core Principle:** HR professionals are expected to exhibit individual leadership as a role model for maintaining the highest standards of ethical conduct.

### **Intent**

- To set the standard and be an example for others.
- To earn individual respect and increase our credibility with those we serve.

### **Guidelines**

1. Be ethical; act ethically in every professional interaction.
2. Question pending individual and group actions when necessary to ensure that decisions are ethical and are implemented in an ethical manner.
3. Seek expert guidance if ever in doubt about the ethical propriety of a situation.
4. Through teaching and mentoring, champion the development of others as ethical leaders in the profession and in organizations.

**d) Fairness and Justice**

**Core Principle:** As human resource professionals, we are ethically responsible for promoting and fostering fairness and justice for all employees and their organizations.

**Intent**

- ◆ To create and sustain an environment that encourages all individuals and the organization to reach their fullest potential in a positive and productive manner.

**Guidelines**

1. Respect the uniqueness and intrinsic worth of every individual.
2. Treat people with dignity, respect and compassion to foster a trusting work environment free of harassment, intimidation, and unlawful discrimination.
3. Ensure that everyone has the opportunity to develop their skills and new competencies.
4. Assure an environment of inclusiveness and a commitment to diversity in the organizations we serve.
5. Develop, administer and advocate policies and procedures that foster fair, consistent and equitable treatment for all.
6. Regardless of personal interests, support decisions made by our organizations that are both ethical and legal.
7. Act in a responsible manner and practice sound management in the country(ies) in which the organizations we serve operate.

**e) Conflicts of Interest**

**Core Principle:** As HR professionals, we must maintain a high level of trust with our stakeholders. We must protect the interests of our stakeholders as well as our professional integrity and should not engage in activities that create actual, apparent, or potential conflicts of interest.

### **Intent**

- ◆ To avoid activities that are in conflict or may appear to be in conflict with any of the provisions of this Code of Ethical and Professional Standards in Human Resource Management or with one's responsibilities and duties as a member of the human resource profession and/or as an employee of any organization.

### **Guidelines**

1. Adhere to and advocate the use of published policies on conflicts of interest within your organization.
2. Refrain from using your position for personal, material or financial gain or the appearance of such.
3. Refrain from giving or seeking preferential treatment in the human resources processes.
4. Prioritize your obligations to identify conflicts of interest or the appearance thereof; when conflicts arise, disclose them to relevant stakeholders.

### **f) Use of Information**

**Core Principle:** HR professionals consider and protect the rights of individuals, especially in the acquisition and dissemination of information while ensuring truthful communications and facilitating informed decision-making.

### **Intent**

- ◆ To build trust among all organization constituents by maximizing the open exchange of information, while eliminating anxieties about inappropriate and/or inaccurate acquisition and sharing of information

### **Guidelines**

1. Acquire and disseminate information through ethical and responsible means.
2. Ensure only appropriate information is used in decisions affecting the employment relationship.

3. Investigate the accuracy and source of information before allowing it to be used in employment related decisions.
4. Maintain current and accurate HR information.
5. Safeguard restricted or confidential information.
6. Take appropriate steps to ensure the accuracy and completeness of all communicated information about HR policies and practices.
7. Take appropriate steps to ensure the accuracy and completeness of all communicated information used in HR-related training.

#### **5.4 PERSONNEL MANAGEMENT V/S HRM**

HRM has a long history of growing from a simple welfare and maintenance function to that of a board level activity of the companies. In recent years, the focus on people management from human capital/ intellectual capital perspective is also shaping firmly. However, the hard fact is that this growth can be generally witnessed in management literature and rarely in practice. Peripheral observation of people management in organization can mislead the observers since, hardly there could be any organization that is yet to rename its old fashioned title of industrial relations/personnel/welfare/administration department into HRM department. But, in practice, these organizations continue to handle the people management activities the way they had been handling earlier. The reasons for this could be many and varied. Among them, the potential reason is lack of clear understanding about the differences between personnel/IR and HRM.

**Professor John Storey** highlighted differences in 27 areas of people management in 1992 in his book titled *Developments in the Management of Human Resources*. These differences are illustrated in the Table given below:

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Dimensions	Personnel Management	HRM
<b>Beliefs and assumptions</b>		
1. Contract	Careful delineation of written contracts	Aim contract
2. Rules	Importance of devising clear rules/mutually	'Can-do Impatic
3. Guide to management action	Procedures	Busine
4. Behaviour referent	Norms/custom and practice	Values
5. Managerial task vis-a-vis labour	Monitoring	Nurtur
6. Nature of relations	Pluralist	Individ
7. Conflict	Institutionalized	De-em
<b>9<sup>o</sup> Strategic aspects</b>		
8. Key relations	Labour management	Custom
9. Initiatives	Piecemeal	Integra
10. Corporate plan	Marginal	Central
11. Speed of decision	Slow	Fast
<b>Line management</b>		

Key levers		
17. Selection	Separate, marginal task	Integrated, key task
18. Pay	Job evaluation (fixed grades)	Performance-related
19. Conditions	Separately negotiated	Harmonization
20. Labour-management	Collective bargaining contracts	Towards individual contracts
21. Thrust of relations with stewards	Regularized through facilities and training	Marginalized (with exception of some bargaining for change models)
22. Job categories and grades	Many	Few
23. Communication	Restricted flow	Increased flow
24. Job design	Division of labour	Teamwork
25. Conflict handling	Reach temporary truces	Manage climate and culture
26. Training and development	Controlled access to courses	Learning companies
27. Foci of attention for interventions	Personnel procedures	Wide ranging cultural, structural and personnel strategies

## 5.5 SUMMARY

As an HR professional, we must adhere to ethical practices at work place, which shall be guided by code of ethics of Society for HRM. These codes guide towards professional responsibility, development, leadership, fairness & justice, use of information etc. **Professor John Storey** has highlighted differences in 27 areas of people management pertaining to beliefs and assumptions, strategic aspects, line management and key levers.

## 5.6 GLOSSARY

- **Code of Ethics:** A guide of principles designed to help professionals conduct business honestly and with integrity.

## 5.7 SELF ASSESSMENT QUESTIONS

- Q1. How important are the external environment drivers in terms of their impact on business ethics?
- Q2. How important are the internal practices and programs for ensuring an ethical corporate culture?
- Q3. How important are the practices and programs like transparency, corporate social responsibility, access to organization's ombudsman, access to organization's ethics helpline for an organization's customers?

## 5.8 LESSON END EXERCISE

- Q1. How important are the following reasons to run a business in an ethical manner today?

Rank on 5 point scale: 1 for strongly disagree and 5 for strongly agree.

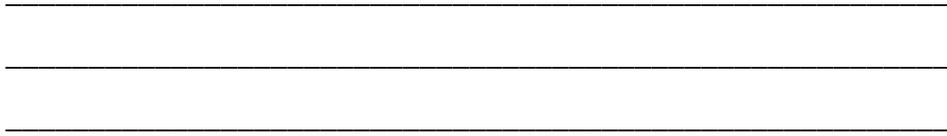
- Protection of brand and reputation
- The right thing to do
- Customer trust and loyalty
- Investor's confidence
- Public acceptance/recognition
- Litigation/indictment avoidance
- Positive impact on financial results
- Employee retention and performance
- Supplier/partner trust
- Potential regulatory interference
- Competitive/marketplace advantage

- Q2. Examine the differences between personnel management and HRM.

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## 5.9 SUGGESTED READINGS

- SHRM Code of Ethics. <http://www.shrm.org/about/Pages/code-of-ethics.aspx>
- Code of Ethics Toolkit: A Guide to Developing Your Organization’s Code of Ethics. <http://www.shrm.org/about/Documents/organization-coe.pdf>
- George Bohlander and Scott Snell: Principles of Human Resource Management
- Garry Dessler: Human Resource Management
- David Goss: Principles of Human Resource Management



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<b>Lesson No. 6</b>	<b>PROCUREMENT, TRAINING</b>	<b>Unit-II</b>
<b>Semester-II</b>	<b>AND APPRAISAL</b>	<b>M.Com-E215</b>

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## **HUMAN RESOURCE PLANNING (HRP)**

### **STRUCTURE**

- 6.1 Introduction**
- 6.2 Objectives**
- 6.3 Concept of Human Resource Planning**
- 6.4 Features of Human Resource Planning**
- 6.5 Process of Human Resource Planning**
- 6.6 Factors affecting Human Resource Planning**
- 6.7 Summary**
- 6.8 Glossary**
- 6.9 Self Assessment Questions**
- 6.10 Lesson End Exercise**
- 6.11 Suggested Readings**

### **6.1 INTRODUCTION**

Organizations need to know how many people and what sort of people they should have to meet present and future business requirements. This is the function of human resource planning, or workforce planning as it is sometimes called, especially in the public sector. The purpose of this chapter is to describe how human resource planning works, bearing in mind that it is not as straightforward as it was presented when the notion of 'manpower planning' became popular in the 1960s and 70s.

As defined by Bulla and Scott (1994), human resource planning is ‘the process for ensuring that the human resource requirements of an organization are identified and plans are made for satisfying those requirements’.

Reilly (2003) defined workforce planning as: ‘A process in which an organization attempts to estimate the demand for labour and evaluate the size, nature and sources of supply which will be required to meet the demand.’

## **6.2 OBJECTIVES**

After going through this lesson, you should be able to discuss

- Concept of HRP
- Features of HRP
- Process of HRP
- Factors affecting HRP

## **6.3 CONCEPT OF HUMAN RESOURCE PLANNING**

Human resource planning is basically a process of identifying the right person for the right job at the right time and at the right cost. Human resource Planning is the first step in the process of recruitment and selection of employees after a job analysis has been completed. From a broad organizational perspective, HR planning intends to achieve better customer satisfaction, quality enhancement and improved employee motivation. From a functional perspective it aims to enhancing the employees motivation and commitment team spirit mutual trust and creativity.

We may define the human resource planning as a process of identifying and then matching the human resource requirements and availability in order to determine the future HR activities of the organization on the basis of overall organizational objective.

### **Definitions:**

“Human Resource Planning is the process of analysing an organizations

human resource requirements under changing conditions and developing activities necessary to satisfy these needs”.

**–James W. Walker**

“Human Resource Planing is the process for ensuring that the human resource requirements of an organizations are identified and Plans are made for satisfying those requirements”.

**–D.N. Balla and P.M. Scott**

“Human Resource Planning is the process for identifying an organization’s current and future human resource requirements, developing and implementing plans to meet these requirements and monitoring their overall effectiveness”.

**–Beardwell, Claydon and Beardwell**

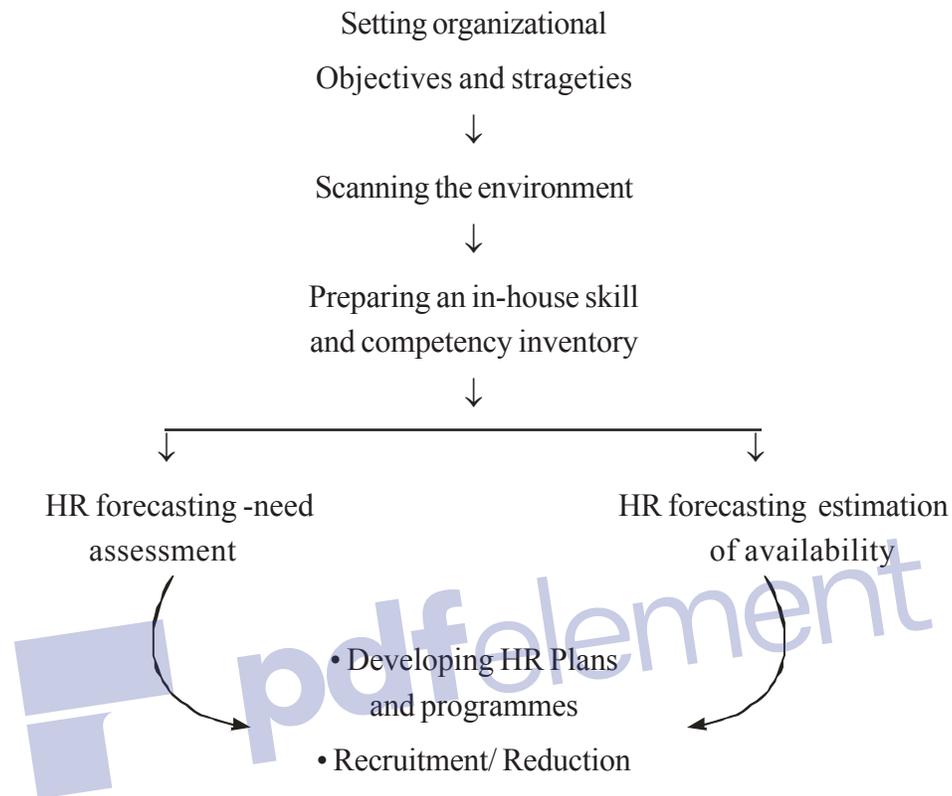
#### **6.4 FEATURES OF HR PLANNING**

The main focus of human resource planning is on choosing the required number and types of personnel for appropriate jobs in a cost-effective way the following are its characteristics.

1. HR planning aims at fulfilling corporate strategies and goals through effective utilization of human resource. As such, it is effectively aligned with the business strategies of the organization.
2. It is not a solitary act; rather, it is a process involving a series of related activities carried out on a continuous basis.
3. It not only meets the short-term HR requirements of an organization but also determines its long-term strategies and future direction from the HR perspective.
4. It is a logical and efficient decision making activity involving systematic analysis of data gathered in a scientific manner. Thus, it is neither a haphazard nor an adhoc activity.
5. It emphasizes both the quantitative (number of personnel) and the qualitative (nature of personnel) dimensions of human resource at every stage.

## 6.5 PROCESS OF HR PLANNING

The steps in a general HR Planning Process are :-



**Fig. 6.1: Process of HRM Planning**

**i) Setting organizational objectives and Strategies:-** The first step in the HR planning process is the consideration of organizational objectives and strategies. The organizational strategy along with the mission and vision statement clearly expresses the future intent of the organization. The examination of the organization strategy would provide a clear indication about the future HR requirements of the firm. Thus, HR plans are guided by the overall organizational objectives and strategies.

**ii) Scanning the Environment :-** Organizations undertake environmental scanning to identify the changes in the external environment. This also helps in analysing the impact of those changes on the organizational present and future

activities Environmental Scanning involves collection of information in the form of statements, actions and responses of people associated with the environment.

**iii) Preparation of In-house skills and competency Inventory :-** In the next phase of HR Planning, the organization must assess the present strength of its Labour force by preparing a skill inventory. A compilation of skills, competencies and qualifications of the entire work force is described as a skill inventory. Its preparation may involve the determination of the sum of the employees, experience, knowledge, education and skills levels. Actually, the quality and size of skill inventory of an organization will influence its business strategy and HR Plans decisively.

**HR forecasting - Need Assessment :** The success of HR Plans depends on the accuracy of the HR forecasts that are needed to implement the organizational strategies. These forecasts involve estimating the future requirements of the organization in terms of the nature and number of people. The information gathered through external environmental scanning and internal skill assessments are used to predict the future HR requirements of the organization.

**HR forecasting-Estimation of Availability :** In HR forecasting of the employee availability, four scenarios are possible :

- i) getting a sufficient number of employees from internal sources.
- ii) combining both sources to get adequate number and
- iii) failing to get the required numbers of suitable employees from these sources.

On the basis of the outcome of the HR forecasting, the organization will determine its future HR activities.

**Developing HR Plans and Programmes :** Once the organization completes the process of forecasting HR requirements and availability, the next step is its comparison. The estimated HR needs are matched with the estimated HR availability to identify the skill shortage or surplus. Comparisons of the HR availability with the requirements help the organization in determining the viability

of the strategic business plans. The outcome of such comparisons would be either the recruitment of more employees or a reduction of the existing workforce.

## 6.6 FACTORS AFFECTING HUMAN RESOURCE PLANNING

The most carefully laid human resource plans can be affected by internal and external change anytime, so forecasting and flexibility are essential for effective planning and adapting as required. In order to do this, HR managers must be aware of what's going on within the company, the industry and the wider market in relation to the factors that influence change. Following factors can affect the HRP:

- **Organizational Factors:**
  - (a) **The type of organization** is an important consideration because it determines the production process involved, number and type of staff needed, and the supervisory and managerial personnel required. Manufacturing organizations are more complex in this respect than those that render services.
  - (b) **Organizational growth Cycles and planning** can have considerable influence on HRP. Need for planning is felt when the organization enters the growth stage. Internal development of people also begins to receive attention in order to keep up with the growth.
  - (c) Yet another major factor affecting personnel planning is the **time horizon**. On one hand, there are short-term plans spanning six months to one year. On the other hand, there are long-term plans which spread over three to twenty years. In general, the greater the uncertainty, the shorter is the plan's time horizon and vice versa.
  - (d) **Type and quality of Information:** The information used to forecast personnel needs originates from a multiple of sources. A major issue in personnel planning is the type of information which should be used in making forecasts. The quality and accuracy of

information depends upon the clarity with which the organisational decision makers have defined their strategy, organisational structure, budgets, production schedules and so forth.

- (e) **Nature of Jobs to be filled:** Personnel planners must consider the nature of jobs being filled in the organization. Job vacancies arise because of separations, promotions and expansion strategies. It is easy to employ shop floor employees but lot of sourcing is necessary for employing managerial personnel.
- **Political Factors:** From a shift in local public opinion to a change in government or even a new industrial world superpower entering the market, politics influence how much funding is available, how much tax must be paid, minimum wage rates, how markets are controlled and the quality and quantity of staff available for hire. When planning ahead, you need to consider likely changes to markets, budgets and availability of suitable applicants as a result of recent or anticipated political influences. For example, if a change of government is possible in the coming year, understand the new administration's priorities in relation to markets, industries and businesses.
  - **Economic Factors:** How much money is available for salaries, training and equipment is the most immediate concern in human resource planning. However, external economics plays an equally critical role. For example, people don't have as much money to spend in an economic downturn and tend to be much more selective in what they buy or services they use. This means some industries, such as those producing luxury items or non-essential services, sell less and may even have to lay off some staff. This, in turn, makes the local economy even more difficult. Building economic factors into the human resources plan helps to predict how many employees you will need and you can pay.
  - **Social Factors:** Several social factors may influence your HR planning, but you need to take into account equalities and diversity in particular. Where there is a clear discrepancy of one social group, it is a good idea

to build in ways of opening up new opportunities. For example, if there are few Hispanic people in your company compared to numbers in the wider community, determine why this is the case and what can be done to redress the balance. Try holding a recruitment event in the area or conducting a survey of locals and if they would consider a job at your company and if not, why not.

- **Technological Factors:** New technology brings new skills requirements, so companies always need to be aware of proficiencies and training needs when planning human resources. New products and services also may require recruiting highly skilled employees or training existing employees to meet the need. Make sure HR managers are aware of new equipment or knowledge be needed so they can build the required skills, and most likely salary enhancements, into the plan.
- **Legal Factors:** Employment law is the most significant sector of the legal system that affects human resource planning, and it changes all the time. In most cases, there is plenty of time to implement changes to policy, as the law can take awhile to take effect. Keep yourself up to date, and have an employment law specialist available to consult if necessary. Employment law changes must be reflected in company policy and implemented on the ground by supervisors and managers, so you may need to incorporate another training need into the human resources plan.
- **Environmental Factors:** Environmental factors might include where your business is located in relation to finding sufficient appropriate staff or changes to the environment that mean a need for more or fewer employees. A simple example of environmental factors affecting human resource planning is the consideration of how your employees get to work safely during extreme weather; your plan may need to include the possibility of telecommuting in order to keep everything going.

## 6.7 SUMMARY

HRP is a process in which an organization attempts to estimate the demand

for labour and evaluate the size, nature and sources of supply which will be required to meet the demand. Human resource planning is an integral part of business planning. It ensures that the organization has the number of people with the right skills needed to meet forecast requirements. HRP involves scenario planning, demand forecasting, supply forecasting, forecasting future requirements and action planning.

## 6.8 GLOSSARY

- **Demand forecasting:** Demand forecasting is the process of estimating the future numbers of people required and the likely skills and competences they will need.
- **Human resources planning:** It is the process for ensuring that the human resource requirements of an organization are identified and plans are made for satisfying those requirements
- **Environmental Scanning:** Organization undertake environmental scanning to identify the changes in the external environment.
- **Hard human resources planning:** The former is based on quantitative analysis to ensure that the right number of the right sort of people is available when needed.
- **Soft human resources planning:** It is focused on creating and shaping the culture of the organization so that there is a clear integration between corporate goals and employee values, beliefs and behaviours.

## 6.9 SELF ASSESSMENT QUESTIONS

- Q1. What do you mean by Human Resource Planning? Elaborate the steps involved in Human Resource Planning
- Q2. “As organisations become more global, HRP becomes more important and complex.” Explain
- Q3. Define HRP. Explain different features of HRP.
- Q4. Discuss the importance of HRP.

## 6.10 LESSON END EXERCISE

Q1 ..... strives to have right number & right kind of people at the right place and at the right time.

- (a) Human Resource Acquisition
- (b) Human Resource Planning
- (c) Human Resource Development
- (d) Human Resource Planning

## 6.11 SUGGESTED READINGS

- P.Reilly: Guide to Workforce Planning in Local Authorities, Employers' Organization for Local Government, London
- Quinn Mills, D (1983) Planning with people in mind, *Harvard Business Review*, November–December,
- Bulla, D N and Scott, P M (1994) Manpower requirements forecasting: a case example, in (eds) D Ward, T P Bechet and R Tripp, *Human Resource Forecasting and Modelling*, The Human Resource Planning Society, New York
- P Suba Rao: Personnel and HRM, Himalaya Publishing House,
- C.B. Memoria & SV Gankar: Personnel Management, Himalaya Publishing House.
- K. Aswathapa: Human Resource and Personnel Management, Tata McGraw Hills

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**Lesson No. 7****Unit-II****Semester-II****M.Com-E215**

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## **JOB ANALYSIS**

### **STRUCTURE**

- 7.1 Introduction**
- 7.2 Objectives**
- 7.3 Concept of Job Analysis**
- 7.4 Process of Job Analysis**
- 7.5 Job Description**
- 7.6 Job Specification**
- 7.7 Summary**
- 7.8 Glossary**
- 7.9 Self Assessment Questions**
- 7.10 Lesson End Exercise**
- 7.11 Suggested Readings**

### **7.1 INTRODUCTION**

Human capital management in organizations virtually always requires an in-depth understanding of the work that people do in that organization. The process by which this understanding is developed is job *analysis*.

### **7.2 OBJECTIVES**

This lesson will provide the readers a clear understanding of job analysis

and its application in the organisation. Further different methods applied for job analysis will also be elaborated and the outcomes of job analysis i.e., job description and job specification will also be discussed.

### 7.3 CONCEPT OF JOB ANALYSIS

**Job analysis** is primary tool in personnel management. In this method, a personnel manager tries to gather, synthesize and implement the information available regarding the workforce in the concern. A personnel manager has to undertake job analysis so as to put right man on right job.

In a more comprehensive and detailed definition, Harvey (1991) defined job analysis as **“the collection of data on (a) ‘job-oriented’ behaviour, such as job tasks and work procedures; (b) more abstract ‘worker-oriented’ behaviour, such as decision making, supervision, and information processing; (c) behaviours involved in interactions with machines, materials, and tools; (d) methods of evaluating performance, such as productivity and error rates; (e) job context, such as working conditions and type of compensation systems; and (f) personnel requirements, such as skills, physical ability, and personality traits.”** This definition of job analysis focuses on the systematic collection of data on the observable job behaviours of employees and what is accomplished by these behaviours and what technologies are required to do so. A second aspect focuses on the work environment in which the employees function. While not every job analysis involves all of these components, Harvey’s definition does articulate the parameters of job analysis. Job analysis has further been codified by the *Uniform Guidelines on Employee Selection Procedures* (1978), designed by the U.S. Government to assist employers and others to comply with Federal law prohibiting discriminatory employment practices on the grounds of race, colour, religion, sex, or national origin. The *Guidelines* specify, “Job analysis includes an analysis of the important work behaviour(s) required for successful performance and their relative importance and, if the behaviour results in work product(s), an analysis of the work product(s). Any job analysis should focus on the work behaviour(s) and the tasks associated with them. If work behaviour(s) are not observable, the job

analysis should identify and analyze those aspects of the behaviour(s) that can be observed and the work products”

Job analysis is a detailed and systematic study of jobs to know the nature and characteristics of the people to be employed on various jobs. It involves collection of necessary facts regarding jobs and their analysis. Some of the definitions of job analysis are given here under to understand the meaning of the term more clearly.

According to Michael J. Jucuis, “job analysis refers to the process of studying the operations, duties and organizational aspects of jobs in order to derive specifications or as they are called by some job descriptions.

According to Edwin B. Flippo, “Job analysis is the process of studying and collecting informations relating to the operations and responsibilities of specific job.”

According to John A. Shbins, “Job analysis is the methodical compilation & study of work data in order to define and characterise each occupation in such a manner as to distinguish it from all others”.

According to S.P. Robbins & D.A. De Cenzo, “Job analysis is the systematic exploration of activities”.

The study of there definitions reveals that Job analysis is a process by which job, duties and responsibilities are defined and the information of various factors relating to jobs are collected and compiled to determine the work conditions, nature of work, qualities of persons to be employed on job, position of the job, opportunities available and authorities and privileges to be given on the job etc.

The main purpose of job analysis is thus to collect the data and then to analyze the data relating to a job. A job can be analyzed only after it has been designed and someone is already performing it. Job analysis is thus performed upon ongoing jobs. As jobs are subject to change a job analysis may become obsolete within a short period of time. The data relating to the job may be classified as under:

- i) Job identification
- ii) Nature of the job
- iii) operations involved in doing the job
- iv) Materials and equipment required to do the job.
- v) Personnel qualities required to do the job.
- vi) Relation of the job with other jobs in the organisation.

A careful examination of the data collected and classified suggests that some data relates to the job and some concerns the individuals doing the job. The requirements of the job are called job description the qualities required from the job holder are termed as job-specification. Thus, job description and job specification are two products of job analysis.

### **Applications of Job Analysis**

A variety of important reasons support conducting job analysis in the workplace. These include recruitment, candidate selection, employee training and development, performance management, and litigation protection. Each of these will be briefly reviewed.

- **Recruitment:** The first external application of job analysis is in recruitment, when the job description becomes the basis for recruiting applicants. In beginning to fill a vacant job, the recruiter needs to know the job responsibilities as well as the skills and other characteristics required of candidates. Not only is it necessary for the recruiter to know these things, but candidates need to know the kind of job for which they are applying. The need for a job description should be obvious to all.
- **Candidate Selection:** In our experience, candidate selection accounts for most job analysis. Employers need to know in some detail the work activities involved in each job vacancy and, most importantly, the knowledge, skills, and abilities—the competencies—required to fill that job successfully. While most employers maintain files of job descriptions,

there is widespread understanding that many, if not most, of these job descriptions are dated and need to be redone, especially for jobs deemed to be critically important.

- **Employee Training and Development:** Once a current job analysis becomes available, the competency of current employees in that job becomes apparent. Employees without a high level of the identified necessary competencies will be less productive than they otherwise should be. For example, if a new applicant tracking system is introduced in the HR function, someone has to be hired to manage that system. But, implicit in that decision, is the question of the competency of the existing HR staff to use that new system. Without knowing the answer to that question, the positive impact of the introduction of this new system will be less than intended. Thus, the job analysis used for the new hire should lead to an analysis of the competencies of the existing staff, and a training and development program should be instituted to produce the necessary competencies.

The job analysis can impact on the individual training and development level as well. It is rare that even those candidates who are the best fit developed through the job analysis are a *perfect fit*. The selection process should have identified both the candidate's strengths—those that led to the selection—and weaknesses—those that need to be addressed by some training and development process. This might be part of a supervisory or mentoring process or by some actual training, either on the job or somewhere else.

- **Performance Management:** Another important use of job analysis is in performance management. Job analysis play an important role in developing or modifying compensation systems and in performance appraisal. Determining the various levels of performance on a given job is an essential aspect of every job analysis. The knowledge of what constitutes an outstanding level of performance, an average level, and a borderline level is a critical aspect of performance management and

should be the basis for setting pay and bonuses, the need for training and development, and for virtually all other aspects of the HR function.

Job analyses have been used not only to set pay levels but also to help determine whether different jobs require different requirements or effort, or involve different working conditions. In either case, such differences merit different pay scales. Jobs that involve equivalent factors, however, should lead to equal pay.

- **Litigation Protection:** Still another use of job analyses is to reduce an organization's exposure to litigation based on allegations of discriminatory hiring practices. In order to ensure that all individuals are treated fairly in the workplace, including in hiring, pay, training, and other conditions of employment, we need to base all of our decisions on job-related qualifications. The only way to be able to do this is through the use of job analyses. For example, if we wish to hire a plumber, we need to ascertain that applicants can run pipe and have a license to do so, requirements based on the job analysis. Simply stated, if we are to hire people based on the qualifications to perform a job, we first must determine what those requirements for doing that job are—and conducting a job analysis is the only legal way to do this.

### Elements of a Job Analysis

Traditional job analysis has four typical components:

- ◆ A description of the work activity (WA) or tasks involved in doing the job;
- ◆ The knowledge, skills, and abilities (SKA) or competencies necessary to perform the job;
- ◆ Data on the range of job performance; and
- ◆ The characteristics of the workplace.

The data contained in these four components provide the basis for drafting the job description, which should provide an integrated narrative picture of the job and what is required to fill that job successfully.

- ◆ **Work Activity (WA):** The process of a job analysis typically begins with a description of the major job functions, the activities in which a job incumbent regularly engages—the reasons why the job exists. One inherent problem in describing work activities is the level at which the activity is described. At the most basic level is the job *elements*. A more useful approach is that of *Functional Job Analysis* (Fine, 1989, Fine & Cronshaw, 1999), which specifies (1) an action verb, which describes the action performed in observable terms; (2) the outcomes or results of that action; (3) the tools or other equipment used; and (4) the amount of discretion allowed the worker in that action.

There two aspects to the WA process: one is the importance of the action to the success of performing the job and the other is the frequency with which that action is performed. Obviously, important and frequent actions constitute the bulk of the WA. But important but infrequent actions often need to be included. For example, while most police officers never draw and fire their handguns in the course of their careers, when such action is required it is critical to the success of that job. Thus, descriptions of WA should identify both the importance and frequency of actions, especially when highly important WA occurs infrequently.

- ◆ **Knowledge, Skills, and Ability (KSA):** The second question that every job analysis must address concerns the knowledge, skills, and abilities (KSA) or competencies necessary to perform these WA. *Knowledge* is defined as an organized body of information, usually of a factual or procedural nature, that, when applied, makes the successful performance of a job action possible. Knowledge is usually not demonstrated in the action itself but rather by prior education, training, or testing. In observing the action, the knowledge base is assumed and inferred rather than directly observed.

*Skill*, the second necessary component for the successful execution of the job action, is defined as the proficiency in the manual, verbal, or mental manipulation of people, ideas, or things. A skill is always directly

observable and a certain level of skill is typically set as a standard or baseline for the successful performance of the action.

*Ability* is defined as the present capacity to execute a job action, to perform a job function by applying an underlying knowledge base and the necessary skills simultaneously. Knowledge, like ability, is not observable directly but rather is an inferred, higher-order construct, such as problem solving, spatial ability, intelligence, and so on. For lower-level jobs, it is relatively easy to describe the KSA required in terms of just K and S. Abilities are typically invoked in describing higher-level technical, professional, and managerial jobs as the WAs become more conceptual, abstract, and complex.

- ◆ **Levels of Job Performance:** After developing clarity of the WA involved in a job and the necessary competencies, a job analysis must identify the necessary range of adequate job performance. Most job analyses focus on identifying what constitutes a high level of job performance in order to identify the competencies that separate stars from the rest of the pack. When we are trying to understand these factors to meet promotion or training and development requirements, this is an appropriate approach; but what if we intend to use the job analysis for candidate selection?

Here, a very different dynamic is in play. When we examine the job performance of incumbents, we typically learn what an experienced job holder can accomplish. But few, if any, new hires are likely to be as productive or as competent as the typical incumbent. Thus, in establishing the job performance requirements, we must set more modest initial levels for new hires, a process that requires a fair degree of judgment. One additional point, in selecting supervisors and managers from an existing workforce, it is often the case that a top performer is chosen without recognizing that supervisory and managerial tasks require different skills than performing the tasks being supervised do, so such selections often do not work out satisfactorily. From this

discussion it should be clear that job performance levels need to be set as a function of the use to which they are to be put, and that there is no substitute for common sense in setting those limits.

- ◆ **Workplace Characteristics:** Workplaces vary enormously in their norms, climate, and culture, in the level of discomfort that workers can experience, the inherent risks posed by working there, and other noteworthy factors. A competent and thorough job analysis identifies the important workplace characteristics. Many approaches to job analyses pay scant attention to describing the workplace setting unless it varies significantly from the typical factory, office, or warehouse. We, on the other hand, strongly believe that an in-depth understanding of the characteristics of the workplace should be an integral part of a competent job analysis.

Once the four elements of the job analysis—the work activities (WA), the job competencies (previously KSAs), the range of job performance, and the workplace characteristics—have been identified, they can be combined in a thematic fashion into a job description.

### **Methods of Job Analysis**

Generally speaking, it is possible to collect data on the first three components of the job analysis simultaneously, while data on the characteristics of the work setting requires a separate, independent assessment. Those doing job analyses should always remember the purpose for which the information is to be used, as this purpose provides the context for both collecting the data and for writing the job description. This is especially true, for example, when collecting job performance data to be used for selection of job applicants. These levels obviously would be different for entry-level or trainee positions than it would be for selecting experienced, high-level operators. There are five different methods of collecting job analysis data. They are (1) self-reports; (2) direct observations; (3) interviews; (4) document reviews; and (5) questionnaires and surveys. Each of these is discussed

in some detail below. It should be noted that any of these methods can be used either by internal HR staff members or by external consultants with expertise in conducting job analyses who have been engaged for this specific purpose.

- **Self-Reports:** The most obvious and readily available sources of information about a job are the incumbents currently holding that job. All too often, however, incumbent reports are the only source used to analyze a job, because this approach is subject to attempts to inflate the importance of one's job and a variety of other contaminating influences. This is especially the case when incumbents are asked to prepare in writing their own job description with few guidelines and little supervision. One variation on the self-report approach is to have the job analyst, typically an HR specialist, attempt to fill the job for a brief period and report on his or her experience in filling the job. Obviously, this approach is only appropriate for rather simple jobs that do not require a set of specific skills or much training, and there is always a question of how useful these self-reports are in understanding the job.
- **Direct Observations:** Many jobs can be studied by observing an incumbent actually performing the job. In order to reduce the "audience effect" of having an intrusive observer involved, a video camera can be used to record an incumbent doing the job. Using a camera over a period of time both eliminates the observer effect and provides an opportunity to observe the job over a longer period of time and to take time samples of job behaviour from the recording as the database. Direct observation, however, is most useful with jobs that involve obvious physical activity, activities that are the core of the job. For jobs that are primarily cognitive in nature, direct observation provides little useful data. Observing a market analyst or a theoretical physicist at work would provide us with little information about the nature of their work. Further, neither self-reports nor direct observations provide much information about the requirements necessary to perform these jobs nor about the level of job performance.

- **Interviews:** The limitations of self-report and direct observation have led to the use of interviews as the most widely used approach to job analysis. These interviews must be conducted by a skilled, trained interviewer who has both some understanding of the job being analyzed and the nature of work in general, as these provide the necessary background for asking questions and probing answers for more detailed and complete answers from those being interviewed.
  - a) **Individual Interviews:** There are several sources of information about a job, all of whom can be interviewed, either singly or in small groups. These include current incumbents of the job, supervisors of the job, and others who are often referred to as *subject-matter experts* (SMEs). SMEs are those individuals, other than incumbents, who have knowledge about the job being analyzed, such as former incumbents, managers with oversight of the job, academic specialists, and anyone in the organization who has any specialized knowledge of the job in question.
  - b) **Group Interviews:** These follow-up interviews, usually using the focus group method, are best conducted in a group setting with a mixed group of five or six individuals, incumbents, supervisors, and SMEs. It is imperative that at least two of the group be incumbents—individuals who know the job best—and more than one to ensure surfacing differing points of view. In conducting a focus group, the facilitator should *not* attempt to push for unanimity of viewpoints, but rather should understand that jobs, even what appear to be simple jobs, are seen and performed differently and that these differences need to be woven into the final job description. In conducting these groups, the HR professional should initiate the process with a description of its purpose, together with some discussion about how the results will be used when the process is complete. Next, the group should be prompted to begin discussion of the job or job family to define

the tasks involved—the content of the job. It is good practice to have either a flip chart on which this data can be recorded, with the HR professional continuing to probe until the content and structure of the job are adequately addressed. In developing an understanding of the work involved, the interviewer can ask incumbents to describe a typical day, what needs to be done on a regular basis, and what the occasional exceptional requirements are. An alternative approach is to focus attention on either the work flow or organization of individual workers and how their tasks overlap and flow to produce work products. These approaches typically are sufficient to produce a description of the content of the job. Having developed an in-depth understanding of the various tasks involved in the job, the next step is to identify the necessary requirements to perform the work and then to describe the various levels of job performance. To identify the requirements, the interviewer should ask about what people doing this job need to know and when they need to know it; for example, what tools or equipment are ordinarily used on this job and how skilful does the worker need to be in using them. Further, the interview needs to facilitate the group to identify the requirements for success on this job. Similarly, the group needs to establish in fairly concrete terms the various levels of job performance that can be expected in this job. How many widgets should an expert be able to produce in a typical day, and how many should a relative newcomer to the job be expected to produce.

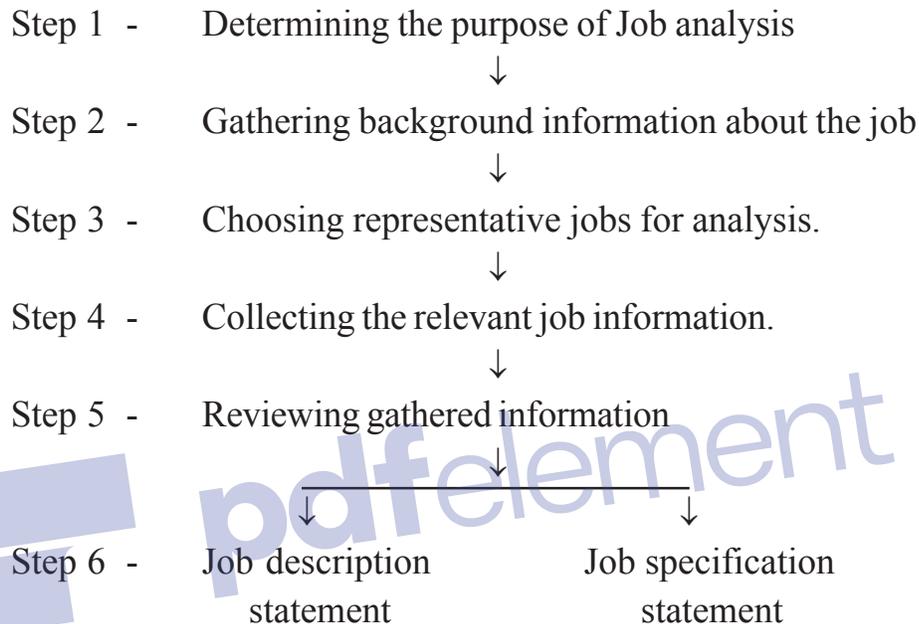
One useful technique to use in the group interview is the *critical incident technique* (Flanagan, 1954) in which the group is asked to describe critical incidents that have occurred on this job that have involved either highly effective or highly ineffective performance. This process has three parts: (1) describe the circumstances in which the job behaviour occurred; (2) describe in detail the job behaviour itself; and (3) identify the positive

or negative consequences of that behaviour. These reports of critical incidents often highlight instances of poor judgment, of safety hazards, and of outstanding performance, as well as the role of a variety of personal characteristics on job performance. Inquiring about critical incidents is especially useful when the job seems routine and many of the elements of the job seem obscure to others.

- **Document Reviews:** The archives of most organizations contain a variety of documents that are useful in conducting job analyses. These include analyses of output, performance appraisals, reports by both internal auditors and external consultants about workplace issues, and prior job descriptions. Customer complaint records are another highly useful source about employee job behaviours that are of particular importance to customers. Internal memoranda about unusual events, difficulties encountered by workers on a job, or problems in recruiting applicants for a particular job, among many such issues, can provide worthwhile insights into a job. Reports of accidents and medical records are useful in identifying health and safety issues in jobs. Time and attendance records are important sources of information about the importance that workers place on doing that job.
- **Questionnaires and Surveys:** Using a job analysis questionnaire can substantially reduce the burden on incumbents and SMEs for developing the information needed for a job analysis. Instead of starting from scratch, those involved in providing information about the job answer a series of questions about the job. The job analyst typically asks the respondents individually to rate the importance of a variety of tasks in the job under scrutiny. The next step is to pick out from a list the requirements necessary to perform, and, finally, to identify the range of job performance using a rating scale. Not only does such a procedure simplify the task for those involved in providing job information, but it also simplifies the job analyst's task of collating and synthesizing the information about the job, easing

the task of drafting the job description. Basically, there are two different approaches to using a job analysis questionnaire. The HR specialist can produce a custom designed questionnaire especially for this job or he or she can use a commercially available questionnaire.

#### 7.4 PROCESS OF JOB ANALYSIS



**1. Determining the purpose of Job Analysis :-** The first step in the Job analysis process is the determination of the end use of the Job analysis. Job analysis is has relevance for almost all HR activities of an organization However, an organization may conduct a Job analysis is for specific purpose like hiring the employees or determining their remuneration. Depending upon the purpose of the analysis the organization may focus specifically on certain aspects of the Job that are considered important.

**2. Gathering Background information about the Job:** It is essential for an organization to review the background information about the job to know its relative importance in the organization while doing so the job analysis should focus on identifying information relating to all the important elements of the job.

**3. Choosing Representative Jobs for Analysis:-** Often, organization choose only a few jobs for analysis all of them. This is done because many jobs are similar in nature and have similar characteristics. Besides, organization may find it time- consuming and costly to analyse all their jobs. As a result, it becomes essential for an organization to identify the representative jobs from a group of identical jobs.

**4. Collecting Relevant Job Information :** In this step, information pertaining to various aspects of the job is collected specifically the information about the duties, level of responsibility, authority, accountability content and content of the job, desired employee behaviour critical knowledge, knowledge skills and abilities (KSA) and training requirements are gathered'. These pieces of information can be gathered by contacting the present and previous employees of the job, the supervisors and the managers.

**5. Reviewing the information gathered :** At this stage, the collected data is carefully analysed and then a job analysis report is prepared for the job being reviewed Generally, the specific job holders and their immediate supervisors are included in such an analysis process. The opinion of the employee performing the job is ascertained to verify the correctness and completeness of the Job analysis report. In case the employee or supervisor points out incompleteness or discrepancies in the report supplementary information could be collected.

**6. Developing a job description and job specification :** This is the final stage in the process of Job analysis. The two essential document of the firm, namely the job description and job specification are prepared on the basis of the job analysis report. A job description is a written statement containing information about the duties, responsibilities, accountabilities, working conditions and risks associated with the job, Briefly it is a summary of the various features of a job.

A job specification is a statement that provides information from the job holder's perspective. It usually contains information about the eligibility conditions required for a job holder in terms of educational qualifications, experience, knowledge, sketls, personal qualities, aptitude and the background required for getting the job done.

# Job Analysis

Date \_\_\_\_\_  
Prepared By \_\_\_\_\_

Title \_\_\_\_\_  
Department \_\_\_\_\_

Job Title:	Reports to:
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## Education/Experience Required


## Goals/Objectives of Position


## Knowledge/Skills Required


## Physical Requirements


## Special Problems/Hazards


## 7.5 JOB DESCRIPTION

According to cycle **E. Witt**, “Job description is a document that specifies the tasks, duties and responsibilities of the job and should certainly be relevant and accurate”.

Job Description is an organized factual statement of job contents in the form of duties and responsibilities of a specific job. The preparation of job description is very important before a vacancy is advertised. Job description includes basic job-related data that is useful to advertise a specific job and attract a pool of talent. It tells in brief the nature and type of job. This type of document is descriptive in nature and it constitutes all those facts which are related to a job. It is the enumeration and description of each operation in a job and responsibilities involved in performing are also outlined. It lists out required materials, tools, equipment and machinery for each job. The purpose of Job description is to identify a job. It is served by providing an identifiable descriptive title to each job. Job description implies recording of the following data concerning each job being analysed.

- Title/ Designation of job and location in the concern.
- Principal duties to be performed and responsibilities involved are outlined
- Operations involved in each job are listed in proper sequence.
- Requisite materials, equipment, machinery and tools etc. are listed.
- Conditions of work, i.e. surroundings, the time of work etc. are stated.
- Relations of various related jobs are indicated.
- Mental and physical abilities for performing each operation are listed.
- The kind of training and the length of experience required are also indicated.
- Wages payable along with other fringe benefits are stated.
- The nature of authority- responsibility relationships.
- Necessary qualifications required for job.

- Relationship of that job with other jobs in a concern.
- Hazards

#### **Advantages of Job Description:**

- It helps supervisors in assigning work to the subordinates so that he can guide and monitor their performances. It helps in recruitment and selection procedures.
- It assists in manpower planning.
- It helps the supervisors It is also helpful in performance appraisal.
- It is helpful in job evaluation in order to decide about rate of remuneration for a specific job.
- It also helps in chalking out training and development programmes.

### **7.6 JOB SPECIFICATION**

According to **R.Harvey and M. Wilson**, “Job specification is the process of inferring the human trait requirements presumed to be necessary for successful job performance”.

Job Specification/employee specifications is a statement, which tells us minimum acceptable human qualities, which helps to perform a job. Job specification translates the job description into human qualifications so that a job can be performed in a better manner. Job Specification gives detailed information about any job including job responsibilities, desired technical and physical skills, conversational ability and much more. Job specification helps in hiring an appropriate person for an appropriate position. Job Specification is prepared on the basis of Job Description. The contents are:

1. Job title and designation
2. Educational qualifications for that title
3. Physical and other related attributes
4. Physique and mental health
5. Special attributes and abilities

6. Maturity and dependability
7. Relationship of that job with other jobs in a concern.

### **Advantages of Job Specification**

- It is helpful in preliminary screening in the selection procedure.
- It helps in giving due justification to each job.
- It also helps in designing training and development programmes.
- It helps the supervisors for counselling and monitoring performance of employees.
- It helps recruiting team of an organization understand what level of qualifications, qualities and set of characteristics should be present in a candidate to make him or her eligible for the job opening.
- Job specification helps candidates analyze whether they are eligible to apply for a particular job vacancy or not.
- It helps in job evaluation.
- It helps the management to take decisions regarding promotion, transfers and giving extra benefits to the employees.

**Table 7.2: EXAMPLES OF JOB SPECIFICATION**  
**JOB SPECIFICATION OF ASSISTANT LIBRARIAN**

**Job Title** ♦ Assistant Librarian

**Qualification** ♦ Master Degree in Library & Information Science with at least 55% marks

**Experience** ♦ Minimum 2 years experience in reputed Library in education field

**Special attributes:**

- ♦ Well versed in computerized environment like MS Word, Acrobat Writer, familiar with Lotus Notes
- ♦ Good interpersonal skills and communicational skills
- ♦ **Physical attributes:**
- ♦ Should have good physique with minimum height 165 cms and weight 65 kgs.
- ♦ **Job Profiles:**
- ♦ Looks after overall functioning of the library
- ♦ Establishes and plans information services.
- ♦ Establishes and plans user education programme.
- ♦ Develops and administers policies pertaining to services and staff
- ♦ Monitors and develops on-going services.
- ♦ Looks after circulation services
- ♦ Manage PHL Libraries
- ♦ Circulate Library updates
- ♦ Provide reference to staff
- ♦ Assists Librarian in the location of materials and for compilation of Bibliographies
- ♦ Maintenance of issue records, charging and discharging books

- ◆ Accessioning of books, registration of Periodicals
- ◆ Inter-Library Loan work
- ◆ Shelving of books and periodicals

**Reporting to** ◆ Librarian

## 7.7 SUMMARY

Job analysis is primary tool in personnel management. In this method, a personnel manager tries to gather, synthesize and implement the information available regarding the workforce in the concern. A personnel manager has to undertake job analysis so as to put right man on right job. There are five different methods of collecting job analysis data. They are (1) self-reports; (2) direct observations; (3) interviews; (4) document reviews: and (5) questionnaires and surveys.

Job description and job specification are two integral parts of job analysis. They define a job fully and guide both employer and employee on how to go about the whole process of recruitment and selection. Both data sets are extremely relevant for creating a right fit between job and talent, evaluate performance and analyze training needs and measuring the worth of a particular.

## 7.8 GLOSSARY

- **Job Analysis:** The systematic process of gathering and examining and interpreting data regarding the specific tasks comprising a job.
- **Job Description:** A written description of a job which includes information regarding the general nature of the work to be performed, specific responsibilities and duties, and the employee characteristics required to perform the job.
- **Job Specification:** It is a statement of minimum acceptable human qualities, which helps to perform a job.
- **Job Title:** specific name given to a particular job which is used to distinguish that job from other jobs within the organization.

- **Organization chart:** A graphic representation outlining how authority and responsibility are distributed within an organization.

## 7.9 SELF ASSESSMENT QUESTIONS

- Q1. What do you understand by job analysis? What are its elements?
- Q2. What are the by-products of job analysis? Explain.
- Q3. Distinguish between job description and job specification.

## 7.10 LESSON END EXERCISE

- Q1. .... is the process of describing & recording aspects of jobs & specifying the skills & other requirements necessary to perform the job.
- (a) Job Specification
  - (b) Job Description
  - (c) Job Analysis
  - (d) Job Evaluation
- Q2. Identify from the following different methods of collecting job analysis data:
- (a) Self-reports
  - (b) Direct observations
  - (c) Interviews
  - (d) Document reviews
  - (e) Questionnaires and surveys
  - (f) All

## 7.11 SUGGESTED READINGS

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**Lesson No. 8****Unit-II****Semester-II****M.Com-E215**

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## **RECRUITMENT AND SELECTION**

### **STRUCTURE**

- 8.1 Introduction**
- 8.2 Objectives**
- 8.3 Concept of Recruitment**
- 8.4 Process of Recruitment**
- 8.5 Sources of Recruitment**
  - 8.5.1 The internal sources of recruitment**
  - 8.5.2 The external sources of recruitment**
- 8.6 Difference between Recruitment and Selection**
- 8.7 Concept of Selection**
- 8.8 Selection Process and Selection Test**
- 8.9 Summary**
- 8.10 Glossary**
- 8.11 Self Assessment Questions**
- 8.12 Lesson End Exercise**
- 8.13 Suggested Readings**

### **8.1 INTRODUCTION**

In this lesson we will examine the important role of recruitment and selection within the process of leading, managing and developing people.

Recruitment and selection is pivotal in this regard in certain important respects. At the most basic level our focus in this book is on people management within the employment relationship. Those charged with recruiting people to posts in work organisations take a crucial ‘gatekeeper’ role; only those people selected for employment can be led, managed and developed. So in the most fundamental sense the decision to employ (or not) underpins the whole area of managing people. Issues associated with exclusion from the workplace also highlight the need for professionalism, fairness and ethical behaviour on the part of those engaged in this activity.

## 8.2 OBJECTIVES

After reading this lesson, you should be able comprehend the potential importance of recruitment and selection in successful people management and leadership; identify aspects of recruitment and selection which are needed to avoid critical failure factors; understand recruitment and selection policies and procedures, which are said to be associated with high performance, commitment and successful organisational outcomes and appreciate the links between recruitment and selection and other activities.

## 8.3 CONCEPT OF RECRUITMENT

According to Edwin B. Flippo, **“Recruitment is the process of searching the candidates for employment and stimulating them to apply for jobs in the organisation”**. Recruitment is the activity that links the employers and the job seekers. Recruitment of candidates is the function preceding the selection, which helps create a pool of prospective employees for the organisation so that the management can select the right candidate for the right job from this pool. The main objective of the recruitment process is to expedite the selection process. Few definitions of recruitment are as under:

**“It is a process of finding and attracting capable applicants for employment. The process begins when new recruits are sought and ends when their applications are submitted. The result is a pool of applications from which new employees are selected.”**

**“It is the process to discover sources of manpower to meet the requirement of staffing schedule and to employ effective measures for attracting that manpower in adequate numbers to facilitate effective selection of an efficient working force.”**

Recruitment is actually a two way traffic. It is a linking function, joining together those with jobs to fill and those seeking jobs. The best results in recruitment would come only when there is a ‘fit’ between organisational recruitment effort and a candidate’s job search efforts.

Recruitment is really demanding a job and requires serious attention from top management. Simply spending millions on recruitment through newspaper ads and hiring employment agencies - is not enough. The company should get talent at any cost to stay ahead of competition.

According to Michael Armstrong, “Recruitment means attracting candidates, which is primarily a matter of identifying, evaluating and using the most appropriate source of applicant”.

In setting out a similar distinction in which recruitment activities provide a pool of people eligible for selection, Foot and Hook (2005, p 63) suggest that:

### **8.3.1 Reasons for Recruitment**

- Business expansion due to increasing sales of existing products, developing new products and entering new markets
- Existing employees leave: –
  - To work with competitors or other local employers
  - Due to factors such as retirement, sick leave, maternity leave
- Business needs employees with new skills
- Business is relocating – and not all of existing workforce wants to move to new location

## 8.4 PROCESS OF RECRUITMENT

Steps in the Recruitment process:



1. **Human Resources Planning:** The first step in the process of recruitment is the framing of human resources plans in tune with the organizational objectives. Human resources plans clearly estimate the level and kinds of human resources required to ensure the accomplishment of the strategic plans of the organization. Human Resource Planning involves the estimation of how many qualified persons are necessary to carry out the assigned activities (Personnel demand), how many people will be available (internal supply), and what must be done to ensure that the Personnel Supply equals the personnel demand at an appropriate point in the future (the recociliation process). Thus, the first step is the estimation of the future HR requirements of the organisation and a decision to meet the personnel demand with an adequate supply through recruitment.
2. **Determination of the Strategy:-** The second step in the process of recruitment is the determination of strategy for choosing the candidates. It may include, among others, the development of different sources of recruitment, the preferences to be followed, the recruitment method to be used and the series of activities to be undertaken.
3. **Evaluation of the Sources of Recruitment :-** Once the strategy is

finalized the next step is the evaluation of each source of recruitment. There are two important sources of recruitment in every firm, namely internal and external. Internal sources include, among others, the existing employees, the former employees and employee referrals, while the external sources refers to all sources other than internal ones.

4. **Implementation of Recruitment Methods and strategies:** Having evaluated the various source of recruitment, the next stage is the finalization of the sources and the actual implementation of strategies. Regardless of whether the organization decides to recruit from internal or external sources, the recruitment method and strategy must be implemented in accordance with all relevant laws and regulation.
5. **Feedback and control :** As recruitment is a continuous process, it is essential to evaluate it to enhance its effectiveness. The quality of the applicant pool is an indicator of the efficacy of the recruitment process. If the process discourages the potentially qualified individuals from applying, limits the size of the applicant pool or results in inferior applicants becoming the employees of the organizations there is a need for a change in the recruitment process.

## 8.5 SOURCES OF RECRUITMENT

### 8.5.1 The internal sources of recruitment are:-

- **Promotions:** Promotion means to give a higher position, status, salary and responsibility to the employee. So, the vacancy can be filled by promoting a suitable candidate from the same organisation.
- **Transfers:** Transfer means a change in the place of employment without any change in the position, status, salary and responsibility of the employee. So, the vacancy can be filled by transferring a suitable candidate from the same organisation.
- **Internal Advertisements:** Here, the vacancy is advertised within the organisation. The existing employees are asked to apply for the vacancy. So, recruitment is done from within the organisation.

- **Retired Managers:** Sometimes, retired managers may be recalled for a short period. This is done when the organisation cannot find a suitable candidate.
- **Recall from Long Leave:** The organisation may recall a manager who has gone on a long leave. This is done when the organisation faces a problem which can only be solved by that particular manager. After he solves the problem, his leave is extended.
- **Dependents of Deceased, Disabled, Retired and Present Employees:** Some organizations function with a view to developing the commitment and loyalty of not only the employee but also his family members.

#### **Merits of Internal Sources**

- It is time saving, economical, simple and reliable.
- There is no need of induction training because the candidate already knows everything about the organisation, the work, the employee, the rules and regulations, etc.
- It motivates the employees of work hard in order to get higher jobs in the same organisation.
- It increases the morale of the employees and it improves the relations in the organisation.
- It reduce executive turnover.
- It develops loyalty and a sense of responsibility.

#### **Demerits of Internal Sources**

- It prevents new blood from entering the organisation. New blood brings innovative ideas, fresh thinking and dynamism into the organisation.
- It has limited scope because it is not possible to fill up all types of vacancies from within the organisation.
- The position of the person who is promoted or transferred will be vacant.

- There may be bias or partiality in promoting or transferring persons from within the organisation.
- Those who are not promoted will be unhappy.
- The right person may be promoted or transferred only if proper confidential reports of all employees are maintained. This involves a lot of time, money and energy.

### 8.5.2 The external sources of recruitment are:-

- **Employment at Factory Level:** This a source of external recruitment in which the applications for vacancies are presented on bulletin boards outside the Factory or at the Gate. This kind of recruitment is applicable generally where factory workers are to be appointed.
- **Management Consultants:** Management consultants are used for selecting higher-level staff. They act as a representative of the employer. They make all the necessary arrangements for recruitment and selection. In return for their services, they take a service charge or commission.
- **Public Advertisements:** The Personnel department of a company advertises the vacancy in newspapers, the internet, etc. This advertisement gives information about the company, the job and the required qualities of the candidate. It invites applications from suitable candidates. This source is the most popular source of recruitment. This is because it gives a very wide choice. However, it is very costly and time consuming.
- **Campus Recruitment:** The organisation conducts interviews in the campuses of Management institutes and Engineering Colleges. Final year students, who're soon to graduate, are interviewed. Suitable candidates are selected by the organisation based on their academic record, communication skills, intelligence, etc. This source is used for recruiting qualified, trained but inexperienced candidates.
- **Recommendations/ Referrals:** There are certain people who have experience in a particular area. They enjoy goodwill and a stand in the

company. There are certain vacancies which are filled by recommendations of such people such as existing managers or from sister companies.

- **Employment Exchange:** There are certain Employment exchanges which are run by government. Most of the government undertakings and concerns employ people through such exchanges. Now-a-days recruitment in government agencies has become compulsory through employment exchange.
- **Employment Agencies:** There are certain professional organizations which look towards recruitment and employment of people, i.e. these private agencies run by private individuals supply required manpower to needy concerns.
- **Labour Contractors:** These are the specialist people who supply manpower to the Factory or Manufacturing plants. Through these contractors, workers are appointed on contract basis, i.e. for a particular time period. Under conditions when these contractors leave the organization, such people who are appointed have to also leave the concern.
- **Deputation Personnel:** The organisation may also recruit candidates who are sent on deputation by the Government or Financial institutions or by holding or subsidiary companies.
- **Job Portals:** A job portal is essentially a medium which helps bring employers and job seekers together. Most prospective candidates use internet to find out what is new in the job market. Catching them on to spot an online recruitment are much better than through print or electronic media. Naukri.com, monsterindia.com or timesjobs.com are popular portals and they offer attractive packages to recruiters. Amazing progress in technology allows the employers to computerized resume scans , hold online interviews and conduct psychometric tests and cut the recruitment cycle by 50%.“Job Alerts” tool permits employer to drop job ad in suitable candidate’s mail box directly, thus ensuring focused targeting. Candidates also can update their resumes online without any difficulty.

- **Organizational Websites:** There is an increasing trend of companies to set up their own websites for attracting candidates. Apart from brand building, these offer the employee to have a better understanding of the organizational culture, before applying online. Many companies like ICICI have a separate career website.
- **Social / Business Networking Sites:** Apart from business networking sites like linkedin.com, recruiters are using social networking sites like facebook.com, orkut.com etc. to reach out to potential employees. This is a great tool to reach “non-active” job seekers; especially in senior roles. These sites protect the confidentiality of these candidates as they are not essentially job portals. Candidates can further use this as a positioning tool by providing exclusive information, which normally does not form a part of resume.
- **Recruiting Firms:** There are two types of recruiting firms generally classified according to the level of positions handled. Placement firms are used for junior level, mass, semi-skilled positions. Executive search firms focus on professional openings. Typically they specialize in a particular industry or role. Recruiter must check the credentials of the firm ask for references and ensure firm is competent to handle the job before selection.
- **Niche recruiters:** ‘Specialized recruiters’ exist to seek staff with a very narrow specialty. Because of their focus, these firms can very often produce superior results due to their ability to channel all of their resources into networking for a very specific skill set. This specialization in staffing allows them to offer more jobs for their specific demographic, which in turn attracts more specialized candidates from that specific demographic over time building large proprietary databases. These niche firms tend to be more focused on building ongoing relationships with their candidates as the same candidates are placed many times throughout their careers. Niche firms also develop knowledge on specific employment trends within their industry of focus (e.g. the energy

industry) and are able to identify demographic shifts such as aging and its impact on the industry.

- **Job Fairs / Exhibitions:** A job or Career fair is an exposition for employers to meet prospective job seekers. They usually consist of organization booths or tables where resumes can be collected. Sometimes an initial interview or screening is also arranged. These are exploited by IT/ITES sectors as well as hospitality, construction and retail industries. With new technology online job fairs are becoming common as they have larger reach and may be less costly.
- **Expatriate Hiring:** It refers to hiring people from outside the parent country. The last decade has witnessed an increase in the number of expatriate executives across sectors such as retail, telecom and aviation, which required efficiencies in the systems and processes and best business practices. Organizations chose to recruit expatriates due to non-availability of talent in the country. Reliance, Vodafone and Jet Air recruited expatriates for key positions.
- **Outsourcing:** Some organizations recently started developing human resource pool by employing the candidates for them. These organizations do not utilize the human resources; instead they supply HRs to various companies based on their needs on temporary or ad-hoc basis.
- **Poaching/Raiding:** “Buying talent” (rather than developing it) is the latest mantra being followed by the organisations today. Poaching means employing a competent and experienced person already working with another reputed company in the same or different industry; the organisation might be a competitor in the industry. A company can attract talent from another firm by offering attractive pay packages and other terms and conditions, better than the current employer of the candidate. But it is seen as an unethical practice and not openly talked about. Indian software and the retail sector are the sectors facing the most severe brunt of poaching today. It has become a challenge for human resource managers to face and tackle poaching, as it weakens the competitive strength of the firm.

### **Advantages of External Sources**

- It encourages young blood with new ideas to enter the organisation.
- It offers wide scope for selection. This is because a large number of suitable candidates will come for the selection process.
- There are less chances of bias or partiality.
- Here there is no need to maintain confidential records.

### **Disadvantages of External Sources**

- Frustration among existing employees-Recruitment from outside may cause dissatisfaction and frustration among the existing employees who aspire for the jobs by promotion or transfer. This is likely to strain the relations between management and the employees.
- High expense—The process of recruitment of candidates from outside involves considerable expense in the form of advertising for vacancies, screening and selection.
- Time consuming-External recruitment takes more time than the internal recruitment since the enterprise has to publicise about the vacancies, or otherwise contact the sources and wait for their response.
- Lack of certainty—The prospective candidates from outside may or may not be good for the enterprise. There is no guarantee that the enterprise will be able to attract suitable applicants even after advertisement, and other steps.

## **8.6 DIFFERENCE BETWEEN RECRUITMENT AND SELECTION**

Both recruitment and selection are the two phases of the employment process. The differences between the two are:

- Recruitment is the process of searching the candidates for employment and stimulating them to apply for jobs in the organisation whereas selection involves the series of steps by which the candidates are screened for choosing the most suitable persons for vacant posts.

- The basic purpose of recruitments is to create a talent pool of candidates to enable the selection of best candidates for the organisation, by attracting more and more employees to apply in the organisation whereas the basic purpose of selection process is to choose the right candidate to fill the various positions in the organisation.
- Recruitment is a positive process i.e. encouraging more and more employees to apply but selection is a negative process as it involves rejection of the unsuitable candidates.
- Recruitment is concerned with tapping the sources of human resources but selection is concerned with selecting the most suitable candidate through various interviews and tests.
- There is no contract of recruitment established in recruitment but selection results in a contract of service between the employer and the selected employee.

### **8.7 CONCEPT OF SELECTION**

According to David A. Decenzo, “Selection is a managerial decision-making process to predict which job applicants will be successful if hired”.

According to Thomas H. Stone, “selection is the process of differentiating between applicants in order to identify (and hire) those with a greater livelihood of success in a job.

Selection is the process of picking individuals with requisite qualification and competence to fill jobs in organization. It involves predicting which candidates will make the most appropriate contribution to the organisation - now and in the future. Selection is the process of gathering information about applicants for a position and then using that information to choose the most appropriate applicant. Stone has provided a more formal definition of selection as follows: “Selection is the process of differentiating between applicants in order to identify (and hire) those with a greater likelihood of success in a job”. Selection process assumes and rightly so, that there are more number of

candidates available than the number of candidates actually selected. These candidates are made available through recruitment process.

### **Aims of the selection process**

- Gather as much relevant information as possible
- Organise and evaluate the information
- Assess each candidate in order to: - Forecast performance on the job, and give information to applicants, so that they can judge whether or not they wish to accept an offer of employment.

## **8.8 SELECTION PROCESS AND SELECTION TEST**

Let us all go through the process of selection that involves a number of steps. The basic idea is to collect maximum possible information about the candidates to ascertain their suitability for employment. Below is a discussion of the various steps:

- **Initial Screening:** At this stage of the process, the screening should be based on the quantitative criteria. The quantitative criteria are those items which enable a clear yes/no answer (or points assignment) based on each candidate's application materials and other submitted documents (e.g., does this person have the appropriate degree?). It often helps to set up a spreadsheet with the quantitative criteria listed in columns and the applicants in rows. Another option is to focus on skill sets. As you and your selection committee review the job application, focus on three or four skills that you want to address in interviews. The steps involved in initial screening are:

The initial screening reviews application materials to determine if minimum qualifications for the position have been met.

- The hiring supervisor or search committee will initiate the preliminary screening unless it is requested for HR to conduct the initial screening.

- Applications and resumes are evaluated solely on qualifications that are stated in the job announcement.
  - Applications that meet the minimum qualifications are included in subsequent screening reviews.
  - The search committee secretary will send non-selection letters to applicants who did not meet the minimum qualifications and are eliminated at Stage One.
- **Screening Interviews:** Screening interviews are used to:
- To verify information provided on resume or application blank and are usually very short (approximately 30 minutes or so).
- If the screening effort is successful, those applicants that do not meet minimum required qualifications will not move to the next stage in the selection process. Companies utilising expensive selection procedures put more effort in screening to reduce the cost.
- **Application Blank /Review of Applications:** After passing the preliminary interview the candidate is asked to fill the standard application form. It is a formal record of an individual's application for employment. The application form generally consists of the information about the age, qualification, experience etc. of the candidate on the basis of which the interviewer gets the idea about the candidate and this information also helps in formulating questions. Application forms are a good way to quickly collect verifiable and fairly accurate historical data from the candidate. It involves following steps:
- Only applicants who meet the minimum qualifications are reviewed at this stage.
  - A fair screening process entails reviewing an applicant's qualifications compared with the qualifications specified in the job announcement.
  - A screening matrix or other agreed upon method of screening is

useful and necessary to the committee's formal charge to evaluate application materials objectively and fairly.

- In general, only submitted application documents are referenced in the evaluation process. Occasionally, search committee members or the hiring supervisor or others may have personal knowledge of the applicant. In such instances, the relationship with and knowledge of the candidate should be disclosed.
  - The committee will review and evaluate application materials consistently.
  - Applications are ranked or prioritized according to the screening criteria review established by the committee and top candidates are identified for interview.
  - Once application materials have been reviewed and finalists identified, the search committee secretary may send letters of non-selection to applicants eliminated at this stage or the committee may elect to retain some applications for possible further consideration.
- **Selection Tests:** Many organizations hold different kinds of selection tests to know more about the candidates or to reject the candidates who cannot be called for interview, etc. Selection tests normally supplement the information provided in application forms. Such forms may contain factual information about candidates. Selection tests may give information about their aptitude, interest, personality etc, which cannot be known by application forms.

### **Types of Test**

- (a) **Achievement Test:** It is also called performance test or trade test. Achievement is concerned with what one has accomplished. When candidates claim that they have done certain things and know these, the achievement test may be conducted to measure how well the candidates know these. A candidate's knowledge

may be measured through his answers to certain questions or his performance at a practical test. For example, a typing test may measure the typing performance of a typist in terms of speed, accuracy and efficiency. Performance test may be administered for selecting employees at operative level as well as junior management level

- (b) **Intelligence Test:** Intelligence test tries to measure the level of intelligence of a candidate. This test generally includes verbal comprehension, word fluency, memory, inductive, reasoning, number facility, speed of perception, spatial, visualization, etc. The scores on the test are usually expressed numerically as Intelligence Quotient (IQ), which can be calculated as follows 
$$IQ = \frac{\text{Mental age}}{\text{Actual age}} \times 100$$
 It means that the IQ is derived by converting actual age into mental age and multiplying it by 100 in order to facilitate comparison. Higher is the figure; higher is the level of intelligence. Intelligence test is designed on the basis of age groups. Thus, each age group may have different intelligence tests. The basic idea behind intelligence test is that if the organization is able to get people with higher intelligence, its training and learning process will be easier because intelligent employees learn faster than dull employees.
- (c) **Personality Test:** The personality test is administered to predict performance success for jobs that require dealing with people, or jobs that are essentially supervisory or managerial in character. Dimensions of personality such as interpersonal competence, dominance-submission, extroversion-introversion, self-confidence, leadership ability, patience, and ambition can be measured through personality tests. Personality test is essentially a projective test because it projects the personality of the individual who may be employed by the organization. Among the most widely used personality test is Thematic Apperception Test

(TAT) and its more improved version Thematic Evaluation of Management Potential (TEMP).

(d) **Aptitude test:** It is used for measuring human performance characteristics related to the possible development of proficiency on specific jobs. These basic characteristics can be thought of as aptitudes. As such, aptitude test measures the latent or potential characteristics to do something provided proper environment and training are provided to the individuals. This test is more valid when the applicants have no experience or very little experience along the lines of the jobs. Specific tests have been developed for jobs that require clerical, mechanical, spatial relationships, and manual dexterity, abilities and skills. However, aptitude test does not measure motivation. Since on-the-job motivation is found to be more important than aptitude for the job, aptitude test is supplemented by interest tests.

(e) **Interest Test:** Interest test is designed to discover a person's area of interest, and to identify the kind of jobs that will satisfy him. It is assumed that a person who is interested in a job can do much better than the person who is not interested. Interest test generally measures interest in outdoor activities, mechanical, computational, scientific, persuasive, artistic, literary, musical, clerical, social services, etc

The above discussion shows that different tests are used for different purposes. Each of them has the usefulness and limitations in specified areas. Therefore, a combination of tests should be used for selection purpose. Moreover, these tests should be related with the nature of posts to be filled up.

### **Advantages of Selection Tests**

- Selection tests are standardized and unbiased methods of soliciting

information about the prospective employees. Thus, a person who does not get selected on the basis of selection tests cannot argue for the partiality in selection process. It is to be noted that in many organizations, impartiality in selection process is of prime importance like public sector organizations.

- Selection tests can be used to weed out the large number of candidates who may not be considered for employment in the organization. Normally, organizations receive applications from large number of candidates seeking jobs in the organization. They all meet the basic requirements of the jobs, but all cannot be called for interview because it is a very time-consuming process. Selection tests will provide the cut-off point above which candidates can be called for interview. Thus, the tests will save lot of time and money.
- The tests are able to uncover the qualities and potentials of prospective employees, which cannot be known by other methods including personal interview. Since the people are taken in the organization not only for the present jobs but they are promoted over the period of time, tests provide good opportunities to test their potentials for such promotions also. Thus, tests are more reliable source for predicting the overall suitability of candidates for the employment.

### **Disadvantages of Selection Tests**

Selection tests may provide useful information but they suffer from some limitations also. Two such limitations are quite important which suggest that use of tests should be supplemented by other means of soliciting information about the candidates:

- Selection test cannot make a 100% prediction of an individual's on the job success. At best, they just reveal about those who have scored above cut-off points and those who have scored below cut-off points. Hence it is desirable to use test as only as supplementary method of selection.

- If the number of candidate is small the use of test is not economical. In such a case it is desirable to select persons on the basis of interview only
- **Interviews:** Selection tests are normally followed by personal interview of the candidates. The basic idea is to find out overall suitability of candidates for the jobs. It also provides opportunity to give relevant information about the organization to the candidates. In many cases, interview of preliminary nature can be conducted before the selection tests. Role of Interview: We must try and understand that interviews are so essential in the selection process that many times, selection of the candidates is made on the basis of} interview alone. If handled properly, interview contributes in, the following, ways:
  - It is the only method of direct contact between the candidates and the employer in which the employer can see a candidate in” action-how he looks, his manner, his wearing, his appearance, etc., method of interaction and answering, etc
  - Many of the information can be sought through the interview, which may not be available in application form, or cannot be disclosed by the selection tests, such as: family background, future plans; etc.
  - The ‘interview can be used as a tool for giving information about the organization, its policies, nature of the work to be performed by the candidate salary and other benefits to be offered.
  - Negotiations, if any, about the salary and- perks to be offered to the candidate can also be undertaken.

Hence we should remember that interview can be used ‘as a method to promote goodwill among the candidates by offering courtesy, by providing vocational literature, by constructive suggestions, and by showing interest in them.
- **Checking Of References:** Many organizations ask the candidates to provide the names of referees from whom more information about the

candidates can be solicited. Such information may be related to character, working, etc. The usual referees may be previous, employers, persons associated with the educational institutions from where the candidates have received education, or other persons of prominence who may be aware of the candidates' behaviour and ability. In our country, references are not given adequate importance because of their biasness but these can give very useful information, which may not be available otherwise.

- **Physical Examination:** Physical examination is carried out to ascertain the physical standards and fitness of prospective employees. The practice of physical examination varies a great deal both in terms of coverage and timing. While many organizations do not carry physical examinations at all, others carry on a very comprehensive basis. Some organizations only have general check up of applicants to find the major physical problems, which, may come in the way of effective discharge of duties. In the context of timing also, some organizations locate the physical examination near the end of the selection process, others place it relatively early in the process. This latter course is generally followed when there is high demand for physical fitness.
- **Approval by Appropriate Authority:** On the basis of the above steps, suitable candidates are recommended for selection by the selection committee or personnel department. Though such a, committee or personnel department may have authority to select the candidates finally, often it has staff authority to recommend the candidates for selection to the appropriate authority. Organizations may designate the various authorities for approval of final selection of candidates for different categories of candidates. Thus, for top-level managers, Board of Directors may be approving authority; for lower levels, even functional heads concerned may be approving authority. In university, it may be syndicate/executive committee. When the approvals received, the candidate are informed about their selection and asked to report for duty to specified persons.

- **Notification to Candidates:** After all these steps the candidate is selected finally. He is appointed by issuing appointment letter. The selection process results should be made known to candidates, successful and unsuccessful, as soon as possible. Any delay may result in the firm losing a prime candidate as top prospects often have other employment options. As a matter of courtesy and good public relations, the unsuccessful candidates should also be promptly notified.
- **Placement:** After all the formalities are completed, the candidates are placed on their jobs initially on probation basis. The probation period may range from three months to two years. During this period, they are observed keenly, and when they complete this period successfully, they become the permanent employees of the organization. After a candidate is selected for employment, he is placed on the job. Initially, the placement may be on probation, the period of which may range from six months to two years. After selecting a candidate, he should be placed on a suitable job.

## 8.9 SUMMARY

Recruitment is the activity that links the employers and the job seekers. Recruitment of candidates is the function preceding the selection, which helps create a pool of prospective employees for the organisation so that the management can select the right candidate for the right job from this pool. The main objective of the recruitment process is to expedite the selection process. Recruitment and selection can play a pivotally important role in shaping an organisation's effectiveness and performance, if work organisations are able to acquire workers who already possess relevant knowledge, skills and aptitudes and are also able to make an accurate prediction regarding their future abilities. If we accept this premise, recruiting and selecting staff in an effective manner can both avoid undesirable costs – for example those associated with high staff turnover, poor performance and dissatisfied customers – and engender a mutually beneficial employment

relationship characterised, wherever possible, by high commitment on both sides. Recruitment process starts with identification of vacancy and ends with selection of best available candidate for the post. There two sources of recruitment viz., internal and external. Selection is the process of picking individuals with requisite qualification and competence to fill jobs in organization. It involves predicting which candidates will make the most appropriate contribution to the organisation - now and in the future. It involves initial screening, initial screening interview, application blank or application form, selection tests, interviews, checking the references, medical examination, final employment decision/approval of the authority and placement of the candidate on the right job.

### 8.10 GLOSSARY

- **Physical ability test:** A test instrument used to determine an individual's ability to perform the functions or tasks of a job where physical strength or endurance is required.
- **Physical examination:** A medical examination performed by a company physician or an independent physician to ascertain whether or not an individual is able to perform the physical requirements of a particular job.

According to David A. Decenzo, "Selection is a managerial decision-making process to predict which job applicants will be successful if hired".

- **Pre-employment testing:** The practice of issuing tests to potential employees on a pre-employment basis in order to determine an applicant's suitability for a certain position. These tests may include, but are not limited to, drug and alcohol tests, medical examinations, skills tests, physical agility tests, honesty/integrity tests or personality tests.
- **Psychological test:** A written, visual or verbal assessment administered to determine cognitive and emotional skills.
- **Recruitment:** The practice of soliciting and actively seeking applicants

to fill recently vacated or newly created positions using a variety of methods (i.e., internal job postings, advertising in newspapers or electronic job boards/sites, utilizing search firms, or listing position with trade and professional associations, etc).

According to David A. Decenzo, “Selection is a managerial decision-making process to predict which job applicants will be successful if hired”.

- **Reference checking:** The process of verifying information supplied by applicants on an application or resume.
- **Screening:** Usually the first step taken during the interviewing process, involving reviewing prospective candidate applications/resumes, verifying information supplied by the candidate, conducting interviews and examining test results.
- **Selection process:** Any step, combination of steps or procedure used as a basis for any employment decision, including, but not limited to, informal or casual interviews, un-scored application forms, paper and pencil tests, performance tests, training programs, probationary periods and physical, education and work experience requirements, as well as the decision-making process used in determining whether or not to hire or promote.

### 8.11 SELF ASSESSMENT QUESTIONS

- Q1. What are new trends in recruitment?
- Q2. Differentiate between recruitment and selection
- Q3. Elaborate different tests used during selection process. Which one is best and why?
- Q4. Recruitment is a positive process. Discuss.

### 8.12 LESSON END EXERCISE

- Q1. Due to higher costs ..... are usually employed to fill senior management & executive level roles.

- (a) Niche Recruiters
- (b) Head-hunters
- (c) In-house Recruitment
- (d) Employment Exchanges

Q2. .... are specialized recruiters that seek staff with very narrow speciality.

- (a) Traditional Agencies
- (b) Head-hunters
- (c) In-house Recruitment
- (d) Niche Recruiters

### 8.13 SUGGESTED READINGS

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**Lesson No. 9****Unit-II****Semester-II****M.Com-E215**

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**PLACEMENT, ORIENTATION, PROMOTION,  
TRANSFER, ABSENTEEISM, SEPARATION AND  
LABOUR TURNOVER**

**STRUCTURE**

- 9.1 Introduction**
- 9.2 Objectives**
- 9.3 Placement**
  - 9.3.1 Principles of Placement**
  - 9.3.2 Process of Placement**
- 9.4 Concept of Employee Orientation /Induction**
  - 9.4.1 Objectives of Orientation**
  - 9.4.2 Advantages of Orientation**
  - 9.4.3 Types of Orientation**
- 9.5 Promotion**
  - 9.5.1 Advantages of Promotion**
  - 9.5.2 Types of Promotion**
  - 9.5.3 Principles of Promotion**
- 9.6 Transfer**
  - 9.6.1 Reason / Objectives for Transfer**

### **9.6.2 Types of Transfer**

## **9.7 Absenteeism**

### **9.7.1 Causes of Absenteeism**

### **9.7.2 Preventive Measures**

## **9.8 Employee Separation**

### **9.8.1 Types of Separation**

## **9.9 Labour Turnover**

## **9.10 Summary**

## **9.11 Glossary**

## **9.12 Self Assessment Questions**

## **9.13 Lesson End Exercise**

## **9.14 Suggested Readings**

## **9.1 INTRODUCTION**

Selection process is followed by right placement of new employee as well as his orientation. These two help the employee to get introduced to the job as well as organisation. The job demand – person integration help to establish role clarity. Promotion and transfer help the organisation to adjust its HR requirements as well as meet the employee's demand of growth and advancement. But there are negative processes also like, absenteeism, separation or turnover, which needs management's attention to the organisation productive and effective.

## **9.2 OBJECTIVES**

This lesson will improve your knowledge about placement, induction, promotion, transfer, and absenteeism and turnover employee separation

## **9.3 PLACEMENT**

After a candidate has been selected he should be placed on a suitable job placement is actual posting of an employee to a specific job. It involves assigning

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

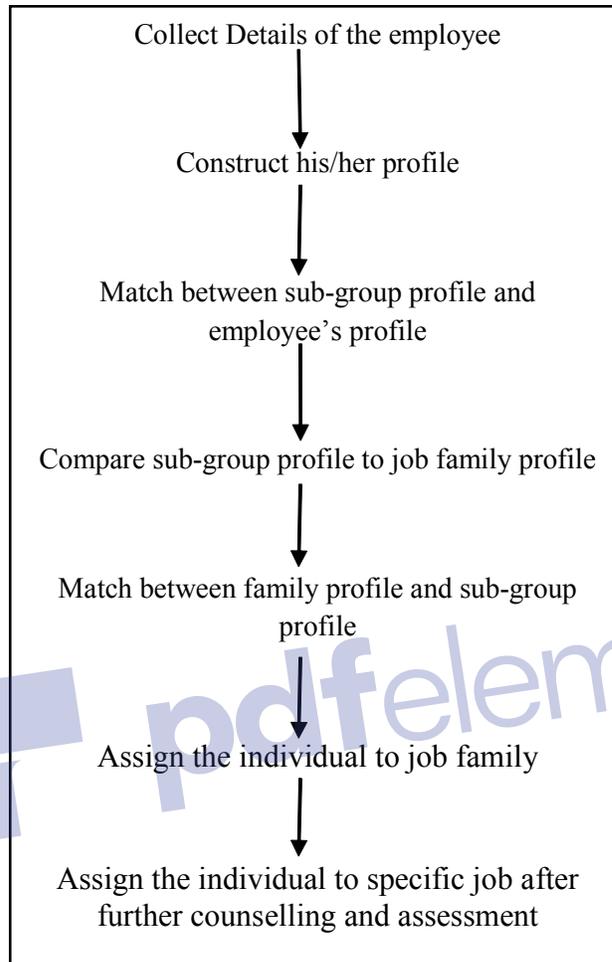
After the employee is hired and oriented, he/she must be placed in his/her right job. Placement is understood as the allocation of people to the job. It is assignment or re-assignment of an employee to a new or different job. Placement includes initial assignment of new employees and promotion, transfer or demotion of present employees. The placement is arising out of promotion, transfer, demotion. Assignment of new employee to a job apparently seems to be simple task. The employer advertises inviting applications from candidates for a specific post. The advertisement contains job description and job specifications in detail. When a candidate has been selected, it is logical that individual is placed in a position that was advertised earlier. But the task of placement is not that simple it appears. We are entering the age when applicants must be considered for several jobs rather than one. From the managerial perspective, the task is to understand and capitalize on each person's individually. Since, human attributes vary along many relatively independent ability, interest, biographical sketch and the personality dimensions, a person's individuality is best viewed as his/her unique profile of scores on a variety of individual measures. Once we establish the unique profile for each individual, people and jobs can be matched optimally within the constraints set by available jobs and available people. If the number of individuals is large in relation to the available jobs, only the best qualified persons can be selected and placed. On the other hand, when more jobs are available, optimal placement is possible. Thus the number of people and the number of jobs determine the placement process in any organization.

### **9.3.1 Principles of Placement**

A few basic principles should be followed at the time of placement of a workers on the job. This is elaborated below:

1. **Principle of Job first, Man next:** should be placed on the job according to the requirements of the job. The job should not be adjusted according to the qualifications or requirements of the man. Job first, man next, should be the principle of the placement.
2. **Principle of Qualification:** The job should be offered to the person according to his qualification. This should neither be higher nor lower than the qualification.
3. **Principle of Working Conditions:** The employee should be made conversant with the working conditions prevailing in the organization and all things relating to the job. He should also be made aware of the penalties if he commits the wrong.
4. **Principle of Loyalty and Co-operation:** While introducing the job to the new employees, an effort should be made to develop a sense of loyalty and cooperation in him so that he may realize his responsibility better towards the job and the organization.
5. **Principle of Timely Preparation:** The placement should be ready before the joining date of the newly selected person.
6. **Principle of Transfer:** The placement in the initial period may be temporary as changes are likely after the completion of training. The employee may be later transferred to the job where he can do better.

### 9.3 PROCESS OF PLACEMENT



**Figure 9.1: Employee Placement Model**

*Source: Wayne F. Casio and Elios M. Award (1981), Human resource Management: An Information System Approach, p 265*

### 9.4 CONCEPT OF EMPLOYEE ORIENTATION /INDUCTION

“Orientation is the process of planned introduction of employees to their jobs, their co-workers, and the organization”.

**–Robert L. Malthis**

“Orientation is a procedure for providing new employees with basic background information about the firm”.

–Gary Dessler

Orientation is defined as those activities and experiences that are planned, implemented, and evaluated for either new employees or for those employees changing roles. Orientation is a means by which new staff members are introduced to the philosophy, goals, procedures, role expectation, physical facilities and special services in a specific setting (Abruzzese & Quinn-O’Neal, 1992). E. B. Fillipo defined new employee orientation as *the induction process you use for welcoming a new employee into your organization, make them feel at home and generate a feeling of belongingness to the organisation*. According to the University of Minnesota, employee orientation is the first step toward building a bright future and successful relationship with those beginning their employment. Once an employee is selected and placed on an appropriate job, the process of familiarizing him with the job and the organization is known as induction.

Induction is the process of receiving and welcoming an employee when he first joins the company and giving him basic information he needs to settle down quickly and happily and starts work. In short, during Orientation employees are made aware about the mission and vision of the organization, the nature of operation of the organization, policies and programmes of the organization. The nature of Orientation program varies with the organizational size, i.e., smaller the organization the more informal is the Orientation and larger the organization more formalized is the Orientation programme.

**A formal induction/orientation programme should provide following information:**

- ◆ Brief history and operations of the company.
- ◆ The company’s organization structure.
- ◆ Policies and procedure of the company.
- ◆ Products and services of the company.

- ◆ Location of department and employee facilities.
- ◆ Safety measures.
- ◆ Grievances procedures.
- ◆ Benefits and services of employee.
- ◆ Standing orders and disciplinary procedures.
- ◆ Opportunities for training, promotions, transfer etc.
- ◆ Suggestion schemes.
- ◆ Rules and regulations.

#### **9.4.1 Objectives of Orientation: -**

- ◆ To help the new comer to overcome his shyness and overcome his shyness nervousness in meeting new people in a new environment.
- ◆ To give new comer necessary information such as location of a café, rest period etc.
- ◆ To build new employee confidence in the organization.
- ◆ It helps in reducing labor turnover and absenteeism.
- ◆ It reduces confusion and develops healthy relations in the organization.
- ◆ To ensure that the new comer do not form false impression and negative attitude towards the organization.
- ◆ To develop among the new comer a sense of belonging and loyalty to the organization.

#### **9.4.2 Advantages of Orientation: -**

- ◆ Induction helps to build up a two-way channel of communication between management and workers.
- ◆ Proper induction facilitates informal relation and team work among employee.
- ◆ Effective induction helps to integrate the new employee into the organization and to develop a sense of belonging.

- ◆ Induction helps to develop good relation.
- ◆ A formal induction programme proves that the company is taking interest in getting him off to good start.
- ◆ Proper induction reduces employee grievances, absenteeism and labor turnover.
- ◆ Induction is helpful in supplying information concerning the organization, the job and employee welfare facilities.

### 9.4.3 Types of Orientation

**1. General -Idea Orientation :** This may also be called overview or summary orientation. In this type, some general information about the organization is provided to the employees. For instance, the information about the common policies and procedures, rules and regulations like the timings, attendance and discipline is provided the organization may also provide information about emoluments like pay particulars, incentive schemes and benefits to the new employees.

**2. Job-Specific orientation:-** The purpose of this orientation is to inform the employees about the various aspects of the job and other things related to it. For instance, the details of the duties, responsibilities and accountabilities associated with the job, and the specific safety and other measures required in the performance of the job are provided. The HR department normally organize these orientations for the new employees by involving the supervisors or managers of the concerned department.

**3. Traditional and Modern Orientation:** Based on its purposes and content. Orientation may also be classified into traditional orientation and modern orientation. When the organization employ the general and oft-repeated materials to orient employees, it may be called traditional orientation. The modern orientation programmes aims at increasing the team spirit, enhancing productivity and achieving better employee satisfaction and retention.

## 9.5 PROMOTION

Promotion is defined as giving higher position to the employee, which carries high status more responsibilities and higher status. Promotion means advancement of employee in terms of pay and status also improvement in working conditions. According P. Subba Rao “*Promotion is the reassignment of a higher level job to an internal employee (which is supposed to be assigned exclusively to internal employees) with delegation of responsibilities and authority required to perform that higher job and normally with higher pay*”

Promotion refers to upward movement of an employee from current job to another that is higher in pay, responsibility and/or organizational level. Promotion brings enhanced status better pay, increased responsibility and better working condition to a promotee. There can of course be “dry promotion” where a person is moved to a higher level job without increase in pay. Hence it can act as motivational tool. Promotion on the other hand has in-built motivational value, as it elevates the status and power of an employee with in an organisation.

Promotions are used to fill the positions which are more important to fill rather than the present position of employee. It can be filled by external recruitment but employees having eligibility and experience must be appointed for their motivation. Also it will decrease labour turn over as external recruitment costs more. Also increase in salary and status will increase job satisfaction.

### 9.5.1 Advantages of promotion:

- ◆ Present employees if promoted can handle the process products and problems easily as they are already connected to organization but new incumbent may take some to adjust him or may not adjust himself at all.
- ◆ The cost of training the insiders for the higher position is nearly nil hence no extra training cost.
- ◆ Employees will give their best as they know that reward of giving good performance is sure.
- ◆ High morale of the employees is achieved.

### 9.5.2 Types of Promotions

Promotion is of three types. They are:

- ◆ Vertical promotion: Under this type of promotion, employee is moved to the next higher level, in the organizational hierarchy with greater responsibility, authority, pay and status.
- ◆ Up gradation: Under this Promotion, the job is upgraded in the organizational hierarchy. Consequently, the employee gets more salary, higher authority, responsibility.
- ◆ Dry promotion: Under this Promotion, the employee is moved to the next higher level in the organizational hierarchy with greater responsibility without any change in the salary

### 9.5.3 Principles of Promotion

- ◆ Every organization should satisfy clearly its policy regarding promotion based on its corporate policy
- ◆ Systematic line of promotion channel should be incorporated
- ◆ It should provide equal opportunities for promotion in all categories of jobs, departments and regions of an organization
- ◆ It should contain clear cut norms and criteria for judging merit, length of service, potentiality etc
- ◆ Appropriate authority should be entrusted with the task

## 9.6 TRANSFER

Transfer is defined as “*the moving of employee from one job to another. It may involve a promotion, demotion or no change in job status other than moving from one job to another.*” It refers to the shifting of employees from one job to another within the same organization where salary, responsibilities and category of the new job and the previous job are almost same. Transfer of an employee can be done in other department of the same plant or office or to the same department of plant or office located in other region/city.

### 9.6.1 Reasons / Objectives for Transfer

- ◆ **Variation in the volume of work:** Transfers are necessary due to variation in the volume of work in different department/ sections. Shortage of employees or increase in the work load in one department leads to transfer of employees.
- ◆ **Providing training to employee:** Transfers are made for providing opportunities to employees for training and development.
- 3. **Rectification of poor placement:** Transfers are necessary for the rectification of poor placement made in the initial period. Similarly, transfers are necessary in order to utilize the service of an employee in the best possible manner.
- ◆ **Satisfy the personal need of employee:** Transfers are necessary satisfy the personal needs (Personal Difficulties) of the employees. They include family problems, sickness, and education of children and so on. Such transfers take place especially among female employees.
- ◆ **Meeting mutual need of employees:** Transfers are, sometimes, made in order to meet the mutual needs of to employees. It is a type of mutual exchange and is usually accepted by the management.
- ◆ **Meeting Organizational needs:** transfers are necessary to meet the organizational needs developed out of expansion programmes or fluctuation in work requirements or changes in the organizational structure or dropping of existing product lines. For example, experienced workers and supervisors are transfer to new plants/ factories in order to manage the work smoothly.
- ◆ **Solution to poor performance:** transfers are, sometimes, made when the worker fail to perform his job efficiently. He is transferred to and new place or post and is given an opportunity to improve his performance at a new place. Here, transfer is treated as a deter alternative to outright dismissal.
- ◆ **Avoiding fatigue and monotony:** Transfers are made of avoiding fatigue and monotony of work. The productivity of an employee may

decline due to monotony of his or her job. To break his monotony, the employee is transferred.

- ◆ **Removing poor personal relations:** the relations between the workers and his supervisor may not be smooth and cordial. This may affect the work of department. One method to solve the problem is to transfer the worker that department. This transfer may be necessary for removal of the incompatibilities between the worker and his/her boss or between one worker and the other.

- ◆ **Providing relief and to punish employees:** Transfers may be made in order to give relief to employees who are over burdened or are working under heavy risk or tension over a long period. Similarly, transfers are made as a disciplinary action for serious mistakes on the part of employees. This practice is widespread mainly in government offices and police department.

#### 9.6.2 Types of Transfer

- ◆ **Production Transfer:** When the transfers are being made for filling the position in such departments having lack of staff, from the departments having surplus manpower it is called production transfer. It prevents the layoffs form the organization. Also it is good to adjust existing staff rather than to hire the new one.

- ◆ **Remedial Transfer:** Remedial transfer refers to rectification of wrong selection or placement of employees. If the employee can adjust himself in the given job he can be transferred to the job where he can use his skills and abilities accordingly.

- ◆ **Versatility Transfer:** Such transfers are done to increase the versatility in the employees so that he can work different kind of jobs. This is done by transferring employee to different jobs closely related in same department or process line.. This is used as a training device. It helps employee to develop him and he is equipped for the high responsibility jobs as he is having knowledge of the whole process.

- ◆ **Shift Transfer:** In many multi-shifts jobs such as Call centres employees are transferred from one shift to another due to their personal reasons like health problem or evening college for higher studies or any family problems.

## 9.7 ABSENTEEISM

Absenteeism is a habitual pattern of absence from a duty or obligation. Traditionally, absenteeism has been viewed as an indicator of poor individual performance, as well as a breach of an implicit contract between employee and employer; it was seen as a management problem, and framed in economic or quasi-economic terms. More recent scholarship seeks to understand absenteeism as an indicator of psychological, medical, or social adjustment to work.

Absenteeism refers to unauthorized absence of the worker from his job. Absenteeism can be defined as *failure of employees to report for work when they are scheduled to work*. Employees who are away from work on recognized holidays, vacations, approved leaves of absence, or leaves of absence allowed for under the collective agreement provisions would not be included.

In these days, when the needs of the country require greater emphasis upon increase of productivity and the economic and rational utilization of time and materials at our disposal, it is necessary to minimize absenteeism.

### **Recent surveys indicate the following trends in absenteeism:**

- ◆ The higher the rate of pay and the greater the length of service of the employee, the fewer the absences.
- ◆ As an organization grows, there is a tendency towards higher rates of absenteeism.
- ◆ Women are absent more frequently than men.
- ◆ Single employees are absent more frequently than married employees.

- ◆ Younger employees are absent more frequently than older employees but the latter are absent for longer periods of time.
- ◆ Unionized organizations have higher absenteeism rates than non-union organizations.

### 9.7.1 Causes of Absenteeism

- ◆ **Employee's Attitude:** This is probably the main cause of misused absenteeism at the workplace. An employee's work attitude will provide hints on the level of commitment he or she has towards their work. If employees have good work attitude, they will not take leaves unless necessary and they will plan their leaves well in advance so that proper delegation of duties can be arranged before that. On the other hand, should the employee have poor work attitude, then chances are they will misuse leaves entitlements and may even have other issues like discipline and integrity.
- ◆ **Length of Employment:** Surveys have shown that the longer the employee is attached to the organization, the lesser unplanned leaves taken, though there are exceptional cases. This is most likely due to the fact that organizations would have gotten rid of employees who indulged in absenteeism much earlier in their career. Also, level of position too plays an important factor with the more senior employees being less likely to log in many missing workdays. In short, it is usually the junior employees and the new hires who tend to take unplanned leaves.
- ◆ **Work Pressure:** Naturally, it goes without saying that when the work pressure goes up, absenteeism rate too will go up. Sometimes, employees in trying to avoid stressful situations eg difficult meetings, would coincidentally report in "sick " or having "family commitments" on that day. It is obviously an excuse to take the day off in order not to face such pressures. Relationship with Superiors
- ◆ **Working relationships:** What are the working relationships like in the office? Are the heads of department putting too much pressure on

their staff or are the managers demanding beyond what was expected from their subordinates? In recent surveys, it was a surprise that a high number of employees cite “poor relationship with superiors” as the main reason why they choose to stay away from work. Employees, especially junior positions would rather not report to work in a bid to avoid confrontation with their demanding bosses or as an act of defiance.

◆ **Job Satisfaction:** Besides salary, the other pulling factor why people seek employment is because of job satisfaction. This is also the reason why people change jobs or work environment. Some employees prefer doing the same thing over and over again and will not seek new responsibilities, while others find it boring to perform monotonous functions. But in both cases, absenteeism will occur when their level of satisfaction is lower than what they would accept in their daily work.

It is therefore extremely important to have absenteeism tracked and controlled and in order to do this; employers must address the needs of their employees. Employees are not to be treated as slaves and at the same time, leaves are not to be abused. There should be mutual respect between both parties in order to have a workable solution.

### 9.7.2 Preventive Measures

One can use these training materials to help teach the supervisors:

- ◆ Adopting a systematic approach.
- ◆ Creating and coordinating project team
- ◆ Administering clear tasks and responsibilities
- ◆ Ensuring the support of senior and line management
- ◆ Involving employees actively
- ◆ Involving the personnel department, company medical service or external guidance

Besides these following steps should be taken when dealing with absenteeism

- ◆ **Verbal Warning: Meet** with the employee face to face and talk to them about the problem. Advise the employee that his/her attendance record must improve and be maintained at an improved level. Then let them know that further disciplinary action will be the result. Offer any counselling or guidance that an employee may need only to certain circumstances. Give further verbal warnings as required. Do checks on the employees attendance and make note of noticeable changes. If absenteeism continues then proceed to a written warning.
- ◆ **Written Warning:** Meet with the employee again. Show the employee the record that you have been keeping track of, that there has been no noticeable (or sufficient) improvement. Give the employee a chance to give their reason for the lack of improvement. If you do not like the reasoning then issue a written warning. Insure the employee is aware of why this warning was given. Then have two copies made, one will go to the employee and the other will go into the employees' files. If warnings are not good enough then you may proceed to suspension.
- ◆ **Suspension** (only after consulting with the appropriate supervisors): If the absenteeism persists, after the next interview period and immediately following an absence, the employee should be interviewed and advised that he/she is to be suspended. The length of the suspension will depend on how severe the problem has become and the explanation of the employee. The final step, which should only be the resort is dismissal.
- ◆ **Dismissal** (only after consulting with the appropriate supervisors): Dismissals should only be considered when all of the above steps and procedures have been met. The employee, upon displaying no satisfactory improvement, would be dismissed on the grounds of his/her unwillingness to correct his/her absence record.

## 9.8 EMPLOYEE SEPARATION

An employee works for an employer and gets paid for his work and nothing else. The relation of an employer and employee has a beginning; they

stay together for a while and then they separate. Beginning of the relation is called as recruitment process or talent acquisition that passes through selection phase and followed by induction. Staying together in the relation comprises the various phases such as performance management; career management; professional growth; development and etc. And the final stage of the relation is the separation. ***Employee Separation is one of the very important and crucial function / process of HR Department. This process, if not handled in an efficient manner, can lead to various legal complications.***

Broadly speaking, in normal scenarios the separation between employer and employee can be due to any of the following three:

- a) Resignation – Employee decides to leave the organization.
- b) Termination – Employer decides to break the contract of employment.
- c) Absconding – When the employee decides to leave the organization without tendering his resignation or following the proper process of separation.

Apart from the above mentioned, the relation between employer and employee can also be terminated during the lay-offs (Financial or economic crisis); during the process of mergers, acquisitions and take-over; or any other legal intervention by the state or central government.

Based on the type of employee that has been hired by the company, if local or an expatriate or a national of other country or if an employee is hired through outsourcing agencies, the process of separation and the documents involved in it also differs.

### **9.8.1 Types of Separation**

**(a) Resignation** – This is the most common way of separation. Employee leaves his job and employment with his employer to pursue better opportunities; a better position at a better compensation package in a branded company (or better known company) in a same city and country or in a different city or different country. So, an employee resigns for:

- 1) Better compensation and benefits
- 2) Higher position / level
- 3) Challenging role
- 4) To move from an unknown or lowly branded company to a highly branded and reputed company (Top 10 or 25 companies in the world etc.)
- 5) For foreign or international assignments

Once an employee gives his resignation to the department head or the management, it is important for HR to schedule the first meeting with him. Preferably the meeting should be scheduled within 24 hours or else it will give an impression that “no one really cares”. Being a neutral department, the meeting should be administrated by HR Manager (Employee Relations Manager) or anyone senior to him to understand the root cause of separation.

- ◆ If the root cause is an issue with the reporting manager of an individual; or some conflict with a team-member or some other human issue, try to address the same with the concerned person.

- ◆ If the reason for resignation is better opportunity or a higher position, explain to him the Performance Management System and Career Management System of the company. If possible, show him his performance records. Do not make any commitment that you might not be able to fulfil, such as, “we will give you a promotion in this appraisal” or “will send you overseas for an assignment” and etc and etc.

- ◆ If an employee has given his resignation because he is getting a better compensation package, explain to him the grading system and compensation package of your company and also share with him the minimum possible increase that he might get in his next appraisal but do not give any hike immediately. You might be required to repeat this exercise after another couple of months. So, don't show any blood to the lion.

◆ Any other reason of resignation, such as policies of the company, benefits, branding and positioning of the company, working hours and etc. are beyond the preview and scope of this discussion with HR. Such issues cannot be changed to suit the needs, demands and requirements of one individual. However, if more employees are leaving the organization for one specific reason then the management should address the matter but this should not be done for one specific employee.

### **Responsibility of the Department Head:**

Now, the department head needs to plan the process of handover of duties, projects and assignments to other member(s) in the team.

- ◆ Let the departing employee complete all the tasks and assignments he has in hand.
- ◆ Do not assign any new project or assignment to this employee.
- ◆ If there is nothing to complete and proper hand-over is done, then relieve the employee as soon as possible.

It is a proven fact that once an employee decides to leave the organization and gives his resignation, they show less commitment, sincerity and dedication in their work. Hence, it is important to relieve them as soon as possible rather than asking them to come to the office and waste the time of people, who are dedicated to their work and resources of the company.

### **Responsibility of the HR Department**

HR, on the date of acceptance of resignation letter, should instruct the IT department to keep track on all the outgoing emails from the system of separating employee. All IT permissions and rights should be withdrawn from that employee and he should not be allowed to send any email to any other email ID except the office email ID's. He should not be allowed to copy or edit or delete any file from his

system. HR should ask the concerned employee to obtain no-due letter from all the concerned departments.

HR should calculate all the amount payable to that employee and the payment should be made on the last working day of the employee. On his last day, the company should also give him the relieving letter.

**In case of expatriate employees:**

Even in the case of expatriate employees, the process will be the same except that the involved stake-holders will be more. An expatriate employee is a responsibility of employer and hence care should be taken to ensure that everything runs as smooth as possible, till the very last day of the employee in the organization. Therefore, in addition to various departments within the company, the HR should also inform:

- ◆ the immigration office of the concerned country about the company's disassociation with the employee;
- ◆ the banker, healthcare insurance provider, landlord and other service providers;

**(b) Termination** – Usually, this process is perceived negatively by employees. In termination, an employer uses his right to terminate the contract of an employment. There can be many reasons for an employer to terminate the contract of employment but some of the common reasons are:

- ◆ Non-Performance
- ◆ Indiscipline
- ◆ Misconduct
- ◆ Insubordination
- ◆ Theft and etc.

Termination can be challenged in the court of law. Hence, care must be taken to document all the incidents that have led to the termination of an employee.

In case of disciplinary action, the company should take care that the proper procedure is followed. Warnings (oral and written) should be issued to the employee and the whole incident should be properly documented.

**In case of non-performance, the required documents must include:**

- ◆ Tasks given
- ◆ Expected performance level
- ◆ Evaluation criteria
- ◆ Actual performance
- ◆ Shortfall
- ◆ Action required

**Parties involved in the termination process include:**

- ◆ The Reporting Manager
- ◆ The Department Head
- ◆ The HR and / or
- ◆ Any other senior member of the department

Once the decision is taken to terminate the contract of employment, the company should seize all the belongings of that employee – such as computer, drawer, access cards, laptop, ID Cards, files and etc. Employee should be given the letter of termination clearly specifying the reasons of termination.

Based on the severity of the case, the company might decide to pay the employee for the notice period. For example, in case of non-performance he must be paid for the notice period but in case of any disciplinary action, theft or misconduct, he should not be. The entire amount due to him must be recovered.

### **In case of expatriate employees**

- ◆ Company should recover all the required documents.
- ◆ Inform the immigration office of the concerned country about the company's disassociation with the employee. Company should also inform the banker, healthcare insurance provider, landlord and other service providers.
- ◆ If possible, arrangements should be made to ensure that the terminated employee take the flight to his home country. This is to ensure that the concerned employee doesn't stay illegally in the country or commit any crime before leaving the country.

**(c) Absconding** - This is one of the most unethical, unexpected and unprofessional way to terminate the contract of an employment. In this, on one fine day an employee decides not to go to work. He does not care to hand-over his stuff. In case an employee decides to abscond (or run-away), it becomes very important to understand his motives and intentions. Employees can abscond in either or all of the below mentioned circumstances / situations:

- ◆ After stealing the confidential information or documents or database from the company.
- ◆ If the intentions of an individual is to commit a crime.
- ◆ If there is a work-pressure and stress and the individual is not able to cope-up with it (as it happens in call-centres, BPO and other high-stress industries).
- ◆ If the employee has committed any crime outside the office and after working hours (such as murder or getting involved in terrorist activities or theft or any other civil crime).
- ◆ Then, when priorities are different. Employee has asked for leave due to some urgency at his home (or might be he is trying to escape from

his work responsibilities) and at the same time his team also needs him in the office and his leaves are not approved.

- ◆ If he has got some exceptionally good opportunity that requires him to join immediately and he feels that the process of separation in his company is a bit too complicated. He assumes few things and do not really try to face the challenge.

- ◆ Lastly, it is a personality issue. Employees that abscond have different personalities. They are low in confidence. They are too weak to face the reality and challenges of life. They feel that running away from the problem is as good as solving the problem. They are cowards to take the problems head-on. This is one of the most complicated ways of separation.

#### **In case of local employee:**

- ◆ If the employee did not come to the office and nor did he informed about his whereabouts, try to contact him on his mobile phone.

- ◆ If he is not answering his calls or his mobile phone is not working then try to call him on his residence number. Even if that is not working then speak to his friends in the office to assess the situation.

- ◆ In case you are not able to get any information about the employee then assume that he has absconded. As per the employment laws in various countries, send him three official notices starting from the second day of his disappearance and send every subsequent notice after every three days. If there is no response from his side then strike-off his name from your payroll.

- ◆ On the first day of his disappearance, confiscate his workplace, his computer, drawer etc. Take the help of Systems and Networking department to analyze all the emails that has been sent from his computer and to whom. Stop his salary immediately.

- ◆ Seek legal help to recover your costs and /or any other items or

products that has been issued to him, such as access cards, ID Cards, Laptop, Corporate Credit-card, House, Car etc, as applicable.

### **In case of Expatriate Employee**

If the employee did not come to the office and nor did he informed about his whereabouts, try to contact him on his mobile phone or any other phone number as available in company records. If he is not answering his calls or his mobile phone is not working and also there is no response from his house, then speak to his friends in the office to assess the situation. Check, if the person is still in the country or he has already left. Stop his salary.

Report the matter to the police within 24 hours. Sudden disappearance can be interpreted in many ways, such as – any accident; he might have run-away from the country for any of the reason listed above; he might have stolen the confidential information from the company; or he might have got himself involved in any civil crime or criminal activity. For all reasons and for the safety of the company, it is important to report the matter to the police. Submit the copy of the police report to the Passport and Immigration Office of your country and also send the copy of the report to the Consulate or high-commission of the respective country. Also inform the banker, healthcare insurance provider, landlord and any other service providers of the concerned employee.

Seek legal help to recover your costs and /or any other items or products that has been issued to him, such as access cards, ID Cards, Laptop, Corporate Credit-card and etc, as may be applicable.

## **9.9 LABOUR TURNOVER**

It is the ratio of the number of employees that leave a company through attrition, dismissal, or resignation during a period to the number of employees on payroll during the same period.

By definition, labour turnover is concerned with individuals who work for firms rather than self-employed individuals. High labour turnover is generally

considered to be bad industrial practice, because it results in inefficiency and demoralization of the labour force.

**Calculation:** Labour turnover measures the ratio between the number of employees who leave the company and the total number of employees working for the company. A simple method to calculate labor turnover is to divide the number of employment separations by the total number of employees. To get the answer as a percentage, multiply the number by 100.

**Costs:** Costs of labour turnover include recruitment, selection and training of new employees. Less direct costs of labour turnover include higher workloads and overtime expenses for other workers and lower productivity due to low employee morale. Costs are estimated to range from a few hundred dollars to four times the annual salary of the employee. On average, a company loses one-third of a new employee's annual salary to replace an employee.

**Solutions:** Labour turnover can be caused by macroeconomic conditions such as the labour market, which the management of any one firm has no control over. However, there are firm-specific factors that can be managed, including stress levels, compensation, working conditions, supervision, training and organization practices. To better manage human resources, the management should calculate the turnover rate of the company and its turnover costs, develop retention strategies and plan for unexpected turnover and changes in work culture. Employers need to recognize the importance of work life quality to employees and address their needs. They can do this by putting in place a career development program, encouraging employer-employee communication and offering an attractive compensation package. The following steps may be taken to reduce the labour turnover:

- ◆ A suitable personnel policy should be framed for employing (he right man for the right job and giving a fair and equal treatment to all workers.
- ◆ Good working conditions which may be conducive to health and efficiency should be provided.

- ◆ Fair rates of pay and allowances and other monetary benefits should be introduced.
- ◆ Maximum non-monetary benefits i.e. fringe benefits should be introduced.
- ◆ Distinctions should be made between efficient and inefficient workers by introducing incentive plans whereby workers may be rewarded more as compared to inefficient workers.
- ◆ An employee suggestion scheme should be introduced whereby workers who suggested improvements in the method of production should be suitably rewarded.
- ◆ Labour management relationships should be improved by encouraging labour participation in management.

## 9.10 SUMMARY

The chapter entails the entry of employee in the organisation and ends with his separation. Placement helps in placing the right employee at the right job, which is the foremost requirement i.e. matching the role demand with personal competence of the employee. Induction process helps to introduce the employee to the organisation, where he is provided information about the organisation as well as his job. Promotion brings a raise in status, salary and host of other benefits. Transfers help to satisfy organisational requirements at different places and also bring change for the employees. Further separations can be in the form of resignation or termination of services by the employer. The processes described in this article are just the general outline that must be followed in case of any separation and not any industry or company specific processes. Based on the employment laws applicable in the countries that they are operating in, companies can choose to be more stringent or lenient approach.

## 9.11 GLOSSARY

- ◆ **Orientation :** “Orientation is the process of planned introduction of employees to their jobs, their co-workers, and the organization”.

- ◆ **Induction:** Programs designed to introduce and acclimate newly hired employees into the organization.
- ◆ **Promotion:** Career advancement within an organization, which includes increased authority, level of responsibility, status and pay.
- ◆ **Seniority:** Status determined by the length of time an employee has worked for a specific employer, department or position within the organization.
- ◆ **Suspension:** A form of disciplinary action resulting in an employee being sent home without pay for a specified period of time.
- ◆ **Termination:** Separation from employment due to a voluntary resignation, layoff, retirement or dismissal.
- ◆ **Transfer:** Moving an employee from one position, shift or department to another within the organization.
- ◆ **Turnover:** Describes changes in the work force resulting from voluntary or involuntary resignations.

## 9.12 SELF ASSESSMENT QUESTIONS

- Q1. What does induction involve?
- Q2. Explain different types of employee separations.
- Q3. Explain the employee placement model.
- Q4. Explain different types of promotions. What principles should be kept in mind while promoting the employees?
- Q5. What are the reasons for the transfer of an employee.

## 9.13 LESSON END EXERCISE

- Q1. Explain the causes of employee attrition.
- Q2. Did the younger staff really lacked dedication and failed to appreciate the career opportunities provided by the firm?

#### 9.14 SUGGESTED READINGS

- ◆ Wayne F. Casio and Elios M. Award (1981), Human resource Management: An Information System Approach, Reston, VA: Reston.
- ◆ Rao, P Subha (2009). Personnel and Human Resource Management, Himalaya Publication House
- ◆ Memoria, C.B. and Gankar, S. V. (2002). Personnel Management, Himalaya Publication House

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**Lesson No. 10****Unit-II****Semester-II****M.Com-E215**

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**EMPLOYEE TRAINING  
AND PERFORMANCE APPRAISAL**

**STRUCTURE**

- 10.1 Introduction**
- 10.2 Objectives**
- 10.3 Performance appraisal**
  - 10.3.1 Concept**
  - 10.3.2 Advantages**
- 10.4 Evaluation of Performance Appraisal**
  - 10.4.1 Traditional Methods**
  - 10.4.2 Modern Methods**
- 10.5 Performance Appraisal Process**
- 10.6 Ethics of Performance Appraisal**
- 10.7 Employee Training**
  - 10.7.1 Objectives of Training**
- 10.8 Methods of training**
- 10.9 Training Process**
- 10.10 Summary**
- 10.11 Glossary**

## **10.12 Self Assessment Question**

## **10.13 Lesson End Exercise**

## **10.14 Suggested Readings**

### **10.1 INTRODUCTION**

Performance appraisal (PA) systems are lightning rods for controversy. Some think they are indispensable. Others argue that they are ineffective at best and actually operate in most cases to the organization's detriment. Among the critics is quality guru W. Edwards Deming (1986), who labelled performance appraisal systems a "Deadly Disease" in organizations, and claimed that they "leave people bitter, crushed, bruised, battered, desolate, despondent, dejected, feeling inferior, some even depressed, unfit for work for weeks after receipt of rating, unable to comprehend why they are inferior." Advocates, however, argue that PA systems are useful and necessary. Dick Grote (2005), a consultant, who worked extensively in this area, argued that employees are hungry for feedback on how they are doing and where they stand, and that organisations and managers owe that to their employees. Jack Welch (2001), the long time and highly acclaimed former CEO of General Electric, says that it is actually a form of false kindness to withhold from poor performers information about their supervisors' assessments of them. Others may simply observe that everyone's performance is appraised, whether it happens formally or informally – and that a good case can be made for bringing the process out into the open so people will be aware of how it is done, when it is done, and what the results are.

### **10.2 OBJECTIVES**

After studying this chapter you should be able to discuss the difference between performance management and performance appraisal, identify the necessary characteristics of accurate performance management tools, purposes for performance appraisals. You will generate knowledge about the commonly used performance measurement methods and forms and identify some of the common problems with the performance appraisal

process. You will also be able to identify training needs of the employee and different methods of employee training.

## **10.3 PERFORMANCE APPRAISAL (PA)**

### **10.3.1 Concept**

“Performance appraisal” is a systematic evaluation of present and potential capabilities of personnel and employees by their superiors, superior’s superior or a professional from outside. It is a process of estimating or judging the value, excellent qualities or status of a person or thing. Some of the commonly accepted definitions of PA are:

*According to Edwin Flipppo, “Performance Appraisal is the systematic, periodic and impartial rating of an employee’s excellence, in matters pertaining to his present job and his potential for a better job.”*

*According to Dale Beach, “Performance Appraisal is the systematic evaluation of the individual with regards to his or her performance on the job and his potential for development.”*

“Performance appraisal” has been identified as one of the most complex of man-management activities. It is often a difficult and emotion laden process. Performance appraisal has become part of organisational life. Every organisation has some procedure for evaluating the performance of its personnel including both the quantitative and qualitative aspects of job performance. Performance here refers to the degree of accomplishment of the tasks the makeup an individual’s job. It indicates how well an individual is fulfilling the job demands. Often the term is confused with effort, which means performance is always measured in terms of results.

According to R.Wayne Mondy, “Performance appraisal is a formal system of review and evaluation of individual or team task performance”.

According to Gary Dessler “Performance appraisal means evaluating an employee’s current and/or past performance relative to his or her performance standard”.

### 10.3.2 Advantages

It is said that performance appraisal is an investment for the company which can be justified by following advantages:

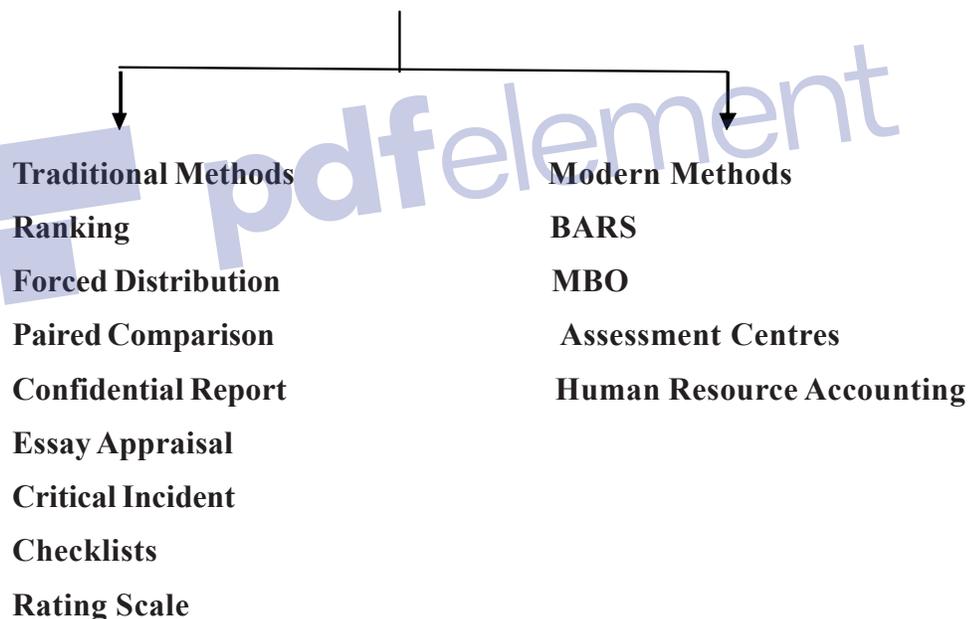
- **Promotion:** Performance Appraisal helps the supervisors to chalk out the promotion programmes for efficient employees. In this regards, inefficient workers can be dismissed or demoted in case.
- **Compensation:** Performance Appraisal helps in chalking out compensation packages for employees. Merit rating is possible through performance appraisal. Performance Appraisal tries to give worth to a performance. Compensation packages which includes bonus, high salary rates, extra benefits, allowances and pre-requisites are dependent on performance appraisal. The criteria should be merit rather than seniority.
- **Employees Development:** The systematic procedure of performance appraisal helps the supervisors to frame training policies and programmes. It helps to analyse strengths and weaknesses of employees so that new jobs can be designed for efficient employees. It also helps in framing future development programmes.
- **Selection Validation:** Performance Appraisal helps the supervisors to understand the validity and importance of the selection procedure. The supervisors come to know the validity and thereby the strengths and weaknesses of selection procedure. Future changes in selection methods can be made in this regard.
- **Communication:** For an organization, effective communication between employees and employers is very important. Through performance appraisal, communication can be sought for in the following ways:
  - a. Through performance appraisal, the employers can understand and accept skills of subordinates.
  - b. The subordinates can also understand and create a trust and confidence in superiors.

- c. It also helps in maintaining cordial and congenial labour management relationship.
- d. It develops the spirit of work and boosts the morale of employees.
- **Motivation:** Performance appraisal serves as a motivation tool. Through evaluating performance of employees, a person's efficiency can be determined if the targets are achieved. This very well motivates a person for better job and helps him to improve his performance in the future.

#### 10.4 EVALUATION OF PERFORMANCE APPRAISAL

Following are the tools used by the organizations for Performance Appraisals of their employees:

##### Performance Appraisal Methods



##### 10.4.1 Traditional Methods / Evaluation

- a) **Ranking Method:** The ranking system requires the rater to rank his subordinates on overall performance. This consists in simply putting a man in a rank order. Under this method, the ranking of an employee in

a work group is done against that of another employee. The relative position of each employee is tested in terms of his numerical rank. It may also be done by ranking a person on his job performance against another member of the competitive group.

### **Advantages of Ranking Method**

- Employees are ranked according to their performance levels.
- It is easier to rank the best and the worst employee.

### **Limitations of Ranking Method**

- The “whole man” is compared with another “whole man” in this method. In practice, it is very difficult to compare individuals possessing various individual traits.
- This method speaks only of the position where an employee stands in his group. It does not test anything about how much better or how much worse an employee is when compared to another employee.
- When a large number of employees are working, ranking of individuals become a difficult issue.
- There is no systematic procedure for ranking individuals in the organization. The ranking system does not eliminate the possibility of snap judgements.

### **b) Forced Distribution method**

This is a ranking technique where raters are required to allocate a certain percentage of rates to certain categories (eg: superior, above average, average) or percentiles (eg: top 10 percent, bottom 20 percent etc). Both the number of categories and percentage of employees to be allotted to each category are a function of performance appraisal design and format. The workers of outstanding merit may be placed at top 10 percent of the scale, the rest may be placed as 20 % good, 40 % outstanding, 20 % fair and 10 % fair.

### **Advantages of Forced Distribution**

- This method tends to eliminate raters bias
- By forcing the distribution according to pre-determined percentages, the problem of making use of different raters with different scales is avoided.

### **Limitations of Forced Distribution**

- Use of this method in salary administration may lead low morale, low productivity and high absenteeism.
- Employees who feel that they are productive, but find themselves in lower grade(than expected) feel frustrated and exhibit over a period of time reluctance to work.

### **c) Checklists and Weighted Checklists**

In this system, a large number of statements that describe a specific job are given. Each statement has a weight or scale value attached to it. While rating an employee the supervisor checks all those statements that most closely describe the behaviour of the individual under assessment. The rating sheet is then scored by averaging the weights of all the statements checked by the rater. A checklist is constructed for each job by having persons who are quite familiar with the jobs. These statements are then categorized by the judges and weights are assigned to the statements in accordance with the value attached by the judges.

### **Simple Checklist**

- |  |     |
|--|-----|
| • Is employee regular                  | Y/N |
| • Is employee respected by subordinate | Y/N |
| • Is employee helpful                  | Y/N |

•	Does he follow instruction	Y/N
•	Does he keep the equipment in order	Y/N
<b>Weighted Checklist (Performance Rating Scale 1-5)</b>		
		<b>Weights</b>
•	Regularity	0.5
•	Loyalty	1.5
•	Willing to help	1.5
•	Quality of work	1.5
•	Relationship	2.0

#### **Advantages of Checklists and Weighted Checklists**

- Most frequently used method in evaluation of the employees performance.

#### **Limitations of Checklists and Weighted Checklists**

- This method is very expensive and time consuming
- Rater may be biased in distinguishing the positive and negative questions.
- It becomes difficult for the manager to assemble, analyze and weigh a number of statements about the employees' characteristics, contributions and behaviours.

#### **d) Paired-Comparison**

A performance appraisal that measures the relative performance of employees in a group is known as paired comparison method. This is a method of performance evaluation that results in a rank ordering of employees to come up with a best employee. This type of approach measures the relative performance of employees in a group. The concept can be illustrated with the help of the following example. If the following

five students Ashok (A), Bina (B), Chitra (C), Dinesh (D), Eillen (E) have to be evaluated for the best student award, the total number of comparison would be = 10

- A with B
- A with C B with C
- A with D B with D C with D
- A with E B with E C with E D with E

The number of times a student gets a better score, would be the basis for selecting the Best Student. This method is not appropriate if a large number of students are required to be evaluated.

#### e) **Rating Scale**

Rating Scales Method is commonly used method for assessing the performance of the employees and well-known traditional method of performance appraisal of employees. Many corporations and companies example in the country India, telecommunications company likely airtel and US IT companies like Dell Corporation are using this method for evaluating the employees and subsequently take decisions on concerned employee.

Depending upon the job of employee under this method of appraisal traits like attitude, performance, regularity, accountability and sincerity etc. are rated with scale from 1 to 10. 1 indicates negative feedback and 10 indicates positive feedback as shown below.

#### **Attitude of employee towards his superiors, colleagues and customers**

1	2	3	4	5	6	7	8	9	10
---	---	---	---	---	---	---	---	---	----

Extremely poor

Excellent

#### **Regularity in the job**

1	2	3	4	5	6	7	8	9	10
---	---	---	---	---	---	---	---	---	----

Extremely poor

Outstanding

## **f) Essay Appraisal Method**

This traditional form of appraisal, also known as “Free Form method” involves a description of the performance of an employee by his superior. The description is an evaluation of the performance of any individual based on the facts and often includes examples and evidences to support the information. A major drawback of the method is the inseparability of the bias of the evaluator.

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:

- Job knowledge and potential of the employee;
- Employee’s understanding of the company’s programmes, policies, objectives, etc.;
- The employee’s relations with co-workers and superiors;
- The employee’s general planning, organizing and controlling ability;
- The attitudes and perceptions of the employee, in general.

### **Advantages**

- 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.

### **Limitations**

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

- Some evaluators may be poor in writing essays on employee performance. Others may be superficial in explanation and use flowery language which may not reflect the actual performance of the employee. It is very difficult to find effective writers nowadays.
- The appraiser is required to find time to prepare the essay. A busy appraiser may write the essay hurriedly without properly assessing the actual performance of the worker. On the other hand, appraiser takes a long time, this becomes uneconomical from the view point of the firm, because the time of the evaluator (supervisor) is costly.

### **g) Critical Incidents Methods**

This technique of performance appraisal was developed by Flanagan and Burns. The manager prepares lists of statements of very 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 customers' complaint. He is polite, prompt, and enthusiastic in solving the customers' problem.

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

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

### **Advantages**

- This method provides an objective basis for conducting a thorough discussion of an employee's performance.

- This method avoids recency bias (most recent incidents get too much emphasis).

### **Limitations**

- Negative incidents may be more noticeable than positive incidents.
- The supervisors have a tendency to unload a series of complaints about incidents during an annual performance review session.
- It results in very close supervision which may not be liked by the employee.
- The recording of incidents may be a chore for the manager concerned, who may be too busy or forget to do it.

### **h) Confidential Report System**

Confidential report system is well known method of performance appraisal system mostly being used by the Government organisations. In this method of appraising system, subordinate is observed by his superiors regarding his performance in the job and on his duties done. Thereafter Superior writes confidential report on his performance, mainly on his behaviour in the organisation and conduct and remarks if any. Confidential reports will be kept confidential and will not be revealed to anyone and finally confidential reports will be forwarded to the top management officials for taking decision against person on whom confidential report has made. Confidential reports are the main criteria for promoting or transferring of any employee mainly in the government sector. All governmental organisations example judiciary, police Department and other government departments in the India are using confidential reports method as a tool to know about the employee and to take any decision connecting to him.

The superior, who appraises their subordinate's performance, behaviour and other key issues will be kept in the form of writing on paper, which is called as confidential report. Confidential report

should not be sent openly on a paper, it must be kept in a sealed cover to send it to decision-making authorities. Only authorised persons are allowed to open the sealed covers, which consist of confidential reports. Confidential reports shall not be handed over in loose sheets to the subordinates.

### **Key factors assessed in Confidential Report writing**

- Character and conduct of an employee
- Absenteeism of an employee
- Knowledge of an employee
- His nature and quality of work
- Punctuality of employee
- Unauthorised absenteeism or leave without permission
- Behaviour of an employee with colleagues, superiors and with public
- Ability of supervision and controlling
- His/her integrity and honesty
- If any complaints against employee

### **10.4.2 Modern Methods / Evaluation**

#### **a) Behaviourally Anchored Rating Scales (BARS)**

Behaviourally Anchored Rating Scales (BARS) is a relatively new technique which combines the graphic rating scale and critical incidents method. It consists of predetermined critical areas of job performance or sets of behavioural statements describing important job performance qualities as good or bad (e.g. the qualities like inter-personal relationships, adaptability and reliability, job knowledge etc). These statements are developed from critical incidents.

In this method, an employee's actual job behaviour is judged against the desired behaviour by recording and comparing the behaviour with BARS. Developing and practicing BARS requires expert knowledge.

A behaviourally anchored rating scale is an employee appraisal system where raters distinguish between successful and unsuccessful job performance by collecting and listing critical job factors. These critical behaviors are categorized and appointed a numerical value which is used as the basis for rating performance.

**Table 10.1: An Example of Behaviourally Anchored Rating Scale (BARS)**

Performance	Points	Behaviour
Extremely good	7	Can expect trainee to make valuable suggestions for increased sales and to have positive relationships with customers all over the country.
Good	6	Can expect to initiate creative ideas for improved sales.
Above average	5	Can expect to keep in touch with the customers throughout the year.
	4	Can manage, with difficulty, to deliver the goods in time.
Below average	3	Can expect to unload the trucks when asked by the supervisor.
Poor	2	Can expect to inform only a part of the customers.
Extremely poor	1	Can expect to take extended coffee breaks and roam around purposelessly

**Advantages:**

- Job behaviours describe employee performance in a better way.
- More objective
- More acceptances due to participation of managers and employees

**Disadvantages**

- Scale independence may not be valid/ reliable.
- Behaviours are activity oriented rather than result oriented
- Very time consuming for generating BARS.

- Each job will require creating separate BARS scale.

**c) Management by Objectives**

The definition of MBO, as expressed by its foremost proponent, Dr. George S. Odiorne, “*Management by objectives is a process whereby the superior and subordinate managers of an organisation jointly identify its common goals, define each individual’s major areas of responsibility in terms of the results expected of him, and use these measures as guides for operating the unit and assessing the contribution of each of its members.*”

Much of the initial impetus for MBO was provided by Peter Drucker (1954) and by Douglas McGregor (1960). Drucker first described management by objectives in 1954 in the Practice of Management. Drucker pointed the importance of managers having clear objectives that support the purposes of those in higher positions in the organisation. McGregor argues that by establishing performance goals for employees after reaching agreement with superiors, the problems of appraisal of performance are minimised. MBO in essence involves the setting out clearly defined goals of an employee in agreement with his superior. The key features of management by objectives are as under:

- Superior and subordinate get together and jointly agree upon the list the principal duties and areas of responsibility of the individual’s job.
- The subordinate sets his own short-term performance goals or targets in cooperation with his superior.
- They agree upon criteria for measuring and evaluating performance.
- From time to time, as decided upon, the superior and subordinate get together to evaluate progress towards the agreed-upon goals. At those meetings, new or modified goals are set for the ensuing period.
- The superior plays a supportive role. He tries, on a day-to-day basis, to help the subordinate achieve the agreed upon goals. He counsels and coaches.

- In the appraisal process, the superior plays less of the role of a judge and more of the role of one who helps the subordinate attain the organisation goals or targets.

MBO is, thus, a method of mutual goal-setting, measuring progress towards the goals, taking action to assure goal attainment, feedback, and participation. It is a result oriented philosophy, enabling an employee to measure progress toward a goal which the employee often has helped to set. In the goal-setting phase of MBO, a superior and subordinate discuss job performance problems and a goal is agreed upon. Along with mutual goal-setting, a major component of MBO is the performance review session between the superior and subordinate, which takes place regularly to evaluate progress towards specified goals.

#### **d) Assessment Centres**

An assessment centre typically involves the use of methods like social/informal events, tests and exercises, assignments being given to a group of employees to assess their competencies to take higher responsibilities in the future. Generally, employees are given an assignment similar to the job they would be expected to perform if promoted. The trained evaluators observe and evaluate employees as they perform the assigned jobs and are evaluated on job related characteristics.

The major competencies that are judged in assessment centres are interpersonal skills, intellectual capability, planning and organizing capabilities, motivation, career orientation etc. assessment centres are also an effective way to determine the training and development needs of the targeted employees.

Nearly 30% companies seek assessment centre services while moving an employee from executive position to managerial position. 20% companies said they use the centre's services when seeking a position on senior management level.

As per the TJinsite, the premium research website promoted by TimesJobs.com survey, more than 80% of the surveyed employers predict an increased use of assessment centres in near future because of their expertise and unbiased in assessing an individual fit and biggest limitation comes from the lack of skilled assessors to perform the assessment task effectively.

**e) Human Resource Accounting**

Human Resource Accounting is a method to measure the effectiveness of personnel management activities and the use of people in an organization. HRA is the process of Assigning, budgeting, and reporting the cost of human resources incurred in an organization, including wages and salaries and training expenses.

Human resources are valuable assets for every organization. Human resource accounting method tries to find the relative worth of these assets in the terms of money. In this method the Performance appraisal of the employees is judged in terms of cost and contribution of the employees. The cost of employees include all the expenses incurred on them like their compensation, recruitment and selection costs, induction and training costs etc whereas their contribution includes the total value added (in monetary terms). The difference between the cost and the contribution will be the performance of the employees. Ideally, the contribution of the employees should be greater than the cost incurred on them.

**f) 360 degree feedback**

360 degree feedback is also known as multi-rater feedback or multi-dimensional feedback or multi-source feedback. It is a very good means of improving an individual's effectiveness (as a leader and as a manager). It is a system by which an individual gets a comprehensive/collective feedback from his superiors, subordinates, peers/co-workers, customers and various other members with whom he interacts. The feedback form is in a questionnaire format, which contains questions that are significant

to both individual as well as organization from performance aspect. It is filled by anonymous people. The number of people from whom feedback is taken can range from 6 - 20. The individual's own feedback is also taken, i.e., he self-rates himself and then his rating is compared with other individuals ratings. Self ratings compel the individual to sit down and think about his own strengths and weaknesses.

The primary aim of a 360 degree feedback is to assist an individual to identify his strengths and build upon them, to recognize priority fields of improvement, to encourage communication and people's participation at all levels in an organization, to examine the acceptance of any change by the employees in an organization and to promote self-development in an individual. It must be noted that the assessment of individual by other people is subjective. A 360-degree feedback is challenging, promoting and analytical. It should not be regarded as ultimate and concluding. It is a beginning point. Self-assessment is an ongoing process.

360 degree feedback provides a comprehensive view of the skills and competencies of the individual as a manager or as a leader. The individual gets a feedback on how other people perceive and assess him as an employee. 360 degree feedback is beneficial to both an individual as well as organization. It leads to pooling of information between individual and other organizational members. It encourages teamwork as there is full involvement of all the top managers and other individuals in the organization. It stresses upon internal customer satisfaction. It develops an environment of continuous learning in an organization. Based on a 360 degree feedback, the individual goals and the group goals can be correlated to the organizational strategy, i.e., the individual and the group can synchronize their goals with the organizational goals.

The feedback must be confidential so as to ensure its reliability and legitimacy. The feedback must be accepted with positivity and an open-mind. The effectiveness of the feedback must be evaluated and analyzed on a regular basis.

### **Advantages of 360 Degree Feedback**

- 360 degree feedback is more impartial and objective than a one-to-one assessment of employee traits.
- It concentrates and stresses upon internal customer satisfaction
- It broadens the scope for employees to get various says for enhancing their job role, performance, and views.
- It can act as a supplement and not replacement to the conventional appraisal system.
- It can be motivating for the employees who undervalue themselves.
- It encourages teamwork.
- It is more credible as various people give almost same feedback from various sources.
- It brings into limelight the areas of employee development as it identifies strength and weaknesses of employees, which can be worked upon.
- It creates an environment of trust and loyalty in the organisation

### **Which Option Is Best?**

While this section does not contain an exhaustive list, it provides examples of each major method of performance appraisal. Determining the best appraisal method or form to use depends on the objectives of the organization. A combination of the methods and forms is usually superior to any one used by itself. For developmental objectives, the critical incidents, MBO, and narrative methods work well. For administrative decisions, a ranking method based on the evaluative methods and especially graphic rating scale or BARS forms works well. Remember that the success of the performance appraisal process does not just lie in the formal method or form used once or twice a year. It depends on the manager's human relations skills in ongoing critical incidents coaching, and on effective measures of performance that are accurate so that

everyone knows why they are rated at a given level (evaluative), as well as how to improve (develop) for the next assessment.

## 10.5 PERFORMANCE APPRAISAL PROCESS

The performance appraisal process can be summarised as under:

- **Establishing performance standards:** The first step in the process of performance appraisal is the setting up of the standards which will be used to as the base to compare the actual performance of the employees. This step requires setting the criteria to judge the performance of the employees as successful or unsuccessful and the degrees of their contribution to the organizational goals and objectives. The standards set should be clear, easily understandable and in measurable terms. In case the performance of the employee cannot be measured, great care should be taken to describe the standards.
- **Communicating the standards:** Once set, it is the responsibility of the management to communicate the standards to all the employees of the organization. The employees should be informed and the standards should be clearly explained to the employees. This will help them to understand their roles and to know what exactly is expected from them. The standards should also be communicated to the appraisers or the evaluators and if required, the standards can also be modified at this stage itself according to the relevant feedback from the employees or the evaluators.
- **Measuring the Actual Performance:** The most difficult part of the Performance appraisal process is measuring the actual performance of the employees that is the work done by the employees during the specified period of time. It is a continuous process which involves monitoring the performance throughout the year. This stage requires the careful selection of the appropriate techniques of measurement, taking care that personal bias does not affect the outcome of the process and providing assistance rather than interfering in an employees work.
- **Comparing actual performance with desired performance:** The actual performance is compared with the desired or the standard performance. The

comparison tells the deviations in the performance of the employees from the standards set. The result can show the actual performance being more than the desired performance or, the actual performance being less than the desired performance depicting a negative deviation in the organizational performance. It includes recalling, evaluating and analysis of data related to the employees' performance.

- **Feedback:** The result of the appraisal is communicated and discussed with the employees on one-to-one basis. The focus of this discussion is on communication and listening. The results, the problems and the possible solutions are discussed with the aim of problem solving and reaching consensus. The feedback should be given with a positive attitude as this can have an effect on the employees' future performance. Performance appraisal feedback by managers should be in such way helpful to correct mistakes done by the employees and help them to motivate for better performance but not to de-motivate. Performance feedback task should be handled very carefully as it may leads to emotional outburst if it is not handing properly. Sometimes employees should be prepared before giving them feedback as it may be received positively or negatively depending upon the nature and attitude of employees.
- **Decision-making/Taking corrective actions:** The purpose of conducting employee performance appraisal is for making decisions about employees without any bias by the HR manager. Decision-making by HR managers about employees rewarding, promotions, demotions, transfers and sometimes suspensions/dismissal of employees are depended upon the employee performance appraisal. The decision taken by HR manager should match exactly with performance appraisal results of employees to avoid grievance or disturbances in between them, as they affects overall performance of the organisation.

## 10.6 ETHICS OF PERFORMANCE APPRAISAL

Every manager should be concerned with ethics when otherwise he may encounter several problems in appraising performance of subordinates. Essential characteristics of an effective appraisal system for managers:

1. **Reliability and Validity:** Appraisal system should provide consistent, reliable and valid information and data which can be used to defend the organization-even in legal challenges. If two appraisers are equally qualified and competent to appraise an employee with the help of same appraisal technique, their ratings should agree with each other. Appraisals must also satisfy the condition of validity by measuring what they are supposed to measure.
2. **Job Relatedness:** The appraisal technique should measure the performance and provide information in job related areas.
3. **Standardization:** Appraisal forms, procedures, administration of techniques, ratings, etc should be standardized as appraisal decisions affect all employees of the group. **Practical Viability:** The techniques should be practically viable to administer, possible implement and economical regarding cost aspect. **Legal Sanction:** It should have legal compliance with the legal provisions concerned of the country.
4. **Training Appraisers:** Because appraisal is important and sometimes difficult, it would be useful to providing training to appraiser's viz., some insights and ideas on rating, documenting appraisals and conducting appraisal interviews.
5. **Open Communication:** Most employees want to know how well they are performing on the job. A good appraisal system provides the needed feedback on a continuing basis. Managers should clearly explain their performance expectations to their subordinates in advance of the appraisals period and try to improve their performance in future.
6. **Employee Access to Results:** Employees should receive adequate feedback on their performance. Employees' performance can be improved only if they are also accessible to review the results of their appraisal.
7. **Due Process:** Formal procedures should be developed to enable employees to pursue their grievances and having them addressed objectively, who disagree with the appraisal results.

## 10.7 EMPLOYEE TRAINING

Training is the process of assisting a person for enhancing his efficient and effectiveness at work by improving and updating his professional knowledge, by developing skills relevant to his work, and cultivating appropriate behaviour attitude towards work and people. Training could be design either for improving present capabilities at work or for preparing a person for assuming higher, responsibilities in future which would call for additional knowledge and superior skills.

Training according to Wayne Cascio “*consists of planed programs undertaken to improve employee knowledge, skills, attitude, and social behaviour so that the performance of the organization improves considerably.*”

“*It is concerned with the knowledge, skill attitude, techniques & experiences which enable as individual to make his most effective contribution to the combined effort of the team of which he is a member*”

“*Training is the formal and systematic modification of behaviour through learning which occurs as a result of education, instruction, development and planned experience*”

“*Training is a method whereby people get hold of abilities to aid in the accomplishment of organizational objectives. It occupies planned learning activities premeditated to develop an employee’s performance at her/his recent job.*”

### 10.7.1 Objectives of Training

- **Improving quality of work force:** Training and development help companies to improve the quality of work done by their employees. Training programs concentrate on specific areas. There by improving the quality of work in that area.
- **Enhance employee growth:** Every employee who takes development program becomes better at his job. Training provides perfection and

required practice, therefore employee's area able to develop them professionally.

- **Prevents obsolescence:** Through training and development the employee is up to date with new technology and the fear of being thrown out of the job is reduced.
- **Assisting new comer:** Training and development programs greatly help new employees to get accustomed to new methods of working, new technology, the work culture of the company etc.
- **Bridging the gap between planning and implementation:** Plans made by companies expect people to achieve certain targets within certain time limit with certain quality for this employee performance has to be accurate and perfect. Training helps in achieving accuracy and perfection.
- **Health and safety measures:** Training and development program clearly identifies and teaches employees about the different risk involved in their job, the different problems that can arise and how to prevent such problems. This helps to improve the health and safety measures in the company.

## 10.8 METHODS OF TRAINING

There are different methods of training for operating personnel. Training these workers becomes important because they handle equipment worth crores of rupees. some of the training methods are as under:

### a) **On the job training method**

In this method workers who have to be trained are taken to the factory, divided into groups and one superior is allotted to every group. The supervisor trains the subordinates with the help of following techniques:

1. **Demonstration / instruction :** It is process of practical showing the trainee how to do the job. The demonstration step gives trainees the opportunity to see and hear the details related to the skill being taught. Those details include the necessary background knowledge, the steps or procedure, the nomenclature, and the safety precautions. The

repetition step helps the average and slow learners and gives the trainees an additional opportunity to see and hear the skill being taught. The performance step gives all trainees the opportunity to become proficient. In short, this method is recommended because it leaves nothing to chance.

2. **Coaching:** - A more intensive method of training that involves a close working relationship between an experienced employee and the trainee. It refers to actually teaching a job to a junior. The senior person who is the coach actually teaches his junior regarding how the work must be handled and how decisions must be taken, the different techniques that can be used on the job, how to handle pressure. There is active participation from the senior.
3. **Job rotation:** - Job Rotation is a management approach where employees are shifted between two or more assignments or jobs at regular intervals of time in order to expose them to all verticals of an organization. It is a pre-planned approach with an objective to test the employee skills and competencies in order to place him or her at the right place. In addition to it, it reduces the monotony of the job and gives them a wider experience and helps them gain more insights.
4. **Projects:** – In this the employees join a project team, which gives them exposure to other parts of the business and allow them to take part in new activities. Most successful project teams are “multi-disciplinary”
5. **Under study:** - In this method of training a junior is deputed to work under a senior. He takes orders from the senior, observes the senior, attends meetings with him, learns about decision making and handling of day to day problems. The method is used when the senior is on the verge of retirement and the job will be taken over by the junior.

**b) Apprenticeship training**

In this method both theory and practical session are conducted. The employee is paid a stipend until he completes training. The theory sessions give theoretical information about the plant layout,

the different machines, their parts and safety measures etc. The practical sessions give practical training in handling the equipment. The apprentice may or may not be continued on the job after training.

**c) Vestibule training**

In this method of training in an atmosphere which is very similar to the real job atmosphere is created. The surroundings, equipment, noise level will be similar to the real situation. When an employee is trained under such conditions he gets an idea about what the real job situation will be like. Similarly when he actually starts doing the job he will not feel out of place. This method is used to train pilots and astronauts. In some places graphics are also used to create the artificial surroundings. This method involves heavy investment.

**d) Simulation**

Simulation involves creating atmosphere which is very similar to the original work environment. The method helps to train manager handling stress, taking immediate decisions, handling pressure on the jobs etc. An actual feel of the real job environment is given here.

**d) Classroom method**

The classroom method is used when a group of managers have to be trained in theoretical aspects. The training involves using lectures, audio visuals, case study, role play method, group discussions etc. The method is interactive and provides very good results.

- **Lectures:** Lectures are a common training method in classrooms, and the format is quite simple. For lectures, a professor presents information to his students while the students take notes and absorb the information. This style of training is typically found at the high school and college levels and is more effective with adult learners. It can be challenging for this training style to be successfully implemented in an elementary classroom, for instance, as it requires students to pay attention to the teacher for a long, uninterrupted amount of time. Once young students

start to tune out of the lecture, the training method is no longer effective for conveying the information.

- **Group Discussions:** Some teachers find it advantageous to let students lead the lessons, as it forces students to participate and focus on the course material. In this classroom structure, group discussions prevail and lectures fall by the wayside. The teacher will present a topic to be discussed and allow students to take over from there, providing the group with guided questions and prompts along the way. Students can speak from experience, theorize or formulate arguments depending on what the topic is about. Group discussion training methods are effective at all ages, but keep in mind that younger students will require more guidance and direction from a teacher than adult students.
- **Conference:** This method involves discussions on specific topics. The experts from different fields give presentation or lecture on specific topics. The trainees can ask their doubts to these experts and understand how problems can be solved on the job.
- **Case Study:** The case study is a method, which provides descriptive situations to stimulate trainees to make decisions. The purpose of the case method is to make trainees apply what they know, develop new ideas to manage a situation or solve a problem. The focus is more on the approach the trainee uses rather than on the solution. As a training tool, the case study method can be used to develop decision-making skills, enhance team spirit, better communication and interpersonal skills and strengthen the analytical skills of trainees.

e) **Computer Based Training**

- **Programmed instruction:** It is a Computer-based training that comprises of graphics, multimedia, text that is connected to one another and is stored in memory. It is the procedure of guiding the participants strategically through the information in a way that facilitates the most effective and efficient learning. It provides the participant with content,

information, asks questions, and based on the answer the trainee goes to the next level of information i.e. if the trainee gives the correct answer; one branch moves the trainee forward to the new information. And if the trainee gives the wrong answer then different branch is activated, taking the trainee back to the review relevant information in more elaborate manner.

This method allows the trainees to go through the content according to the individual speed, and capability. Those trainees, who respond better, move through the content rapidly. Programmed Instruction also comes in Printed form i.e. books, Tape, Interactive Video and other formats

- **Virtual Reality** is a training method that puts the participant in 3-D environment. The three dimensional environment stimulates situations and events that are experienced in the job. The participant interacts with 3-D images to accomplish the training objectives. This type of environment is created to give trainee the impression of physical involvement in an environment. To experience virtual reality, the trainee wears devices, like headset, gloves, treadmills, etc. Virtual Reality provides trainees with an understanding of the consequences of their actions in the work environment by interpreting and responding to the trainees' actions through its accessories:
  - a) **Headset** provides audio and visual information
  - b) **Gloves** provide tactile information
  - c) **Treadmill** is used for creating the sense of movement
  - d) **Sensory devices** transmit how the trainees are responding in the virtual workplace to the computer. This allows the virtual reality (VR) system to respond by changing the environment appropriately.
- **Intelligent tutoring system (ITS)** is a computer system that aims to provide immediate and customized instruction or feedback to learners, usually without intervention from a human teacher. ITSs have the common

goal of enabling learning in a meaningful and effective manner by using a variety of computing technologies. There are many examples of ITSs being used in both formal education and professional settings in which they have demonstrated their capabilities and limitations. Intelligent tutoring systems consist of four basic components based on a general consensus amongst researchers:

The **domain model** (also known as the cognitive model or expert knowledge model) is built on ACT-R theory which tries to take into account all the possible steps required to solve a problem. More specifically, this model “contains the concepts, rules, and problem-solving strategies of the domain to be learned. It can fulfill several roles: as a source of expert knowledge, a standard for evaluating the student’s performance or for detecting errors, etc.”

The **student model** can be thought of as an overlay on the domain model. It is considered as the core component of an ITS paying special attention to student’s cognitive and affective states and their evolution as the learning process advances. As the student works step-by-step through their problem solving process the system engages in a process called model tracing. Anytime the student model deviates from the domain model the system identifies, or flags, that an error has occurred.

The **tutor model** accepts information from the domain and student models and makes choices about tutoring strategies and actions. At any point in the problem-solving process the learner may request guidance on what to do next, relative to their current location in the model. In addition, the system recognizes when the learner has deviated from the production rules of the model and provides timely feedback for the learner, resulting in a shorter period of time to reach proficiency with the targeted skills. The tutor model may contain several hundred production rules that can be said to exist in one of two states, *learned* or *unlearned*. Every time a student successfully applies a rule to a problem, the system updates a probability estimate that the student has learned the rule. The

system continues to drill students on exercises that require effective application of a rule until the probability that the rule has been learned reaches at least 95% probability. *Knowledge tracing* tracks the learner's progress from problem to problem and builds a profile of strengths and weaknesses relative to the production rules.

**The user interface component** “integrates three types of information that are needed in carrying out a dialogue: knowledge about patterns of interpretation (to understand a speaker) and action (to generate utterances) within dialogues; domain knowledge needed for communicating content; and knowledge needed for communicating intent”

**Examples of Intelligent tutoring system in corporate training and industry:**

“**SHERLOCK**” is used to train Air Force technicians to diagnose problems in the electrical systems of F-15 jets. The ITS creates faulty schematic diagrams of systems for the trainee to locate and diagnose. The ITS provides diagnostic readings allowing the trainee to decide whether the fault lies in the circuit being tested or if it lies elsewhere in the system. Feedback and guidance are provided by the system and help is available if requested.

**The Cardiac Tutor's** aim is to support advanced cardiac support techniques to medical personnel. The tutor presents cardiac problems and, using a variety of steps, students must select various interventions. Cardiac Tutor provides clues, verbal advice, and feedback in order to personalize and optimize the learning. Each simulation, regardless of whether the students were successfully able to help their patients, results in a detailed report which students then review.

**CODES:** Cooperative Music Prototype Design is a Web-based environment for cooperative music prototyping. It was designed to support users, especially those who are not specialists in music, in creating

musical pieces in a prototyping manner. The musical examples (prototypes) can be repeatedly tested, played and modified. One of the main aspects of CODES is interaction and cooperation between the music creators and their partners.

## 10.9 TRAINING PROCESS

The steps of Training Process are as under:

### a) **Organizational Objectives and Strategies**

The first step in the training process is assessment of organisational objectives and strategies. What business are we in? At what level of quality do we wish to provide this product or service? Where do we want to be in the future? Only after answering these and other related questions that the organisation must assess the strength and weakness of its human resources.

### b) **Needs Assessment**

Needs assessment diagnoses present problems and future challenge to be met through training and development. Needs assessment occurs at two levels i.e. group level and individual level, an individual obviously needs training when his or her performance falls short of standards that is when there is performance deficiency. Inadequate performance may be due to lack of skills or knowledge or any other problem.

### c) **Training and Development Objectives**

Once training needs are assessed, training and development goals must be established. Without clearly-set goals, it is not possible to design a training and development programme and after it has been implemented, there will be no way of measuring its effectiveness. Goals must be tangible, verifying and measurable. This is easy where skilled training is involved.

### d) **Conducting Training Activities**

Where is the training going to be conducted and how?

- At the job itself.
- On site but not the job for example in a training room in the company.
- Off site such as a university, college classroom hotel, etc.

**e) Designing training and development program:**

Designing the training programme depends upon: Who are the trainees? Who are the trainers? What methods and techniques? What is the level of training? What are the principles of learning? Where to conduct the program?

**f) Implementation of the training programme:**

Program implementation involves actions on the following lines:

- Deciding the location and organizing training and other facilities
- Scheduling the training programme.
- Conducting the programme.
- Monitoring the progress of the trainees.

**g) Evaluation of the Results:**

The last stage in the training and development process is the evaluation of the results. Since huge sums of money are spent on training and development, how far the programme has been useful must be judge/ determined. Finally, a feedback mechanism is created in order to identify the weak areas in the training program and improve the same in future. For this purpose, information relating to class room, food, lodging etc. are obtained from participants. The obtained information, then, tabulated, evaluated, and analyzed in order to mark weak areas of training programs and for future improvements. Evaluation helps determine the results of the training and development programme. In the practice, however organisations either overlook or lack facilities for evaluation.

## 10.10 SUMMARY

Performance appraisal” is a systematic evaluation of present and potential capabilities of personnel and employees by their superiors, superior’s superior or a professional from outside. It helps in promotion, training and development and motivation of employees. There are traditional and modern methods of PA. Small organisations usually employ traditional methods, whereas large organisations take help of modern methods. A good PA should not consist of any kind of biases and should be based upon already set standards against which the actual performance of employees should be evaluated and needed training should be provided to the employee.

## 10.11 GLOSSARY

- **Behaviourally anchored rating scale (BARS):** An appraisal that requires raters to list important dimensions of a particular job and collect information regarding the critical behaviours that distinguish between successful and unsuccessful performance. These critical behaviours are then categorized and appointed a numerical value used as the basis for rating.
- **Ethics:** A philosophy principle concerned with opinions about appropriate and inappropriate moral conduct or behaviour by an individual or social group.
- **Feedback:** Positive or negative information provided to an individual in the form of coaching or counselling regarding his or her performance or behaviour.
- **Forced-choice:** In test construction, used to define multiple-choice tests or questionnaires requiring the appraiser to choose an answer from a collection of possible answers. Also refers to a performance appraisal strategy where the appraisal is divided into several sections, and the rater is then provided with a few performance descriptors for each section and asked to select the most and least characteristic statement.

- **Forced distribution:** An appraisal rating method intended to prevent rater errors by requiring the rater to force ratings into a bell shaped curve.
- **Halo/horn effect:** A form of appraiser bias, occurring when he/she rates or judges an individual based on the individual's positive or strongest traits, allowing their overall perception of the person to overshadow any negative traits. Referred to as the "halo effect" when it works in the candidate's favour or the "horn effect" when it works against the candidate
- **Performance appraisal:** A periodic review and evaluation of an individual's job performance.
- **Performance standards:** The tasks, functions or behavioural requirements established by the employer as goals to be accomplished by an employee.
- **Training aids:** Any form of audio or visual materials used for training purposes.
- **Training and development:** A process dealing primarily with transferring or obtaining knowledge, attitudes and skills needed to carry out a specific activity or task.
- **Training needs analysis:** A method used to determine what people need to learn and which training programs may be beneficial. The result of the analysis is a training needs report identifying training needs and the interventions needed to reduce key performance gaps.

## 10.12 SELF ASSESSMENT QUESTIONS

- Q.1. Differentiate between On-The-Job-Training & Off-The-Job-Training.
- Q2. What is training? What are the different methods of training program within the organisation?
- Q3. "Performance appraisal is a tool to measure efficiency and performance of the employee." Analyze the statement.

### 10.13 LESSON END EXERCISE

- Q1. From the head of reward to the HR director: ‘Why don’t we use the outcome of our 360- degree feedback system to contribute to the annual appraisal rating and through that to performance-related pay decisions?’ Draft your response.
- Q2. ....does not require face to face interaction with the trainer.
- (a) Virtual Reality
  - (b) Coaching100
  - (c) Case Studies
  - (d) Role Playing
- Q3. Which of the following is the traditional method for imparting training?
- (a) Demonstration
  - (b) Discussion
  - (c) Lecture
  - (d) Coaching
- Q4. Which of the following is a component in the Intelligent Tutorial System (ITS)?
- (a) A Trainee Model
  - (b) A Training Session Expert
  - (c) A user Interface
  - (d) All

### 10.14 SUGGESTED READING

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**Lesson No. 11**  
**Semester-II**

**COMPENSATION AND  
GRIEVANCE REDRESSAL  
MECHANISM**

**Unit-III**  
**M.Com-E215**

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## **JOB EVALUATION**

### **STRUCTURE**

- 11.1 Introduction**
- 11.2 Objectives**
- 11.3 Concept and Need of job evaluation**
  - 11.3.1 Assumptions of job evaluation**
  - 11.3.2 Job evaluation categories**
- 11.4 Job evaluation process**
- 11.5 Job evaluation techniques**
- 11.6 Recent Developments in Job Evaluation**
- 11.7 Summary**
- 11.8 Glossary**
- 11.9 Self Assessment Questions**
- 11.10 Lesson End Exercise**
- 11.11 Suggested Readings**

### **11.1 INTRODUCTION**

Job evaluation is a formal process for determining the relative value of jobs based on job content, with emphasis on such factors as skill, effort, responsibility and working conditions. Job evaluation may contrast with or complement market pricing, which uses the labour market to set the worth of

jobs. Job evaluation may contrast with or complement market pricing, which uses the labour market to set the worth of jobs. A key benefit of market pricing is its emphasis on external competitiveness; however, a big drawback is insufficient and/or unreliable market data for all the jobs in the organization. Accordingly, job evaluation in some form even a simple one, such as slotting is needed to supplement a market pricing approach to the valuation of work. A key benefit of job content evaluation is internal consistency. Another is utility all jobs can be evaluated based on content.

## 11.2 OBJECTIVES

After reading this lesson you shall be able to learn about concept of job evaluation, job evaluation process and its techniques.

## 11.3 CONCEPT OF JOB EVALUATION

**Job evaluation** is a systematic way of determining the value/worth of a job in relation to other jobs in an organization. It tries to make a systematic comparison between jobs to assess their relative worth for the purpose of establishing a rational pay structure. It is a mechanism for establishing agreed differentials within organisations. It is a way of systematically assessing individual jobs objectively, while avoiding prejudice or discrimination. Job evaluation does not determine grades or pay levels, but does produce a hierarchy of jobs.

Dale Yoder defined *Job evaluation as a practice, which seeks to provide degree of objectivity in measuring the organisation value of the jobs within an organisation and among similar organisations.*

Edwin E. Flippo viewed *job evaluation as a systematic and orderly process of determining the worth of the job in relation to other jobs.*

Kimball and Kimball referred to *job evaluation as an effort to determine the relative value of every job in a plant to determine what the fair basic wage for such a job should be.*

Above definitions reveal that job evaluation is a process of finding out the comparative/relative worth of various jobs in an organisation, for determining the wages to be paid for performing them. It is a technique that rates the job and not the employee. It takes into account the demands of jobs in terms of abilities and efforts. The important characteristics of job evaluation are as under:

- It evaluates the jobs and not the employees
- Its standards are relative and not absolute.
- It is based on information provided through job analysis.
- It is carried by group of people.
- It does not fix pay scales but only provides basis for evaluating a rational wage structure.

### **Need of Job Evaluation**

The primary objective Need of Job evaluation is to find out the value of work, but this value which varies from time to time and from place to place under the influence of certain economic pressures, not least of which is the worth of money itself. Nevertheless, the value of work at a specific time and place is absolute, governed by supply and demand, and related to the value of all other work. The aim of job evaluation is not to create a rate, but to discover what that rate is at that time and in that place. Another aim of job evaluation is to supply bases for wage negotiations founded on facts rather than on any vague ideas. Wages are always under pressure of one kind or another and some wages are influenced more than the others by such pressures -resulting in anomalies in rates of pay. It is the function of job evaluation to reveal these anomalies, rather than create them. When job evaluation is used in the design of a wage structure, it helps in rationalising or simplifying the system by reducing number of separate and different rates. The technique of job evaluation can also be used to determine not only what the job is worth but also the value of each of the aspects such as the

skill and responsibility levels. Such information could be useful for devising measure for improving labour productivity

### 11.3.1 Assumptions in Job Evaluation

Job evaluation is based on certain basic postulates. It assumes the following:

- a) The work must have some intrinsic worth when judged against certain criteria, but whatever this worth may be it will not necessarily be the same as the wage. Implicit in this assumption is that these criteria can be identified, specified and quantified. These criteria are in terms of the human characteristics or qualities that are required to do the work satisfactorily.
- b) It is logical to pay the most for jobs which contribute most to attaining the organisational objective(s).
- c) The enterprise goals are better served and furthered by installing and maintaining a job-cum-pay structure based on relative job worth.
- d) People 'feel fair' if two men at the opposite ends of the conveyor belt (one putting on the raw material and the other unloading the finished article) get the same pay. Hence wages must be based on relative worth of job. The 'relative worth of jobs' is not easy to gauge. By far, the most important element in job price is the content factor. The content factor consists of duties and responsibilities of the post, the difficulty level (s) encountered by the incumbents, demands that are made by the post on job holder in terms of mental, intellectual, physical and environmental requirement for discharge of the duties attached to the post. These obviously are central points related to the post and, hence, are basic to the determination of the base rate for the job. Pay or salary structure may thus be seen to consist of the following:
  - The job rate, which is related to the importance of the job, the responsibilities involved in it, skill levels and pattern of experience

needed for adequate job performance, and the mental and physical demands made on the job incumbent.

- Special or personal allowances connected with long service, skill scarcity, and compensation for personal or social inconvenience.
- Fringe benefits, holidays with pay, pensions, life insurance, car, etc.
- Payments associated with reward according to performance (payment by result scheme, merit rating or profit sharing schemes, share of production plan, etc.)

### 11.3.2 Job Evaluation Categories

The job evaluation process consists of three general categories:

#### a) **Know-how**

Know-how is the sum total of every kind of knowledge and skill however acquired, e.g. experience, education, etc. needed for acceptable job performance. Know-how includes three elements:

- Specialized, technical or practical know-how: the basic job knowledge needed.
- Managerial know-how: The degree with which the job deals with planning and organizing the employee's activities and coordinating with others.
- Human relations skills: The persuasion and communication skills for motivating, training, and developing others.

#### b) **Problem Solving**

Problem solving is the amount of original self-starting thinking required by the job for analyzing, evaluating, creating, reasoning, arriving at and coming to conclusions. Problem-solving has two elements:

- Thinking environment – defines the degree to which the incumbent is free to develop answers to problems, ranging from the day-to-day decisions based on simple memory to those which require creative thinking or long-range strategies.

- Thinking challenge – defines the complexity and uniqueness of problems and may range from repetitive to highly creative.
- c) **Accountability** – Accountability is the answerability for action and for the consequences of that action. Accountability has three elements: **Freedom to act** is the degree to which the position can take action without consulting a higher authority. **Impact on end results** is the real effect of the position on the end results, i.e., direct, controlling, or primary impact, or an interpretive, advisory, or facilitating role. **Magnitude** is the size of the area in which the job functions, i.e, whole organization, school, single department, etc.

#### 11.4 JOB EVALUATION PROCESS

Job evaluation plans have been in use for approximately 75 years in the public and private sectors. There are many variations to the design a job evaluation plan. However, they all basically follow the same approach, which is to value each job in a defined group of jobs based on a common set of generic factors. The first set of decisions that an organization is required to make when installing a job evaluation plan is to determine which jobs in the organization will be covered by the plan and what factors will be used in the job evaluation process. Table 11.1 lists factors that are frequently used in job evaluation plans. The factors are selected depending upon the type of jobs to be evaluated.

The second step in the job evaluation process is to collect information about each job to be evaluated. This can be done using a job analysis questionnaire, job descriptions, observation and interviews with employees and supervisors.

Step three in the process is to systematically rate each job based on the job evaluation factors selected. The points assigned for each of the factors are totalled for each job. Table 11.2 illustrates how the factors are subdivided by degrees. The degrees define the extent that the factor is found in the job. Table 11.3 illustrates the evaluation of a job.

The fourth step is to select the benchmark jobs from the jobs that have been evaluated. The benchmark jobs are those jobs commonly found in most organizations and are typically included in salary surveys. The benchmark jobs connect the internal pay structure with the external labour market.

A technique to visualize the relationship between the internal structure and the market is to plot each of the benchmark jobs using the benchmark's total job evaluation points as the X axis and the average market rate as the Y axis. A line of best fit can be developed from the plot. This line can be used as a guide to determine the number of grades, the midpoints for each pay grade, and which jobs should be grouped in the same grade.

**Table 11.1 : Examples of Job Evaluation Factors**

<b>Skill</b> : Education, Experience, Communication
<b>Efforts</b> : Mental Effort, Problem Solving, Concentration and Complexity
<b>Responsibility</b> : Financial Responsibility, Supervision, Freedom to Act, Decision-making, Contacts with others and Operational Latitude
<b>Working Conditions</b> : Mental Demand, Physical Effort, Visual Demand

**Table 11.2: Point Value of Each Factor**

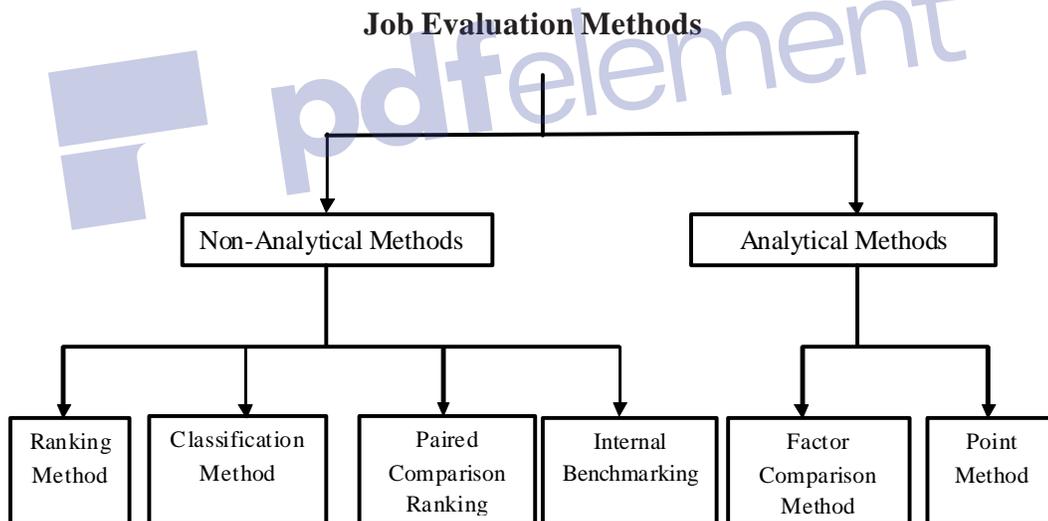
Factors	Degrees			
	1	2	3	4
Education	15	30	45	60
Experience	10	20	30	40
Problem Solving	20	40	60	80
Impact	18	36	54	72
Physical Effort	5	10	15	20

**Table 11.3 Evaluation of a Job**

Job Title	Education	Experience	Problem Solving	Impact	Physical Effort	Total
Field Assistant	30	20	20	36	15	121

## 11.5 JOB EVALUATION TECHNIQUES

The next step in the job evaluation process is to select or design a method of evaluating jobs. Four basic methods have traditionally been mentioned. These are ranking, classification, factor comparison, and the point plan methods. These four basic methods are pure types. In practice there are numerous combinations. Also, there are many ready-made plans as well as numerous adaptations of these plans to specific organisation needs.



### a) Ranking Method

Perhaps the simplest method of job evaluation is the ranking method. According to this method, jobs are arranged from highest to lowest, in order of their value or merit to the organization. Jobs also can be arranged

according to the relative difficulty in performing them. The jobs are examined as a whole rather than on the basis of important factors in the job; and the job at the top of the list has the highest value and obviously the job at the bottom of the list will have the lowest value.

Jobs are usually ranked in each department and then the department rankings are combined to develop an organizational ranking. The following table is a hypothetical illustration of ranking of jobs.

**Table 11.4 : Array of Jobs according to the Ranking Method**

	Rank	Monthly salaries(Rs.)
1.	Accountant	10,000
2.	Accounts clerk	7,000
3.	Purchase assistant	5,000
4.	Machine-operator	4,000
5.	Typist	3,500
6.	Office boy	2,000

#### **Advantages**

- Easy to understand and administer.
- Best suited for a small organization
- Sets a better rate than the arbitrary rate based purely on judgment and experience.

#### **Disadvantages**

- The classification is in general terms and only an overall assessment is possible.
- In a complex industrial organisation, it is not possible to be familiar with all the jobs and thus general descriptions will not enable correct assessment of the relative importance of all the jobs.

- The grading is very much influenced by the existing wage rates.
- It does not indicate the degree of difference between jobs, but only indicates that one job is more or less important than another one

**b) 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.

Developing a job classification system requires following steps:

- **Obtain Job Information:** Classification, like all other job evaluation methods, must start with job analysis. A description is developed for each job. Sometimes key jobs are analysed first and their descriptions used in developing grade descriptions; then the other jobs are analyzed and graded.
- **Select Compensable Factors:** Job descriptions are reviewed to distil factors that distinguish jobs at different levels. This is often done by selecting key jobs at various levels of the organisation, ranking them, and seeking the factors that distinguish them. Obviously, the factors must be acceptable to management and employees.
- **Determine the Number of Classes:** The number of classes selected depends upon tradition, job diversity, and the promotion policies of the organisation. Organisations tend to follow similar other organisations in this decision. Those favouring more classes argue that more grades mean more promotions and employees approve of this. Those favouring fewer classes argue that fewer grades permit more management flexibility and a simpler pay structure. Obviously, diversity in the work and organisation size increases the need for more classes.
- **Develop Class Descriptions:** This refers to defining classes in sufficient detail to permit raters to readily slot jobs. Usually this is done by

describing levels of compensable factors that apply to the jobs in a class. Often, titles of benchmark jobs are used as examples of jobs that fall into a grade. Writing grade descriptions is more difficult if one set of classes is developed for the entire organisation, than if separate class hierarchies are developed for different occupational groups. More specific class description eases the task of slotting jobs, but also limits the number of jobs that fit into a class. A committee is usually assigned the writing of class descriptions. It is often useful to write the descriptions of the two extreme grades first, then those in the middle.

- **Classify Jobs:** The committee charged with writing grade descriptions is often also assigned the task of classifying jobs. This involves comparing job descriptions with class descriptions. The result is a series of classes, each containing a number of jobs that are similar to one another. The jobs in each class are considered to be sufficiently similar to have the same pay. Jobs in other classes are considered dissimilar enough to have different pay. Classification systems have been used more in government organisations than in private ones. Most are designed to cover a wide range of jobs and are based on the assumption that jobs will be relatively stable in content. Although classification tends to produce more defensible and acceptable job structures than ranking, it may substitute flexibility for precision. It is easy to understand and communicate, but its results are non-quantitative. Following are some of the advantages and disadvantages of this method:

### **Advantages**

- Comparatively simple and easily administered.
- It takes into account all the factors that a job comprises.
- Since written job descriptions are used evaluation of jobs tend to be more accurate than under ranking system.

### **Disadvantages**

- Classification is in general terms and only an overall assessment is possible.

- It is very difficult to make comprehensive class specifications for a complex organisation. The specifications tend to overlap and it is difficult to decide which class a particular job belongs, and
- Placing jobs in classes is very much influenced by the existing wage rates
- It is difficult to write all-inclusive descriptions of a grade.
- When individual job descriptions and grade descriptions do not match well, the evaluators have the tendency to classify the job using their subjective judgments.
- The method oversimplifies sharp differences between different jobs and different grades.

**Table 11.5: Example of Job Classification**

Class I - Executives: Further classification under this category may be Office manager, Deputy office manager, Office superintendent, Departmental supervisor, etc.
Class II - Skilled workers: Under this category may come the Purchasing assistant, Cashier, Receipts clerk, etc.
Class III - Semiskilled workers: Under this category may come Stenotypists, Machine-operators, Switchboard operators, etc.
Class IV - Semiskilled workers: This category comprises Daftaris, File clerks, Office boys, etc.

c) **Paired comparison ranking**

Paired comparison ranking is a statistical technique used to provide a more sophisticated method of whole-job ranking. It is based on the assumption that it is always easier to compare one job with another than to consider a number of jobs and attempt to build up a rank order by multiple comparisons. The technique requires the comparison of each job as a whole, separately, with every other job. If a job is considered to be of a higher value than the one with which it is being compared it

receives two points; if it is thought to be equally important, it receives one point; if it is regarded as less important, no points are awarded. The scores are added for each job and a rank order is obtained.

The advantage of paired comparison ranking over normal ranking is that it is easier to compare one job with another rather than having to make multiple comparisons. But it cannot overcome the fundamental objections to any form of whole-job ranking – that no defined standards for judging relative worth are provided and it is not an acceptable method of assessing equal value or comparable worth. There is also a limit to the number of jobs that can be compared using this method – to evaluate 50 jobs requires 1,225 comparisons. Paired comparisons are occasionally used analytically to compare jobs on a factor by factor basis.

**d) Internal benchmarking**

Internal benchmarking means comparing the job under review with any internal job that is believed to be properly graded and paid (an internal benchmark) and placing the job under consideration into the same grade as that job. It is what people often do intuitively when they are deciding on the value of jobs, although it is not usually dignified in job evaluation circles as a formal method of job evaluation. The comparison is made on a whole-job basis without analysing the jobs factor by factor. It can be classified as a formal method if there are specific procedures for preparing and setting out role profiles and for comparing profiles for the role to be evaluated with standard benchmark role profiles.

**e) Factor Comparison Method**

A more systematic and scientific method of job evaluation is the factor comparison method. Though it is the most complex method of all, it is consistent and appreciable. Under this method, instead of ranking complete jobs, each job is ranked according to a series of factors. These factors include mental effort, physical effort, skill needed, supervisory

responsibility, working conditions and other relevant factors (for instance, know-how, problem solving abilities, accountability, etc.). Pay will be assigned in this method by comparing the weights of the factors required for each job, i.e., the present wages paid for key jobs may be divided among the factors weighed by importance (the most important factor, for instance, mental effort, receives the highest weight). In other words, wages are assigned to the job in comparison to its ranking on each job factor. The steps involved in factor comparison method may be briefly stated thus:

- Select key jobs (say 15 to 20), representing wage/salary levels across the organization. The selected jobs must represent as many departments as possible.
- Find the factors in terms of which the jobs are evaluated (such as skill, mental effort, responsibility, physical effort, working conditions, etc.).
- Rank the selected jobs under each factor (by each and every member of the job evaluation committee) independently.
- Assign money value to each factor and determine the wage rates for each key job.
- The wage rate for a job is apportioned along the identified factors.
- All other jobs are compared with the list of key jobs and wage rates are determined.

### **Advantages**

- Analytical and objective in nature
- Reliable and valid as each job is compared 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.

## Disadvantages

- Difficult to understand, explain and operate.
- Its use of the same criteria to assess all jobs is questionable as jobs differ across and within organizations.
- Time consuming and costly.

### f) **Point Method**

This method is widely used currently. Here, jobs are expressed in terms of key factors. Points are assigned to each factor after prioritizing each factor in the order of importance. The points are summed up to determine the wage rate for the job. Jobs with similar point totals are placed in similar pay grades. The procedure involved may be explained thus:

1. Select key jobs. Identify the factors common to all the identified jobs such as skill, effort, responsibility, etc.
2. Divide each major factor into a number of sub factors. Each sub factor is defined and expressed clearly in the order of importance, preferably along a scale. The most frequent factors employed in point systems are:
3. Skill (key factor): Education and training required, Breadth/depth of experience required, Social skills required, Problem-solving skills, Degree of discretion/use of judgment, Creative thinking.
4. Responsibility/Accountability: Breadth of responsibility, Specialized responsibility, Complexity of the work, Degree of freedom to act, Number and nature of subordinate staff, Extent of accountability for equipment/plant, Extent of accountability for product/materials;
5. Effort: Mental demands of a job, Physical demands of a job, Degree of potential stress.
6. The educational requirements (sub factor) under the skill (key factor) may be expressed thus in the order of importance.

7. 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.
8. Once the worth of a job in terms of total points is expressed, the points are converted into money values keeping in view the hourly/daily wage rates. A wage survey, usually, is undertaken to collect wage rates of certain key jobs in the organization. Let's explain this:

**Table 11.6: 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. Junior accountant
600-700	400-500	2. Accountant
700-800	500-600	3. Manager I Scale
800-900	600-700	4. Manager II Scale
900-1,000	700-800	5. Manager III Scale

### Advantages

- The methodology underlying the approach contributes to a minimum of rating error.
- The graphic and descriptive types of rating scales used have been accepted as most reliable and valid. Agreement among rates is usually quite close
- Compensable factors are not limited to any particular number. These factors, which the parties decide as important can be used.
- Job classes, which are the aim of all job evaluation systems, are easily set up. Job classes are simply determined in terms of arbitrary point ranges or on agreed point range.

**Disadvantages:**

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. This method has following disadvantages

- It is difficult to develop a point rating scheme. Defining factors and their degrees in such a fashion that all the raters will have the same meaning needs considerable amount of skill.
- Assigning proper weightage to each factor and then assigning point values to each degree without being unfair to either easy or difficult jobs, requires careful and detailed study.
- The point factor system is difficult to explain. The concept of factors, degrees relative to weights and points and relating points to money value, cannot be easily interpreted to employees. If the workers do not understand the system clearly, it may have adverse effect.
- Point rating scheme is certainly a time consuming process. Collecting job descriptions, defining degrees and factors, allocating degrees to each factor of each job, co-relating them with points and then ultimately with money value unanimously by evaluation committee is a long process. Considerable clerical work is also involved in preparing the job descriptions, final table of jobs evaluated, degrees assigned and points scored.

**11.6 RECENT DEVELOPMENTS IN JOB EVALUATION**

The question of choosing and weighing factors is one of the most difficult issues encountered in basic qualitative methods. Some job evaluation schemes are rejected because of the factors chosen, and others categorised as vague and confusing because of too many factors and sub factors. As a result,

some researchers and practitioners of job evaluation have proposed and experimented with single factor scheme which is briefly outlined next.

- **The Hay Guide Chart-Profile Method:** Undoubtedly the best-known variation of factor comparison, Hay Guide Chart-Profile Method is reportedly used by more than 4,000 profit and non-profit organisations in some 30 countries. It is described by the Hay Group (a team of management consultants) as a form of factor comparison for the following reasons: it uses universal factors, bases job values on 15 percent intervals, and makes job-to-job comparisons. The plan is tailored to the organization. Profiling is used to adjust the guide charts and to check on the evaluation of jobs. The plan may be used for all types of jobs and is increasingly used for all jobs in an organisation. The universal factors in the Hay plan are know-how, problem solving, and accountability. These three factors are broken down into eight dimensions.
- Know-how involves (1) procedures and techniques, (2) breadth of management skills, and (3) person-to-person skills.
- The two dimensions of problem solving are (1) thinking environment and (2) thinking challenge.
- Accountability has three dimensions: (1) freedom to act, (2) impact on results, and (3) magnitude.
- A fourth factor, working conditions, is sometimes used for jobs in which hazards, environment, or physical demands are deemed important.

The heart of the Hay Plan is its guide charts use of 15 percent intervals. Although these charts appear to be two-dimension point scales, the Hay Group insists that, except for the problem-solving scale they may be expanded to reflect the size and complexity of the organization. It also states that the definitions of the factors are modified as appropriate to meet the needs of the organisation. Profiling is used to develop the relationship among the three scales and to provide an additional comparison with the points assigned from the guide charts. Jobs are

assumed to have characteristic shapes or profiles in terms of problem-solving and accountability requirements. Sales and production jobs, for example, emphasise accountability over problem solving. Research jobs emphasise problem solving more than accountability. Typically, staff jobs tend to equate the two. Hay Guide Chart-Profile Method consists of the following:

- Studying the organisation and selecting and adjusting guide charts,
- Selecting a sample of benchmark jobs covering all levels and functions,
- Analysing jobs and writing job descriptions in terms of the three universal factors,
- Selecting a job evaluation committee consisting of line and staff managers, a personnel department representative, often employees, and a Hay consultant.
- Evaluating benchmark jobs and then all other jobs. Point values from the three guide charts are added, yielding a single point value for each job. Profiles are then constructed and compared on problem solving and accountability, as an additional evaluation.

## **11.7 SUMMARY**

The job evaluation is a set of systematic procedures to determine the relative worth of jobs within the organisations. Job evaluation is the process of analysing and appraising the content of jobs, set in the family of other jobs, so as to put them in a suitably evolved rank order which can then be utilised for installation of an acceptable wage structure in an organisation. The primary objective of job evaluation is to find out the value of work, but this value which varies from time to time and from place to place under the influence of certain economic pressures. Another aim of job evaluation is to supply bases for wage negotiations founded on facts rather than on any vague ideas. The technique of job evaluation can also be used to determine not only what the job is worth but also the value of each of the aspects such as the skills and responsibility levels.

The next step in the job evaluation process is to select or design a method of evaluating jobs. Four basic methods have traditionally been mentioned. These are: ranking, classification, factor comparison, and the point plan methods. Depending on its needs and ethos, an organisation to develop a method that may combine the features of two or more than two methods, chosen method should secure the satisfaction of all concerned, namely management, the employees and the unions.

It could be claimed that every time a decision is made on what a job should be paid a form of job evaluation is needed. Job evaluation is therefore unavoidable, but it should not be an intuitive, subjective and potentially biased process. The aim is to develop an appropriate scheme that functions analytically, fairly, systematically, consistently, transparently and, so far as possible, objectively, without being bureaucratic, inflexible or resource-intensive.

## 11.8 GLOSSARY

- **Analytical:** A method of job evaluation which involves assessing the worth of a job by dividing it into factors.
- **Factors:** The main elements or characteristics of a range of jobs which can be defined and assessed. Factors are divided into levels.
- **Factor levels:** A set of agreed criteria to allow the factor to be broken down into elements.
- **Factor plan:** The combined number of factors against which jobs will be evaluated.
- **Job analyst:** A person appointed to list the various tasks and requirements of a job and to prepare job descriptions in a consistent manner and format.
- **Job Classification:** A hierarchical structure of jobs, usually arranged into classes or pay grades according to some form of job evaluation.
- **Job Description:** A document that outlines the most important features of the job including the general nature of the work performed, key responsibilities,

and employee characteristics (e.g., skills, experience, education, etc.) required to perform the job.

- **Job Evaluation:** A formal process to determine the relative value to be placed on various jobs within the organization. The end result of job evaluation consists of an assignment of jobs to a hierarchy of grades.
- **Job Family:** Jobs involving work of the same nature, but requiring different skill and responsibility levels. For example, Accountant is a job family; Accountant III is a job (skill/responsibility level) within that family.
- **Job Grade:** One of the classes, levels, or groups into which jobs of the same or similar value are grouped for compensation purposes. Usually, all jobs in a grade have the same pay range: maximum, minimum, and midpoint.
- **Job Title:** A label for a job that uniquely identifies it.
- **Non-analytical:** A method of job evaluation which involves assessing a job as a whole without considering factors separately.
- **Rank order:** The hierarchical relationship of jobs to each other.
- **Salary:** Compensation paid by the week, month, or year (rather than per hour). Generally applies to non-production, non-routine or supervisory jobs that are exempt from the provisions of the FLSA, but some non-exempt jobs are salaried as well.
- **Weighting:** The process of differentiating between factors to reflect their importance relative to other factors.

## 11.9 SELF ASSESSMENT QUESTIONS

- Q1. What do you mean by Job Evaluation? Discuss in detail the methods of Job Evaluation.
- Q2. Explain the recent developments in job evaluation.
- Q3. What are the assumptions of job evaluation?

### 11.10 LESSON END EXERCISE

Q1. Briefly explain, what are the job evaluation methods being followed in your organisation or any organisation you are familiar with. Give reasons for using these methods.

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Q2. An individual hired for a position finds out that the work he was asked to do was not the work he was hired to do. Is it possible?

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Q3. What is the process of describing & recording aspects of jobs & specifying the skills & other requirements necessary to perform the job.

- (a) Job Specification
- (b) Job Description
- (c) Job Analysis
- (d) Job Evaluation

## 11.11 SUGGESTED READINGS

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**Lesson No.12****Unit-III****Semester-II****M.Com-E215**

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## **WAGE & SALARY ADMINISTRATION**

### **STRUCTURE**

**12.1 Introduction****12.2 Objectives****12.3 Meaning of Wages and Salary, Wage Concepts****12.4 Objectives wages and salary administration****12.5 Principles of wages and salary administration****12.6 Factors affecting Wages and Salary structure****12.7 Wage Determination Process****12.8 Types of Wages, Theories of Wages****12.9 Summary****12.10 Glossary****12.11 Self Assessment Questions****12.12 Lesson End Exercise**

### **12.1 INTRODUCTION**

As money is the prime need for human beings to meet their basic needs, everyone tries to earn as much money as possible. A clerk earning less than a driver may have a vague grievance, but when he earns less than another clerk of comparable qualifications and experience he will show his unhappiness more

bitterly. This shows that people have the tendency to compare themselves with others who are in a similar profession and/or with similar qualifications. In India the question of wages assumes paramount importance because of acute poverty, large scale unemployment and a high population. No fixed norms and means are followed in fixing wages and salaries, so a lot of ad-hocism and expediencies are found in fixing wages. The compensation has to be viewed from economic, psychological, legal and growth points of view.

## 12.2 OBJECTIVES

After reading this lesson the students will be able to differentiate between different concepts regarding wages and salary. It will also enhance their knowledge about factors affecting salary and wages administration as well as the process of wages and salary administration.

## 12.3 MEANING OF WAGE AND SALARY ADMINISTRATION, WAGE CONCEPTS

Wage and Salary Administration is the group of activities involved in the development, implementation and maintenance of a pay system. It can also be called the ongoing process of managing a wage and salary structure. According to D.S. Beach “*Wage and salary administration refers to the establishment and implementation of sound policies and practices for employee compensation. It includes such areas as job evaluation, surveys of wage and salaries, analysis of relevant organizational problems, development and maintenance of wage structure, establishing rules for administering wages, wage payment incentives, profit sharing, wage changes and adjustments, supplementary payments, control of compensation costs and other related items.*”

Indian Labour Organization (ILO) defined the term wage as “*the remuneration paid by the employer for the services of hourly, daily, weekly and fortnightly employees, whereas salary is defined as the remuneration paid to the clerical and managerial personnel employed on monthly or annual basis*”

- **Wage:** It is paid to blue-collar workers-paid daily, weekly or monthly-paid for the jobs, which can, to some extent, be measured in terms of money's worth
- **Salary:** Paid to white collar workers-paid monthly-paid to employees whose contribution cannot be easily measured
- **Compensation:** a comparative term- includes wage and all other allowances and benefits like allowances, leave facilities, housing, travel and non-cost such as recognition, privileges and symbols of status

### WAGE CONCEPTS

While evolving wage policy, three concepts of wages are generally considered namely : (i) Minimum Wage, (ii) Living Wages and (iii) Fair Wages. These capacity of employees to pay and the broadly based on the needs of the workers, general economic conditions prevailing in a country.

- (i) **Minimum Wages:** Minimum wage in a country is fixed by the government in consultation with business organisations and trade unions. The law relating to the minimum wage either states definitely the wage considered to the minimum or the determination of the wage left to an administrative commission which from time to time determines the minimum wage according to the varying economic conditions, e.g., variation in the price level should be compensated with the variation in the wage rates because the prime aim of the minimum wage law is just to cover "minimum living cost." The authority entrusted with the task of fixing of minimum wage should consider such factors as local economic conditions, transportation cost and the size of the units in the industry in fixing minimum wages. The Government of India passed a Minimum Wage Act in 1948 under which farm labourers were to be paid a minimum wage between 66 paise and Rs. 1.50 per day, keeping in view local costs and standards of living. Since conditions in various parts of the country were different, the law allowed different rates of wages to be fixed in a poor country such as India. In practice, it was very difficult to

enforce minimum wages effectively. Fortunately, the recent inflationary situation had pushed up the rural wages much above the minimum wages fixed by law.

Minimum wages legislation is supposed to have the following benefits:

- These laws prevent unscrupulous employers from exploiting ignorant persons who possess very little bargaining power.
- These abolish the competition of the lower strata of workers with the upper grades and tend to prevent depressing of wages.
- The productivity of industry is increased by foreign employers to use the most efficient production methods and the most modern equipment, in order to enable employees to earn the living wage. But at the same time, the workers are stimulated to increase his efficiency in order to hold his job.
- Employers with high standards are protected against underselling by competitors with low standards.

But some critics of the minimum wage assert that it is impossible for a group of men to control the wages of labour by law because wages depend upon the supply and demand of labour. Minimum wages are a heavy burden to the society because persons unable to earn a living wage will be unemployed whereas earning of small wage is preferred to idleness or living on charity. However, basically, minimum wage laws are not wrong if they are wisely framed and applied. It is perfectly feasible to fix a minimum wage and forbid employment below that figure. Some industries that cannot profitably pay the wages fixed may be forced to wind up because of the financial burden. But, then, what is the use of an industry if it cannot even pay a living wages to its workers and it is better to dispense with it. Industries that can pay a living wage should, if necessary be forced to do so. The difficulties to be encountered are rather those of practical operation. The administration of the modern industry is very tedious due to the complexity of the wage system. However, if the wage limit is fixed at the very lowest minimum, the risk is slight.

- (ii) **Living Wages:** Living wages has been defined differently by different people in different countries. The best definition is given by Justice Higgins which reads “Living wage is a wage sufficient to ensure the workman food, shelter, clothing, frugal comfort, provision for evil days etc. as regard for the skill of an artisan, if he is one”. According to Fair Wages Committee Report: “The living wage should enable the male earner to provide himself and his family not merely the basic essentials of food, clothing and shelter but a measure of frugal comfort including education for the children, protection against ill-health, requirement of essential social needs and measures of insurance against old age.” Thus living wages means the provision for the bare necessities plus certain amenities considered necessary for the wellbeing of the workers in terms of his social status. Article 43 of the Constitution of India states that the state shall endeavour to secure by suitable legislation or economic organisation or in any other way to all workers a living wage, conditions of work ensuring a decent standard of life and full enjoyment of pleasure and social and cultural opportunities. Thus, Government of India has adopted as one of the directives of the principle of state policy to ensure living wages.
- (iii) **Fair Wages:** A fair wage is something more than the minimum wages. Fair wage is a mean between the living wage and the minimum wage. While the lower limit of the fair wage must obviously be the minimum wage, the upper limit is the capacity of the industry to pay fair wage compares reasonably with the average payment of similar task in other trades or occupations requiring the same amount of ability. Fair wage depends on the present economic position as well as on its future prospects. Thus the fair wages depends upon the following factors:
- Minimum Wages
  - Capacity of the industry to pay
  - Prevailing rates of wages in the same or similar occupations in the same or
  - Neighbouring localities

- Productivity of labour
- Level of national income and its distribution.
- The place of the industry in the economy of the country.

#### **12.4 OBJECTIVES OF WAGE AND SALARY ADMINISTRATION**

A sound plan of wage and salary administration seeks to achieve the following objectives:

- To establish a fair and equitable compensation offering similar pay for similar work.
- To attract competent and qualified personnel.
- To retain the present employees by keeping wage levels in tune with competitive units.
- To keep labour and administrative costs in line with the ability of the organization to pay.
- To improve motivation and morale of employees and to improve union management relations.
- To project a good image of the company and to comply with legal needs relating to wages and salaries.
- To establish job sequences and lines of promotion wherever applicable.
- To minimize the chances of favouritism while assigning the wage rates.

#### **12.5 PRINCIPLES OF WAGE AND SALARY ADMINISTRATION**

The following principles should be followed for an effective wage and salary administration:

- Wage policy should be developed keeping in view the interests of all concerned parties viz., employer, employees, the consumers and the society.
- Wage and salary plans should be sufficiently flexible or responsive to changes in internal and external conditions of the organization.
- Efforts should be made to ensure that differences in pay for jobs are

based on variations in job requirements such as skill, responsibility, efforts and mental and physical requirements.

- Wage and salary administration plans must always be consistent with overall organizational plans and programmes.
- Wage and Salary administration plans must always be in conformity with the social and economic objectives of the country like attainment of equality in income distribution and controlling inflation, etc.
- These plans and programmes should be responsive to the changing local and national conditions.
- Wage and salary plans should expedite and simplify administrative process.
- Workers should be associated, as far as possible, in formulation and implementation of wage policy.
- An adequate data base and a proper organizational set up should be developed for compensation determination and administration.
- The general level of wages and salaries should be reasonably in line with that prevailing in the labour market.
- There should be a clearly established procedure for hearing and adjusting wage complaints. This may be integrated with the regular grievance procedure, if it exists.
- The workers should receive a guaranteed minimum wage to protect them against conditions beyond their control.
- Prompt and correct payments to the employees should be ensured and arrears of payment should not accumulate.
- The wage and salary payments must fulfil a wide variety of human needs including the need for self actualization.
- Wage policy and programme should be reviewed and revised periodically in conformity with changing needs. For revision of wages, a wage

committee should also be preferred to the individual judgement however unbiased of a manager.

## 12.6 FACTORS AFFECTING WAGES AND SALARY STRUCTURE

The wages and salary is an important factor affecting the labour management relations. Workers are very much concerned with the rates of wages as their standard of living is linked to the amount of remuneration they get. Managements, however, do not come forward to pay higher wages because cost of production goes up and profits decrease to that extent. A number of factors, thus, influence the remuneration payable to the employees. These factors can be categorized into (a) External Factors and (b) Internal Factors, Psychological & social factors, Government legislation, Trade unions bargaining power, Cost of living, Demand & Supply

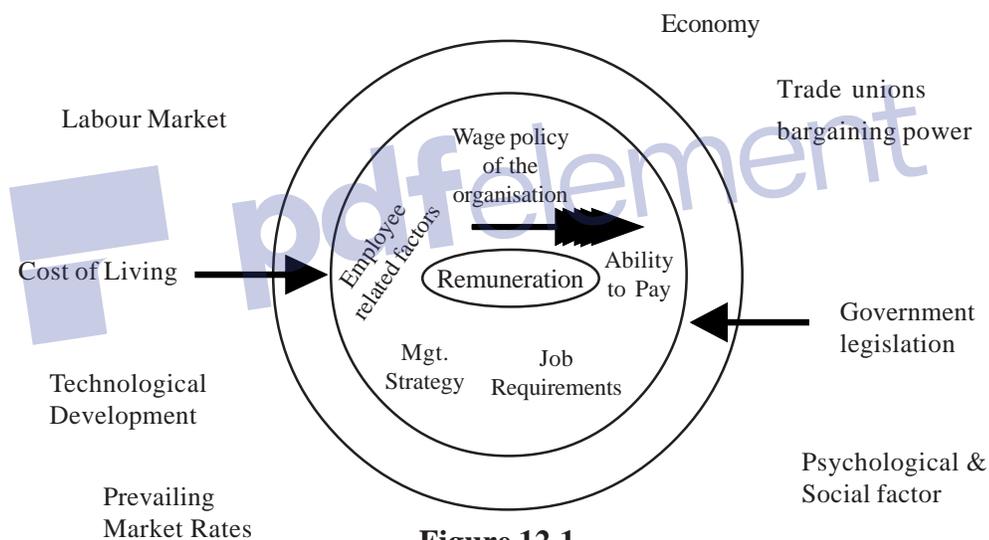


Figure 12.1

### a) External factors influencing Wage and Salary Administration

1. **Labour Market** : The labour market conditions or demand and supply forces operate at the national and local levels and determine organizational wage structure. When the demand of a particular type of labour is more and supply is less then the wages will be more. On the other hand, if supply of labour is more and demand on the other hand is less then persons

will be available at lower wage rates also. In the words of Mescon, “the supply and demand compensation criterion is very closely related to the prevailing pay, comparable wage and on-going wage concepts since, in essence all of these remuneration standards are determined by immediate market forces and factors.”

- 2. Cost of living:** The wage rates are directly influenced by cost of living of a place. The workers will accept a wage which may ensure them a minimum standard of living. Wages will also be adjusted according to price index number. The increase in price index will erode the purchasing power of workers and they will demand higher wages. When the prices are stable then frequent wage increases may not be undertaken.
- 3. Trade unions bargaining power:** The wage rates are also influenced by the bargaining power of trade unions. Stronger the trade union higher will be the wage rates. The strength of a trade union is judged by its membership, financial position and type of leadership. Union’s last weapon is strikes which may also be used for getting wage increases. If the workers are disorganised and disunited then employers will be successful in offering low wages.
- 4. Government legislation:** To improve the working conditions of workers, government may pass legislation for fixing minimum wages of workers. This may ensure them a minimum level of living. In under developed countries bargaining power of labour is weak and employers try to exploit workers by paying them low wages. In India, Minimum Wages Act, 1948 was passed to empower government to fix minimum wages of workers.
- 5. Psychological and social factors:** Psychological the level of compensation is perceived as a measure of success in life. Management should take into consideration the psychological needs of the employees while fixing the wage rates so that the employees take pride in their work. Sociologically and ethically, the employees want that the wage system should be equitable, just and fair. These factors should also be taken into consideration while devising a wage programme.

6. **Economy:** Economy also has its impact on wage and salary fixation. While it may be possible for some organizations to thrive in a recession, there is no doubt that economy affects remuneration decisions. A depressed economy will probably increase the labour supply. This, in turn, should lower the going wage rate.
7. **Technological development:** With the rapid growth of industries, there is a shortage of skilled resources. The technological developments have been affecting skills levels at faster rates. Thus, the wage rates of skilled employees constantly change and an organization has to keep its level up-to the mark to suit the market needs.
8. **Prevailing market rates:** No enterprise can ignore prevailing or comparative wage rates. The wage rates paid in the industry or other concerns at the same place will form a base for fixing wage rates. If a concern pays low rates then workers leave their jobs whenever they get a job somewhere else. It will not be possible to retain good workers for long.

b) **Internal factors influencing Wage and Salary Administration**

1. **Wage policy of the organisation:** The organisation may have a policy to fix the wages externally competitive and internally compatible, i.e. they pay according to the competition and maintain equity among various employees in the company. Sometimes the company may have a wage policy that it should be above the industry average or below it or comparable to it
2. **Ability to pay:** The ability to pay of an enterprise will influence wage rates to be paid. If the concern is running into losses then it may not be able to pay higher wage rate. A profitable concern may pay more to attract good workers. During the period of prosperity, workers are paid higher wages because management wants to share the profits with labour.
3. **Job requirements:** Basic wages depend (Simple task by unskilled workers Complex task – by few people – High pay) largely on the difficulty level,

and physical and mental effort required in a particular job. The relative worth of a job can be estimated through job evaluation. Simple, routine tasks that can be done by many people with minimum skills receive relatively low pay. On the other hand, complex, challenging tasks that can be done by few people with high skill levels generally receive high pay.

- 4 **Management strategy:** The overall strategy which a company pursues should determine to remuneration to its employees. Where the strategy of the organization is to achieve rapid growth, remuneration should be higher than what competitors pay. Where the strategy is to maintain and protect current earnings, because of the declining fortunes of the company, remuneration level Higher than competitors needs to be average or even below average.
- 5 **Employee Related Factors:** Following employees related factors interact to determine his/ her remuneration:
  - (i) **Performance or productivity:** It is always rewarded with a pay increase. Rewarding performance motivates the employees to do better in future.
  - (ii) **Seniority:** Unions view seniority as the most objective criteria for pay increases whereas management prefer performance to affect pay increases.
  - (iii) **Experience:** Makes an employee gain valuable insights and is generally rewarded.
  - (iv) **Potential:** Organization do pay some employees based on their potential. Young managers are paid more because of their potential to perform even if they are short of experience.

## 12.7 WAGES DETERMINATION PROCESS

Steps involved in determining wage and salary rates are as follows:

- a) **Job Analysis:** A job analysis describes the duties, responsibilities, working conditions and interrelationships between the job as it is and

the other jobs with which it is associated. Job descriptions are crucial in designing pay systems, for they help to identify important job characteristics. They also help determine, define and weigh compensate factors (factors for which an organization is willing to pay-skill, experience, effort and working environment). After determining the job specifications, the actual process of grading, rating or evaluating the job occurs. A job is rated in order to determine its value in relation to all the other jobs in the organization which are subject to evaluation. The next step is that of providing the job with a price. This involves converting the relative job values into specific monetary values or translating the job classes into rate ranges.

- b) **Conduct the Salary Survey:** Compensation or salary surveys play a central role in pricing jobs. Virtually every employer, therefore, conduct at least an informal survey. Employers use salary surveys in three ways (i) Survey data are used to price bench mark jobs that anchor the employer's pay scale and around which the other jobs are slotted, based on their relative worth to the firm (ii) Some Jobs (generally 20% or more) of an employer's position are usually priced directly in the market place (rather than relative to the firm's benchmark jobs), based on a formal or informal survey of what competitive firms are paying for comparable jobs (iii) Surveys also collect data on benefits like insurance, sick leave and vacations to provide a basis for decisions regarding employee benefits.

Salary surveys can be formal or informal. Informal telephone surveys are good for quickly checking on a relatively small number of easily identified and quickly recognized jobs. Such as when a company's HR manager wants to confirm the salary at which to advertise a newly open cashier's job. In formal surveys, most firms either use the results of packaged surveys available from the research bodies, employer's associations, government labour bureaus etc. or they participate in wage surveys and receive copies of results or else they conduct their own. These surveys may be carried out by mailed questionnaire, telephone, or personal interviews with other managers and personnel agencies. Wage

and salary surveys provide many kinds of useful information about differences in wage levels for particular kinds of occupations. This can have a great influence on an organizations compensation policy.

- c) **Group Similar Jobs into Pay Grades:** After the results of job analysis and salary surveys have been received, the committee can turn to the task of assigning pay rates to each job, but it will usually want to first group jobs into pay grades. A pay grade is comprised of jobs of approximately equal difficulty or importance as determined by job evaluation. Pay grading is essential for pay purposes because instead of having to deal with hundreds of pay rates, the committee might only have to focus on say 8 or 12.
- d) **Price Each Pay Grade:** The next step is to assign pay rates to pay grades. Assigning pay rates to each pay grade is usually accomplished with a wage curve. The wage curve depicts graphically the pay rates currently being paid for jobs in each pay grade, relative to the points or rankings assigned to each job or grade by the job evaluation. The purpose of wage curve is to show the relationship between (i) the value of the job as determined by one of the job evaluation methods and (ii) the current average pay rates for the grades. If there is reason to believe that the present pay rates are substantially out of step with the prevailing market pay rates for those jobs, bench mark jobs within each grade are chosen and priced via a salary survey. The new market based pay rates are then plotted on the wage curve. The steps involved in pricing jobs with a wage curve are:

Find the average pay for each pay grade, since each of the pay grades consists of several jobs.

Plot the pay rates for each pay grade. Then fit a line, called a wage line through the points just plotted. This can be done either free hand or by using a statistical method.

Price the jobs. Wages along the wage line are the target wages or salary rates for the jobs in each pay grade.

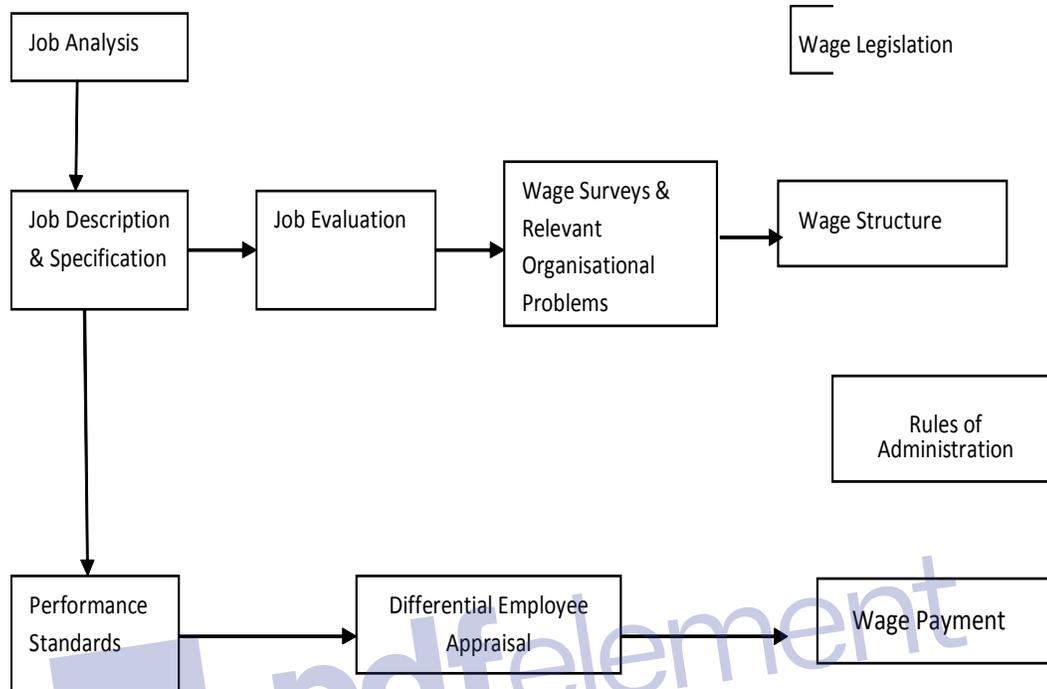
e) **Fine-Tune Pay Rates:** Fine tuning involves correcting out of line rates and developing rate ranges described as under

- **Developing Rate Ranges:** Most employers do not pay just one rate for all jobs in a particular pay grade. Instead, they develop rate ranges for each grade so that there might be different levels and corresponding pay rates within each pay grade. The rate range is usually built around the wage line or curve. One alternative is to arbitrarily decide on a maximum and minimum rate for each grade. As an alternative, some employers allow the rate range for each grade to become wider for the higher pay ranges reflecting the greater demands and performance variability inherent in these more complex jobs. There are several benefits of using rate ranges for each pay grade. Firstly, the employer can take a more flexible stance with respect to the labor market. It becomes easier to attract experienced, higher paid employees into a pay grade where the starting salary for the lowest step may be too low to attract such experienced personnel. Secondly, Rate ranges can also allow the employer to provide for performance differences among employees within the same grade or between those with different seniorities.
- **Correcting out of Line Rates:** The average current pay for a job may be too high or too low relative to other jobs in the firm. If a rate falls well below the line, a pay rise for that job may be required. If the rate falls well above the wage line, pay cuts or a pay freeze may be required. Underpaid employees should have their wages raised to the minimum of the rate range for their pay grade, assuming the organization wants to retain those employees and has the funds to do so. This can be done immediately or in one or two steps.

f) **Wage Administration Rules:**

The development of rules of wage administration has to be done in the next step. It is considered advisable in the interests of the concern and the employees that the information about average salaries and ranges in the salaries of group should be made known to the employees concerned; for secrecy in this matter may create dissatisfaction and it may also vitiate

the potential motivating effects of disclosure. Finally, the employee is appraised and the wages fixed for the grade he is found fit.



**Figure 12.2 : Wage and Salary Administration Process**

## 12.8 TYPES OF WAGES, THEORIES OF WAGES

Determination of reasonable wages is a difficult task for the management and so they should give adequate attention to this area. However, different types of wage payment can be divided into three parts:

- 1 Time wage
  - 2 Piece wage
  - 3 Wage incentive plan
- (1) **Time wage:** In this type the worker is given remuneration according to time. This type of remuneration may be per hour, per day or per month or per year. There exists no relationship between the quantum of work

and the wage. This type is in operation in all industries in India. This plan is very simple to understand. The worker works after due thinking and with convenience. However it encourages the tendency of prolonging or delaying the work unnecessarily. Moreover, it is very difficult to measure the productivity of the workers under this type of plan.

- (2) **Piece Rate System:** In this type of plan, a worker gets remuneration according to his output irrespective of the time he takes in finishing his job. Here, the payment of remuneration is related to work and not to time. Under this type, the workers are encouraged to earn more and more. The more the output is, the more the remuneration is. The workers are also at liberty for their job with interest and they need not be supervised. However, this type of wage payment is not suitable for commodities of artistic taste. Moreover, the quality of goods goes down.
- (3) **Wage incentive Plan:** This type of wage payment is the combination of two types the above referred. Efforts have been made here to obtain the advantages of both these types while avoiding their disadvantages. This includes:
  - a) **Halsey Premium Scheme:** Under this scheme if a worker gives an output more than the fixed standard job, he is given about 33% to 50% of the remuneration for that job as bonus. Here a standard of output is fixed and a standard of time is also fixed for the completion of that job before hand. If the job of fixed standard is completed with the standard time fixed for the purpose, the worker gets his fixed wages. But, if he completes the job before the fixed standard time and, thereby, saves some time, he gets a fixed percentage of his wages for the time so saved as bonus.
  - b) **Rowan Premium Scheme:** This plan is an improvement upon Halsey Plan. Under this plan, premium is that proportion of the wages for the time taken which the time saved bears to the standard time. The credit of this incentive premium method goes to Rowan of Scotland. The worker is paid wages at normal rates for the duration he has worked

and is paid extra money in the form of premium on the basis of the time he has saved. Under this scheme, the standard work and the standard time both are fixed. The wages for the time saved will increase in the same percentage that is equal to the proportion the time saved bears to standard time. The premium for the time saved cannot be more than the total standard wages. Thus, a worker cannot get cleverly wages more than needed.

- c) **Taylor's Plan:** Taylor plan is based on wages per unit. In other words, a worker is paid wages in accordance with his output. Higher price rate is fixed for the workers who give production over and above the standard workload fixed. The lower rate is fixed for the workers who give production below the standard workload fixed.
- d) **Merrick Plan:** This plan is somewhat a modified form of Taylor's plan. This plan offers three grade piece rates than the two offered in the Taylor's plan.
- First limit is for new workers and is very low.
  - Second limit is for workers with average efficiency.
  - Third limit is for very efficient workers.
- e) **Gantt Plan:** This is also a modified form of Taylor plan. In it, wages are fixed on the basis of time. On the other hand, the efficient workers are given wages per unit. Thus, the workers who give more output get their wages at enhanced rates.
- f) **Emerson Plan:** This plan is a combination of Taylor, Merrick and Gantt plans. However, a slight modification in these plans has been made and different rates of bonus have been fixed under this plan. The amount of bonus increases with the increase in efficiency. These percentages are as under:
- 1% bonus on 67.5 efficiency.
  - 10% bonus on 90% efficiency.

- 20% bonus on 100% efficiency.
  - 20% + 30% extra on bonus on efficiency more than 100%.
- g) **Profit-Sharing Scheme:** Under this scheme, workers are given a certain percentage of profits as bonus. But it suffers from one defect. Suppose, there is no profit in a particular year, the workers will also not be given the bonus for that very year. The workers think that they have been deceived by the employers and therefore, clash with them on this very issue. This assumes the form of worker-management unrest and has its bad effect on the production. This scheme is undoubtedly a new and better scheme. But, the trade unions misuse the scheme.
- h) **Scanlon Plan:** Workers in a Scanlon Plan receive monthly or quarterly bonuses that are directly tied to improvements in efficiency. The Scanlon Plan is the brainchild of the late Joseph N. Scanlon, who devised a system in which the people who actually do the work and know it best, can have the opportunity to find ways to do it more efficiently, and to be rewarded if indeed more efficiency results. Workers in a Scanlon Plan receive monthly or quarterly bonuses that are directly tied to improvements in efficiency. To illustrate (a bit simplistically), the normative cost of labour in a typical month to manufacture a product is \$40,000. If suggestions from employees are adopted that reduce the labour costs to \$38,000, the bonus distributed for one month is \$2,000.

## Theories of Wages

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

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

## 1. SUBSISTENCE THEORY

This theory, also known as '*Iron Law of Wages*,' was propounded by David Ricardo (1772-1823). This theory (1817) states that: "The labourers are paid to enable them to subsist and perpetuate the race without increase or diminution." The theory was based on the assumption that if the workers were paid more than subsistence wage, their numbers would increase as they would procreate more; and this would bring down the rate of wages. If the wages fall below the subsistence level, the number of workers would decrease – as many would die of hunger, malnutrition, disease, cold, etc. and many would not marry, when that happened the wage rates would go up.

## 2. WAGES FUND THEORY

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

## 3. THE SURPLUS VALUE THEORY OF WAGES

This theory owes its development to Karl Marx (1818-1883). According to this theory, the labour was an article of commerce, which could be purchased on payment of '*subsistence price*.' The price of any product was determined by the labour time needed for producing it. The labourer was not paid in proportion to the time spent on work, but much less, and the surplus went over, to be utilised for paying other expenses.

## 4. RESIDUAL CLAIMANT THEORY

Francis A. Walker (1840-1897) propounded this theory. According to him, there were four factors of production/business activity, viz., land, labour, capital and entrepreneurship. Wages represent the amount of value created in

the production which remains after payment has been made for all these factors of production. In other words, labour is the residual claimant.

## 5. MARGINAL PRODUCTIVITY THEORY

This theory was developed by Phillips Henry Wicksteed (England) and John Bates Clark (USA). According to this theory, wages are based upon an enterprenuer's estimate of the value that will probably be produced by the last or margincl worker. In other words, it. assumes that wages depend upon the demand for, and supply of, labour. Consequently, workers are paid what they are economically worth. The result is that the employer has a larger share in profit as has not to pay to the non-marginal workers. As long as each additional worker contributes more to the total value than the cost in wages, it pays the employer to continue hiring; where this becomes uneconomic, the employer may resort to superior technology.

## 6. THE BARGAINING THEORY OF WAGES

John Davidson propounded this theory. Under this theory, wages are determined by the relative bargaining power of workers or trade unions and of employers. When a trade union is involved, basic wages, fringe benefits, job differentials and individual differences tend to be determined by the relative strength of the organisation and the trade union.

## 7. BEHAVIOURAL THEORIES

Many behavioural scientists - notably industrial psychologists and sociologists like Marsh and Simon, Robert Dubin, Eliot Jacques have presented their views or wages and salaries, on the basis of research studies and action programmes conducted by them. Briefly such theories are:

(i) **The Employee's Acceptance of a Wage Level:** This type of thinking takes into consideration the factors which may induce an employee to stay on with a company.

The size and prestige of the company, the power of the union, the wages and benefits that the employee receives in proportion to the contribution made by him - all have their impact.

(ii) **The Internal Wage Structure:** Social norms, traditions, customs prevalent in the organisation and psychological pressures on the management, the prestige attached to certain jobs in terms of social status, the need to maintain internal consistency in wages at the higher levels, the ratio of the maximum and minimum wage differentials, and the norms of span of control, and demand for specialised labour all affect the internal wage structure of an organisation.

(iii) **Wage and Salaries and Motivators:** Money often is looked upon as means of fulfilling the most basic needs of man. Food, clothing, shelter, transportation, insurance, pension plans, education and other physical maintenance and security factors are made available through the purchasing power provided by monetary income—wages and salaries. Merit increases, bonuses based on performance, and other forms of monetary recognition for achievement are genuine motivators. However, basic pay, cost of living increases, and other wage increase unrelated to an individual's own productivity typically may fall into maintenance category.

### Wage Policy in India

Wage policy refers to all systematic efforts of the government in relation to national wage and salary system. It includes order, legislations, and so on to regulate the levels or structures of wages and salaries with a view to achieving economic and social objectives of the government. Specifically, the objectives of wage policy are:

1. To obtain for the workers a just share of the fruits of economic development.
2. To set minimum wages for workers whose bargaining position is weak.
3. To bring about a more efficient allocation and utilisation of human resources through wage and salary differentials.
4. To abolish malpractices and abuses in wage and salary payments.

The first step towards the evolution of a wage policy was the enactment of the Payment of Wages Act, 1936. The main objective of the Act is to prohibit any delay or withholding of wages legitimately due to the employees. The next step was the passing of the Industrial Disputes Act 1947, authorising all the state governments to set up industrial tribunals which would look into disputes relating to remuneration. Another notable development that led to the evolution of wage policy was the enactment of the Minimum Wages Act, 1948. The purpose of the Act is the fixation of minimum rates of wages to workers in sweated industries such as woollen, carpet making, flour mills, tobacco manufacturing, oil mills, plantations, quarrying, mica, agriculture, and the like. The Act was amended several times to make it applicable to more and more industries. Then came the Equal Remuneration Act, 1976, which prohibits discrimination in matters relating to remuneration on the basis of religion, region or sex.

The Constitution of India committed the government to evolve a wage policy. Successive five-year plans have also devoted necessary attention to the need for a wage policy. Following the recommendations of the First and Second Plans, the Government of India constituted wage boards for important industries in the country. A wage board is a tripartite body comprising representations from the government, owners, and employees. Technically speaking, a wage board can only make recommendations, and wage policies are normally implemented through persuasion.

In spite of legislations, tribunals, and boards, disparities in wages and salaries still persist.

## **12.9 SUMMARY**

It may be noted that in India, the term 'wage' is applied in relation to blue collar (factory workers) and 'salary' in relation to white collar employees. The main objective of wage and salary administration is to establish and maintain an equitable wage and salary system to obtain, retain, and motivate people of required skill in an organisation. Wage determination process includes job

analysis, conduct of salary survey, group similar jobs into pay grades, price each pay grade, fine-tune pay rates and wage administration rules. Types of wage payment include time wage, piece wage and wage incentive plan. In order to protect the interest of workers, the legislations enacted by the Government of India are Payment of Wages Act, 1936; Minimum Wages Act, 1948; Payment of Bonus Act, 1965.

## 12.10 GLOSSARY

- **Differential Pay:** Compensation added to an employee's base salary as a result of conditions of employment, such as a shift differential.
- **Equal Pay:** Payment of like wages to employees who are doing substantially equal work, which requires substantially equal skill, effort, and responsibility, and which is performed under similar working conditions.
- **Incentive Compensation:** A reward that compensates an employee for high performance or for achievement above and beyond the defined normal job requirements.
- **Salary:** Paid to white collar workers-paid monthly-paid to employees whose contribution cannot be easily measured
- **Wage:** It is paid to blue-collar workers-paid daily, weekly or monthly-paid for the jobs, which can, to some extent, be measured in terms of money's worth
- **Wage And Salary Administration:** Procedures used for planning and administering organization-wide compensation programs for all levels of employees.

## 12.11 SELF ASSESSMENT QUESTIONS

- Q1. "Money is motivating factor" justify this statement in your comment.
- Q2. Discuss the wages and salary administration process.
- Q3. Discuss various wage incentive plans. Which one is best and why?

### 12.12 LESSON END EXERCISE

Q1. Explain and differentiate among minimum wage, living wage and fair wage.

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Q2. What are the factors affecting wage and salary administration?

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Q3. Discuss in detail the wage determination process.

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Q4. Explain the various wage incentive plans.

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### 12.13 SUGGESTED READINGS

- David, W. Belcher: Wages and Salary Administration, Prentice Hall.
- Lawrence, S. Aft: Wage and salary administration: a guide to job evaluation, Reston Pub. Co., Indiana University.
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- Michael V.P.: Human Resource Management and Human Relations, Himalaya Publication
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<b>Lesson No.13</b>	<b>HUMAN RESOURCE</b>	<b>Unit-III</b>
<b>Semester-II</b>	<b>MANAGEMENT</b>	<b>M.Com-E215</b>

## **BROAD BANDING**

### **STRUCTURE**

- 13.1 Introduction**
- 13.2 Objectives**
- 13.3 Concept of Broad Banding**
- 13.4 Advantages of broad banding**
- 13.5 Disadvantages of broad banding**
- 13.6 Process of broad banding**
- 13.7 Summary**
- 13.8 Glossary**
- 13.9 Self Assessment Questions**
- 13.10 Lesson End Exercise**
- 13.11 Suggested Readings**

### **13.1 INTRODUCTION**

Broad banding has been a recognized practice of corporate compensation professionals since roughly 1990. Organizations that implemented broadband structures sought to improve the administration of the salary program subsequent to downsizing initiatives that created flatter organizations. In flat hierarchies, greater emphasis tends to be placed on career development as opposed to job promotion. Today, broad banding still refers to collapsing a company's job-worth hierarchy into fewer, wider salary ranges. This is done to manage pay delivery in a manner

that recognizes career growth in light of fewer promotional opportunities and company pay practices that are closely tied to competitive levels.

## 13.2 OBJECTIVES

This lesson will provide you an insight into new system of managing the pay structure i.e. broad banding. You shall also be able to enumerate its advantages and disadvantages. It will also highlight the process of broad banding.

## 13.3 CONCEPT OF BROAD BANDING

The trend for employers today is to reduce their salary grades and ranges from ten or more down to three to five. This process is called broadbanding. Broadbanding means collapsing salary grades and ranges into just a few wide levels or “bands”, each of which then contains a relatively wide range of jobs and salary levels. Thus, instead of having, say, ten salary grades each of which contains a salary range of say \$15,000, the firm might collapse the ten grades into three broadbands, each with a set of jobs such that the difference between the lowest-paid and the highest-paid jobs might be \$ 40,000 or more. One survey found that almost one-third of the 3,400 employers responding said that they had adopted a broadbanding approach or were considering doing so.

The basic advantage of broadbanding is that it injects greater flexibility into employee compensation. Broadbanding is especially sensible where firms flatten their hierarchies and organise around self-managing team. The new, broad salary bands can include both supervisors and subordinates and can also facilitate moving employees slightly up or down along the pay scale without accompanying promotional raises or emotional pay cuts. **For example**, the employee who needs to spend time in a lower-level job to develop a certain skill set can receive higher-than-usual pay for the work, a situation which is impossible under traditional pay systems.

Broadbanding also facilitates the sorts of less-specialised, boundaryless jobs and organisations being embraced by many firms like General Electric. Less specialisation and more participation in cross-departmental process generally mean enlarged duties or capabilities and more possibilities for alternative

career tracks, broader and more inclusive salary bands facilitate this. One expert argues that traditional quantitative evaluation plans actually reward unadaptability. The argument here is that being slotted into a job that is highly routine, as defined by a compensable factor such as “know-how”.

Broad banding is a compensation management response to changing business conditions. In broadband salary structures, employers reward employees who demonstrate substantial capability improvements with a salary progression in lieu of promotions that penetrate more deeply into the banded range over time. Whereas the design characteristics of traditional structures emphasize internal and external equity, broad banding focuses employees on the changing needs of the organization and helps them experience an internal culture. In a broadband pay structure, the numbers of salary grades are consolidated into fewer, but broader, pay ranges. In broad banding, the spread of the pay ranges is wider and there is less overlap with other pay ranges.

Broad banding evolved because organizations want to flatten their hierarchies and move decision-making closer to the point where necessity and knowledge exist in organizations. In flattened organizations, fewer promotional opportunities exist so the broad banding structure allows more latitude for pay increases and career growth without promotion.

Broadband pay structures encourage the development of broad employee skills, because non-managerial jobs are appropriately valued and skill development is rewarded. Additionally, a broadband pay structure is not as sensitive to changing market pricing conditions, so they cost less to administer and manage over time. They also provide serious non-promotional income opportunities for employees.

#### **13.4 ADVANTAGES OF BROAD BANDING**

**Following are the Advantages of broad banding:**

- **Streamlines Hierarchy:** Sometimes an organization has become too hierarchical for the strategic direction of the company; finding it has become too slow to react, taking too much time to get information from

the top down and even less effective at getting messages from the lower rungs up to the ears of senior management. Broad banding reduces the number of levels or layers within a company. This is the best face-saving way for an organization to collapse salary ranges and supporting de-layering. This flattens an organizational structure and reduces the hierarchy.

- **Facilitates Internal Movement:** Whether we like it or not, some great person-to-job matches just do not happen because of the way a job has been classified or positioned with an assigned salary band. If that new position is not a lateral or at a higher rung, most rational people will not seriously consider a transfer that results in a demotion. That is just not a positive step for their career development. With broad banding, more internal movement is facilitated, because the probability increases that one's current job and alternate position are within the same enormous range of pay. This makes pay take a back seat and puts forward other attributes of a position, encouraging internal mobility and potentially more developmental assignments.
- **Puts Added Trust in Management:** With broad banding, managers have great latitude to pay what they want to an employee. This absolutely can reduce the push-pull between the hiring manager and the human resources organization. Now the issue of pay shifts to the control of the hiring manager and the challenge of "Does one have enough money in the current budget?" or not. The perception of HR as a regulating gate keeper to preserve the salary structure diminishes. Managers are entrusted with greater autonomy.

### 13.5 DISADVANTAGES OF BROAD BANDING

**The disadvantages of broad banding are mentioned below:**

- **No Awareness of External Market Rates:** Traditional salary structures, when done right, give current information to your management team about what market rates. With broad banding, if a manager wants to pay at the market midpoint, they are left baffled and guessing. There

is no midpoint in a broad band. That also means the compa-ratio tool cannot be used.

- **May Lead to Inequities:** Broad banding's flexibility and trust in management may or may not be warranted. In a broad banding system, it is relatively easy to have two people with the same responsibilities have earnings that are thousands and thousands of dollars apart. Broad banding weakens the linkage between salary growth and skill development for the next higher-level, since it is so far off as to not be a motivator. Do you want supervisors and their direct reports in the same pay band? That can easily happen with broad banding. It only takes a few reckless managers rewarding a few individuals inappropriately to have an entire pay system called into question. Whether your pay system is fair or not fair is not quite as important as if it is perceived as fair. If your pay system is perceived as not fair, you could see an increase in EEOC complaints. Did you know the Department of Labor added 700 additional auditors after the passage of the Lilly Ledbetter Equal Pay Act in 2009? People don't call and ask for an audit when they believe their conditions are fair.
- **Lack of Cost Controls:** It certainly may call into question why have salary bands at all if they are so wide. You need to evaluate if your other cost control training and measures are strong enough to hand over this much authority and autonomy to your managers. Moving to broadbanding may require thinking through other incentives that had previously been tied to salary grades, such as bonuses or stock.
- **Promotions:** In my opinion the absolute worst thing about broad banding is the severe reduction in opportunities for promotions. Fewer salary bands lead to fewer opportunities to climb to the next band; meaning fewer promotions to celebrate with family and friends. Think seriously before you minimize this great motivational tool. If you are committed to moving to broad banding, yet this is of concern to you, keep an eye on your turnover rates and conduct exit interviews to monitor the pulse of why your talent is moving to your competitors.

## 13.6 PROCESS OF BROAD BANDING

It involves following steps:

1. **Identify the characteristics of a broadband** framework for managing salaries, and differentiate it from a more traditional salary structure or schedule
2. **Reasons to Move to broad banding**
  - Evaluate the possible reasons for moving to broad banding in light of your organization's needs
  - Lead a discussion of the pros and cons of broad banding in your organization
3. **Readiness for Banding**
  - Assess how the managers and employees in your organization will react to the prospect of switching to a broad banding salary program
  - Plan an initiative to study your organization's readiness for broad banding
4. **Designing a broad banding Structure**
  - Differentiate between broad grades and career bands and assess which would be the best fit for your organization
  - Identify the primary design options for broad banding structures and the pros and cons for the options
5. **Managing Pay in a broad banding Environment**
  - Identify the primary pay delivery models used in broad banding
  - Identify the organizational factors and other issues involved in selecting a pay delivery model
  - Explain the use of market data in pay delivery under broad banding
6. **Managing and Controlling Salary Costs**
  - Understand how such issues as promotions, internal equity, seniority and consolidation of job titles will be impacted by implementation of broad banding

- Develop methods to control salary costs under broad banding

## **7. Establishing a Design Team**

Develop a structure and tasks for a design team to be used in designing, implementing and gaining organizational buy-in for a broad banding pay structure

## **8. Communicating the New Program**

- Evaluate the possible involvement by key managers and employees in the program design process
- Discuss with senior management the need to invest in a communications campaign to “sell” the new program
- Develop a strategy for keeping employees informed as the project progresses

## **9. The New Role for Managers**

- Define the new program management accountabilities for managers
- Develop a training program to help them understand and accept their new role, and to make effective salary management decisions
- Develop a communications initiative to help them explain the new program to their people

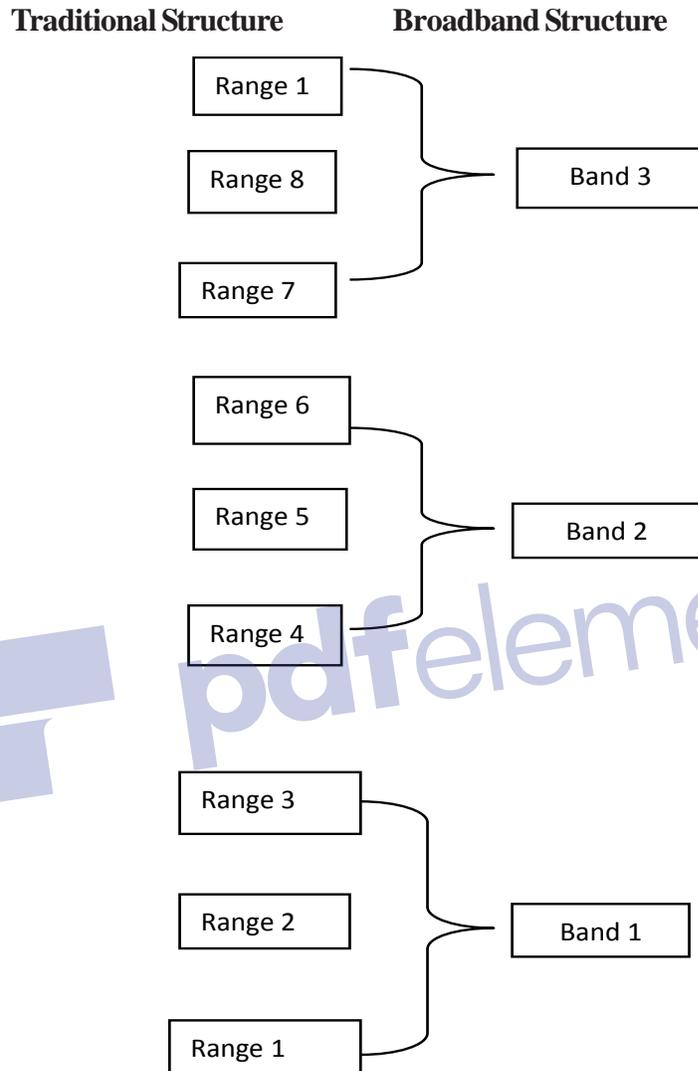
## **10. The New Role for HR**

- Define the new salary management accountabilities for HR specialists
- Plan and conduct a communications campaign to help the HR staff understand and accept their redefined role
- Develop an administrative procedures guidebook to document the new role responsibilities
- Develop a training program for HR to help them make the role transition

## **11. The Future**

- Develop a better understanding of trends affecting wage and salary programs, along with the latest trends and concepts

- Determine if any of the emerging ideas is compatible with your organization's values and needs.



*Figure 13.1: Comparison of traditional and broadband structures*

### 13.7 SUMMARY

It is your call whether broad banding is a tool for use in your organization or not. Broad banding is a very effective tool to reduce salary grades or job classifications, but it definitely has its drawbacks. Broadband

pay plan rules must support, and not lead, agencies' missions, goals, and objectives. Any discretionary funds used for pay above the statutory pay raises should be strategically linked to the agencies' missions, goals, and objectives. Pay is an important communication tool. Agencies must communicate their pay goals to the affected managers and employees. To the extent affected employees are unionized, this communication must be delivered in a manner that meets state government's obligation to bargain in good faith. No single pay strategy is right for every state agency or work unit. Different work units, agencies, and bargaining units will require different strategies. All broadband pay plan rules must contain a means for measuring and recording their success in achieving the desired goals. Finally, keep in mind that pay covers only a small area of job satisfaction. Several other factors, including the nature of work, relationships, and opportunities etc. are key to retaining good employees.

### 13.8 GLOSSARY

- **Traditional pay Structure:** Typically has range spreads of 20% to 40% and midpoint progressions of 5% to 10%
- **Market-based pay Structure:** Typically has range spreads of 30% to 80% and midpoint progressions of 10% to 15%
- **Broad band:** Typically have range spreads of 80% to 200% (with no defined midpoints)
- **Step structure:** Typically has range spreads of 20% to 40% and midpoint progressions of 5% to 10% with defined points (steps) within the ranges.

### 13.9 SELFASSESSMENT QUESTIONS

Q1. "Eligibility for company compensation programs often is tied to the salary range assignment for an employee's job". Explain

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Q2. Explain the process of broad banding.

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Q3. Draw a comparison of traditional pay structure and broad band pay structure.

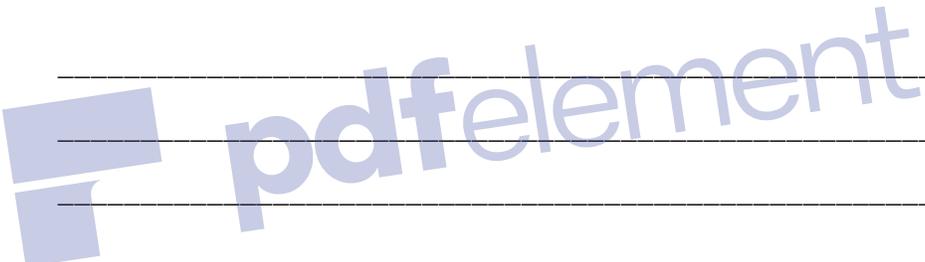
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**13.10 LESSON END EXERCISE**

Q1. What types of systems/tools are being currently used to communicate salary ranges to internal customers (e.g., managers, recruiters, HR business partners)? (Tick which ever applies)

- Email
- Enterprise system (e.g., Oracle, PeopleSoft, SAP)
- Company intranet
- Internally developed system (e.g., custom designed within your organization)

- Social media
- Relational database application (e.g., Microsoft Access)
- Other

### 13.11 SUGGESTED READINGS

- Heathfield, Susan M. "Broadbanding". Available at:  
<http://humanresources.about.com/od/glossaryb/g/broadbanding.htm>
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**Lesson No.14****Unit-III****Semester-II****M.Com-E215**

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## **INCENTIVES**

### **STRUCTURE**

**14.1 Introduction****14.2 Objectives****14.3 Conceptual Analysis****14.3.1 Incentives****14.3.2 Total Rewards****14.3.3 Allowances****14.4 Principles of designing incentive/reward system****14.5 Types of Incentives****14.5.1 Monetary Incentives****14.5.2 Non-Monetary Incentives****14.6 Incentives across generations****14.7 Difference between Monetary and Non-Monetary Incentives****14.8 Group Incentives****14.9 Summary****14.10 Glossary****14.11 Self Assessment Questions****14.12 Lesson End Exercise****14.13 Suggested Readings**

## 14.1 INTRODUCTION

Almost all of the human motivations can serve as incentive—anxiety, worries, fear, hope, prestige, money, security and so on—are all actual or potential incentives in our daily life. An incentive is something that motivates an individual to perform an action.

## 14.2 OBJECTIVES

This lesson provides an overview of incentive/reward management. After going through the lesson you will generate knowledge about different types of incentives, the concept of total reward and allowances. This is followed by a description of the monetary and non-monetary incentives.

## 14.3 CONCEPTUAL ANALYSIS

### 14.3.1 Incentives

According to Earnest Ditcher, “*Incentive is a stimulus or a reason for producing action.*” Almost all of the human motivations can serve as incentive—anxiety, worries, fear, hope, prestige, money, security and so on—are all actual or potential incentives in our daily life. An incentive is something that motivates an individual to perform an action. The study of incentive structures is central to the study of all economic activity (both in terms of individual decision-making and in terms of a deal bro it’s a deal).

According to Dale Yoder, “*Incentives relate earnings to productivity and may use premiums, bonuses or a variety of rates to compensate for superior performance.*”

Burack and Smith defined it as, “*A plan or programme to motivate individual/group performance. It is most frequently build upon monetary rewards but may also include a variety of non-monetary rewards or prizes*”

An incentive plan has the following important features:

- An incentive plan may consist of both monetary and non-monetary results.
- The timing, accuracy and frequency of incentives are the very basis of an incentive plan.
- The plan should be properly communicated to the employees.

### 14.3.2 Total Reward

As defined by Manus and Graham (2003), total reward ‘includes all types of rewards – indirect as well as direct, and intrinsic as well as extrinsic’. Each aspect of reward, namely base pay, contingent pay, employee benefits and non-financial rewards, which include intrinsic rewards from the work itself, are linked together and treated as an integrated and coherent whole. Total reward combines the impact of the two major categories of reward: 1) transactional rewards– tangible rewards arising from transactions between the employer and employees concerning pay and benefits, and 2) relational rewards – intangible rewards concerned with learning and development and the work experience

### 14.3.3 Allowances

Allowances are paid in addition to basic pay for special circumstances (such as living in

London) or features of employment (overtime, shifts or working unsocial hours). They may be determined unilaterally by the organization but they are often the subject of negotiation.

The main types of allowances are:

**Location allowance:** London and large town allowances to compensate for higher costs of living.

**Overtime payments:** most manual workers are eligible for paid overtime as well as many staff employees up to management level. Higher-paid staff may receive time off in lieu if they work longer hours. Typically, organizations that make overtime payments give time and a half as an

overtime premium from Monday to Saturday, with double time paid on Sundays and statutory holidays. Some firms also pay double time from around noon on Saturday. Work on major statutory holidays such as Christmas Day and Good Friday often attracts higher overtime premiums.

**Shift payments** are made at rates that usually vary according to the shift arrangement. A premium of, say, one-third of basic pay may be given to people working nights, while those on an early or late day shift may receive less – say, one-fifth of basic pay.

**Working conditions allowances** may be paid where the work is unpleasant.

**Subsistence allowances** may be paid for accommodation and meals when working away from home. Stand-by and call-out allowances may be made to those who have to be available to come in to work when required.

#### 14.4 PRINCIPLES OF DESIGNING INCENTIVE/REWARD SYSTEM

Guiding principles define the approach an organization takes to dealing with reward. They are the basis for reward policies and provide guidelines for the actions contained in the reward strategy. They express the reward philosophy of the organization – its values and beliefs about how people should be rewarded. Members of the organization should be involved in the definition of guiding principles which can then be communicated to everyone to increase understanding of what underpins reward policies and practices. However, employees will suspend their judgement of the principles until they experience how they are applied. What matters to them are not the philosophies themselves but the pay practices emanating from them and the messages about the employment ‘deal’ that they get as a consequence. It is the reality that is important, not the rhetoric. Following principles should be given due consideration in designing of reward/incentive system:

- Develop reward policies and practices which support the achievement of business goals.
- Provide rewards which attract, retain and motivate staff and help to develop a high performance culture.
- Maintain competitive rates of pay.
- Reward people according to their contribution.
- Recognize the value of everyone who is making an effective contribution, not just the exceptional performers.
- Allow a reasonable degree of flexibility in the operation of reward processes and in the choice of benefits by employees.
- Devolve more responsibility for reward decisions to line managers.

## **14.5 TYPES OF INCENTIVES**

Managers are constantly searching for ways to create a motivational environment where associates (employees) to work at their optimal levels to accomplish company objectives. Workplace motivators include both monetary and non-monetary incentives. Monetary incentives can be diverse while having a similar effect on associates. One example of monetary incentives is mutual funds provided through company pension plans or insurance programs. Because it has been suggested that associates, depending on their age, have different needs pertaining to incentives, traditional incentive packages are being replaced with alternatives to attract younger associates.

### **14.5.1 Monetary Incentives**

Perhaps in the modern times, financial incentives are more dominant. Before you get to business, you know that it is always about profit. Employment is all about salary and remuneration. It is true that sometimes people do voluntary jobs for some reasons other than financial ones. But ultimately, the main reason why human beings do business or work

at all in modern days is money. The purpose of monetary incentives is to reward associates for excellent job performance through money. Monetary incentives include profit sharing, project bonuses, stock options and warrants, scheduled bonuses (e.g., Christmas and performance-linked), and additional paid vacation time. Traditionally, these have helped maintain a positive motivational environment for associates.

- **Bonus Pay:** In order for a bonus pay plan to work, you need to set goals that employees believe can be reached. Before creating a bonus pay incentive program, run metrics on the department to which you are looking to give the incentive. For example, if you want to offer an incentive to the accounts payable department, analyze how many invoices are processed in an average month, and then base the incentive on exceeding that average. According to the Distance Learning Centre, employees must feel the incentive is attainable for it to work. Employees must also not feel that they will be penalized if they do not reach the incentive marks.
- **Profit Sharing:** A profit sharing incentive plan can encompass many aspects of the company for the entire year. Make employees aware of the factors that affect profit, such as sales revenue, employee productivity and conservation of resources to lower overhead costs. When the year is over, determine a percentage of the profit that can be paid to the employees as a reward for helping the company achieve a profit.
- **Stock Incentives:** You can offer shares in the company as incentives, as opposed to paying out an immediate cash reward. Make sure you discuss your stock incentive plan with the stock regulatory bodies to keep your plan in line with the law.
- **Retirement Incentive:** Rather than paying an incentive directly to the employee, you can offer to add it to the employee's 401(k) retirement account instead. According to the Internal Revenue Service, a company that sponsors a 401(k) program can claim the cost of doing that as a deduction on its federal taxes. The employee gets the added benefit of

tax-free dollars in her retirement account, beyond what the employee contributes and what the company matches.

- **Vacation Incentive:** Unscheduled employee time off can sometimes be a problem for employers. To help reduce the use of sick days and personal days, offer an additional vacation day for each quarter in which the employee does not call in to work.
- **Prizes:** Vacations and prizes are often good incentives, because you can work with your vendors to help pay for those incentives. For example, if one of your vendors is a television manufacturer, you can discuss the possibility of offering one of its television sets as a sales incentive.
- **Commissions:** Commissions are the most common forms of incentive plans in most industries. Salespeople earn a percentage of every sale they close. Commission plans can vary in their details and spread the percentage points over a variety of factors. For example, a company can pay 5 percent commission for every lead generated by a salesperson and an additional 5 percent when the sale is closed. Salespeople can work on a straight commission basis, receiving pay only from sales or on a salary plus commission incentive plan.

### **Problems with Monetary Incentives**

Alfie Kohn (1993) argues that monetary incentives encourage compliance rather than risk-taking because most rewards are based only on performance. As a result, associates are discouraged from being creative in the workplace.

Another argument Kohn presents is that monetary incentives may be used to circumvent problems in the workplace. For example, incentives to boost sales can be used to compensate for poor management. Employers also may use monetary incentives as an extrinsic rather than an intrinsic motivator. In other words, associates are driven to do things just for the monetary reward versus doing something because it is

the right thing to do. This can disrupt or terminate good relationships between associates because they are transformed from co-workers to competitors, which can quickly disrupt the workplace environment (Kohn, 1993).

### 14.5.2 Non-Monetary Incentives

Money is not the only motivator, the employees who have more of esteem and self actualization need active in them get satisfied with the non-monetary incentives only. The incentives which cannot be calculated in terms of money are known as non-monetary incentives. Generally people working at high job position or at high rank get satisfied with non-monetary incentives. The common means or ways of non-monetary incentives are:

- **Status:** Status refers to rank, authority, responsibility, recognition and prestige related to job. By offering higher status or rank in the organization managers can motivate employees having esteem and self- actualization need active in them.
- **Organizational climate:** It refers to relations between superior/ subordinates. These are the characteristics which describe and organization. These characteristics have direct influence over the behaviour of a member. A positive approach adapted by manager creates better organizational climate whereas negative approach may spoil the climate, Employees are always motivated in the healthy organizational climate.
- **Career advancement:** Managers must provide promotional opportunities to employees. Whenever there are promotional opportunities employees improve their skill and efficiency with the hope that they will be promoted to high level. Promotion is a very big stimulator or motivator which induces people to perform to their best level.
- **Job enrichment/ assignment of challenging job:** Employees get bored by performing routine job. They enjoy doing jobs which offer them variety and opportunity to show their skill. By offering challenging jobs, autonomy

to perform job, interesting jobs, employees get satisfied and they are motivated. Interesting, enriched and challenging job itself is a very good motivator or stimulator.

- **Employee's recognition:** Recognition means giving special regard or respect which satisfies the ego of the subordinates. Ego-satisfaction is a very good motivator. Whenever the good efforts or the positive attitudes are shown by the subordinates then it must be recognized by the superior in public or in presence of other employees. Whenever if there is any negative attitude or mistake is done by subordinate then it should be discussed in private by calling the employee in cabin. Examples of employee's recognition are congratulating employee for good performance, displaying the achievement of employee, giving certificate of achievement, distributing mementos, gifts etc.
- **Job security:** Job security means life time bonding between employees and organization. Job security means giving permanent or confirmation letter. Job security ensures safety and security need but it may have negative impact. Once the employees get job secured they lose interest in job. Of example government employees do not perform efficiently as they have no fear of losing job. Job security must be given with some terms and conditions.
- **Employee's participation:** It means involving employee in decision making especially when decisions are related to workers. Employees follow the decision more sincerely when these are taken in consultation with them for example if target production is fixed by consulting employee then he will try to achieve the target more sincerely.
- **Autonomy/ employee empowerment:** It means giving more freedom to subordinates. This empowerment develops confidence in employees. They use positive skill to prove that they are performing to the best when freedom is given to them.

## 14.6 INCENTIVES ACROSS GENERATIONS

Research suggests that desired monetary incentives differ for associates based on career stage and generation. Surveys by the American Association of Retired Persons (AARP) have shown that most workers will work past retirement age if offered flexible schedules, part-time hours, and temporary employment (Nelson, 1999).

The generations covered in the AARP surveys include “Mature Workers” (those born between 1930 and 1945), “Baby Boomers” (those born between 1946 and 1963), “Generation X’ers” (those born between 1964 and 1981), and “Generation Y’ers” (those born after 1982). The information presented in Table 1 lists non-monetary incentives that are important to each generation covered in the surveys (Nelson, 1999).

**Table 13.1: Non-monetary incentives desired by different generations of associates**

<b>Mature Workers</b>	<b>Baby Boomers</b>	<b>Generation X'ers</b>	<b>Generation Y'ers</b>
Flexible schedules	Retirement planning	Flexible work schedules	Flexible work schedules
Part-time hours	Flexible retirement options	Professional development	Professional development
Temporary hours	Job training	Feedback	Feedback
	Sabbaticals	Tangible rewards	Tangible rewards
		Work environment	Work environment
			Attentive employers
Source: <a href="http://www2.inc.com/search/16431.html">http://www2.inc.com/search/16431.html</a> (Nelson, 1999).			

## 14.7 DIFFERENCE BETWEEN MONETARY AND NON-MONETARY INCENTIVES

Motivating employees can be challenging for any business owner or manager. In some industries, monetary rewards are enough to get the most out of employees, while in other industries, other types of incentives may be more effective. Differences between monetary and non-monetary incentives are simple to distinguish, in some respects, but their impacts on an employee's performance can be somewhat more difficult to measure. Following are the some of the points of difference between the two:

- **Types:** One of the primary differences between monetary and non-monetary incentives is in the type of reward they offer. As the name implies, a monetary incentive is a money-based reward given when an employee meets or exceeds expectations. Monetary incentives can include cash bonuses, stock options, profit-sharing and any other type of reward that increases an employee's compensation. Ballentyne et al. (2012), at the University of Florida, contend that non-monetary awards tend to come with the promise of an opportunity. Opportunities can include time off from work, flexible work schedules or even positive changes in the work environment.
- **Purpose:** The purpose of monetary and non-monetary incentives are similar. Only slight differences may exist between the two in what they are designed to accomplish. A monetary incentive is generally awarded for a job well done and is often something that the employee can strive for. These are usually offered in the form of some type of bonus. However, the purpose of a non-monetary incentive is to generally reward the employee after the fact of doing a good job. This may not always be the case for every type of non-monetary incentive, but these rewards are not generally something the employee works toward.
- **Effectiveness:** Both monetary and non-monetary incentives can be effective in the workplace, but to varying degrees. Monetary incentives

tend to be more effective when the employee is actually motivated by cold, hard cash or additional forms of payment that increase his total compensation. However, non-monetary incentives can be just as effective in motivating employee behaviour. Citing Bob Nelson, the so-called “guru of thank you,” Sherry Ryan indicates that one of the most important rewards that workers report receiving is simply praise and recognition from the people they work for. This is noted as being just as effective as any types of monetary incentives.

- **Problems:** Another difference between monetary and non-monetary incentives are the potential problems associated with each. Both may prove to be effective motivators in certain contexts, but as Andrew Ballentine, Nora McKenzie, Allen Wysocki and Karl Kepner at the University of Florida note, the performance-based monetary award tends to encourage compliance rather than creativity and innovation. In other words, the employee acts in a way that allows him to receive the monetary award, rather than thinking outside the box. His motivation is to make the money and not necessarily to improve the company or gain additional praise from his employer.

## 14.8 GROUP INCENTIVES

The discussion till now has covered incentive schemes for individual direct workers. A fundamental assumption common to all individual schemes is that the output of each worker can be accurately measured. But in some cases, for example, in the grinding and welding works in the electrical industry, the operations are performed by the group as a whole, and the contribution of each worker in the group cannot be accurately measured. In such cases, the group-incentive scheme is followed. Group incentives are as common as individual plans in industrial establishments.

Any individual scheme which has already been discussed may be applied to a group of workers. But the most common is the piece-work system. The total earnings of a group are first determined in accordance with the incentive

method which is followed, and the earnings are then distributed among the members of the group on some equitable basis. If the group consists of members with equal skills, the earnings are divided equally among them. When the members are of unequal skill, the earnings of the group may be divided among the members in proportion to their individual time-rates, or according to specified percentages, or in some cases among only a certain number of members of the group.

Some of the advantages of group incentives are:

1. Better co-operation among workers,
2. Less supervision,
3. Reduced incidence of absenteeism,
4. Reduced clerical work, and
5. Shorter training time.

The disadvantages are:

1. An efficient worker may be penalised for the inefficiency of the other members in the group,
2. The incentive may not be strong enough to serve its purpose, and
3. Rivalry among the members of the group defeats the very purpose of team work and co-operation.

## 14.9 SUMMARY

Monetary and non-monetary incentives vary in their roles, effectiveness, and appropriateness, depending on the type of incentive. Alfie Kohn (1993) argues that incentives actually hamper associates and companies by decreasing associates' motivation, interest, and job satisfaction. This is just the opposite of what incentives were created to do. Incentives must take into account the workers for whom they were created. A balance between monetary and non-monetary incentives should be used to satisfy the diverse needs and interests of associates.

Creating a balance sheet is a simple exercise that can be used for evaluating incentive programs. On one side of the balance sheet list all the

incentive programs (both monetary and non-monetary) of your organization. On the other side list all the outcomes (whether desired or not) that can be attributed to these incentives. Areas of improvement would be those outcomes identified as undesirable.

#### 14.10 GLOSSARY

- **Incentive Compensation:** A reward that compensates an employee for high performance or for achievement above and beyond the defined normal job requirements.
- **Internal Equity:** A standard that fairly establishes a pay level that corresponds to each job's relative value to the organization.
- **Monetary Incentives:** The purpose of monetary incentives is to reward associates for excellent job performance through money. Monetary incentives include profit sharing, project bonuses, stock options and warrants, scheduled bonuses (e.g., Christmas and performance-linked), and additional paid vacation time.
- **Non- Monetary Incentives:** The incentives which cannot be calculated in terms of money are known as non-monetary incentives e.g. status, recognition, growth opportunities, empowerment etc.

#### 14.11 SELFASSESSMENT QUESTIONS

- Q1. What is Incentive? Describe its advantage and disadvantage.
- Q2. Explain the problems associated with monetary rewards.

#### 14.12 LESSON END EXERCISE

- Q1. What points should be kept in mind while designing reward/incentive system?

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Q2. Differentiate between monetary/extrinsic and non-monetary/intrinsic incentives

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Q3. What kinds of incentives are desired by different generation of employees?

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#### 14.13 SUGGESTED READINGS

- Andrew Ballentine, Nora McKenzie, Allen Wysocki, and Karl Kepner (2012), “The Role of Monetary and Non-Monetary Incentives in the Workplace as Influenced by Career Stage” available at: <http://edis.ifas.ufl.edu>.
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**Lesson No.15****Unit-III****Semester-II****M.Com-E215**

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## **GRIEVANCE REDRESSAL**

### **STRUCTURE**

**15.1 Introduction****15.2 Objectives****15.3 Conceptual Analysis of Grievance****15.3.1 Features****15.3.2 Objectives of a Grievance Handling Procedure****15.4 Need for a grievance procedure****15.5 The Benefits of a Grievance Handling Procedure****15.6 Causes of Grievance Redressal****15.7 Types of Grievances****15.8 Machinery and Guiding Principles of Grievance Redressal System****15.9 Grievance Handling Process/Machinery****15.10 Summary****15.11 Glossary****15.12 Self Assessment Questions****15.13 Lesson End Exercise****15.14 Suggested Readings**

## 15.1 INTRODUCTION

An employee will have certain aspirations and expectations which he thinks must be fulfilled by the organization where he is working. When the organisation fails to satisfy the employee's needs, he develops a feeling of discontent or dissatisfaction. Thus, grievance is caused due to difference between employee expectation and management practices.

## 15.2 OBJECTIVES

This lesson will acquaint you with the concept of grievance, its features and process of grievance redressal.

## 15.3 CONCEPTUAL ANALYSIS OF GRIEVANCE

A "Grievance" is defined as *any communication that expresses dissatisfaction about an action or lack of action, about the standard of service/deficiency of service of an organisation and/or any intermediary or asks for remedial action*. A grievance may be *any real or imagined feeling of personal injustice, which an employee has concerning his employment relationship*." A grievance represents a situation in which an employee feels that something unfavourable to him has happened or is going to happen.

According to Michael J. Jesus the term "grievance" means "any discontent or dissatisfaction, whether expressed or not and whether valid or not, arising out of anything connected with the company that an employee thinks, believe or even feels, is unfair, unjust, or inequitable," This definition is very broad and covers all kinds of dissatisfaction which an employee has while doing his job. A grievance means any discontentment or dissatisfaction arising out of anything related to the enterprise where he is working. It may not be expressed and even may not be valid. It arises when an employee feels that something has happened or is going to happen which is unfair, unjust or inequitable. Discontent or dissatisfaction is not a grievance. They initially find expression in the form of a complaint. When a complaint remains unattended to and the employee concerned

feels a sense of lack of justice and fair play, the dissatisfaction grows and assumes the status of grievance.

Beach defines grievances as “any dissatisfaction or feeling of injustice in connection with one’s employment situation that is brought to the notice of the management”.

To understand what a grievance is, you must clearly be able to distinguish between dissatisfaction, complaint and grievance. Torrington (1987) provides us with a useful categorization in this regard:

- **Dissatisfaction:** Anything disturbs an employee, whether or not the unrest is expressed in words.
- **Complaint:** A spoken or written dissatisfaction brought to the attention of the supervisor or the shop steward.
- **Grievance:** A complaint that has been formally presented to a management representative or to a union official.

### 15.3.1 Features

- Grievances exist in the minds of individuals
- It occurs when an employee feels that there has been an infringement of his rights.
  - A grievance refers to any form of discontent or dissatisfaction with any aspect of the organisation. The dissatisfaction must arise out of employment and not due to personal or family problems.
  - 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.
  - The discontent must find expression in some form oral or written. 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.

### **15.3.2 Objectives of a Grievance Handling Procedure**

Jackson (2000) lays down the objectives of a grievance handling procedure as follows:

- To enable the employee to air his/her grievance
- To clarify the nature of the grievance.
- To investigate the reasons for dissatisfaction.
- To obtain, where possible, a speedy resolution to the problem.
- To take appropriate actions and ensure that promises are kept.
- To inform the employee of his or her right to take the grievance to the next stage of the procedure, in the event of an unsuccessful resolution.

## **15.4 NEED FOR A GRIEVANCE PROCEDURE**

Grievance procedure is necessary for any organisation due to the following reasons.

- Management can feel the pulse of the employees with regard to the policies and practices of the organization.
- Employees get a chance to ventilate their feelings and 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.
- Morale of the employees will be high when their grievances are redressed in a just manner.
- It keeps a check on the supervisor's attitude and behaviour towards their subordinates.
- They are compelled to listen to subordinates patiently and sympathetically.

- Brings uniformity in handling grievances
- It develops faith among employees.
- Reduces personality conflicts
- It acts as a pressure valve.
- Provides judicial protection to the employees.
- Provides avenues to present the problems.
- Enables the parties to resolve differences in peaceful, orderly and expeditious manner.
- Enables the parties to investigate and discuss the problem.

### **15.5 THE BENEFITS OF A GRIEVANCE HANDLING PROCEDURE**

According to Jackson (2000), further benefits that will accrue to both the employer and employees are as follows:

- It encourages employees to raise concerns without fear of reprisal.
- It provides a fair and speedy means of dealing with complaints.
- It prevents minor disagreements developing into more serious disputes.
- It saves employers time and money as solutions are found for workplace problems.
- It helps to build an organisational climate based on openness and trust.

### **15.6 CAUSES OF GRIEVANCE REDRESSAL**

- **Salary and Wages:** Wage fixation, overtime, bonus, wage revision etc. are the most common causes cited by employees as the root cause of dissatisfaction. Employees may feel that they are paid less when compared to others.
- **Work Environment:** Physical conditions of workplace, production norms, defective tools and equipments, poor quality of materials, materials not available in time, lack of recognition, unfair rules etc.

- **Supervision:** It relates to the attitude of the supervisor towards the employee such as perceived notions of bias, favouritism, nepotism, regional & ethnic feelings, recognition, harassment etc.
- **Work group:** Employee is unable to adjust with his colleagues, suffers from feelings of neglect, victimization and becomes an object of ridicule and humiliation etc.
- **Miscellaneous:** Issues relating to certain violations in respect of promotions Safety methods- Transfer- Disciplinary Action- Work Life Balance & Work Load Granting leaves- Over stay after the expiry of leaves- Medical facilities etc

### 15.7 TYPES OF GRIEVANCES

A grievance may take any one of the following forms:

- **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.
- **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.
- **Disguised:** An employee may have dissatisfaction for reasons that are unknown to him. 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.

### 15.8 MACHINERY AND GUIDING PRINCIPLES OF GRIEVANCE REDRESSAL SYSTEM

A good grievance redressal mechanism is a sine qua non of a well-

designed and functional Human Resource (HR) Management System. In order to be successful, a grievance redressal system must possess five attributes:

- **Simplicity:** It must be a procedurally simple mechanism which is easy to use by every employee across the board. It is best to have a simple form or an online drop down menu where an employee can effortlessly submit a grievance or complaint. As one of my bosses used to say: “Don’t ask people to pour their hearts out and write long-winded sob-stories and essays – just give them a form to fill.” Yes, a well-designed form can encapsulate the problem more objectively and avoid communications mismatches.
- **Accessibility:** All employees must have easy access to the mechanism and it should be quick and simple to lodge a grievance. In earlier days, before the IT Boom and prior to the advent of Internet, there used to be cards or forms which could be filled up and put in easily accessible drop boxes which were located all over the workplace, canteens and shop-floors. Nowadays, it can be an online system must be easily accessible 24/7 to all employees from their workplace and their homes as well. If an employee has a grievance she (or he) must know where and how to submit it and the procedure must be fast and easy.
- **Effectiveness:** The grievance redressal mechanism must be effective. The system must work (and be seen to work) and there must be proper monitoring, follow-up and feedback to the employees and all concerned about the status and processing of the complaint. The grievance redressal procedure must ensure that it is made unambiguously and clearly evident to all employees that there is an honest and transparent effort to resolve all grievances in a fair and just manner.
- **Efficiency:** The redressal of grievances and resolution of complaints must be done promptly and speedily in an efficient manner within stipulated time frames so that employees develop faith in the system. Remember – justice delayed is justice denied.

- **Responsiveness:** The grievance redressal mechanism must be user-friendly and sensitive to the special needs of the employees. It must be gender sensitized, culturally consonant and in harmony with the prevailing environment. Most importantly, it must be modern and technologically savvy and in sync with contemporary times. Whatever the nature of the grievance or complaint, it must not be trivialized. Grievances must be treated with utmost empathy and this fact must be evident to all the employees. There must constant two-way communication between the senior management and the complainant and an impression must be made on employees that all grievances are taken seriously, treated sympathetically and handled with genuine earnestness with the objective of resolving them amicably, speedily and to the entire satisfaction of all concerned.
- **Non-Vindictive:** An employee must be able to submit a complaint or grievance for redressal without fear of retribution from higher management or reprisal from those who is complaining against. Checks and balances must be put in place in order to ensure that there is absolutely no victimization or harassment of the employee who is submitting a grievance or making a complaint or is a whistleblower. The system must be absolutely non-punitive and there must not be the slightest perception or even a shred of doubt in the mind of the employees that they will be “punished” for making a complaint.
- **Fair And Just:** The grievance redressal mechanism must function without fear or favour. There must be total transparency in the procedure and justice must be done and justice must also be seen to be done in a free and fair manner.

### 15.9 GRIEVANCE HANDLING PROCESS/MACHINERY

Grievance Redressal Mechanism is part and parcel of the machinery of any administration. No administration can claim to be accountable responsive and user friendly unless it has established an efficient and effective grievance redressal mechanism. In fact the grievance redressal

mechanism of an organization is the gauge to measure its efficiency and effectiveness as it provides important feedback on the working of the administration. The details of a grievance procedure/machinery may vary from organisation to organisation. Here, a four phase model (Figure 1) is suggested. The first and the last stages have universal relevance, irrespective of the differences in the procedures at the intermediate stages. The four stages of the machinery are briefly discussed here:

- **The level at which grievance occurs:** The best opportunity to redress a grievance is to resolve it at the level at which it occurs. A worker's grievance should be resolved by his immediate boss, the first line supervisor. The higher the document rises through the hierarchy, the more difficult it is to resolve. Bypassing the supervisor would erode his authority. When the process moves to a higher stage, the aggrieved employee and the supervisor concerned may shift their focus to save face by proving the other wrong. The substantive aspect of any of the grievances may thus be relegated and dysfunctional aspects come to the fore thus making it more difficult to settle the issue. In a unionized concern, the first stage of the procedure usually involves three people: the aggrieved employee, his immediate boss and the union representative in the shop/ department. It is possible to involve the union in laying down the framework of the grievance procedure and thereafter restrain union involvement in the actual process, at least in the first two stages. The choice depends on the top management attitude and orientation towards the dynamics of union-management relations. Supervisory role needs to be strengthened, with appropriate training in problem-solving skills, grievance handling and counseling so that he can do much in reducing the number of grievances that get passed to higher stages in the machinery. Unrealistic policies and expectations and lack of commitment for equity and fair play can cause problems in handling grievances at the lower level. Inadequate delegation of authority may also inhabit a supervisor's effectiveness in handling grievances at this level.

- **Intermediate Stage:** If the dispute is not redressed at the supervisor's level, it will usually be referred to the head of the concerned department. It is important that line management assume prime responsibility for the settlement of a grievance. Any direct involvement by personnel department may upset balance in line-staff relations. At the intermediate level, grievance can be settled with or without union involvement. Excessive reliance on supervisor at this stage can jeopardize the interests of the employee and affect the credibility of the procedure
- **Organisation Level:** If a grievance is not settled at the intermediate level also, it will be referred to the top management. Usually, a person of a level not less than General Manager designated for the purpose will directly handle the issue. By now, the grievance may acquire some political importance and the top leadership of the union may also step in formally, if the procedure provides for it and informally, if the procedure prohibits it. At this level it is very difficult to reconcile the divergent interests.
- **Third Party Mediation:** If the grievance has not been settled bilaterally within the organisation, it goes to a third party for mediation. It could be conciliation, arbitration or adjudication or the matter may even be referred to a labour court. At this stage, the parties concerned lose control over the way the grievance is settled. In case of mediation (conciliation or arbitration) the mediator has no authority to decide, but in case of labour court or an adjudicator, the decision will be binding on the parties, subject to statutory provisions for appeal to higher courts.

### 15.10 SUMMARY

A grievance represents a situation in which an employee feels that something unfavourable to him has happened or is going to happen. A grievance means any discontentment or dissatisfaction arising out of anything related to the enterprise where he is working. It may not be expressed and even may not be valid. It arises when an employee feels that something has

happened or is going to happen, which is unfair, unjust or inequitable. Grievance procedure is necessary for any organisation as it helps management to feel the pulse of the employees with regard to the policies and practices of the organization. Further, employees get a chance to ventilate their feelings and let off steam through an official channel. There can be various causes of employee grievance viz., salary, supervision, work environment etc. A good grievance redressal mechanism must be simple, accessible, effective, responsive, fair and justified.

### 15.11 GLOSSARY

- **Grievance:** A formal complaint or allegation by an employee or group of employees made to unfair treatment or violation of a union contract.
- **Grievance procedures:** The process and guidelines to be followed by employees, management or the union when resolving differences or conflicts.

### 15.12 SELF ASSESSMENT QUESTIONS

- Q1. Explain grievance redressal procedure.
- Q2. Explain different types of grievances
- Q3. Discuss the essentials of sound grievance handling procedure.

### 15.13 LESSON END EXERCISE

- Q1. Draw Ladder system of grievance handling.

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- Q2. If you are CEO of an organisation, which grievance handling system you will prefer: (✓ the suitable option )

- Open
- Ladder

#### **15.14 SUGGESTED READINGS**

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**Lesson No.16****Unit-IV****Semester-II****M.Com-E215**

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**INDUSTRIAL RELATIONS AND LABOUR WELFARE****STRUCTURE****16.1 Introduction****16.2 Objectives****16.3 Concept of Industrial Relations****16.3.1 Theoretical Perspective****16.3.2 Features****16.3.3 Objectives****16.3.4 Importance****16.4 Causes of poor industrial relations****16.5 Suggestions to improve Industrial Relations****16.6 Approaches of Industrial Relations****16.7 Summary****16.8 Glossary****16.9 Self Assessment Questions****16.10 Activity****16.11 Suggested Readings**

## 16.1 INTRODUCTION

In simple terms Industrial Relations deals with the worker-employer relation in any industry. Government has attempted to make Industrial Relations healthier by enacting Industrial Disputes Act 1947 to solve the dispute and to reduce the frequency of dispute. This in turn improves the relations. Such activity generally includes the co-operation of employer and employees.

## 16.2 OBJECTIVES

Objective of this lesson is to initiate in to industrial Relations Management. After reading this lesson you shall be able to acquire knowledge about the concept of industrial relations, its features, importance and various approaches of industrial relations.

## 16.3 CONCEPT OF INDUSTRIAL RELATIONS

Industrial relation means the relationship between employers and employees in course of employment in industrial organisations. However, the concept of Industrial Relations has a broader meaning. In a broad sense, the term Industrial Relations includes the relationship between the various unions, between the state and the unions as well as those between the various employers and the government. Relations of all those associated in an industry may be called Industrial Relations.

According to International Labour Organisation, Industrial relations comprise relationships between the state on one hand and the employer's and employee's organisation on the other, and the relationship among the occupational organisations themselves.

**Dunlop** defines an industrial relations system in the following way: An industrial relations system at any one time in its development is regarded as comprised of certain actors, certain contexts, an ideology, which binds the industrial relations system together, and a body of rules created to govern the actors at the workplace and work community. There are three sets of independent variables: the 'actors', the 'contexts' and the 'ideology' of the system. The components of industrial relations system are:

- a) **Participants:** The participants in the industrial relations sphere are composed of duly recognised representatives of the parties interacting in several roles within the system.
- b) **Issues:** The power interactions of the participants in a workplace create industrial relations issues. These issues and the consequences of power interactions find their expression in a web of rules governing the behaviour of the parties at a workplace.
- c) **Structure:** The structure consists of all forms of institutionalised behaviour in a system. The structure may include collective procedures, grievances, and settlement practices. Legal enactments relevant to power interactions may also be considered to be a part of the structure.
- d) **Boundaries:** In systems analysis, it is possible to find an issue which one participant is totally indifferent to resolving while, at the same time, the other participant is highly concerned about resolution of the same. These issues may serve to delimit systems boundaries.

### 16.3.1 Theoretical Perspective

Industrial relations scholars have described three major theoretical perspectives or frame works that contrast in their understanding and analysis of workplace relations. The three views are generally known as unitarism, pluralist and radical. Each offers a particular perception of workplace relations and will therefore interpret such events as workplace conflict, the role of unions and job regulation differently. The radical perspective is sometimes referred to as the “conflict model”, although this is somewhat ambiguous, as pluralism also tends to see conflict as inherent in workplaces. Radical theories are strongly identified with Marxist theories.

#### Unitary Perspective

In unitarism, the organization is perceived as an integrated and harmonious system, viewed as one happy family. A core assumption of unitary approach is that management and staff, and all members of the organization share

the same objectives, interests and purposes; thus working together, hand-in-hand, towards the shared mutual goals. Furthermore, unitarism has a paternalistic approach where it demands loyalty of all employees. Trade unions are deemed as unnecessary and conflict is perceived as disruptive.

**From employee point of view, unitary approach means that:**

- Working practices should be flexible. Individuals should be business process improvement oriented, multi-skilled and ready to tackle with efficiency whatever tasks are required.
- If a union is recognized, its role is that of a further means of communication between groups of staff and the company.
- The emphasis is on good relationships and sound terms and conditions of employment.
  - Employee participation in workplace decisions is enabled. This helps in empowering individuals in their roles and emphasizes team work, innovation, creativity, discretion in problem-solving, quality and improvement groups etc.
  - Employees should feel that the skills and expertise of managers supports their endeavours.

**From employer point of view, unitary approach means that:**

- Staffing policies should try to unify effort, inspire and motivate employees.
- The organization's wider objectives should be properly communicated and discussed with staff.
- Reward systems should be so designed as to foster to secure loyalty and commitment.
- Line managers should take ownership of their team/staffing responsibilities.
- Staff-management conflicts - from the perspective of the unitary framework - are seen as arising from lack of information, inadequate presentation of management's policies.

- The personal objectives of every individual employed in the business should be discussed with them and integrated with the organization's needs.

### **Pluralistic-Perspective**

In pluralism the organization is perceived as being made up of powerful and divergent sub-groups - management and trade unions. This approach sees conflicts of interest and disagreements between managers and workers over the distribution of profits as normal and inescapable. Consequently, the role of management would lean less towards enforcing and controlling and more toward persuasion and co-ordination. Trade unions are deemed as legitimate representatives of employees. Conflict is dealt by collective bargaining and is viewed not necessarily as a bad thing and if managed could in fact be channeled towards evolution and positive change. Realistic managers should accept conflict to occur. There is a greater propensity for conflict rather than harmony. They should anticipate and resolve this by securing agreed procedures for settling disputes.

The implications of this approach include:

- The firm should have industrial relations and personnel specialists who advise managers and provide specialist services in respect of staffing and matters relating to union consultation and negotiation.
- Independent external arbitrators should be used to assist in the resolution of disputes.
- Union recognition should be encouraged and union representatives given scope to carry out their representative duties
- Comprehensive collective agreements should be negotiated with unions

### **Marxist Perspective**

The Marxist approach looks at industrial relations from a societal perspective. It views industrial relations as a microcosm of the wider capitalist society. The basic assumption of this approach is that industrial

relations under capitalism are an everlasting and unavoidable source of conflict. According to this approach, industrial conflicts are the central reality of industrial relations, but open conflicts are uncommon.<sup>15</sup> The Marxist approach views industrial disputes as a class struggle and industrial relations as a politicized concept and an element of the class struggle. As per the Marxist approach, the understanding of industrial relations requires an understanding of the capitalized society, the social relations of production and the mechanism of capital accumulation.

The Marxist approach views the power relationship between the two classes, namely, the employer (capital) and the employee (labour), as the crux of the industrial relations. Both classes struggle hard to consolidate their respective positions so that they can have a greater leverage over the other in the process of bargaining. The proponents of this approach perceive that the employers can survive longer without labour than the employees can without work. As far as theory is concerned, the compensation payable to the employees is an outcome of the power struggle. For instance, the employers seek to maximize their profits by paying less compensation to the employees, while the latter resist such attempts, and this resistance results in industrial conflicts. However, the weakness of this theory is that it is narrow in approach as it views industrial relations as a product or outcome of the industrial conflict.

### **16.3.2 Features**

- Industrial relations are outcomes of employment relationships in an industrial enterprise. These relations cannot exist without the two parties namely employers and employees.
- Industrial relations system creates rules and regulations to maintain harmonious relations.
- The government intervenes to shape the industrial relations through laws, rules, agreements, terms, charters etc.
- Several parties are involved in the Industrial relations system. The main

parties are employers and their associations, employees and their unions and the government. These three parties interact within economic and social environment to shape the Industrial relations structure.

- Industrial relations are a dynamic and developing concept, not a static one. They undergo changes with changing structure and scenario of the industry as and when change occurs.
- Industrial relations include both individual relations and collective relationships.

### 16.3.3 Objectives

- To maintain industrial democracy based on participation of labour in the management and gains of industry.
- To raise productivity by reducing tendency of high labour turnover and absenteeism.
- To ensure workers' participation in management of the company by giving them a fair say in decision-making and framing policies.
- To establish a proper channel of communication.
- To increase the morale and discipline of the employees.
- To safeguard the interests of the labour as well as management by securing the highest level of mutual understanding and goodwill between all sections in an industry.
- To avoid all forms of industrial conflicts so as to ensure industrial peace by providing better living and working standards for the workers.
- To bring about government control over such industrial units which are running at a loss for protecting the livelihood of the employees.

### 16.3.4 Importance

- **Uninterrupted Production:** The most important benefit of industrial benefits is that it ensures continuity of production. This means

continuous employment for all involved right from managers to workers. There is uninterrupted flow of income for all. Smooth running of industries is important for manufacturers, if their products are perishable goods and to consumers if the goods are for mass consumption (essential commodities, food grains etc.). Good industrial relations bring industrial peace which in turn tends to increase production.

- **Reduction in Industrial disputes:** Good Industrial relations reduce Industrial disputes. Strikes, grievances and lockouts are some of the reflections of Industrial unrest. Industrial peace helps in promoting co-operation and increasing production. Thus good Industrial relations help in establishing Industrial democracy, discipline and a conducive workplace environment.
- **High morale:** Good Industrial relations improve the morale of the employees and motivate the worker workers to work more and better.
- **Reduced wastage:** Good Industrial relations are maintained on the basis of co-operation and recognition of each other. It helps to reduce wastage of material, manpower and costs.
- Contributes to **economic growth** and development.

#### 16.4 CAUSES OF POOR INDUSTRIAL RELATIONS

- **Economic causes:** Often poor wages and poor working conditions are the main causes for unhealthy relations between management and labour. Unauthorised deductions from wages, lack of fringe benefits, absence of promotion opportunities, faulty incentive schemes are other economic causes. Other causes for Industrial conflicts are inadequate infrastructure, worn-out plant and machinery, poor layout, unsatisfactory maintenance etc.
- **Organisational causes:** Faulty communications system, unfair practices, non-recognition of trade unions and labour laws are also some other causes of poor relations in industry.

- **Social causes:** Uninteresting nature of work is the main social cause of poor Industrial relations. Dissatisfaction with job and personal life culminates into Industrial conflicts.
- **Psychological causes:** Lack of job security, non-recognition of merit and performance, poor interpersonal relations are the psychological reasons for unsatisfactory employer-employee relations.
- **Political causes:** Multiple unions, inter-union rivalry weaken the trade unions. Defective trade unions system prevailing in the country has been one of the most responsible causes for Industrial disputes in the country.

### 16.5 SUGGESTIONS TO IMPROVE INDUSTRIAL RELATIONS

- **Sound personnel policies:** Policies and procedures concerning the compensation, transfer and promotion, etc. of employees should be fair and transparent. All policies and rules relating to Industrial relations should be fair and transparent to everybody in the enterprise and to the union leaders.
- **Participative management:** Employees should associate workers and unions in the formulation and implementation of HR policies and practices.
- **Responsible unions:** A strong trade union is an asset to the employer. Trade unions should adopt a responsible rather than political approach to industrial relations.
- **Employee welfare:** Employers should recognise the need for the welfare of workers. They must ensure reasonable wages, satisfactory working conditions, and other necessary facilities for labour. Management should have a genuine concern for the welfare and betterment of the working class.
- **Grievance procedure:** A well-established and properly administered system committed to the timely and satisfactory redressal of employee's grievances can be very helpful in improving Industrial relations. A suggestion scheme will help to satisfy the creative urge of the workers.
- **Constructive attitude:** Both management and trade unions should adopt positive attitude towards each other. Management must recognise unions

as the spokesmen of the workers' grievances and as custodians of their interests. The employer should accept workers as equal partners in a joint endeavour for good Industrial relations.

- Creating a proper **communication channel** to avoid grievances and misunderstandings among employees
- **Education and training should be** imparted to the employees, which help in their career development, which inculcates a feeling among the employees that management cares for them.

## 16.6 APPROACHES OF INDUSTRIAL RELATIONS

Industrial conflicts are the results of several socio-economic, psychological and political factors. Various lines of thoughts have been expressed and approaches used to explain his complex phenomenon. One observer has stated, "An economist tries to interpret industrial conflict in terms of impersonal markets forces and laws of supply demand. To a politician, industrial conflict is a war of different ideologies – perhaps a class-war. To a psychologist, industrial conflict means the conflicting interests, aspirations, goals, motives and perceptions of different groups of individuals, operating within and reacting to a given socio-economic and political environment".

- **Psychological approach:** The problems of IR have their origin in the perceptions of the management, unions and the workers. The conflicts between labour and management occur because every group negatively perceives the behaviour of the other i.e. even the honest intention of the other party so looked at with suspicion. The problem is further aggravated by various factors like the income, level of education, communication, values, beliefs, customs, goals of persons and groups, prestige, power, status, recognition, security etc are host factors both economic and non-economic which influence perceptions unions and management towards each other. Industrial peace is a result mainly of proper attitudes and perception of the two parties.

- **Sociological approach:** G. Margerison, an industrial sociologist, holds the view that the core of industrial relations is the nature and development of the conflict itself. Margerison argued that conflict is the basic concept that should form the basis of the study of industrial relations. The author criticised the prevalent approach to industrial relations, which was more concerned with studying the resolution of industrial conflict than its generation; with the consequences of industrial disputes than on their causes. According to this school of thought, there are two major conceptual levels of industrial relations. One is the intra-plant level where situational factors, such as job content, work task and technology, and interaction factors produce three types of conflict – distributive, structural, and human relations. These conflicts are being resolved through collective bargaining, structural analysis of the socio-technical systems and man-management analysis respectively. The second level is outside the firm and concerns with the conflict not resolved at the intra-organisational level. Industry is a social world in miniature. The management goals, workers' attitudes, perception of change in industry, are all, in turn, decided by broad social factors like the culture of the institutions, customs, structural changes, status-symbols, rationality, acceptance or resistance to change, tolerance etc. Industry is, thus inseparable from the society in which it functions. Though the main function of an industry is economic, its social consequences are also important such as urbanization, social mobility, housing and transport problem in industrial areas, disintegration of family structure, stress and strain, etc. As industries develop, a new industrial-cum-social pattern emerges, which provides general new relationships, institutions and behavioural pattern and new techniques of handling human resources. These do influence the development of industrial relations.

However, this approach rejects the special emphasis given to rule determination by the “systems and Oxford models”. In its place, it suggests a method of inquiry, which attempts to develop sociological models of conflicts.

- **Human relations approach:** In the words of Keith Davies, human relations are “the integration of people into a work situation that motivates them to work together productively, cooperatively and with economic, psychological and social satisfactions.” According to him, the goals of human relations are: (a) to get people to produce, (b) to cooperate through mutuality of interest, and (c) to gain satisfaction from their relationships. The human relations school founded by Elton Mayo and later propagated by Roethlisberger, Whitehead, W.F. Whyte, and Homans offers a coherent view of the nature of industrial conflict and harmony. The human relations approach highlights certain policies and techniques to improve employee morale, efficiency and job satisfaction. It encourages the small work group to exercise considerable control over its environment and in the process helps to remove a major irritant in labour-management relations.

Though tension is more direct in work place; gradually it extends to the whole industry and sometimes affects the entire economy of the country. Therefore, the management must realize that efforts are made to set right the situation. Services of specialists in Behavioural Sciences (namely, psychologists, industrial engineers, human relations expert and personnel managers) are used to deal with such related problems. Assistance is also taken from economists, anthropologists, psychiatrists, pedagogists, etc. In resolving conflicts, understanding of human behaviour – both individual and groups – is a pre-requisite for the employers, the union leaders and the government – more so for the management. Conflicts cannot be resolved unless the management learns and knows what the basic needs of men are and how they can be motivated to work effectively.

It has now been increasingly recognised that much can be gained by the managers and the worker, if they understand and apply the techniques of human relations approaches to industrial relations. The workers are likely to attain greater job satisfaction, develop greater involvement in their work and achieve a measure of identification of their objectives with the objectives of the

organization; the manager, on their part, would develop greater insight and effectiveness in their work.

But there was reaction against the excessive claims of this school of thought in the sixties. Some of its views were criticised by Marxists, pluralists, and others on the ground that it encouraged dependency and discouraged individual development, and ignored the importance of technology and culture in industry. Taking a balanced view, however, it must be admitted that the human relations school has thrown a lot of light on certain aspects such as communication, management development, acceptance of workplace as a social system, group dynamics, and participation in management.

- **The Oxford Approach:** According to this approach, the industrial relations system is a study of institutions of job regulations and the stress is on the substantive and procedural rules as in Dunlop's model. Flanders, the exponent of this approach, considers every business enterprise as a social system of production and distribution, which has a structured pattern of Conceptual Framework of relationships. The "institution of job regulation" is categorised by him as internal and "Employment Relations" as external – the former being an internal part of the industrial relations system such as code of work rules, wage structure, internal procedure of joint consultation, and grievance procedure. He views trade unions as an external organisation and excludes collective agreements from the sphere of internal regulation. According to him, collective bargaining is central to the industrial relations system. **The "Oxford Approach" can be expressed in the form of an equation:  $r = f(b)$  or  $r = f(c)$**

**where,  $r$  = the rules governing industrial relations;**

**$b$  = collective bargaining;**

**$c$  = conflict resolved through collective bargaining.**

The "Oxford Approach" can be criticised on the ground that it is too narrow to provide a comprehensive framework for analysing industrial relations problems. It overemphasises the significance of the political process of collective

bargaining and gives insufficient weight to the role of the deeper influences in the determination of rules. Institutional and power factors are viewed as of paramount importance, while variables such as technology, market, status of the parties, and ideology, are not given any prominence. This narrowness of approach constitutes a severe limitation.

- **The System Approach:** The system approach was developed by **J. P. Dunlop** of Harvard University in 1958. According to this approach, individuals are part of an ongoing but independent social system. The behaviour, actions and role of the individuals are shaped by the cultures of the society. The three elements of the system approach are input, process and output. Society provides the cue (signal) to the individuals about how one should act in a situation. The institutions, the value system and other characteristics of the society influence the process and determine the outcome or response of the individuals. The basis of this theory is that group cohesiveness is provided by the common ideology shaped by the societal factors.

According to **Dunlop**, the industrial relations system comprises certain actors, certain contexts, and an ideology, which binds them together and a body of rules created to govern the actors at the workplace and work community. The actors in the system are the managers, the workers and their representatives, and the government agencies. The rules in the system are classified into two categories: substantive rules and procedural rules. The substantive rules determine the conditions under which people are employed. Such rules are normally derived from the implied terms and conditions of employment, legislations, agreements, practices and managerial policies and directives. The procedural rules govern how substantive rules are to be made and understood. Ultimately, the introduction of new rules and regulations and revisions of the existing rules for improving the industrial relations are the major outputs of the industrial relations system. These may be substantive rules as well as procedural rules.” The context in the system approach refers to the environment of the system which is normally determined by the technological nature of the organization, the financial and other constraints

that restrict the actors of industrial relations, and the nature of power sharing in the macro environment, namely, the society.

- **The Gandhian Approach:** Gandhiji can be called one of the greatest labour leaders of modern India. His approach to labour problems was completely new and refreshingly human. He held definite views regarding fixation and regulation of wages, organisation and functions of trade unions, necessity and desirability of collective bargaining, use and abuse of strikes, labour indiscipline, workers participation in management, conditions of work and living, and duties of workers. The Ahmedabad Textile Labour Association, a unique and successful experiment in Gandhian trade unionism, implemented many of his ideas. Gandhiji had immense faith in the goodness of man and he believed that many of the evils of the modern world have been brought about by wrong systems and not by wrong individuals. He insisted on recognising each individual worker as a human being. He believed in non-violent communism, going so far as to say that “if communism comes without any violence, it would be welcome.” Gandhiji laid down certain conditions for a successful strike. These are: (a) the cause of the strike must be just and there should be no strike without a grievance; (b) there should be no violence; and (c) non-strikers or “blacklegs” should never be molested. He was not against strikes but pleaded that they should be the last weapon in the armoury of industrial workers and hence should not be resorted to unless all peaceful and constitutional methods of negotiations, conciliation and arbitration are exhausted.

His concept of trusteeship is a significant contribution in the sphere of industrial relations. According to him, employers should not regard themselves as sole owners of mills and factories of which they may be the legal owners. They should regard themselves only as trustees, or co-owners. He also appealed to the workers to behave as trustees, not to regard the mill and machinery as belonging to the exploiting agents but to regard them as their own, protect them and put to the best use they can. In short, the theory of trusteeship is based on the view that all forms of property and human accomplishments are gifts of nature and as such, they belong not

to any one individual but to society. Thus, the trusteeship system is totally different from other contemporary labour relations systems. It aimed at achieving economic equality and the material advancement of the “have-nots” in a capitalist society by non-violent means. Gandhiji realised that relations between labour and management can either be a powerful stimulus to economic and social progress or an important factor in economic and social stagnation. According to him, industrial peace was an essential condition not only for the growth and development of the industry itself, but also in a great measure, for the improvement in the conditions of work and wages. At the same time, he not only endorsed the workers’ right to adopt the method of collective bargaining but also actively supported it. He advocated voluntary arbitration and mutual settlement of disputes. He also pleaded for perfect understanding between capital and labour, mutual respect, recognition of equality, and strong labour organisation as the essential factors for happy and constructive industrial relations. For him, means and ends are equally important.

- **Human Resource Management Approach:** The term, human resource management (HRM) has become increasingly used in the literature of personnel/ industrial relations. The term has been applied to a diverse range of management strategies and, indeed, sometimes used simply as a more modern, and therefore more acceptable, term for personnel or industrial relations management. Some of the components of HRM are: (i) human resource organisation; (ii) human resource planning; (iii) human resource systems; (iv) human resource development; (v) human resource relationships; (vi) human resource utilisation; (vii) human resource accounting; and (viii) human resource audit. This approach emphasises individualism and the direct relationship between management and its employees. Quite clearly, therefore, it questions the collective regulation basis of traditional industrial relations.

## 16.7 SUMMARY

The term “industrial relations” refers to the complexity of human relationships, which emerge in work situations. The subject of industrial

relations deals with certain regulated and institutionalised relationships in industry. The employment relationship in any work situation provides the setting for industrial relations. With this objective, the workers as a group form trade unions, the employers form their own associations, and the state provides institutions for the regulation of relations. The field of industrial relations has a multi-disciplinary base. It draws upon concepts from the established Concept, Scope and disciplines in social sciences, such as economics, sociology, and psychology. These Approaches to disciplines have developed theories of industrial relations, but they differ considerably Industrial Relations in their theoretical framework and practical application. The theorising in this field has developed in the direction of (a) environmental or external theories, and (b) internalists or in-plant theories. The prominent contribution to the industrial relations literature is the 'systems' approach developed by John T. Dunlop who views industrial relations system as a sub-system of society.

## 16.8 GLOSSARY

- **Industrial Relations:** It means the relationship between employers and employees in course of employment in industrial organisations.
- **Unitary Perspective:** In it the organization is perceived as an integrated and harmonious system, viewed as one happy family.
- **Pluralistic-Perspective:** In pluralism the organization is perceived as being made up of powerful and divergent sub-groups - management and trade unions.
- **Psychological approach:** it states that conflicts between labour and management occur because every group negatively perceives the behaviour of the other i.e. even the honest intention of the other party so looked at with suspicion.
- **Sociological approach:** this approach states that the management goals, workers' attitudes, perception of change in industry, are all, in turn, decided by broad social factors like the culture of the institutions, customs, structural changes, status-symbols, rationality, acceptance or

resistance to change, tolerance etc. Industry is, thus inseparable from the society in which it functions.

- **The Oxford Approach:** According to this approach, the industrial relations system is a study of institutions of job regulations and the stress is on the substantive and procedural rules.
- **The System Approach:** According to this approach, individuals are part of an ongoing but independent social system. The behaviour, actions and role of the individuals are shaped by the cultures of the society. The three elements of the system approach are input, process and output.
- **Human Resource Management Approach:** This approach emphasises individualism and the direct relationship between management and its employees.

### 16.9 SELF ASSESSMENT QUESTIONS

- Q1. Explain different perspectives of industrial relations.
- Q2. Name the three components of system approach to industrial relations.
- Q3. Explain the importance of industrial relations in present day complex organisations.

### 16.10 LESSON END EXERCISE

- Q1. What do you understand by the term 'industrial relations'?

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Q 2. Discuss the Dunlop’s approach to industrial relations.

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Q 3. One of the most difficult attempts in industrial relations is to build up a theory and to generalise on its activity that is highly dynamic. Discuss.

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**Lesson No.17****Unit-IV****Semester-II****M.Com-E215**

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## **INDUSTRIAL DISPUTES**

### **STRUCTURE**

- 17.1 Introduction**
- 17.2 Objectives**
- 17.3 Concept of Industrial Disputes**
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### **17.1 INTRODUCTION**

Industrial disputes are conflicts, disorder or unrest arising between workers and employers on any ground. Such disputes finally result in strikes,

lockouts and mass refusal of employees to work in the organization until the dispute is resolved. So it can be concluded that Industrial Disputes harm both parties employees and employers and are always against the interest of both employees and the employers.

## 17.2 OBJECTIVES

This lesson will enhance your knowledge about industrial disputes, Principles assigned by courts for judging the nature of disputes, forms of industrial disputes and machinery for settlement of industrial disputes

## 17.3 CONCEPT OF INDUSTRIAL DISPUTES

### Definitions of Industrial Disputes

As per Patterson:

*“Industrial strife constituent militant and organized protest against existing industrial conditions, they are symptoms of industrial unrest in the same way that boils are symptoms of disorder of body.”*

### Industrial Dispute Act – 1947

*“Industrial Dispute is any dispute or difference between the employees and employers or between employers and workmen or between workmen and workmen, which is concerned with the employment or terms of employment or with the conditions of labour of any person.”*

From the definitions it may be concluded that an Industrial Dispute means a conflict or unrest or dispute or any sort of difference between employees and employers, which may relate with the employment or the terms of employment or working conditions.

For a dispute to become Industrial Dispute there must be a dispute difference between:

- Employers and employees
- Employers and workmen
- Workmen and workmen

## 17.4 PRINCIPLES ASSIGNED BY COURTS FOR JUDGING THE NATURE OF DISPUTES

The term Industrial Disputes has been interpreted differently in different situations by courts. So the court has assigned some principles for judging the natures of Industrial Dispute, these principles are as follows:

- The dispute must affect large number of workmen
- The dispute should be taken up by the Industry Union
- The parties involved in dispute must have direct interest
- The consulted demand must become grievance
- Workmen can raise Industrial Dispute himself under Section 2A of Industrial Disputes Act -1947

## 17.5 FORMS/ TYPES OF INDUSTRIAL DISPUTES

The Industrial Dispute can arise in any of the following form given below:

Strikes, Lockouts and Gherao are the most common forms of Industrial Disputes

We will explain them in detail below:

- **Strike:** “Strike means the termination or stopping the work by a group of persons employed in any industry or a refusal to work under common understanding or refusal to work by number of persons who are or have been employed to continue their work or to accept employment.”

So from the definition of strike you can conclude that Strike can take place only

- a) When the work is terminated or the workman’s acting in combination refuse to work.
- b) A refusal to work or accept employment under a common understanding of any number of persons will also result to a strike. If workers are going on mass casual leave under common understanding this will also result in strike.

- c) The workmen on strike must be employed in an 'industry' which has not been closed down.
- d) Even when workmen cease to work, the relationship of employers and employees is deemed to continue even though in a state of suspension.

### Types of Strikes

- **Stay-in, sit-down, pen-down strike:** In all such cases, the workmen after taking their seats, refuse to do work. All such acts on the part of the workmen acting in combination, amount to a strike.
- **Go-slow:** Go-slow does not amount to strike, but it is a serious case of its conduct.
- **Sympathetic strike:** Cessation of work in the support of the demands of workmen belonging to other employer is called a sympathetic strike. The management can take disciplinary action for the absence of workmen. However, in *Remalingam Vs. Indian Metallurgical Corporation, Madras, 1964-I L.L.J.81*, it was held that such cessation of work will not amount to a strike since there is no intention to use the strike against the management.
- **Hunger strike:** Some workers may resort to fast on or near the place of work or residence of the employers. If it is peaceful and does not result in cessation of work, it will not constitute a strike. But if due to such an act, even those present for work, could not be given work, it will amount to strike (*Pepariach Sugar Mills Ltd. Vs. Their Workmen*).
- **Lightning or wildcat strike:** A wildcat strike is an unofficial strike i.e. a strike not sanctioned by the union. Such strikes occasionally occur in violation of the no-strike pledge in collective bargaining agreements. In such a situation union is obliged to use its best efforts to end the strike. Such strikes are prohibited in public utility services under Section 22 of the Industrial Disputes Act, 1947. Further, the standing order of a company generally required for notice.

- **Work-to-rule:** Since there is a no cessation of work, it does not constitute a strike.
- **Lockout:** Section 2(1) of the Industrial Disputes Act, 1947 defines “lockout” to mean the temporary closing of a place of employment or the suspension of work, or the refusal by an employers to continue to employ any number of persons employed by him, lockout, thus, is the counterpart of strike – the corresponding weapon the hands of employer to resist the collective demands of workmen or to enforce his terms. It has been held by the courts that the suspension of work as a disciplinary measure does not amount to lockout. Similarly, temporary suspension of work called lay-off is not lock-out.
- **Gherao:** Gherao means encirclement of the managers to criminally intimidate him to accept the demands of the workers. It amounts to criminal conspiracy under Section 120-A of the I.P.C. and is not saved by Sec. 17 of the Trade Unions Act on the grounds of its being a concerted activity.

#### **Consequences of Illegal Strikes and Lock-Outs:**

1. **Penalty for illegal strikes [Sec.26(1)]:** Any workman who commences, continues or otherwise acts in furtherance of a strike which is illegal, shall be punishable with imprisonment for a term which may extend to 1 month, or with fine which may extend to Rs. 50, or with both.
2. **Penalty for illegal lock-out [Sec.26(2)]:** Any employer who commences, continues or otherwise acts in furtherance of a lock-out which is illegal, shall be punishable with imprisonment for a term which may extend to 1 month, or with fine which may extend to Rs. 1,000 or with both.
3. **Penalty for instigation, etc. [Sec. 27]:** Any person who instigates or incites others to take part in, or otherwise acts in furtherance of, a strike or lock-out which is illegal, shall be punishable with imprisonment for a term which may extend to 6 months, or with fine which may extend to Rs. 1,000 or with both.

4. ***Penalty for giving financial aid for illegal strikes and lock-outs*** [Sec. 28]: Any person who knowingly expends or applies any money in direct furtherance or support of any illegal strike or lock-out shall be punishable with an imprisonment for a term which may extend to 6 months, or with fine which may extend to Rs. 1,000 or with both.

## **17.6 CAUSES OF INDUSTRIAL DISPUTES**

Some of the important causes of an industrial dispute are:-

- § Demand for higher wages and allowances.
- § Demand for payment of bonus and determination of its rate thereof.
- § Demand for higher social security benefits.
- § Demand for good and safer working conditions, including length of a working day, the interval and frequency of leisure and physical work environment.
- § Demand for improved labour welfare and other benefits. For example, adequate canteen, rest, recreation and accommodation facility, arrangements for travel to and from distant places, etc.
- § Besides, poor personnel management; conflicting legislative measure or government policies; and psychological factors such as denial of opportunity to the worker for satisfying his/ her basic urge for self-expression, personal achievement and betterment may also result in labour problems.

## **17.7 MACHINERY OF SETTLING INDUSTRIAL DISPUTES WITHOUT STATE INTERVENTION**

There are two ways in which industrial disputes can be settled without government's intervention. These are:

- Collective bargaining
- Voluntary arbitration

- **Collective bargaining:** It is a type of negotiation used by employees to work with their employers. During a collective bargaining period, workers' representatives approach the employer and attempt to negotiate a contract which both sides can agree with. Typical issues covered in a labour contract are hours, wages, benefits, working conditions, and the rules of the workplace. Once both sides have reached a contract that they find agreeable, it is signed and kept in place for a set period of time, most commonly three years. The final contract is called a collective bargaining agreement, to reflect the fact that it is the result of a collective bargaining effort. The parties often refer to the result of negotiation as a Collective Bargaining Agreement (CBA) / as a Collective Employment Agreement (CEA).

In the event of failure of negotiations, a likely resort to strike or lock-out to force the recalcitrant party to come to terms. When collective negotiations reach a deadlock, the parties themselves may call in third persons to help them settle their disputes. The role of this third person is to break the deadlock, to interpret the view point of one to the other, and thereby to help the parties arrive at an agreement.

- **Voluntary arbitration:** It is the process in which the disputing parties show willingness to go to an arbitrator (a third party) and submit to his decision voluntarily agreement between workman and management, Send copy to the Government and conciliation officer, publication of agreement

In many cases an argument simply cannot be settled as both parties disagree on their own grounds. They therefore enter into Voluntary Arbitration, which involves appointing an independent party to assess the situation and then make a decision based on the facts presented to them. It is commonly viewed as less expensive and faster than resolving a dispute in court. An arbitrator may be a single person or a panel.

At the time of submitting a dispute to arbitration, the parties may agree in advance to abide by the award of the arbitrator and thus industrial peace

is maintained and the dispute is resolved. Sometimes, however, the parties may agree to submit the dispute to an arbitrator but at the same time, reserve their right to accept or reject the award when it comes.

## 17.8 MACHINERY OF SETTLING INDUSTRIAL DISPUTES WITH STATE INTERVENTION

Industrial disputes are settled by the Government with help of following machinery:

- Compulsory establishment of bipartite committees
- Establishment of Compulsory collective bargaining
- Conciliation and mediation
- Compulsory arbitration or adjudication

Detailed explanation of each is as under:

- **Compulsory establishment of bipartite committees:** The primary ideas behind the establishment of such bipartite committees are: Giving encouragement to the parties concerned to settle and compose their differences by themselves in order to avoid the direct intervention of a third agency. Facilitating the composition of the differences at their embryonic stages without causing work stoppage.
- **Establishment of compulsory collective bargaining:** The idea behind such a policy is to force the parties to seek to settle their differences through mutual negotiations and discussions before they decide to resort strikes or lock-out. Where the parties themselves have set up a machinery for collective bargaining and negotiation, the imposition of collective bargaining by the state becomes unnecessary. But, if either or both the parties resist the establishment of collective bargaining and the state feels that collective bargaining helps the peaceful and democratic conduct of industrial relations, it may impose collective bargaining compulsory. State may encourage, and if necessary, force workers and employers to enter into formal collective bargaining through their representatives. In India,

refusal to bargain collectively in good faith by the employer and the recognized union has been included in the list of unfair labour practices by an amendment of the Industrial Disputes Act in 1982. However, in absence of making recognition of representative union by the employer statutorily compulsory, this provision of the Industrial Disputes Act, 1947 does not have much significance.

- **Conciliation and mediation;** This is where the two parties in a dispute are brought together and suggestions made, as to how the dispute can be settled. Impartial third party helps the two parties to reach a mutually acceptable settlement. Conciliator meets parties separately or together to exchange information, clarify issues and settle misunderstandings. Conciliator does not impose a solution but works with the parties to enable them to come to an agreement. It is facilitated negotiation, essential in public utility services, binding on parties to the disputes.
- **Compulsory arbitration or adjudication:** Although the state has devised methods for the peaceful settlement of industrial disputes, it is clear that these do not guarantee a smooth end to disputes. The main idea behind the imposition of compulsory arbitration is to maintain industrial peace by requiring the parties to refrain from causing work-stoppages and providing a way for settling the disputes. The two principal forms of compulsory arbitration based upon the nature of reference and nature of award: Compulsory reference but voluntary acceptance of the award Compulsory reference and compulsory acceptance of the award

## 17.9 MACHINERY FOR THE SETTLEMENT OF INDUSTRIAL DISPUTES IN INDIA

- (i) **Works Committee:** There is a Works Committee in factories employing 100 or more workers. The committee consists of equal number of representatives of employer and employees. Representatives of employees are selected in consultation with Registered Trade Union. The Works Committee is the first step towards settlement of disputes.

- (ii) **Conciliation:** Conciliation refers to the process by which representatives of employees and employers are brought together before a third party with a view to discuss, reconcile their differences and arrive at an agreement through mutual consent. The third party acts as a facilitator in this process. Conciliation is a type of state intervention in settling the Industrial Disputes. The Industrial Disputes Act empowers the Central & State governments to appoint conciliation officers and a Board of Conciliation as and when the situation demands.

**Conciliation officer:** If dispute is not solved, it will be referred to Conciliation Officer'. He is appointed by Government to mediate disputes between parties brought to his notice; enjoying the powers of a civil court. He is supposed to give judgment within 14 days of the commencement of the conciliation proceedings. The duties of a conciliation officer are:

- To hold conciliation proceedings with a view to arrive at amicable settlement between the parties concerned.
  - To investigate the dispute in order to bring about the settlement between the parties concerned.
  - To send a report and memorandum of settlement to the appropriate government.
  - To send a report to the government stating forth the steps taken by him in case no settlement has been reached at.
- i) **Board of conciliation:** The Board is an adhoc in nature, tripartite body having the powers of a civil court created for a specific dispute (when the conciliation officer fails to resolve disputes within a time frame, the board is appointed)
- ii) **Court of enquiry:** In case the conciliation proceedings fail to resolve a dispute, a court of enquiry is constituted by the government to investigate the dispute and submit the report within six months.

- iii) Arbitration:** A process in which a neutral third party listens to the disputing parties, gathers information about the dispute, and then takes a decision which is binding on both the parties. The conciliator simply assists the parties to come to a settlement, whereas the arbitrator listens to both the parties and then gives his judgment. There are two types of arbitration:
- a) Voluntary Arbitration:** In voluntary arbitration the arbitrator is appointed by both the parties through mutual consent and the arbitrator acts only when the dispute is referred to him.
  - b) Compulsory Arbitration:** Implies that the parties are required to refer the dispute to the arbitrator whether they like him or not. Usually, when the parties fail to arrive at a settlement voluntarily, or when there is some other strong reason, the appropriate government can force the parties to refer the dispute to an arbitrator.
- iv) Adjudication:** It is the process of settling disputes compulsorily through the intervention of a third party appointed by the Government. The Industrial Disputes Act provides a three-tier adjudication machinery consisting of:
- a) Labour court
  - b) Industrial tribunal
  - c) National tribunal
- a) Labour Court:** The appropriate government may, by notification in the official gazette constitute one or more labour courts for adjudication of Industrial disputes relating to any matters specified in the second schedule of Industrial Disputes Act. They are:
- Dismissal or discharge or grant of relief to workmen wrongfully dismissed.
  - Illegality or otherwise of a strike or lockout.
  - Withdrawal of any customary concession or privileges.

Where an Industrial dispute has been referred to a labour court for adjudication, it shall hold its proceedings expeditiously and shall, within the period specified in the order referring such a dispute, submit its report to the appropriate government.

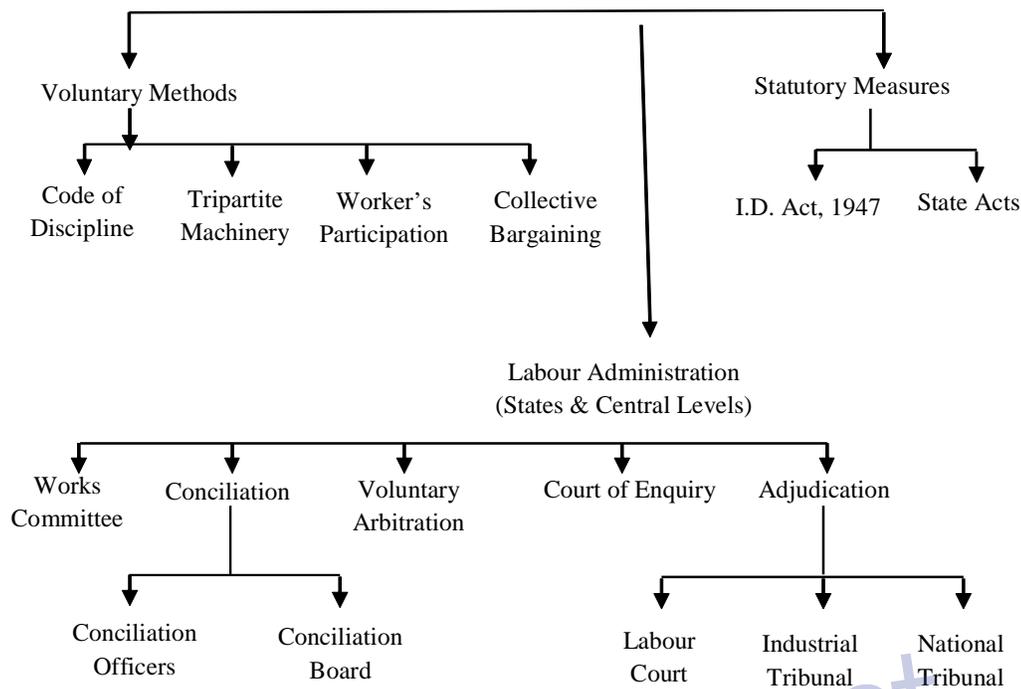
**b) Industrial Tribunal:** The appropriate government may, by notification in the official gazette, constitute one or more Industrial Tribunals for the adjudication of Industrial disputes relating to the following matters:

- Wages
- Compensatory and other allowances
- Hours of work and rest intervals
- Leave with wages and holidays
- Bonus, profit-sharing, PF etc.
- Rules of discipline
- Retrenchment of workmen
- Working shifts other than in accordance with standing orders

It is the duty of the Industrial Tribunal to hold its proceedings expeditiously and to submit its report to the appropriate government within the specified time.

**a) National Tribunal:**

The central government may, by notification in the official gazette, constitute one or more National Tribunals for the adjudication of Industrial Disputes in Matters of National importance. Matters, which are of a nature such that industries in more than one state are likely to be interested in, or are affected by the outcome of the dispute. It is the duty of the National Tribunal to hold its proceedings expeditiously and to submit its report to the central government within the stipulated time.



**Figure 17.1: Machinery for Prevention and Settlement of Industrial Disputes**

### 17.10 SUMMARY

Industrial disputes are conflicts, disorder or unrest arising between workers and employers on any ground. Such disputes finally result in strikes, lockouts and mass refusal of employees to work in the organization until the dispute is resolved. So it can be concluded that Industrial Disputes harm both parties employees and employers and are always against the interest of both employees and the employers. There are different ways to address industrial disputes e.g., collective bargaining, arbitration, conciliation and adjudication.

### 17.11 GLOSSARY

- **Adjudication:** It is the process of settling disputes compulsorily through the intervention of a third party appointed by the Government.
- **Arbitration:** An alternative dispute resolution method that uses a neutral third party (i.e. arbitrator) to resolve individual, group or labour-management conflicts.

- **Conciliation:** Conciliation refers to the process by which representatives of employees and employers are brought together before a third party with a view to discuss, reconcile their differences and arrive at an agreement through mutual consent.
- **Gherao:** Gherao means encirclement of the managers to criminally intimidate him to accept the demands of the workers.
- **Industrial Disputes:** It means a conflict or unrest or dispute or any sort of difference between employees and employers, which may relate with the employment or the terms of employment or working conditions.
- **Lockout:** It means the temporary closing of a place of employment or the suspension of work, or the refusal by an employer to continue to employ any number of persons employed by him.
- **Strike:** It means the termination or stopping the work by a group of persons employed in any industry or a refusal to work under common understanding or refusal to work by number of persons who are or have been employed to continue their work or to accept employment.

## 17.12 SELF ASSESSMENT QUESTIONS

- Q1. What is an industrial dispute?
- Q2. What are the different forms of disputes?
- Q3. Outline the causes and consequences of industrial disputes.
- Q 4: Under the Arbitration Act, does the arbitrator have to provide reasons for the award? Choose the answer from the following options:
- (a) An arbitrator must always provide reasons for the award.
  - (b) An arbitrator need never provide reasons for the award.
  - (c) An arbitrator need only provide reasons for the award when specifically requested by the parties to do so.

- (d) An arbitrator must always provide reasons for the award, unless the parties have agreed that no reasons are to be given, or the award is an arbitral award on agreed terms.
- (e) An arbitrator must always provide reasons for the award, and the only exception to this rule is in the case of an arbitral award on agreed terms.

### 17.13 LESSON END EXERCISE

- Q1 \_\_\_\_\_ has judicial status
- a) Conciliation
  - b) Arbitration
  - c) Adjudication
- Q2 In \_\_\_\_\_ decision is binding on both the parties
- a) Conciliation
  - b) Arbitration
  - c) Adjudication
- Q3. Penalty for illegal strikes [Sec.26(1)]
- a) imprisonment for a term which may extend to 1 month, or with fine which may extend to Rs. 50, or with both.
  - b) Imprisonment for a term which may extend to 2 month,
  - c) Imprisonment for a term which may extend to 2 month, or with fine which may extend to Rs. 50, or with both.
- Q4: Which of the following most accurately describes the enforceability of an arbitral award?
- (a) An arbitral award is not binding on the parties; they may choose to follow it if they so wish.

- (b) An arbitral award, unless set aside by a court of competent jurisdiction, is enforceable in the same manner as a decree of a civil court.
- (c) An arbitral award can only be enforced if there is a specific direction from a court that it should be so enforced.
- (d) An arbitral award can be enforced, but only upon an application by the arbitrator to a court to do so.
- (e) An arbitral award cannot be enforced in the case of commercial disputes.

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<b>Lesson No.18</b>	<b>HUMAN RESOURCE</b>	<b>Unit-IV</b>
<b>Semester-II</b>	<b>MANAGEMENT</b>	<b>M.Com-E215</b>

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## **CONFLIT RESOLUTION -- COLLECTIVE BARGAINING**

### **STRUCTURE**

**18.1 Introduction**

**18.2 Objectives**

**18.3 Conceptual Analysis**

**18.4 Features of Collective Bargaining**

**18.5 Conditions for Successful Collective Bargaining**

**18.6 Negotiation Process**

**18.6.1 Pre-negotiation Phase**

**18.6.2 Negotiation Phase**

**18.7 The Agreement**

**18.8 Contract Administration**

**18.9 Summary**

**18.10 Glossary**

**18.11 Self Assessment Questions**

**18.12 Lesson End Exercise**

**18.13 Suggested Readings**

## 18.1 INTRODUCTION

Collective bargaining is specifically an industrial relations mechanism or tool, and is an aspect of negotiation, applicable to the employment relationship. In collective bargaining the union always has a collective interest since the negotiations are for the benefit of several employees. Where collective bargaining is not for one employer but for several, collective interests become a feature for both parties to the bargaining process. In negotiations in non-employment situations, collective interests are less, or non-existent, except when states negotiate with each other. Further, in labour relations, negotiations involve the public interest such as where negotiations are on wages which can impact on prices. This is implicitly recognized when a party or the parties seek the support of the public, especially where negotiations have failed and work disruptions follow. Governments intervene when necessary in collective bargaining because the negotiations are of interest to those beyond the parties themselves.

## 18.2 OBJECTIVE

This lesson will equip you with knowledge regarding collective bargaining concept, its features, prerequisites and process

## 18.3 CONCEPTUAL ANALYSIS

The term “collective bargaining” was first used in the middle of 1891 by economic theorist Beatrice Webb. However, collective negotiations and agreements had existed since the rise of trade unions during the 18th century. The term collective bargaining itself was coined by a British labour historian named Mrs. Sidney Webb in 1891 (Hoffer). The National Railway Act and the National Labour Relations Act made it illegal for any employer to deny union rights to an employee. Another step in this direction came in 1962 when President John F Kennedy issued an executive order granting Federal employees the right to unionize and collective bargain. Collective bargaining has even been recognized internationally as a basic human right and in 2007 the Canadian Supreme Court ruled that “*The right to bargain collectively with an employer enhances the human dignity, liberty and autonomy of workers*”

*by giving them the opportunity to influence the establishment of workplace rules and thereby gain some control over a major aspect of their lives, namely their work. ... Collective bargaining is not simply an instrument for pursuing external ends ... rather [it] is intrinsically valuable as an experience in self-government*". Even the Catholic Church has asserted that it is imperative to protect workers' rights including collective bargaining. It is widely recognized that throughout history unionized employees, both public and private, enjoy a living wage and benefits that they deserve while not having to worry about unjust treatment, unfair labour practices, or termination without cause

The ILO Right to Organize and Collective Bargaining Convention (No. 98), 1949 describes collective bargaining as: "*Voluntary negotiation between employers or employers' organizations and workers' organizations, with a view to the regulation of terms and conditions of employment by collective agreements.*"

*Collective bargaining could also be defined as negotiations relating to terms of employment and conditions of work between an employer, a group of employers or an employers' organization on the one hand, and representative workers' organizations on the other, with a view to reaching agreement.*

So, we can conclude that collective bargaining is a process of negotiations between employers and a group of employees aimed at reaching agreements that regulate working conditions. The interests of the employees are commonly presented by representatives of a trade union to which the employees belong. The collective agreements reached by these negotiations usually set out wage scales, working hours, training, health and safety, overtime, grievance mechanisms, and rights to participate in workplace or company affairs.

#### **18.4 FEATURES OF COLLECTIVE BARGAINING**

There are several essential features of collective bargaining, all of which cannot be reflected in a single definition or description of the process:

- It is not equivalent to collective agreements because collective bargaining refers to the process or means, and collective agreement refers to the possible result of bargaining.
- Collective bargaining may not always lead to a collective agreement.
- It is a method used by trade unions to improve the terms and conditions of employment of their members.
- It seeks to restore the unequal bargaining position between employer and employee.
- Where it leads to an agreement, it modifies, rather than replaces, the individual contract of employment, because it does not create the employer-employee relationship.
- The process is bipartite, but in some developing countries the State plays a role in the form of a conciliator where disagreements occur, or where collective bargaining impinges on government policy.
- It is flexible in nature. If the parties adopt rigid attitude, they will not be able to reach any agreement.
- It is dynamic as it keeps on changing with changing times.
- It is continuous process. As soon as one agreement is signed, preparations for other agreement get started.
- It is multidisciplinary as the parties involved must have knowledge of economics, finance, applied psychology and sociology.
- It is step towards industrial democracy as it makes employees aware of their rights and they negotiate for the same with their employer.

### **18.5 CONDITIONS FOR SUCCESSFUL COLLECTIVE BARGAINING**

- **Pluralism and the Freedom of Association:** A pluralistic outlook involves the acceptance within a political system of pressure groups (e.g. religious groups, unions, business associations, political parties) with specific interests with which a government has dialogue, with a view to

effecting compromises by making concessions. Pluralism implies a process of bargaining between these groups, and between one and more of them on the one hand and the government on the other. It therefore recognises these groups as the checks and balances, which guarantee democracy. It is natural that in labour relations in a pluralist society, collective bargaining is recognised as a fundamental tool through which stability is maintained, while the freedom of association is the *sine qua non* because without the right of association the interest groups in a society would be unable to function effectively. There can, therefore, be no meaningful collective bargaining without the freedom of association accorded to both employers and workers.

- **Trade Union Recognition:** The existence of the freedom of association does not necessarily mean that there would automatically be recognition of unions for bargaining purposes. Especially in systems where there is a multiplicity of trade unions, there should be some pre-determined objective criteria operative within the industrial relations system to decide when and how a union should be recognised for collective bargaining purposes. The accepted principle is to recognise the most representative union, but what criteria is used to decide it and by whom may differ from system to system. In some systems the issue would be determined by requiring the union to have not less than a stipulated percentage of the workers in the enterprise or category in its membership. The representativeness may be decided by a referendum in the workplace or by an outside certifying authority (such as a labour department or an independent statutory body). There could be a condition that once certified as the bargaining agent, there cannot be a change of agent for a prescribed period (e.g. one or two years) in order to ensure the stability of the process.
- **Observance of Agreements:** Especially in developing countries where there is a multiplicity of unions, unions are sometimes unable to secure observance of agreements by their members. Where a labour law system

provides for sanctions for breaches of agreements, the labour administration authorities may be reluctant to impose sanctions on workers. Where there is frequent non-observance of agreements or understandings reached through the collective bargaining process, the party not in default would lose faith in the process.

- **Support of Labour Administration Authorities:** Support by the labour administration authorities is necessary for successful collective bargaining. This implies that they will:
  - Provide the necessary climate for it. For instance, they should provide effective conciliation services in the event of a breakdown in the process, and even provide the necessary legal framework for it to operate in where necessary, e.g. provision for the registration of agreements.
  - Will not support a party in breach of agreements concluded consequent to collective bargaining.
  - As far as is practicable, secure observance of collective bargaining agreements.
  - Provide methods for the settlement of disputes arising out of collective bargaining if the parties themselves have not so provided.
- **Good Faith:** Collective bargaining is workable only if the parties bargain in good faith. If not, there will be only the process of bargaining without a result viz. an agreement. Good faith is more likely where certain attitudes are shared among employers, workers and their organizations e.g. a belief and faith in the value of compromise through dialogue, in the process of collective bargaining, and in the productive nature of the relationship collective bargaining requires and develops. Strong organizations of workers and employers contribute to bargaining in good faith, because there would be some parity in the bargaining strength of the two parties.

- **Proper Internal Communication:** Both the management and union should keep their managers and members respectively well informed, as a lack of proper communication and information can lead to misunderstandings and even to strikes. Sometimes managers and supervisors who are ill-informed may inadvertently mislead workers who work under them about the current state of negotiations, the management's objectives and so on. In fact, it is necessary to involve managers in deciding on objectives and solutions, and such participation is likely to ensure greater acceptance - and therefore better implementation - by them.
- **Strikes/ lockouts:** Strikes and lockouts should be resorted to as last measure. Before taking any decision, both the union and management should conduct periodic discussions to avoid strikes and lockouts.

## 18.6 NEGOTIATION PROCESS

It consists of three phases:

- Pre-negotiation
- Negotiation
- Agreement

### 18.6.1 Pre-negotiation Phase

A party wishing to arrive at a satisfactory conclusion or arrangement through collective bargaining should first identify the objectives of the exercise. Some objectives common to employers are the following:

- Ensuring that the enterprise is not rendered uncompetitive
- The need to keep wage increases below the level of productivity increases and/or within the inflation rate.
- Guarantees of industrial peace during the period of operation of the agreement

As far as possible managers should be consulted in determining objectives; their priorities should be solicited, and they should be aware

of the company's views in regard to objectives so that they could be tested against the managers' views.

It is insufficient to merely determine objectives. A tentative plan to achieve these objectives, which can be modified during the course of the negotiations, could be formulated. Such a plan should include the company's requests to the union. For instance, work reorganization to increase productivity to absorb the cost increases consequent upon collective bargaining may form part of the company's plan. Negotiations on the union's demands are generally an ideal setting in which management can achieve some of its objectives through agreement. In order to achieve this, the management must be clear about its own priorities. If there is an existing collective agreement, it would be a useful starting point. An analysis should be made of how it has worked, its unsatisfactory features from the company's point of view should be identified, and the changes necessary determined.

- **Negotiating Team:** The negotiating team, and the respective roles of the members, should be determined before the negotiations. Employers would find it useful to include in the team people from different disciplines.

- **Research and Study:** The union's demands should be carefully studied. The following are some of the matters to which attention should be paid:
  - Assess the economic impact of the demands on the company.
  - Make a comparative study, e.g. in a wage demand one should ascertain comparative wage rates in the industry and in allied or similar businesses, the minimum wage, if any, and the rates applicable in other collective agreements.
  - Separate the demands which the company has no intention of fulfilling or giving, either on a question of principle or due to economic incapacity.

- Prepare the company's position in regard to the other demands, e.g. the conditions on which the company may be prepared to grant them or compromise on them.
- Identify the demands which may be of crucial importance to the union or to the employees as the case may be. This is crucial to success in negotiations because, without a proper assessment of such demands, a negotiated settlement may not result or, if one results, it may lack durability because it has not addressed the main problems. The issues which may be of crucial importance may not be the same in the case of both (union and employees) as they may have differing interests. Having identified the crucial demands the company should formulate its strategy in relation to them e.g. the possibility of trading some of the company's demands in return for the union's demands.
- **Responding to the Union's Requests:** It is a matter of assessment in each situation as to whether the management should make an initial response in writing to the union before negotiations commence. Usually it is desirable that written positions stated before negotiations commence should not contain a flat or blanket refusal. At this stage it is preferable to couch a refusal in language which does not give the impression of an out-of-hand rejection or a rejection without consideration of the merits. Negative answers may sometimes be better given during the negotiations because it affords greater opportunities for explanations of the reasons for the negative answers. A rejection during negotiations would more likely give the impression to the union and employees that such rejection was made only after negotiations and not before. It is always useful from the point of view of reaching agreement on other matters to first listen to the reasons adduced by the union for a demand which the company does not propose to accept. A rejection during negotiations also enables the employer to convince a union of at least some of the reasons why the demand is not acceptable. It also prevents

a union from resorting to trade union action on the issue of a refusal to negotiate, as distinct from rejection of the demands after negotiation.

- **Inventing Options:** Since negotiations may not proceed or take place in the way a party may plan, a party should be able to provide alternative options to what he, or the other party, expects. For example, if it transpires that the wage increase sought is not acceptable, the employer should be prepared with alternatives to cushion the impact of an increase in excess of what it had planned to agree to.
- **Strategy:** A party to collective bargaining negotiations has to formulate a strategy for all stages of the negotiation, including the pre-negotiation stage. Before negotiations commence, the strategy should include matters such as;
  - Options as referred to above
  - How much to offer while leaving room for further negotiation if the offer fails. The offer should be sufficiently attractive so as not to lead to a breakdown in negotiations.
  - How to link one's requirements to the concessions one makes.

### 18.6.2 Negotiation Phase

- **Who Commences:** There is no inflexible rule as to who should open the negotiations. However, it is not unreasonable for the management to claim that if the union has initiated the negotiations, it should first outline its rationale and justification for doing so. Nevertheless, the management should make it clear at the outset that agreement on any particular issue is subject to an overall settlement, including its own expectations from the union.
- **Management's Reactions;** In outlining the employer's response, the following could be included:
  - (a) The context in which the employer is negotiating, such as the

business environment, and how this affects the employer's position in the negotiations.

- (b) A judgement will have to be made about the stage at which the union should be informed about the items on which the employer will not make any concession. However, the impression should not be created that the union will not be allowed an opportunity to present its case.
  - (c) The basis on which the employer is prepared to negotiate. This could include the employer's objectives and expectations from a collective agreement, and any unsatisfactory features in the existing agreement (if there is one) which require to be rectified.
- **Internal Communication:** During the negotiations there should be good internal communication between the company and its managers about the situation at any given time. This will help clarify misunderstandings and even eliminate disinformation especially where employees, as happens in developing countries, seek information or clarification from their managers.
  - **Notes of Discussion:** Notes of the discussion should be maintained, and preferably issued and agreed on with the other party, to avoid misunderstandings. Such notes could be useful in the event of disputes and a breakdown in negotiations.
  - **Styles of Negotiation:** It is an essential principle of negotiation - indeed of human relations - that one's style of negotiation may need to be adapted to the style of the other party. The negotiator who adopts only one approach to negotiations may be puzzled when he finds that the approach in question bears fruit in some cases but causes an adverse reaction in other cases. The ability to allow the attitudes of the other party or the facts or merits of the issue to fashion one's own particular style in a given negotiation requires a high degree of flexibility on the part of the negotiator, an absence of a pre-conceived approach to negotiation, and recognition of the fact that ultimately what matters is

one's ability to secure one's objectives through dialogue. However, this should not be understood to mean that there should not be a principled approach to negotiation. What it means is that often one has to take into account even the idiosyncrasies of the other party and assess what form of presentation is likely to appeal best to the person whom one is trying to convince.

### **Some Basic Rules of Negotiations**

- A negotiator should view negotiations as an exercise with both sides walking towards each other, rather than away from each other. This will enable the negotiator to keep in mind that the final objective is a satisfactory agreement. It will also lead to a search for, or identification of, common ground while also addressing the differences.
- A negotiator should be good at listening carefully to the other party who will, otherwise, feel that disagreement with his position is due to a lack of understanding. This is also necessary to encourage the other party to listen to you. Some indication should be given to suggest that the party has understood the other's position. Body language often communicates a party's reactions.
- A party should build its case in a logical sequence and, as far as possible, try to obtain agreement at each stage of the process. This will narrow the areas of disagreement and facilitate focusing on those aspects.
- Counter proposals and conditions attached to concessions should be indicated as early as possible, so that the basis on which a party is prepared to agree or compromise is understood. Whenever possible, invite the other party to look at the problem from the opposite perspective, e.g. a wage increase as an additional cost which, due to competitive pressures, requires management to find ways to absorb it. It is sometimes useful to ask the union for suggestions on how it can cooperate to facilitate absorption of the increase.

- It is usually preferable to avoid taking up at the outset the position that a particular item is not negotiable. It is more productive to request a party to justify its claim, and then point out why that claim is unreasonable. Taking up a non-negotiable position can lead to the perception that the position has nothing to do with the merits and that the party is not willing to listen.
- Skilful questioning is an effective way of compelling the other party to justify its claim on the merits, and even shifting the other party to a different point of view.

## **18.7 THE AGREEMENT**

When agreement is reached one of the following two courses may be adopted:

- Set out the agreement reached in a letter to the union and, on confirmation, prepare a draft agreement.
- Alternatively provide the union with a draft agreement. This would be the better course of action as the actual agreement reached will be clearer. It also leaves less room for further negotiations between the time agreement is reached and the draft agreement is approved.

Before the agreement is signed, the proper interpretation of clauses which have the potential to result in problems of interpretation should be agreed upon through, for example, an exchange of letters. Where there are understandings which affect the interpretation of the agreement, they should be reduced to writing (e.g. in a letter) before the agreement is signed. But wherever possible, the agreement should be self-contained, inclusive of definitions or interpretations. The contents of the agreement would depend on what is agreed upon and on the subject matter.

**The following examples are of some general application:**

- The date of commencement of the agreement,

- Its duration - when it will terminate or may be terminated, and how it can be terminated,
- A definition of terms which may otherwise be ambiguous,
- The procedure for settling disputes regarding interpretation, as well as other disputes,
- This may also include the issue of trade union action and lock-out, i.e. in what circumstances such action may or may not be permitted,
- The consequences in the event of breaches of the agreement and
- With regard to wages, exactly how conversion of employees' wages to the new scales is to be effected.

The signing of an agreement does not ensure its successful implementation. Managers and supervisors should be acquainted with the agreement through the most appropriate means. A combination of written and oral communication is often useful.

## **18.8 CONTRACT ADMINISTRATION**

Agreement will be useful if they are executed properly. As observed by Profs. Illiamson and Harries, "if anything is more important to industrial relations than the contract itself, it is the administration of the contract".

The specific nature and extent of contract administration varies from contract to contract. Factors influencing the degree of contract administration include the nature of the work, the type of contract, and the experience and commitment of the personnel involved. Contract administration starts with developing clear, concise performance based statements of work to the extent possible, and preparing a contract administration plan that cost effectively measures all clauses of contract.

Post award orientation, either by conference, letter or some other form of communication, should be the beginning of the actual process of good contract administration. This communication process can be a useful tool that helps

employees and employer achieve a clear and mutual understanding of the contract requirements, helps the unions/ employees to understand the roles and responsibilities of the officials, who will administer the contract, and reduces future problems. It is helpful to have a pre-meeting with applicable program officials prior to the post award orientation conference so that there is a clear understanding of their specific responsibilities and restrictions in administering the contract. Items that should be discussed at the pre-meeting include such things as the authority of representatives, who will administer the contract, quality control and testing, the specific contract deliverable requirements, special contract provisions, the procedures for monitoring and measuring performance etc..

Where appropriate, an alternative dispute resolution (ADR) technique known as “partnering” should be discussed with the parties to help avoid future contract administration problems. Partnering is a technique to prevent disputes from occurring. It involves the owner and contractor management staff mutually developing a “plan for success,” usually with the assistance of a neutral facilitator. The facilitator helps the parties establish a non-adversarial relationship, define mutual goals and identify the major obstacles to success for the project. Potential sources of conflict are identified, and the parties seek cooperative ways to resolve any disputes that may arise during contract performance. The process results in the parties developing a partnership charter, which serves as a roadmap for contract success. Many agencies have successfully used partnering on construction projects and are now beginning to apply these principles in the automated data processing/information resources management area.

### **Union Obligations for Contract Administration**

- In return for the various rights that a union might be granted by contract clauses, it is obligated to live up to the terms of the complete contract. In particular, unions usually give up the right to strike over grievances and instead must pursue orderly resolution of disputes over the application of the contract through the grievance procedure. This includes respecting the terms of any arbitration awards. Unions can be sued for violating a

collective bargaining agreement. Another union obligation, and a central issue in contract administration for labour unions, is the **duty of fair representation**. Further, union should educate their members about the terms and conditions of agreement for its successful implementation. Union leader should be ready to talk to management whenever required.

Prof. Campo has laid down the following general principles for administering the contract effectively;

- Cooperation between both the parties is essential. Both the parties should have a tolerant attitude towards each other and have a spirit of accommodation and goodwill.
- Proper procedure should be adopted for the redressal of grievances by providing opportunity to exchange views.
- When a conference over the redressal of grievance reaches an impasse, the grievance should be referred to arbitration.
- Both the parties should honour the commitment.

## 18.9 SUMMARY

Collective bargaining refers to negotiations relating to terms of employment and conditions of work between an employer, a group of employers or an employers' organization on the one hand, and representative workers' organizations on the other, with a view to reaching agreement. The collective agreements reached by these negotiations usually set out wage scales, working hours, training, health and safety, overtime, grievance mechanisms, and rights to participate in workplace or company affairs. Freedom of association, union recognition, good faith between the parties involved, internal communication are some of the pre-requisites for successful bargaining. The negotiation process comprises three phases viz., Pre-negotiation, Negotiation and Agreement. The contract administration is very important for its success and both parties should honour the agreement in letter and spirit.

## 18.10 GLOSSARY

- **Bargaining Unit:** a group of employees in a firm, plant, or industry that has been recognized by an employer or certified by a Labour Relations Board as appropriate for collective bargaining practices
- **Collective Bargaining:** the negotiations that take place between a labour union, collectively representing employees of a firm or industry, and the employer or employer's association to arrive at a mutually acceptable collective agreement
- **Collective Agreement:** a signed, written agreement between an employer (or an employer's organization) and the union representing a group of the organization's employees containing provisions outlining the terms and conditions of their employment
- **Good Faith Bargaining:** the legal requirement that the parties negotiate a collective agreement bargain honestly, fairly, and sincerely
- **Bargaining Zone:** the area defined by the bargaining limits (resistance points) of each side in which compromise is possible, as in the attainment of a settlement satisfactory to both parties
- **Mutual Gains Bargaining:** a win-win approach based on training in the fundamentals of effective problem solving and conflict resolution in which trainees are taught to take the interest of all stakeholders into account so that the solutions developed are better and more permanent

## 18.11 SELF ASSESSMENT QUESTIONS

- Q1 Explain "Collective bargaining is bi-partite agreement"
- Q2. Discuss Different Phases of Collective bargaining.
- Q3. What is significance of contract administration

## 18.12 LESSON END EXERCISE

- Q1. What is the role of supervisor in Collective bargaining:

- a) Negotiator  
b) Observer  
c) Communicator
- Q2. Which of the following approach is usually followed for selecting negotiation team:  
a) Team  
b) Individual
- Q3. Who is responsible for contract administration:  
a) Management  
b) Union  
c) Both

### 18.13 SUGGESTED READINGS

- Sriyan de Silva (1996) Collective Bargaining Negotiations, International Labour Organisation/Emp Publication.
- Edwin E Fillipo. Personnel Management, McGraw Hill
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**Lesson No.19****Unit-IV****Semester-II****M.Com-E215**

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## **WORKERS' PARTICIPATION IN MANAGEMENT**

### **STRUCTURE**

**19.1 Introduction**

**19.2 Objectives**

**19.3 Conceptual Analysis of Workers' Participation in Management (WPM)**

**19.3.1 Features of WPM**

**19.3.2 Objectives of WPM**

**19.3.3 Pre-requisites for Effective Participation**

**19.4 Levels of WPM, Workers' Empowerment and Quality Circles**

**19.5 Methods/Schemes of WPM**

**19.6 Workers' Participation in Management in India**

**19.6.1 Reasons for failure of Workers participation Movement in India**

**19.6.2 Measures for making Participation effective**

**19.7 Summary**

**19.8 Glossary**

**19.9 Self Assessment Questions**

**19.10 Lesson End Exercise**

**19.11 Suggested Readings**

## 19.1 INTRODUCTION

Workers' participation in management is an essential ingredient of Industrial democracy. The concept of workers' participation in management is based on Human Relations approach to Management, which brought about a new set of values to labour and management.

## 19.2 OBJECTIVES

After reading this lesson you shall be able to understand the concept of workers participation in management, its features, objectives and levels. Further it will also give you an insight into various ways of WPM as well as WPM in India

## 19.3 CONCEPTUAL ANALYSIS OF WORKERS' PARTICIPATION IN MANAGEMENT (WPM)

Traditionally the concept of Workers' Participation in Management (WPM) refers to participation of non-managerial employees in the decision-making process of the organization. Workers' participation is also known as 'labour participation' or 'employee participation' in management. In Germany it is known as co-determination while in Yugoslavia it is known as self-management. The International Labour Organization has been encouraging member nations to promote the scheme of Workers' Participation in Management.

**Definitions:** *According to Keith Davis, Participation refers to the mental and emotional involvement of a person in a group situation, which encourages him to contribute to group goals and share the responsibility of achievement.*

According to Walpole, *Participation in Management gives the worker a sense of importance, pride and accomplishment; it gives him the freedom of opportunity for self-expression; a feeling of belongingness with the place of work and a sense of workmanship and creativity.*

Clegg says, *"It implies a situation where workers representatives are, to some extent, involved in the process of management decision making, but where the ultimate power is in the hands of the management"*.

The concept of workers' participation in management encompasses the following:

- It provides scope for employees in decision-making of the organization.
- The participation may be at the shop level, departmental level or at the top level.
- The participation includes the willingness to share the responsibility of the organization by the workers.

### **19.3.1 Features of (WPM) Workers' Participation in Management:**

- Participation means mental and emotional involvement rather than mere physical presence.
- Workers participate in management not as individuals but collectively as a group through their representatives.
- Workers' participation in management may be formal or informal. In both the cases it is a system of communication and consultation whereby employees express their opinions and contribute to managerial decisions.

### **19.3.2 Objectives of (WPM) Workers' Participation in Management**

- To establish Industrial Democracy.
- To build the most dynamic Human Resources.
- To satisfy the workers' social and esteem needs.
- To strengthen labour-management co-operation and thus maintain Industrial peace and harmony.
- To promote increased productivity for the advantage of the organization, workers and the society at large.
- Its psychological objective is to secure full recognition of the workers.

### **19.3.3 Pre-requisites for Effective Participation**

The pre-requisites for the success of any scheme of participative management are the following:

- There should be a strong, democratic and representative unionism for the success of participative management.
- There should be mutually-agreed and clearly-formulated objectives for participation to succeed.
- There should be a feeling of participation at all levels.
- Fourthly, there should be effective consultation of the workers by the management.
- Both the management and the workers must have full faith in the soundness of the philosophy underlying the concept of labour participation.
- Till the participative structure is fully accepted by the parties, legislative support is necessary to ensure that rights of each other are recognised and protected.
- Education and training make a significant contribution to the purposeful working of participative management.
- Forums of participation, areas of participation and guidelines for implementation of decisions should be specific and there should be prompt follow-up action and feedback.

#### **19.4 LEVELS OF WORKERS' PARTICIPATION IN MANAGEMENT**

- a. **Information participation:** It ensures that employees are able to receive information and express their views pertaining to the matter of general economic importance.
- b. **Consultative importance:** Here workers are consulted on the matters of employee welfare such as work, safety and health. However, final decision always rests with the top-level management, as employees' views are only advisory in nature.
- c. **Associative participation:** It is an extension of consultative participation as management here is under the moral obligation to accept and implement

the unanimous decisions of the employees. Under this method the managers and workers jointly take decisions.

- d. **Administrative participation:** It ensures greater share of workers' participation in discharge of managerial functions. Here, decisions already taken by the management come to employees, preferably with alternatives for administration and employees have to select the best from those for implementation.
- e. **Decisive participation:** Highest level of participation where decisions are jointly taken on the matters relating to production, welfare etc.

### **Workers' Empowerment and Quality Circles**

A quality circle (QC) consists of seven to ten people from the same work area who meet regularly to define, analyse, and solve quality and related problems in their area. Membership is strictly voluntary, and meetings are usually held once a week, for an hour. During the groups' initial meetings, members are trained in problem-solving techniques borrowed from group dynamics, industrial engineering and quality control. These techniques include brainstorming, Pareto analysis, cause-and-effect analysis, histograms, control charts, stratification and scatter diagrams.

Quality circles are credited with producing quick, concrete and impressive results when correctly implemented. Their advantages include the following:

1. Employees are involved in decision making. This privilege makes them acquire communication, and analytical skills and improve the efficiency at the workplace.
2. Savings-to-costs ratios generally are higher than those achieved with other productivity-improvement programmes.
3. Since the programme is voluntary, employees and unions generally do not view them as another cost-control effort.
4. Circle members enhance their chances of promotion to supervisory positions.

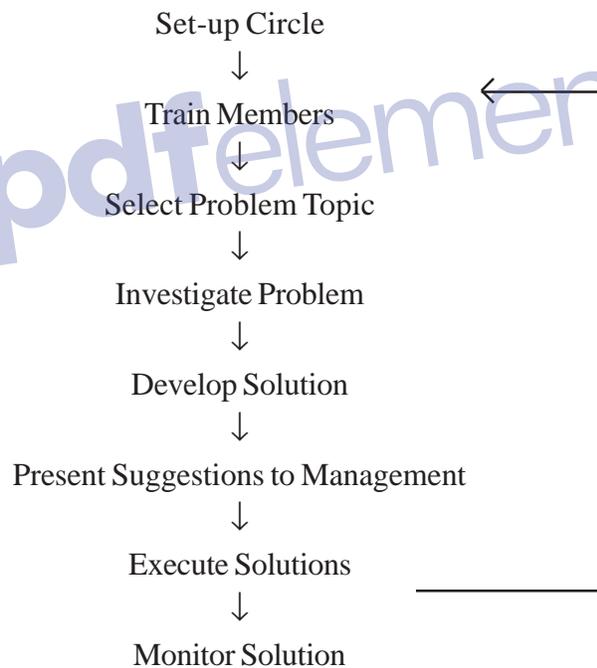
Started first in Japan in the early 1960s, QCs have spread all over the world. In our country too, they are being introduced in several companies. BHEL and BEL are only two names which come to one's memory SKF, Mahindra and Mahindra. Alfa Laval and Godrej and Boyce are other names which have tried QCs.

### Worker's Empowerment

Empowering refers to passing on authority and responsibility. Empowerment occurs, when power goes to the employees who then experience a sense of ownership and control over their Jobs.

Empowered individuals know that their jobs belong to them. Given a say on how things are done, employees feel more responsible. When they feel responsible, they show more initiative in their work, get more done, and enjoy the work more.

### A Model of QC Process



**Fig 20.1**

(Source : Robert P. Bechio, Organisational Behaviour. *The Dryden Press*, 1995, P. 239)

Empowered is facilitated by a combination of factors, including values, leadership actions, job structure, and reward systems, as illustrated in above.

Self-directed teams (another name for empowered teams) have the following distinct features

- They are empowered to share various management and leadership functions.
- They plan, control and improve their own work processes.
- They set their own goals and inspect their work.

## 19.5 METHODS/SCHEMES OF WPM

**1. Suggestion schemes:** Participation of workers can take place through suggestion scheme. Under this method workers are invited and encouraged to offer suggestions for improving the working of the enterprise. A suggestion box is installed and any worker can write his suggestions and drop them in the box. Periodically all the suggestions are scrutinized by the suggestion committee or suggestion screening committee. The committee is constituted by equal representation from the management and the workers. The committee screens various suggestions received from the workers. Good suggestions are accepted for implementation and suitable awards are given to the concerned workers. Suggestion schemes encourage workers' interest in the functioning of an enterprise.

The suggestion schemes are increasingly used by progressive management. Bosch, Bangalore, for instance, has the scheme in operation for the past three decades. The suggestions flow from various levels, though mainly from the operators. The ideas range from changes in inspection procedures to design changes, process simplification, paper-work reduction, and the like. The company receives a few hundred suggestions every year. Of those accepted, the benefit to the company could range from marginal to substantial. The rewards to the employees are commensurate with the benefits derived from the suggestions. Aviva Insurance Co. of India had instituted *I Save*

*Campaign* in November, 2008 to recognise a team or an employee for ideas on savings or even innovatively tweaking things to manage company expenses. The I Save Campaign generated 800 ideas from across functions. One employee by name, Dinesh Arora, came up with an idea of reducing per unit cost of acquiring and training a Financial Planning Advisor and saved the company a whopping Rs 1.14 crore per month. And he got an individual award of Rs 25,000. Toyota, as told in the opening case, is another example that benefited from suggestion schemes.

## **CASE STUDY**

### **Adversity Turned into Opportunity**

Ashok Leyland, India's Second largest Truck maker, hasn't escaped the effects of the harsh economic environment. That is a fact that hits any visitor to the company's oldest plant, in Ennore, near Chennai. The buzz associated with peak manufacturing is missing. Machines lie idle. Production has been cut so that output is in sync with sales, which dropped by nearly a third in 2008-09. In such a situation, conventional wisdom would have decreed that the company lay off workers to cut costs. But Ashok Leyland has kept them on, cutting man-days, but pretty much leaving salaries untouched.

The move defies logic, but the company believes it has done the smart thing. Because what the workers have been doing with their downtime has brought cheer to Ashok Leyland like few other things since October 2008, when it decided to cut production. The workers (or associates, as managers prefer calling them) are the ones who have come up with innovations to improve productivity at the Ennore plant. Ask managers what kind of innovations, and you would get 1,586 answers—that is the number of improvements carried out at the plant over the last six months. Most of the ideas, from simple ones, such as using trolleys to carry loads normally borne by humans, to more complex ones like revamping a production process, are aimed at reducing fatigue and wastage and improving efficiency.

Apart from keeping workers occupied during a lean period the- exercise also promises long-term benefits for Ashok Leyland. One of the improvements for instance, pertains to a bottleneck in drilling holes for shafts in engine gears. Earlier, five high-speed steel drills were used to bore 8.8 m holes in gear wheels, with a reamer being used to finely drill each hole a further 0.2 mm and finish it. The drills took 18 minutes to complete the process. At peak volume, only 44,000 units could be turned out, whereas the company needed 70,000. One way of solving the problem was to buy new equipment, but that would have cost Rs 65 lakh.

The workers found that a single 9 mm carbide drill could perform the job of the other five drills and twice as fast. The process now takes eight minutes, and 75,000 units can be turned out at peak, volume. The cost of the component has also fallen by Rs 30 thanks to savings in electricity and drill bits, among other things. The annual saving works out to around Rs 21 lakh.

Another piece of engineering ingenuity is also delivering significant savings. Workers manning furnaces figured out they could power two furnaces, instead of one earlier, with a single generator. They also found that they needed to use only two cooling towers for three furnaces, instead of three previously. That results in a yearly saving of 423,000 units of electrical energy, which translates to about Rs 20 lakh.

Such operational improvements have also enabled capacity enhancement in some processes at a time when the company has frozen major investments. These innovations, along with efforts to cut inventories by Rs 7 crore and reduce defects, are significant from a cost angle, at a time when Ashok Leyland's turnover has fallen sharply and profitability is under severe stress. Turnover stood at Rs 7,729 crore in the first nine months of 2008-09; the full-year figure will be well short of the Rs 7,729 crore recorded in 2007-08.

It is not as if Ashok Leyland woke up to the idea of improvements only because of the economic crisis. The move to involve workers in seeking process improvements began in mid-2005 through Mission Gemba (which, in

Japanese, implies the workplace). The ongoing wave of innovations has used that platform. “Such processes have always been in place”, says MS Sundarajan, Deputy Co Quality Engineering, at the Ennore plant. He pointed out that in 2007, about 1,900 improvement were undertaken. “But now, there is more focus”.

When the company decided to cut output six months ago, the team at its Ennore plant was asked to put on their thinking cap more often. The idea paid off—with time on their hands, the worked doubled the rate of improvements. One reason the effort has succeeded so well, says a company spokesperson, is because the approach is not top-down.

**2. Works committee:** Under the Industrial Disputes Act, 1947, every establishment employing 100 or more workers is required to constitute a works committee. Such a committee consists of equal number of representatives from the employer and the employees. The main purpose of this committee is to provide measures for securing and preserving amity and good relations between the employer and the employees.

**3. Functions:** Works committee deals with matters of day-to-day functioning at the shop floor level. Works committees are concerned with:

- Conditions of work such as ventilation, lighting and sanitation.
- Amenities such as drinking water, canteens, dining rooms, medical and health services.
- Educational and recreational activities.
- Safety measures, accident prevention mechanisms etc.
- Works committees function actively in some organizations like Tata Steel, HLL, etc but the progress of Works Committees in many organizations has not been very satisfactory due to the following reasons:
- Lack of competence and interest on the part of workers’ representatives.

- Employees consider it below their dignity and status to sit alongside blue-collar workers.
- Lack of feedback on performance of Works Committee.
- Undue delay and problems in implementation due to advisory nature of recommendations.

**3. Joint Management Councils:** Under this system Joint Management Councils are constituted at the plant level. These councils were setup as early as 1958. These councils consist of equal number of representatives of the employers and employees, not exceeding 12 at the plant level. The plant should employ at least 500 workers. The council discusses various matters relating to the working of the industry. This council is entrusted with the responsibility of administering welfare measures, supervision of safety and health schemes, scheduling of working hours, rewards for suggestions etc.

Wages, bonus, personal problems of the workers are outside the scope of Joint management councils. The council is to take up issues related to accident prevention, management of canteens, water, meals, revision of work rules, absenteeism, indiscipline etc. the performance of Joint Management Councils have not been satisfactory due to the following reasons:

- Workers' representatives feel dissatisfied as the council's functions are concerned with only the welfare activities.
- Trade unions fear that these councils will weaken their strength as workers come under the direct influence of these councils.

**4. Work directors:** Under this method, one or two representatives of workers are nominated or elected to the Board of Directors. This is the full-fledged and highest form of workers' participation in management. The basic idea behind this method is that the representation of workers at the top-level would usher Industrial Democracy, congenial employee-employer relations and safeguard the workers' interests. The Government of India introduced this scheme in several public sector enterprises such as Hindustan Antibiotics, Hindustan Organic Chemicals Ltd etc. However the scheme of appointment of such a

director from among the employees failed miserably and the scheme was subsequently dropped.

**5. Co-partnership:** Co-partnership involves employees' participation in the share capital of a company in which they are employed. By virtue of their being shareholders, they have the right to participate in the management of the company. Shares of the company can be acquired by workers making cash payment or by way of stock options scheme. The basic objective of stock options is not to pass on control in the hands of employees but providing better financial incentives for industrial productivity. But in developed countries, WPM through co-partnership is limited.

**6. Joint Councils:** The joint councils are constituted for the whole unit, in every Industrial Unit employing 500 or more workers, there should be a Joint Council for the whole unit. Only such persons who are actually engaged in the unit shall be the members of Joint Council. A joint council shall meet at least once in a quarter. The chief executive of the unit shall be the chairperson of the joint council. The vice-chairman of the joint council will be nominated by the worker members of the council. The decisions of the Joint Council shall be based on the consensus and not on the basis of voting.

In 1977 the above scheme was extended to the PSUs like commercial and service sector organizations employing 100 or more persons. The organizations include hotels, hospitals, railway and road transport, post and telegraph offices, state electricity boards.

**7. Shop councils:** Government of India on the 30<sup>th</sup> of October 1975 announced a new scheme in WPM. In every Industrial establishment employing 500 or more workmen, the employer shall constitute a shop council. Shop council represents each department or a shop in a unit. Each shop council consists of an equal number of representatives from both employer and employees. The employers' representatives will be nominated by the management and must consist of persons within the establishment. The workers' representatives will be from among the workers of the department or shop concerned. The total number of employees may not exceed

**Functions of Shop Councils:**

- Assist management in achieving monthly production targets.
- Improve production and efficiency, including elimination of wastage of man power.
- Study absenteeism in the shop or department and recommend steps to reduce it.
- Suggest health, safety and welfare measures to be adopted for smooth functioning of staff.
- Look after physical conditions of working such as lighting, ventilation, noise and dust.
- Ensure proper flow of adequate two way communication between management and workers.

**19.6 WORKERS' PARTICIPATION IN MANAGEMENT IN INDIA**

In 1920 Mahatma Gandhi had suggested that workers contributed labour and brains, while shareholders contributed money to enterprise, and that both should, therefore share in its prosperity. The influence of Mahatma Gandhi bore fruit and for the first time Joint Consultation was adopted in the Cotton Textile Industry. The first major step came during the enactment of Industrial Disputes Act, 1947. The Industrial Policy Resolution had suggested that labour should be consulted in all matter concerning industrial production.

The need for some form of worker involvement was felt in the mid-1950s and 1960s, well after independence, and more by the Government than by the employers, because of the need for rapid industrialization. Workers' participation in management came to India through government intervention. There was no urge among unions for greater involvement in the management of industrial enterprises. This is a characteristic feature of most participative schemes in the country, and has had enduring effects on the functioning of the schemes themselves.

The introduction of works committees through the Industrial Disputes Act in 1947 was hailed by many as an encouraging measure for participation. But section 3 of this Act states that the works committee is meant “to promote measures for securing and preserving amity and good relations between the employer and the workmen and to that end comment upon matters of their common interest or concern and endeavour to compose any material differences of opinion in respect of such matters.” The objective was clear. The works committee was envisaged as an industrial relations (IR) tool to resolve or reduce differences between managements and labour. It was not a participative body at all, and was not meant to be so. From the point of view of structure, the body had some participative pretensions. It was to be introduced in all enterprises with 100 or more workmen and composed in such a way that the number of representatives of workmen was not less than that of management representatives. The workers’ representatives were to be elected for two years by the workmen of the enterprise, and had to be workers. They could in addition be unionists or union leaders.

If there was any doubt about its non-participative nature, the subsequent clarifications removed them. When joint management councils (JMCs) were proposed to be set up in the late 1950s, it was clarified that works committees should deal with a small number of issues so as not to encroach on the jurisdiction of the former or on the domain of collective bargaining. Three lists of issues were prepared, one for JMCs, one for collective bargaining and one for works committees. Works committees were allotted discussions on lighting, ventilation, temperature, sanitation, drinking water, canteens, dining and rest rooms, medical and health services, safe working conditions, administration of welfare funds, educational and recreational activities, and encouragement of thrift and savings among workers.

There was some enthusiasm over the committees initially, but interest waned as other forums came up. In many enterprises, workers were particularly excited about the elections associated with them, and some unions treated the election exercise as a means of verifying union strength and flexing their muscles.

The National Commission on Labour, 1969, recommended that the recognized union be given the right to nominate worker representatives to the works committee. However, the committees did serve some purpose.

Even if elections were not held regularly or the committees did not meet often, they served as forums for airing workers' grievances. They are now defunct in most enterprises, but survive in pockets.

The first real scheme where some kind of participation was envisaged was that proposing joint management councils. The Industrial Policy Resolution of 1956 stated that "in a socialist democracy, labour is a partner in the common task of development and should participate in it with enthusiasm ... there should be joint consultation, and workers and technicians should, wherever possible, be associated progressively in management. Enterprises in the public sector have to set the example in this respect"

In 1956, the government suggested at the annual labour conference that a delegation should go to Europe and study how the system worked in countries where many of the joint bodies were still active. The delegation reported back to the conference and proposed that JMCs be set up in all establishments employing 500 or more workers. The conference adopted this recommendation as a resolution in 1958, which thereafter became applicable to industrial undertakings, since employers and unions were a party to the resolution. The Third Plan desired that the JMCs become a normal feature of the industrial system and integrate private enterprises into a socialist order. The JMCs did get off to a good start in a few instances where managements were not averse to the concept of sharing decision-making with workers and state government officials had vision and initiative. But these were few. With the growing inflation of the early and mid-1960s, the councils gradually fell into disuse.

After the JMC experience, the Government decided to make a fresh attempt at participation in public sector units (PSUs) at least. It announced in 1971 a scheme for worker directors on PSU boards. One worker director was made mandatory for each PSU, the representative being a nominee of the

recognized union. The implementation was as usual slow, however. Since most of the recognized unions in the central PSUs were INTUC affiliates, it became easy to nominate the national INTUC president or general secretary on most boards. The practice barely survived into the 1990s. In the entire steel industry by then, the lone employee director was in IISCO, West Bengal.

For the banks, statutory amendments in 1973 to the State Bank of India Act 1959 and the Banking Regulation Act 1969 provided for the appointment of one workman (nonexecutive) director and one non-workman (officer/executive) director in each bank. The working of the scheme was delayed by both managements of various banks and by unions.

Unions protested against officer directors, contending that officers were in any case represented. The controversy continued for many years till it was settled by the Supreme Court in 1989. The most representative union was to submit a panel of three names, one of which would be approved by the Reserve Bank of India and appointed by the Government. Most of the nominations were cornered by either INTUC or AITUC affiliates, since they were in the majority. But few incumbent workmen or bank staff members were appointed to the boards, since union leadership in many cases was in the hands of retired employees. Ghosh and Gupta (1992) found that while employees favoured elected representatives, the unions favoured nomination by the majority union.

In 1975, one of the populist measures adopted by the Government was a 20-point programme, and workers' participation was one of the points. A new scheme of shop councils and joint councils was formulated in October that year. This was applicable to all enterprises in manufacturing and mining employing 500 or more people in the public, private and cooperative sectors. Accordingly, in 1976, at the height of the Emergency, the constitution was amended (article 43A of the directive principles) to include the introduction of workers' participation as an objective of state policy. The article states that the Government shall take steps by suitable legislation, or in any other way, to secure the participation of employees in the management of undertakings, establishments or other organizations engaged in any industry. In 1977, the Shop Councils

Scheme was extended by Government order to service and commercial undertakings employing 500 or more.

When the Janata Party came to power in 1977, it appointed a committee under Labour Minister Ravindra Verma to investigate statutory imposition of participation. The Verma Committee in 1978 duly recommended a statute on participation. This was hotly contested by employers' organizations, and the controversy led to inevitable delay. The fall of the Government in 1979 helped shelve the proposal for statutory participation once more. In 1980, the new Government pre-empted any move in this regard by appointing the Sachar Committee to go into the whole question of company governance. Workers' participation was one of the issues. The committee did recommend compulsory participation, but with a provision that at least 51 per cent of the total employees of an enterprise votes in favour of such participation.

Unable to make much headway on these controversies, the Government announced on 31 December 1983 yet another scheme for shop councils and plant councils. It was billed as a new comprehensive scheme for workers' participation in central PSUs, but excluded departmental undertakings such as the railways and post and telegraphs. This scheme would ordinarily be two-tier, like the 1975 scheme but, if the Government so ordered, could be extended to the board level, with worker directors. Hence, it could be referred to as a three-tier scheme. It was largely a modified version of the 1975 scheme. For instance, representation of workers from the shop floor would cover different categories such as skilled and unskilled, technical and non-technical, supervisory categories and women, if they constituted 10 per cent or more of the workforce. Unfortunately, its very comprehensiveness caused apprehension among even public sector managers. Virmani (1988) found in his investigations that the scheme was not even circulated properly by the public sector units (PSUs), and it was left to one of the major central union organizations to circulate it among workers and unions. Bisht (1986) found

in his study of PSUs that in the early 1980s, the three-tier scheme was practised in just four PSUs and the two-tier scheme in eight. His study also indicated that the representation system was extremely varied. Office bearers of recognized unions were on the forums in some PSUs, but in others representation was based on workers' seniority, sectional representatives from among workers or elected representatives in a few. Instrumentation Ltd. opted for nomination by unions, and Neyveli Lignite Corporation for a combination of union and management nominations. Outsiders were also present as union representatives in Bharat Earth Movers Ltd.

The final step in the rather prolonged introduction of participation was taken in 1990, when the new Government drafted a Participation of Workers in Management Bill, and circulated it among chambers of commerce and major unions for comments. The annual labour conference that year had an almost single-point agenda – statutory participation. The structure of the participative scheme and the issues were no different from those of the 1983 scheme. But a major improvement was that persons representing “the workmen shall be elected by and from amongst the workmen of the industrial establishments, by secret ballot or nominated by the registered trade unions.” The term of the councils was extended to three years and penal provisions for non-compliance added, as is common to most Acts.

Board-level participation was mandatory, and the number of workmen and non-workmen would together constitute 25 per cent of the total board strength. This was also an improvement on the existing worker director scheme. A monitoring agency to review the progress of implementation was included in the Act. This scheme too suffered the sad plight of its predecessors, though, and before it could be passed, the non-Congress government fell (this was a coalition of several breakaway factions of erstwhile Congress groups and new state parties, and supported by the leftist parties). Interestingly, the new Government did not formulate any new schemes on participation, although the appropriate noises on workers' participation were made in both the Eighth and Ninth Plan approach documents. Obviously, the economic developments

of 1991 and the new economic regime that it ushered in were incompatible with socialist ideas of workers' participation.

Since then, governments have come and gone but have generally been either silent or inactive in the matter of workers' participation, except marginally. For instance, India and the European Union (EU) entered into a Joint Action Plan in 2006 for a policy dialogue and cooperation in the fields of employment and social policy. In line with this plan, the Ministry of Labour and Employment signed a memorandum of understanding (MoU) with the European Commission to strengthen dialogue and exchange of views and information on issues of common interests within the areas of employment. Social policy such as skills training and employment, social security, occupational health and safety, workers' participation in management and other relevant issues were identified jointly.

The structured dialogue was to consist of exchange of experience, best practice, views and information on topics of common interest, trends and policy developments related to the above areas. As a part of this structured dialogue, it was agreed to organize a joint seminar on mutually identified issues every year. Accordingly, the first seminar on skill development and training was held in New Delhi in November 2006. The second seminar on social security and social protection was held in Lisbon, Portugal, in September 2007. The third seminar, on employment relations and resolution of conflicts, held in New Delhi in September 2008, focused on trends in employment relations and social dialogue, collective bargaining, workers' participation in management and challenges, strategies and best practices in labour dispute resolution. However, the background paper for the last seminar still cited the history of participation in India up to the time of the 1990 Bill.

#### **19.6.1 Reasons for failure of Workers participation Movement in India**

Employers resist the participation of workers in decision-making. This is because they feel that workers are not competent enough to take decisions.

- Workers' representatives who participate in management have to perform the dual roles of workers' spokesman and a co-manager. Very few representatives are competent enough to assume the two incompatible roles.
- Generally Trade Unions' leaders who represent workers are also active members of various political parties. While participating in management they tend to give priority to political interests rather than the workers' cause.
- Schemes of workers' participation have been initiated and sponsored by the Government. However, there has been a lack of interest and initiative on the part of both the trade unions and employers.
- In India, labour laws regulate virtually all terms and conditions of employment at the workplace. Workers do not feel the urge to participate in management, having an innate feeling that they are born to serve and not to rule.
- The focus has always been on participation at the higher levels, lower levels have never been allowed to participate much in the decision-making in the organizations.
- The unwillingness of the employer to share powers with the workers' representatives, the disinterest of the workers and the perfunctory attitude of the government towards participation in management act as stumbling blocks in the way of promotion of participative management.

#### **19.6.2 Measures for making Participation effective**

- Employer should adopt a progressive outlook. They should consider the industry as a jointendeavour in which workers have an equal say. Workers should be provided and enlightened about the benefits of their participation in the management.

- Employers and workers should agree on the objectives of the industry. They should recognize and respect the rights of each other.
- Workers and their representatives should be provided education and training in the philosophy and process of participative management. Workers should be made aware of the benefits of participative management.
- There should be effective communication between workers and management and effective consultation of workers by the management in decisions that have an impact on them.
- Participation should be a continuous process. To begin with, participation should start at the operating level of management.
- A mutual co-operation and commitment to participation must be developed by both management and labour.
- Modern scholars are of the mind that the old adage “a worker is a worker, a manager is a manager; never the twain shall meet” should be replaced by “managers and workers are partners in the progress of business”

## 19.7 SUMMARY

Workers’ participation in management implies mental and emotional involvement of workers in the management of Enterprise. It is considered as a mechanism where workers have a say in the decision-making. There are five levels of WPM. There are different methods of WPM viz., works committees, joint councils, shop councils, Work directors etc. Indian Govt. has tried to implement WPM through various schemes but the initiative has not yielded good results.

## 19.8 GLOSSARY

- **Industrial democracy:** The involvement and empowerment of employees in decision-making within the organization by such methods as joint labor-management committees, work teams, quality circles, employee task forces, etc.

- **Joint/labour management committee:** A panel comprised of management and union representatives whose purpose is to address problems, resolve conflicts and build on relationships.
- **Resolution:** The disposition of a disagreement or grievance through alternative dispute resolution methods.
- **Union Shop:** A form of union security that requires employees to join the union, within a certain time after they are hired or after a compulsory unionism contract is executed, and to maintain their membership as a condition of employment.
- **Union:** A formal organization certified by the National Labour Relations Board and authorized to act on behalf of employees regarding wages, benefits, working conditions, conditions of employment and job security.
- **Workers' Participation in Management (WPM):** It refers to participation of non-managerial employees in the decision-making process of the organization. Workers' participation is also known as 'labour participation' or 'employee participation' in management.

## 19.9 SELF ASSESSMENT QUESTIONS

- Q1. What do you understand by the concept of workers' participation in management? What are its objectives?
- Q2. What are the different forms of workers' participation in management?
- Q3. Discuss the concept of workers' participation in management in the Indian context.

## 19.10 LESSON END EXERCISE

- Q1. WPM is a form of: ( Tick the correct one)
- a) Collective bargaining
  - b) Industrial democracy
  - c) Management technique

Fill in the blanks :

- Q2. There are —— levels of participation.
- a) 2
  - b) 3
  - c) 4
  - d) 5
- Q3. For establishment of work committees, there should be at least —— employees.
- a) 25
  - b) 50
  - c) 75
  - d) 100

### 19.11 SUGGESTED READINGS

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**Lesson No.20****Unit-IV****Semester-II****M.Com-E215**

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## **LABOUR WELFARE**

### **STRUCTURE**

**20.1 Introduction****20.2 Objectives****20.3 Concept of Labour Welfare****20.3.1 Features & Need of Labour Welfare****20.3.2 Objectives of Labour Welfare****20.3.3 Scope of Labour Welfare****20.3.4 Types of Labour Welfare****20.4 Principles of Labour Welfare****20.5 Approaches to labour welfare****20.6 Labour Welfare Officer****20.6.1 Qualifications of Labour Welfare Officer****20.6.2 Functions and Duties of Labour Welfare Officer****20.7 Summary****20.8 Glossary****20.9 Self Assessment Questions****20.10 Lesson End Exercise****20.11 Suggested Readings**

## 20.1 INTRODUCTION

Industrial/labour welfare also refers to the Statutory and voluntary efforts made for betterment of the labour. The importance of labour in industrialisation and economic development has been recognised globally. In global scenario need and importance of labour welfare has been increasingly appreciated. Welfare basically means- wellness, health, happiness, cordial relations, prosperity. It is a desirable state of existence involving the physical, mental, moral and emotional stability. Labour welfare is the voluntary efforts by the management.

## 20.2 OBJECTIVES

This lesson will equip the students with labour welfare concept, its objectives, need, principles as well as duties and responsibilities of labour welfare officer

## 20.3 CONCEPT OF LABOUR WELFARE

Labour welfare is an important dimension of industrial relation. It includes overall welfare facilities designed to take care of well being of employees and to increase their living standard. It does not generally constitute monetary benefits nor these are provided by employers alone, it can also be provided by government, non government agencies and trade unions. Industrialization, mechanisation and globalisation have increased importance of labour welfare in industries.

According to Arthur James Todd:

*“Labour welfare means anything done for the comfort and improvement, intellectual and social, of the employees over and above the wages paid which is not a necessity of the Industry.”*

According to International Labour Organisation (ILO):

*“Labour welfare may be understood and including such services facilities and amenities which may be established in vicinity of*

***undertaking to perform their work in healthy and congenial environment and to avail of facilities which improve their health and bring high morale.”***

Therefore, labour welfare is welfare applied to industrial labour. Labour welfare is fundamentally deserved by every employee in the industry - it is the right of every employee to live and think freely, and have their biological and psychological demands fulfilled. Labour welfare is a humanitarian effort that works to counterbalance the busy urban lifestyle, thus eliminating any undesirable consequences.

Labour Welfare is an important facet of industrial relations, the extra dimension, giving satisfaction to the worker in a way, which even a good wage cannot. With the growth of industrialization and mechanization, it has acquired added importance. The worker, both in industry and agriculture, cannot cope with the pace of modern life with minimum sustenance amenities. He needs an added stimulus to keep body and soul together. Employers have also realized the importance of their role in providing these extra amenities. And yet, they are not always able to fulfill workers' demands however reasonable they might be. They are primarily concerned with the viability of the enterprise. Labour welfare, through it has been proved to contribute to efficiency in production, is expensive. Each employer depending on his priorities gives varying degrees of importance to labour welfare. It is because the government is not sure that all employers are progressive minded and will provide basic welfare measures that it introduces statutory legislation from time to time to bring about some measure of uniformity in the basic amenities available to industrial workers.

Today, welfare has been generally accepted by employers. The state only intervenes to 'widen the area of applicability'. It is now accepted that it is a social right.

The term 'Labour Welfare' has been defined in different ways. In a broad sense, it means the adoption of measures to promote the physical, social, psychological and general well being of the working people. According to Arthur James Todd, "Anything done for the comfort and improvement, intellectual and

social well being of the employees over and above the wages paid, which is not a necessity of the industry”.

According to Proud it refers to “the efforts on the part of the employers to improve the conditions of employment in their own factories”.

Prof. Richardson includes under it “any arrangement of working conditions which contribute to the workers health and safety, comfort, efficiency, economic security, education and recreation”.

As mentioned earlier the Encyclopedia of social science defines it as “voluntary efforts of an employer to establish working and sometimes living and cultural conditions of his employees beyond what is required by law the customs of industry and conditions of the market”.

From our part we prefer to include under it “anything done for the intellectual, physical, moral and economic betterment of the workers over above what is laid down by law or what is normally expected as part of the contractual benefits”.

In 1947, ILO and Delhi Regional Conference defines welfare as, “such services, facilities and amenities, which may be established in or in the vicinity of undertakings to enable persons employed therein to perform his work in healthy and congenial surroundings and to provide them with amenities conducive to good health and good morals”.

The document which as submitted in the international social work conference by the Latin American Countries in 1956 held in Munich describes welfare as “ all kinds of services undertaken by the employer to promote the physical, social cultural and living condition of the employees and their families”.

### **20.3.1 Features and Need of Labour Welfare**

The basic features of labour welfare measures are as follows:

1. Labor welfare includes various facilities, services and amenities provided to workers for improving their health, efficiency, economic betterment and social status.

2. Welfare measures are in addition to regular wages and other economic benefits available to workers due to legal provisions and collective bargaining. Labor welfare schemes are flexible and ever-changing. New welfare measures are added to the existing ones from time to time.
3. Welfare measures may be introduced by the employers, government, employees or by any social or charitable agency.
4. The purpose of labor welfare is to bring about the development of the whole personality of the workers to make a better workforce.
5. It is the work usually undertaken within the premises or in the vicinity of the undertakings for the benefit of the employees and members of their families.
6. It is a broad term which covers social security along with items like medical aid, creches, canteens, recreation, housing, adult education etc

#### **Need of Labour Welfare :**

Compared to other countries there is more and greater need of labour welfare in India due to deficiencies in Indian labour force.

The necessity of labour welfare work in India can easily be realised if we look into the working conditions of the labour class in Indian industries. Industrially India is backward country, and is in its developing stage. **The status of labour** in industries in India is not recognised. **The principles** of personnel man, industrial relations have not been developed in India except in few big industrial units. **Commodity concept** of labour still prevails in the country. **The labour management relations** has not been much widened in India while in western countries, the labour is regarded as the partner in the affairs of the attitude of employers is sympathetic to workers in western countries and they provide various welfare facilities as a measure to improve industrial and better working conditions.

**The working conditions** in Indian industries are not satisfactory. The workers have to work for long hours under unhealthy surroundings, and have not remove the drudgery of their lives. They become easy victims of drink, gambling and other vices, In the **uncongenial environment** of urban industrial contented stable and efficient labour force cannot be built up without an improvement in the conditions of their life and work in industrial countries in India are poorer than the workers in other western countries and as such they cannot be expected to spend anything for their own welfare. **Our land being illiterate** and generally blamed for being irresponsible and lazy, require a lot of inducements and better working conditions. It is axiomatic that a high standard of efficiency can be expected only from persons who are physically fit and free from all worries and that is from persons who are pro fed and clothed. Industrial harmony can only be maintained when the workers feel that they are adequately remunerated for the work and are treated the employer. Much of the irritations and frictions which embitter industrial relations are due to the feeling that they are not being received by the end properly. If the labourers are properly behaved and certain amenities are supplied, they feel satisfied and find no scope for resentment against employ been experienced in the Tata Group of Industries. It is therefore said that the importance of welfare work is greater in India than in the west.

Following are the important reasons why labour welfare work in India assumes greater importance that in other countries.

- (1) **Lack of strong Trade Union Movement** – In India trade union movement is still in its infancy, and not strong enough to protect their own interes Industrialised and developed countries. Workers are strongly organised into trade unions. As the force of strong trade union is missing in our country of labourers should be efficiently looked after by the
- (2) **Lack of literacy and education.** In comparison to other countries, the percentage of educated workers is very low, and

consequently they are not to understand their own interests and interests of employer and the society. Hence labour welfare is required more in India than in other countries.

(3) **Lack of Healthy Recreation.** Workers do not have healthy recreation with the result that they indulge in crime and other wrongful activities. Hence essential that recreation and entertainment of a healthy kind be provided,

(4) **Industrial Backwardness** -From the viewpoint of industrial backwardness Indian industries are far behind than other countries. Industrial programme dependent upon the efficiency of labour. Welfare measures motivate the workers and maintain their efficiency and productivity.

(5) **Problem of Absenteeism and Migration-** Compared to workers on their countries the Indian labourer is more restless and tendentious towards from migration because life in the town does not provide for his needs, and the atmosphere in general does not suit him. Level of wages is far too low to compensate for the high prices of most commodities. Hence, the labourer cannot comfortably settle down in one place. This worker's migratory tendency is curbed by providing him with adequate housing improving the conditions in which he is required to work, and other welfare work of a similar nature the worker establish a home in the town, and he will not have to run frequently to the village for his family. Hence, the problem of absentees in fact reduced? Recreation and cultural facilities will prevent much indulgence in drug addiction and alcoholism, crime and prostitution and other undesirations even more than this, the percentage of absentees in factories will fall between employer and employees for implementing the legislative provisions problems shall be minimised through collective bargaining and industrial peace shall be promoted in the country without any force.

### 20.3.2 Objectives of Labour Welfare

- To provide social comfort to employees.
- To provide intellectual improvement of employees.
- To develop sense of responsibility and belongingness among employees.
- To ensure that the working conditions for employees are of higher standard.
- To build stable work force.
- To reduce absenteeism and labour turnover.
- To make employees lives good and worth living.
- To boost productivity and efficiency at the workplace.
- To provide healthy and proper working conditions.
- To ensure well being of employees and families.

### 20.3.3 Scope of Labour Welfare

Scope of Labour Welfare is very broad; however we have tried to include some main aspects of it. The following list of labour welfare scope is not exhaustive:

- **Working Environment:** Favourable working environment enhances efficiency of workers and includes proper illumination, safety, temperature, ventilation, sanitation, cleanliness and canteen facilities. Workplace sanitation and cleanliness is very important for making workplace favourable to workers. It includes the following
  - a) Proper ventilation, lighting, temperature, cleanliness, seating arrangements etc.
  - b) Proper safety measures for workers should be there.
  - c) Sufficient urinals, lavatories and bathing facilities should be provided and cleaned regularly.
  - d) Proper gardening and cleanliness of open spaces.

- e) Pure drinking water should be provided.
- f) Subsidized canteen services should be provided.
- **Health facilities:** It includes the following:
  - a) Health centre should be provided within factory.
  - b) Ambulance service should be provided within factory in case of any emergency.
  - c) Free medical check-up of workers and health and diet counselling of workers.
  - d) Availability of Doctor inside the factory for emergency cases.
  - e) Women and child welfare work.
- **Economic welfare programs:** It includes the following:
  - a) Subsidized consumer goods including grains, vegetables, milk, oil and other daily requirements.
  - b) Banking services and credit facilities.
  - c) Health insurance schemes.
  - d) Bonus and profit sharing schemes.
  - e) Transportation services in factory.
  - f) Labour welfare programs.
  - g) Factory council and labour arbitration council.
  - h) Social welfare departments.
- Recreation facilities inside the organisation
- Education and library services
- General welfare programs
- Housing facilities for workers
- Family case work and counselling

### **20.3.4 Types of Labour Welfare**

Major types of Labour welfare are : (1) Intra-mural Facilities (2) Extra-mural Facilities (3) Statutory Facilities (4) Mutual Facilities and (5) Voluntary

#### **(1) Intra-mural Facilities**

The facilities provided inside the factory are known as intra-mural facilities. These facilities include activities relating to minimisation of industrial fatigue, provision of safety measures like fencing and covering of machines, good layout of the plant and machinery, sufficient lighting conditions, provision of first aid appliances etc.

Provisions of such facilities are also obligatory in all industrial establishments all over the world.

#### **(2) Extra-mural Facilities**

Facilities offered to the workers outside the factory are known as extra-mural facilities. They include better housing accommodations, indoor and outdoor recreation sports, educational facilities etc. The provision of these facilities is voluntary. Earlier, due attention was not given to the provision of extra-mural facilities to the workers but now it is realised that these facilities are very important for the general welfare and upliftment of the workers.

#### **(3) Statutory Facilities**

Under this category, welfare facilities are provided according to the labour legislations passed by the Government. The nature and coverage of these facilities vary from country to country. Again these facilities may be either intra-mural facilities or extra-mural facilities.

These facilities must be provided by all the employers and cannot be ignored. Any contravention of the statutory provisions shall render the employer punishable under the Act concerned.

**The National Commission of Labour has divided all the statutory measures under two distinct heads:**

1. Facilities which have to be provided irrespective of the size of the establishment e.g., drinking water.
2. Facilities which are to be provided subject to the employment of a specified number of persons, e.g., creches.

**(4) Mutual Facilities:**

These facilities are usually outside the scope of the statutory facilities. These activities are voluntarily undertaken by the workers themselves for their own interest. As such the employer has no say in it.

**(5) Voluntary:**

The facilities which are voluntarily provided by the employers come under this category. Hence these are not statutory. No doubt, the activities under this category ultimately lead to increase in the efficiency of workers.

**Intra Mural Facilities**

These facilities are provided within the organization like :-

1. Canteen
2. Rest rooms
3. Creches
4. Uniform etc.

**Extra-Mural Facilities**

These facilities are provided outside the organization, like:-

1. Housing
2. Education
3. Child welfare
4. Leave travel facilities
5. Interest free loans

6. Workers cooperative stores
7. Vocational guidance etc.

#### **20.4 PRINCIPLES OF LABOUR WELFARE**

- Workers should always be paid their expected salaries. Labour welfare should not be replaced by inadequate income or health benefits. Rather labour welfare is a sum of adequate income, benefits and related entities.
- A nurturing and responsible environment must be created by the industrial sector.
- The industry should aim toward increasing the overall efficiency of its workforce. Efficiency is the key to a successful business. Efficiency can be increased by the industry by ensuring that its workers are provided with proper housing, education, training, and a well balanced diet.
- Industrial labour must be treated like human beings with wants and needs. Labour in an industry must be respected as people, and not used as tools.
- Everyone in the industry should equally be aware of and accept the concept of labour welfare.
- Welfare should not only encompass a person's work life, but also his/her life at home, educational institution, and community.
- Individuals involved in the creation and implementation of welfare programs must use democratic values to make their decisions. The voice of the majority must be considered. Furthermore, workers must be involved in making decisions on welfare management.
- Everyone involved in welfare management must accept the full responsibility and implement it. Labour unions, together must be involved with the senior management, must take up the responsibility of labour welfare. In addition, various committees must be assigned smaller tasks and must be held responsible for

- Labour welfare programmes must be constantly reviewed and scrutinized. All the parties involved must submit to the periodic reviews and offer their honest opinions.
- Welfare schemes must be carried out at the correct time. Timeliness is extremely important.
- Welfare schemes must be aimed at simple-minded individuals. All individuals receiving welfare must be comfortable with the scheme and must be able to help themselves if need arises.
- Welfare activities should be carried out at all levels in the organisation.

## 20.5 APPROACHES TO LABOUR WELFARE

Approaches to labour welfare give a clear idea about the attitudes, beliefs and traditions applied by the labour welfare agencies. Many organisations are becoming aware of the welfare facilities being provided to its employees. Employers are establishing welfare standards voluntarily, willingly and enthusiastically. Welfare benefits not only extended to self but the society also. Many approaches have been designed in this perspective, which are as under

- **The Policing Approach:** This theory is basically meant for making the employees and the workers to avail the basic facilities needed e.g. latrines, drinking water, enough rest and lunch intervals, etc. In this approach the government has introduced the practices to control the exploitation of workers by their management/ employer e.g. heavy work load and less payments, very small time intervals, no freedom of speech, etc. In case of non completion of the above, the management is liable to get a severe punishment.
- **The Religion Approach:** This theory believes in two key approaches: 1) The Investment & 2) The Atonement (punishment). The Investment theory explains the welfare benefits provided to the workers is the current investment made for future progress. This approach stresses that fruits

of today's deeds will be reaped tomorrow. Inspired by this, some employers plan and open canteens and crèches. The atonement approach says that the present disabilities of a man are result of his previous sins so he needs to be atoned for that purpose.

- **Philanthropic approach:** This is a benevolent approach which has a keen interest in “giving strategy”. This theory urges that good should be done for human beings. Human nature is inherently self-centred, and doing good deeds is a way to counter that quality. Industries provide necessities for their employees based on goodwill. It includes provisions for good conditions of work, day-care facilities for children, canteens, washing facilities (for the employees). And rehabilitation of disabled people, working boys/girls hostel facilities, donations to NGOs, rewards to the educational institutions, etc. This theory is only encouraged for the well being of internal and external environment.
- **Paternalistic Approach:** This theory is based on the idea that senior industrial managers are educated and wise in their decisions. Thus, industrial managers are responsible for the welfare of their labour, which may be uneducated. This type of obligation is driven by moral, not religious obligations. In this theory, the owner, occupier or the employer, holds the funds of the Industry in a trust. This trust consists of board or trust members, and any amount to be spent in favour of the employees and the society is first discussed. It creates a good moral for the internal and external environment. It is also known as the trusteeship theory of labour welfare.
- **The Placating Approach:** The placating theory advocates timely satisfaction of workers for their appeasement. As modern workers become more bold and demanding, they are to be satisfied on a continual basis. This theory mainly responds to the peaceful measures applicable for the workers and employees. This theory enables the employees to be pleased and oblige with the provided welfare benefits.

- **Public Relations Approach:** This theory works on the basis of goodwill between employers and employees and the general public. Companies advertise their labour welfare programmes and company benefits in hopes of attracting qualified personnel. These programs improve relations between everyone involved in the company as long as the welfare advertisements are in place.
- **Functional Approach:** This theory states that a fully mentally and physically satisfied worker is the most efficient. Industrial welfare is a means to keep industrial workers content so they may work effectively. This theory believes the high productivity/ outcome of employees, by providing them the welfare benefits. It is also known as the efficiency theory of labour welfare.
- **Social Approach:** This theory believes in well being of the society with the employees. Various provisions related to the society are to be established with this theory. Therefore this theory results in enhancing the condition / state of the society.

## 20.6 LABOUR WELFARE OFFICER

Royal Commission on Labour recommended the appointment of Labour Welfare officer to protect workers from the evils prevailing at work place. He generally acts as spokes-person of labour and promotes amiable relations between workers and management. Labour Welfare officer is being appointed in any establishment wherein 500 or more workmen are employed on any-day preceding 12 months. The intention behind his appointment is to minimize/end the mal practices in jobber system. This appointment is made under The Factories Act, 1948 and is approved by the state labour commissioner. The post of labour officer was initiated to:

- eliminate the malpractices of jobber system in recruitment of labour.
- develop and improve administration in mills.
- serve as liaison with State Labour Commissioner

### **20.6.1 Qualifications of Labour Welfare Officer**

Minimum Qualifications are:

- A University degree.
- Degree or Diploma in Social Sciences or Social Work or social welfare from a recognised institute.
- Knowledge of local language is essential or language, which is spoken by majority of working class.
- According to the legislation, he has to be a head of the department in the organisation.

### **20.6.2 Functions and Duties of Labour Welfare Officer**

Some duties and responsibilities as prescribed under factory act 1948 these are:

- To act as a negotiating officer.
- To shape and formulate labour policy
- To establish contacts with outside public for proper enforcement of various 'Acts' e.g. factory inspectors, medical officers etc.
- To deal with wages and employment.
- To prevent workers from anti-social activities.
- To bring about peaceful settlement.
- To comply with provision of Factories Act.
- To promote relation between the management and workers.
- To encourage formation of committees.
- To secure provision of amenities.
- To help factory management in regulation of Leave policy.
- To secure welfare provisions.
- To advise factory management regarding formulation of labour policies, welfare programmes, training programmes, fringe benefits etc.

- To counsel workers in personal, family and work environment.
- Maintain the security for industrial health, Industrial peace and resolving disputes.
- Arrangements for redressal of workers and securing their Interest, grievance solving, etc.
- Analyzing the proper benefits for increasing the productivity and overall growth.
- Working on various acts related to environment, society, plantation and social responsibility.

## 20.7 SUMMARY

Labour welfare is an important dimension of industrial relation; labour welfare includes overall welfare facilities designed to take care of well being of employee's and in order to increase their living standard. It does not generally constitute monetary benefits nor these are provided by employers alone, it can also be provided by government, non government agencies and trade unions. Industrialization, mechanisation and globalisation have increased importance of labour welfare in industries. The importance of labour in industrialization and economic development has been recognised globally. In global scenario need and importance of labour welfare has been increasingly appreciated.

Labour Welfare officer is being appointed in any establishment wherein 500 or more workmen are employed on any-day preceding 12 months. The intention behind his appointment is to minimize/end the mal practices in jobber system. According to the Factories Act, 1948 section 49(2) it is the State Govt. who is to prescribe the duties, qualification & condition of service of officers employed under sub section (1) of section 49 of this Act.

## 20.8 GLOSSARY

- **Labour Welfare officer:** He is appointed in any establishment wherein 500 or more workmen are employed on any-day preceding 12 months.

The intention behind his appointment is to minimize/end the mal practices in jobber system.

- **Labour welfare:** It refers to the Statutory and voluntary efforts made for betterment of the labour.
- **Philanthropic approach:** This theory urges that good should be done for human beings.
- **Public Relations Approach:** This theory works on the basis of goodwill between employers and employees and the general public.
- **The Placating theory:** The placating theory advocates timely satisfaction of workers for their appeasement.
- **The Policing Approach:** This theory is basically meant for making the employees and the workers to avail the basic facilities needed.

## 20.9 SELFASSESSMENT QUESTIONS

- Q1. What are the duties of labour welfare officer?
- Q2. Explain different approaches of labour welfare.
- Q3. What is the purpose of labour welfare?

## 20.10 LESSON END EXERCISE

- Q1. Tick the right Option:

A labour Welfare officer is supposed

- a) to act as a negotiating officer.
- b) to shape and formulate labour policy
- c) to establish contacts with outside public for proper enforcement of various 'Acts' e.g. factory inspectors, medical officers etc.
- d) to deal with wages and employment.
- e) all

- Q2. Objectives of Labour Welfare are
- to provide social comfort to employees.
  - to provide intellectual improvement of employees.
  - to develop sense of responsibility and belongingness among employees.
  - to ensures that the working conditions for employees are of higher standard.
  - to build stable work force.
  - to reduce absenteeism and labour turnover.
  - to make employees lives good and worth living.
  - all
- Q3. According to the Factories Act, 1948 section 49(2) it is the State Govt. who is to prescribe the duties, qualification & condition of service of officers employed under sub section
- 1
  - 2
  - 3
  - 4
- Q4. This approach is basically meant for making the employees and the workers avail the basic facilities needed:
- Policing
  - Paternalistic
  - Public Relations
  - Functional
  - Social

### 20.11 SUGGESTED READINGS

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