CENTRE FOR DISTANCE & ONLINE EDUCATION
UNIVERSITY OF JAMMU
JAMMU

SELF LEARNING MATERIAL
OF
HUMAN RESOURCE MANAGEMENT
FOR
M. COM - II Semester

For the Examination to be held in 2025 onwards

Course No. MCOMC253　　　　　　　　**Unit: I - IV**
　　　　　　　　　　　　　　　　　　　　Lesson No. 1 to 20

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HUMAN RESOURCE MANAGEMENT

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CENTRE FOR DISTANCE AND ONLINE EDUCATION
UNIVERSITY OF JAMMU
M.COM. Semester – II (NON CBCS)
HUMAN RESOURCE MANAGEMENT
(Core Course)

Course: MCOMC253   **Max Marks: 100 Marks**
Credit: 4   **External: 70 Marks**
Time: 3.00 Hrs.   **Internal: 30 Marks**

(Syllabus for the examination to be held in May 2026, 2027, 2028)

COURSE OBJECTIVES
1. To help the students in understanding the evolution of Human Resource Management, basic concepts, recent roles and trends, management concepts and practices for better HR management.
2. To develop and analyze the future human resource requirements and design action plan for the same.
3. To understand the mechanism of wages and salary administration and Grievances redressal at work place.
4. To enlighten the students about the concept and scope of industrial relations and ways to analyse the co-operation and conflict.

COURSE OUTCOMES
After the completion of this course, the students will be able to:
1. apply the basic concepts and models of human resource management at work place;
2. demonstrate a basic understanding of different tools of forecasting and planning human resource needs as well as formalize, design, and evaluate various recruitment, selection and placement policies;
3. design compensation plan for various levels and develop system for the management of the same;
4. apply various industrial relations approaches for managing workplace conflicts as well as industrial disputes and devising mechanism for their redressal;
5. use labour officer for education employees about their rights.

UNIT I: INTRODUCTION TO HUMAN RESOURCE MANAGEMENT (HRM)

HRM- 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; H R Policies-Specific and overall 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

Human resource planning- Process and factors affecting human resource planning; Job analysis- Job description & job specification; Recruitment- Process and sources of recruitment; Selection; Placement; Orientation; Promotion & transfers; Absenteeism; Employee training; Performance appraisal – Approaches, evaluation process, methods and ethics of appraisal.

UNIT III: COMPENSATION & GRIEVANCE REDRESSAL MECHANISM

Job evaluation-Need, process and techniques; Wage & Salary administration- Wage concepts, 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

Approaches of industrial relations; Industrial disputes –causes machinery for settlement of industrial disputes-   Conciliation,   arbitration,   adjudication; Conflict resolution - Collective bargaining, workers' participation in management & workers' empowerment; Labour welfare – Features, need, types & approaches; Labour welfare officer – Qualification, functions & duties.

Suggestive Readings

1. Cascio, W and Nambudiri, R. Managing Human Resources, Tata McGraw Hill Education Pvt. Ltd., New Delhi
2. Dessler, G. Human Resource Management, Prentice Hall India, New Delhi.
3. Rao, P.S. Human Resource Management, Himalaya Publishing House, New Delhi.
4. Memoria, C.B., Memoria, S. and Gankar, S.V.   Dynamics   of   Industrial Relations. Himalaya Publishing House, New Delhi.
5. Armstrong. M.Armstrong's Handbook of Human Resource Management. Kogan Page Publishers, UK.

Note for Paper Setting:
External (End Semester) Assessment will comprise of 70 Marks.
The Question Paper will be divided into two sections, covering whole of the syllabus.

Section A: This section will comprise of 4 questions of short answer type from all four units, selecting one from each unit. All questions will be compulsory and each question will carry 5 marks. (4 x 5 = 20 marks)

Section B: This section will comprise of six questions of long answer type from all four units, selecting atleast one question from each unit. Students will be required to attempt any 5 questions and each question will carry 10 marks. (5 x 10 = 50 marks)

Dear Learners,

Human Resource Management (HRM) — a vital and dynamic discipline in the field of commerce and management. This study material has been specially designed for students of M. Com. under the Centre for Distance and Online Education, with a focus on making learning accessible, comprehensive, and relevant in today's evolving business environment.

Human Resource Management plays a critical role in the success of any organisation by effectively managing its most valuable asset — its people. As organisations strive for competitive advantage in a globalised world, the strategic importance of HRM has grown immensely. This course introduces you to key HRM concepts, practices, and contemporary issues that impact employee performance, organisational development, and workplace culture.

This material is structured to cater to distance and online learners, ensuring clarity, flexibility and engagement. Each unit has been carefully developed to build your understanding from fundamental concepts to more advanced topics, with examples, case studies, and practical insights that help bridge theory and practice.

The study material covers essential topics such as:

Evolution and functions of HRM

Human resource planning and recruitment

Training and development

Performance appraisal systems

Compensation management

Industrial relations and labour laws

Emerging trends in HRM, including technology and global HR practices

Learning outcomes are clearly outlined at the beginning of each unit to guide your progress and to help you self-assess your understanding. Wherever possible, self-check exercises and thought-provoking questions are included to deepen your learning experience.

We encourage you to approach this material not just as a requirement of your academic journey, but as a foundation for your future role as a competent and ethical HR professional. Your dedication and curiosity will be key in gaining the most from this course.

We wish you a meaningful and enriching learning experience.

CDOE

University of Jammu

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INTRODUCTION TO HUMAN RESOURCE MANAGEMENT
HRM – FEATURES & FUNCTIONS

STRUCTURE

1.0   Learning Objectives & Outcomes

1.1   Introduction

1.2   Concept and features of HRM

1.3   Functions of HRM

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      1.3.1   Operative Functions of HRM

1.4   Principles of HRM

1.5   Challenges faced by HRM

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1.7   Glossary

1.8   Self - Assessment Questions

1.9   Lesson End Exercise

1.10   Suggested Readings

1.0   LEARNING OBJECTIVES AND OUTCOMES

Learning objectives

1. To understand the fundamental concepts and definitions of HRM.

2. To identify the key features that distinguish HRM from traditional personnel management.

3.   To understand the managerial roles within HRM, including planning, organizing, directing, and controlling.

4. To study the core principles that guide effective HRM practices.

5. To recognise contemporary challenges in HRM, including technological advancements, globalization, and workforce diversity.

Learning Outcomes

After reading this lesson, you will be able to:

- Describe the key responsibilities and essential competencies of an HR manager.

- Explain the concept and defining features of Human Resource Management (HRM).

- Recognise the significance of HRM and its objectives in the context of achieving organisational goals.

- Apply HRM principles to real-world scenarios to solve HR-related challenges.

- Illustrate the role of directing in motivating and leading employees.

- Analyse the impact of technological changes on HR functions like recruitment and training.

1.1   INTRODUCTION

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

Effective HRP allows organisations to anticipate and manage their workforce requirements proactively. By analyzing organisational objectives and assessing current human resources, HRP helps identify gaps and develop strategies to address them. This process not only improves efficiency but also helps maintain a

competitive edge by ensuring that the organisation can respond effectively to changes in the business environment.

Moreover, HRP contributes to building a robust talent pipeline, optimizing team productivity, and increasing employee engagement and retention. By aligning human resource strategies with long-term business goals, HRP enables organisations to implement targeted training and development programs, attract and retain top talent, and ultimately achieve sustained success in the global market place

1.2 CONCEPT AND FEATURES OF HRM

Human Resource Management (HRM) is the strategic approach to the effective and efficient management of people in a company or organisation so that they help their business gain a competitive advantage. It is designed to maximise employee's performance in service of an employer's strategic objectives.

Human Resource management helps to bridge the gap between employee's performance and the organisation's strategic objectives. So the most accepted definitions of HRM are:

Definitions:

1. "HRM is planning, organizing, directing, controlling of procurement, development, compensation, integration, maintenance and separation of human resources to the end that individual, organisational and social objectives are achieved."

Edwin B. Flippo

2. "HRM is a managerial perspective, which argues the need to establish an integrated series of personnel policies to support organisational strategy."

Buchanan and Huczynski

3. "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

4. "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.

FEATURES OF HRM

Human Resource Management is a process of bringing people and organisations together so that the goals of both are achieved. The various features of HRM include:

1. **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.

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Therefore, human resource management is defined as the management of human resource and their commitment towards work.

2. **Harmonious Relations**

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

3. **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 organisation. All the processes involved in HRM should run continuously.

4. **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.

5. **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 organisations. The principles and practices are applied irrespective of size, nature, scope and purpose of the organisation.

6. **Human Resource Management is a Strategic Approach**

   HRM is taken as strategic approach for organisational development. It helps to mobilize human resource in the organisation 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 organisational strategy. It helps an organisation meet its goals in the future by providing for competent and well-motivated employees. It tries to help employees develop their potential fully.

7. **Integration of Goals**

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

8. **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 organisation and it employees the people to get the job done in future period of time.

9. **Human Resource Management is Multidisciplinary**

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

A. CHECK YOUR PROGRESS

Fill in the Blanks

1. Human Resource Management (HRM) is the strategic approach to the effective and efficient _____ of people in an organisation.

   Answer: Management

2. _____ is the process of forecasting an organisation's future demand for, and supply of, the right type of people in the right number.

   Answer: Human Resource Planning

3. The traditional term used for Human Resource Planning is _____.

   Answer: Manpower Planning

4. According to Edwin B. Flippo, HRM involves planning, organizing, directing, and _____ of procurement, development, compensation, and separation of human resources.

   Answer: Controlling

5. HRM is considered a _____ function, as its principles and practices are influenced by environmental factors.

   Answer: Dynamic

6. One of the key features of HRM is the integration of _____ and organisational goals.

   Answer: Individual

7. The technique that uses past staffing levels to project future human resource requirements is called _____.

   Answer: Time Series Analysis

8. HRM is a _____ activity that utilizes knowledge from various fields such as psychology and economics.

   Answer: Multidisciplinary

1.3   FUNCTIONS OF HRM

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

1.3.1   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 organisation 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 task.

- 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 organisational 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- ordination**: 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 hole 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.** Organisational 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.

1.3.2 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:

- o Collection of data, information, facts and ideas relating to various aspects of jobs including men, machines and materials.

- o Preparation of job description, job specification, job requirements and employee specification, which help in identifying the nature, levels and quantum of human resources.

- o 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 organisation will have an adequate number of qualified persons, available at proper times, performing jobs which would meet the needs of the organisation and which would provide satisfaction for the individuals involved. It involves

1. Estimation of present and future requirement and supply of human resources basing on objectives and long-range plans of the organisation.

2. Calculation of net human resources requirement based on present inventory of human resources.

3. Taking steps to mould, change, and develop the strength of existing

employees in the organisation to meet the future human resources requirements.

Preparation of action programs to get the rest of human resources from outside the organisation 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 organisation. 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 organisation.

- 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 employee's 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 organisation.

- o 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.

- o Introduce the employee to the people with whom he has to work such as peers, supervisors and subordinates.

- o 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 organisations use to manage their employees. For an organisation 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 organisation 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 organisation. 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 organisation (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 organisations 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.

1. **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.

2. **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.

3. **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.
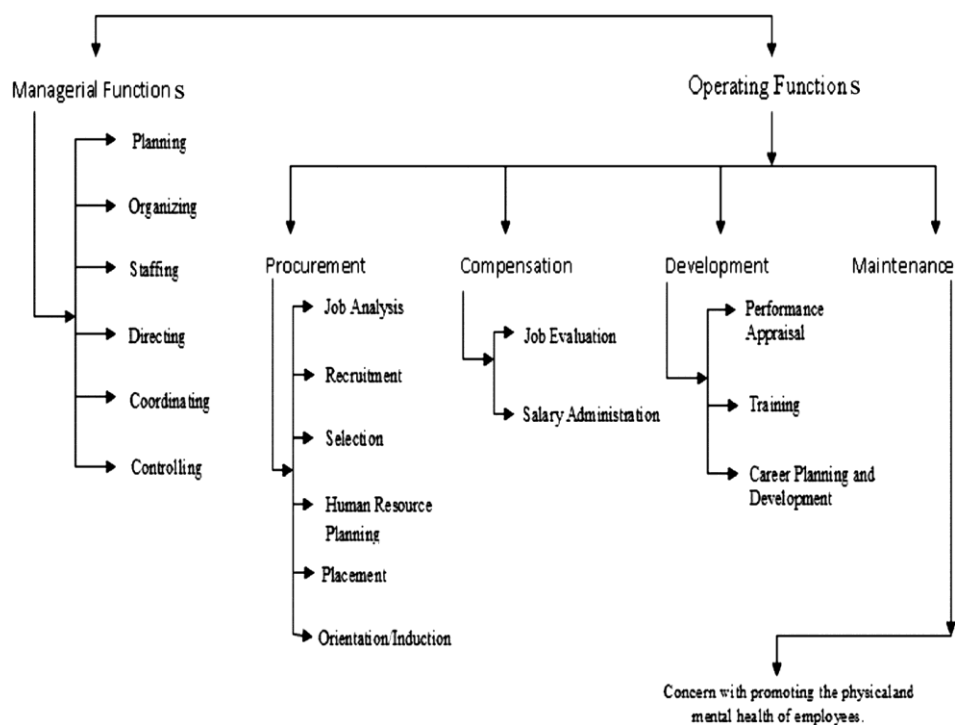

Fig. 1.1 Functions of HRM

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1.4   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.

1. **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.

2. **Cost-effectiveness**: Companies should ensure that they remunerate their employees in such a way that organisation is able to sustain it.

3. **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.

4. **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.

5. **Communication:** It is very important in every organisation. Through communication, firms can ensure there is flow of information that is necessary for efficiency.

6. **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.

7. **Competence**: It is an organisation'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.

8. **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.

9. **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.

10. **Commitment:** Every organisation 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 organisations course.

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

1.	**Focus on the situation, issue, or behaviour, not on the person**	- Remain objective when faced with challenging behaviours - Step back and look at the big picture when analyzing a situation - Avoid letting personality differences keep you from dealing with a problem - Ensure expectations are clear and consistently applied - Make decisions based on facts - Consider the points of view of others

2.	**Maintain the self-confidence and self-esteem of others**	• Create an atmosphere of acceptance, approval and respect
		• Openly express confidence in others
		• Recognize accomplishments and ideas
		• Encourage people to express their ideas
		• Encourage people to use and expand their abilities
		• Consider the impact of rank and power and how to mitigate any negative impact
		•

3.	**Maintain good working relationships**	• Approach others with a positive attitude and communicate support • Use every interaction as an opportunity to build respectful relationships • Acknowledge problems openly, • honestly and objectively • Deal with conflicts as they arise • Share information
4.	**Take initiative to make things better**	• Continually 'survey' the department/ centre for ways to make things better • Look for opportunities for • improvement • Ask for input and feedback from others • Stay informed and alert to changes that will affect staff • Take risks and stay open to creative • solutions to problems • Know when to ask for and when to offer help to others
5.	**Lead by example**	• Model the behaviours you expect others to practice • Follow through on your commitments • Admit your mistakes • Remain calm and positive • Challenge yourself and others to try new ways of doing things

6.	**Think beyond the moment**	• Uphold ethical standards of the University • Deal with problems and issues as they arise. • Weigh the risks, benefits and potential impact of your decisions before taking action on them • Set objectives that motivate action • Plan ahead

B. CHECK YOUR PROGRESS

Multiple Choice Questions

Q1. Which of the following is *not* a managerial function of Human Resource Management?

a) Planning

b) Controlling

c) Recruitment

d) Organizing

   Answers: c

Q2. The process of determining the value of a job in relation to other jobs in the organisation is called:

a) Salary Administration

b) Job Evaluation

c) Career Planning

d) Job Specification

Answers: b

Q3. What does the procurement function of HRM include?

a) Salary review

b) Employee orientation

c) Recruitment and selection

d) Workplace safety

Answers: c

Q4. Which of the following is a key objective of induction and orientation?

a) Evaluate employee performance

b) Introduce the employee to peers and the organisational culture

c) Promote the employee

d) Provide job rotation opportunities

 Answers: b

Q5. The main purpose of Human Resource Planning is to:

a) Terminate underperforming employees

b) Estimate and assure future HR requirements

c) Calculate salary and wages

d) Evaluate jobs for compensation

Answers: b

1.5	**CHALLENGES FACED BY HRM**

Professional organisations 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 organisations 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.

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

Given the pace of commerce, organisations 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 organisations. 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.

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

The strategies companies are pursing 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 Organisation (WTO), headquartered in Lausanne, Switzerland, now has more than 150 member countries, and new free-trade agreements seem to be forged annually.

3. **Challenge: 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 fueled 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.11 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 organisations, especially the fair treatment of workers.

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

Advancements in information technology have enabled organisations 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.

5. **Challenge: 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. Organisations 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 organisation, 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 sky-rocketing 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 organisation'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 organisation's flexibility and lower its overhead costs. The interest in outsourcing has been spurred on by executives who want to focus their organisation'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 organisations (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 organisation 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," organisations 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.

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

Almost half of organisations reported that the biggest investment challenge facing organisations 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 organisations, 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.

7.   **Challenge: 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 organisation, 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 fulfilment 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 organisations 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 caliber people.

CHALLENGES FACED BY HRM

Human resource professionals have been facing various types of challenges in the recent past few years, and the present era is shaping up to be a continuation of many of those issues - with a few new ones thrown in because of Covid-19. Let us have a look at the eight biggest challenges at mentioned below:

1. Engaging the Workforce

2. Attracting Talent to the Enterprise

3. Managing Relationships

4. Training and Development Strategies

5. Talent Retention

6. Diversity in the Workplace

7. Embrace Inevitable Change

1. Engaging the Workforce

Employee engagement has been an ongoing matter of concern for HR professionals for decades. Engagement metrics were trending upward in the early part of the pandemic, covid-19 driven by an increase in transparency and communication, but those gains have been tough to hang on to as the conversation has shifted towards if or when people will return to work in offices. fully whether it is going to be online or offline mode or hybrid mode.

We address those challenges by investing in intentional, deliberate communications to help team members see what role they play in driving the business forward and in achieving the company's mission, vision, and values. Connecting daily work to the business strategy helps employees feel more invested, accomplished, and engaged in their work.

2. Attracting Talent to the Enterprise

Talent acquisition is among the highest priority human resource challenges at present. U.S. unemployment is hovering at historical lows, and many organisations are finding it tough to fill their open roles in a timely fashion during the labor reshuffling that's commonly referred to as the Great Resignation.

Competitive compensation and employee benefits packages are essential in attracting talent to the organisation. However, to really compete, we need to dig deeper and offer meaningful experiences and a greater sense of purpose to the employees.

An employer's brand can help convey that purpose and attract people who are motivated by it. we don't need to create a company culture that pleases everyone. This would be impossible and would leave us with a watered-down

brand that appeals to virtually no one. Instead, we should narrow our focus and develop an employer brand based on our most valued and unique elements.

A focused employer brand that doesn't back down from its values may not attract candidates who disagree with or simply aren't passionate about those values. But that's OK: We only need it to be attractive to the people whose values align with ours.

If we haven't already defined our employer brand, now's the time. If one has documented it, we should make time to review it and think about new ways to bring it to life. Identify what we want from company culture to be based on our mission, vision, and values. One should assess one's company culture as it is now to determine whether it's where one wants it to be. One should set goals for filling in the gaps, such as building up your DEI (Diversity, Equity & Inclusion) efforts to foster a greater sense of belonging for all employees.

3.   **Managing Relationships**

In 2023, workplace relationships are more important than ever. Supporting healthy relationships is one of major challenges faced by HR at present times. Companies are finally settling into their long-term hybrid or remote working models, so it has a significant impact on how employees interact with each other. Work models in the new economy are powered by the relationships fostered between managers and individual team members and their peers.

Healthy work relationships build trust in the workforce and empower employees to work together more effectively, even if they don't see each other or work together often. i.e. through video conferencing/online mode.

In remote and hybrid work environments, we have to be intentional about building relationships. HR team can help set communication cadences for departments and teams, which drives relationships and builds awareness of

everyone's different roles and how they intersect. Regular communication drives stronger relationships and helps employees learn more about how they work together and can help each other in achieving organisational goals.

The more the employees know each other and understand each other's work, the better they can perform their jobs. For example, Knowing the next stage of a project, helps individual contributors refine their own work. Employees need to trust their colleagues to deliver what's needed to keep projects on track.

4.   **Training and Development Strategies**

Rapid upskilling and reskilling is becoming the norm in the new economy. However, the world of work is evolving more quickly than static learning management systems can keep up.

In 2023, HR professionals need to identify new solutions for training programs and continuing professional development. An effective training and development strategy must account for rapidly changing technical skills and long-term transferable skills.

Technical skills have a short half-life in a swiftly changing workplace, so one should not invest all of one's limited learning resources in technical training. one should Incorporate technical training in the flow of work as much as possible. Technical training in the flow of work also makes it easier to update training to match one's actual needs. It's good approach to technically train the workforce which will them am edge over their competitors.

Transferable skills have greater longevity and are cumulative because employee can build on adjacent skills. These include "soft" skills such as critical thinking, emotional and social intelligence, and communication. Transferable skills are especially important as a foundation for leadership development in the current economy. Leaders today and in the future need to

be able to keep projects on track by supporting employees and removing roadblocks to their success. That requires good two-way communication, empathy, awareness etc. by the superiors towards their subordinates.

HR can be extremely useful in predicting skills gaps and helping employees see a path forward for training and development in the organisation

5.   **Talent Retention**

Workers have more options for employment than they had in decades, earlier. So every HR professional must take care to retain the current workforce - or risk losing them to an extremely competitive talent market.

The first step to improve employee retention is to find out why employees are leaving in the first place. Exit interviews can provide insight into what employees liked best about working at the organisation - and what they found lacking. With this knowledge, HR professionals can develop plans to address the factors that are driving employee turnover and try to retain maximum number of employees in the organisation.

If turnover occurs frequently in the first few months of the employee life cycle, for example, that could indicate new employees didn't feel prepared to perform the full scope of their duties, HR managers could mitigate this through better communication during the hiring process and more effective, engaging onboarding processes.

Employees leaving at later stages can be more challenging to deal with. They may be leaving because they feel like they've reached the limit of their potential at your company, for instance. To address to this challenge, require top officials reworking of internal mobility and career paths to give employees more options for growth in the organisation.

6.   **Diversity in the Workplace**

Diversity means practice of including people from a range of different social & ethnic backgrounds, different genders, age, race, Language, Sexual orientation, Religion, Physical abilities and disabilities, culture, geographical orientation. Diversity remains a hot-button issue in human resources, with many organisations still struggling to build DEI goals into the broader strategic plan. Below mentioned are the challenges that can arise with diverse workforce (employees)

(i) **Communication Issues:** Language & communication barriers are ever present in companies with diverse workforce.

(ii) **Gender Equality:** Workforce including females throw more challenges to HR in the form of Motherhood/Maternity Leave/Sabbatical Leave posting at comfortable geographical locations etc.

(iii) **Physical & Mental disabilities:** Often disabled employees have difficult time while working in the organisation due to non-availability of wheelchair ramps.

(iii) **Generalization Gaps:** By 2025 millennials will make up 75 % of workforce. Employee may have difficulties while cap & up with different culture of young generations are bringing into the organisation.

7. **Embrace Inevitable Change**

The work of the world is not returning to the way things it was before the pandemic Covid-19. One of the greatest Human Resource challenges in 2023 is coming to the terms with the new reality so HR team can begin developing long-term plans that account for change and agility.

For the past two years, companies have been in bad shape trying to return to the normal functioning of the office. But that's not how organisations operate anymore. Employees have experienced flexible and remote work arrangements and have come to expect that from their work experience. And in a tight labor market, one can't afford not to listen to what employees need.

Beyond larger, strategic HR issues, HR teams also need to implement changes to employment laws and regulations in at present, especially at the state level. for example. Many states are currently updating paid family and medical leave laws and HR teams must prepare for changing compliance requirements.

Organisations should Develop business and people plans that can accommodate this pace of change. In a fast-paced work environment, we must be able to flex with change without breaking. In business planning meetings, one should consider a variety of scenarios that could affect one's business model and work processes. One should Develop alternative or contingent plans for addressing these scenarios as they arise so that you aren't caught off-guard.

8. **Employee Health and Well-Being**

Employee's well-being remains among the top HR issues at present times. After the major disruptions of 2020, due to covid-19 employers began to recognize the need for customized benefit plans to address individual employees' most pressing issues. Companies are offering better, more varied benefits, including child and elder care benefits, and expanding coverage to mental health services as many employees are working from home.

C. CHECK YOUR PROGRESS

True or False

1. The major challenge facing organisations today is responding strategically to changes in the marketplace, which require constant adaptation and change.
   Answer: True

2. Globalization has only benefited large corporations and has not affected small businesses.

Answer: False

3. Corporate Social Responsibility (CSR) and sustainability are unrelated concepts, with CSR focusing on social issues and sustainability focusing only on environmental issues.

Answer: False

4. The advancements in information technology have made it easier for organisations to share data and collaborate electronically, enabling more efficient business operations.

Answer: True

5. Downsizing during the Great Recession resulted in a decrease in the U.S. unemployment rate.

Answer: False

6. Furloughing employees often results in higher costs for organisations compared to downsizing.

Answer: False

7. Outsourcing allows companies to focus on core functions while transferring non-core activities, such as accounting and legal services, to external firms.

Answer: True

8. Employee leasing allows small companies to outsource their HR functions to a professional employer organisation (PEO), thus reducing HR-related costs.

Answer: False

9. Increasing productivity in an organisation only involves reducing labor costs and not improving employee motivation or work environment.

Answer: True

10. Providing work flexibility is a useful strategy for improving employee productivity, especially when direct financial incentives like higher salaries are not an option.

Answer: True

LET US SUM UP

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 skillful 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 10 Cs i.e., comprehensiveness, cost-effectiveness, control, coherence, communication, creativity, competence, credibility, change management and commitment.

1.7 **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 organisation.

- **Human resource management:** The formal structure within an organisation 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 organisation 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.

1.8	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?

1.9   LESSON END EXERCISE

Q1.   Explain the 10 Cs of HRM principles.

_____

_____

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

_____

_____

_____

Q3.   How do maintaining good working relationships help us at 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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Q6.   What is outsourcing?

_____

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_____

1.10	SUGGESTED READINGS

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GENERAL EVOLUTION OF HRM

2.0   LEARNING OBJECTIVES AND OUTCOMES

Learning Objectives

1. To understand the historical evolution of Human Resource Management (HRM) both globally and in India.

2. To identify and explain the various challenges faced by HRM in the modern business environment.

3. To recognize the importance of strategic HRM in the context of global competition, technology, and workforce diversity.

4. To understand how HRM practices have adapted to changes in the business landscape, particularly due to globalization, technological advancements, and evolving workplace cultures.

Learning Outcomes

After reading this lesson, students will be able to learn about:

- The key stages in the evolution of HRM globally and in India.
- The challenges HRM faces, such as globalization, technological advancements, and competition.
- How HRM strategies have been adapted over time to meet the needs of businesses and employees.
- The impact of these challenges on HRM practices in various organisational settings.

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 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 emphasis 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 who's 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 skill 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 t ime 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 in1968 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 spiraling 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 t ransformed 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 organisational structures, autonomous work teams, and outsourcing.

Firms today realize that innovative and creative employees who hold the key to organisational 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 organisation'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 organisations, 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 organisational 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 organisational 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 organisational 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 organisation and, indeed, between units and functions of the organisation.

A. CHECK YOUR PROGRESS
  Fill in the Blanks
  1. In the late nineteenth century, many workers were employed in the _____ sectors, where working hours were long, and conditions were harsh.
  Answer: Manufacturing
  2. The scientific management approach was popularized by _____, who emphasized the importance of training workers and predicting their behavior to improve efficiency.
  Answer: Frederick Taylor
  3. During the First World War, the _____ Act of 1915 made the provision of

welfare services compulsory in munitions factories.

Answer: Munitions of War

4. In the inter-war years, the role of the personnel manager was becoming more common, with job titles such as _____ and employment manager emerging in the engineering industries.

Answer: Labour manager

5. The 1960s witnessed a major shift in personnel departments, which were beginning to be renamed _____ departments, signaling the rise of human resource management.

Answer: Human resource

6. The era from 1990 to the present saw the rise of _____ HRM, with firms focusing on attracting, retaining, and engaging talent to create a sustainable competitive advantage.

Answer: Strategic

2.3   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 5year 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 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.

Presently HR plays the following Role in the Indian Context: -

1.   Investing in talent (i.e. employee experience, Happiness at work & Employee

wellness.)

2.   Use of technology in HR.

3.   Bracing for Diversity

4.   Great Emphasis on Employee Development.

5.   Motivating the workforce.

6.   Managing People

7.   Trust factor

8.   Work-Life Balance

9.   Competency Development

10.   Bridging the demand-Supply gap.

HRM has started focusing more on development aspects of Human Resources. HRM emphasises on a harmonious balance between employee demands and organisational Requirements. Development of HRM in India has now occupied a center stage and its growing at an apt pace with the industry.

B. CHECK YOUR PROGRESS

  Multiple Choice Questions

1. Who is credited with laying the foundation for the evolution of HRM in India through his work, the Artha Shastra? a) Allaudin Khilji

    b) Kautilya

    c) Frederick Taylor

    d) Elton Mayo

  Answer: b

2. Which historical period in India saw the emergence of trade unions, contributing to the rise of HRM? a) Pre-independence period (1920s)

b) 1940s

c) 1960s

d) 1980s

Answer: a

3. The Factory Act of 1942 mandated the appointment of a labour welfare officer in factories employing _____ or more workers. a) 300

b) 400

c) 500

d) 600

Answer: c

4. The scope of personnel management expanded during the 1960s to include welfare, industrial relations, and _____. a) Technology management

b) Administration

c) Leadership development

d) Strategic planning

Answer: b

5. Which decade in India saw a shift in focus from efficiency of labour to the development of human resources? a) 1940s

b) 1970s

c) 1980s

d) 1990s

Answer: d

6. Which of the following is NOT currently a role of HRM in the Indian context? a) Investing in talent

b) Managing People

c) External market competition analysis

d) Work-life balance

Answer: c

2.4   LET US SUM UP

HRM dates back 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 break throughs (particularly Internet-enabled Web services), and hyper-competition. Firms today realize that innovative and creative employees who hold the key to organisational

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 etc.

2.5	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.

2.6	SELFASSESSMENT QUESTIONS

Q1.   Is diverse workforce an advantage for business organisations or the reverse? Explain.

Q2.   How personnel management has evolved in India?

2.7	LESSON END EXERCISE

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

_____

_____

_____

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

_____

_____

_____

2.8	SUGGESTED READINGS

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HRM MODELS

STRUCTURE

3.0   LEARNING OBJECTIVES AND OUTCOMES

Learning Objectives

1. To identify and describe the different Human Resource Management (HRM) models proposed by various authors.

2. To explain how the concept of HRM has evolved with the introduction of these

different models.

3. To analyse the impact of HRM models on organisational practices and management strategies.

4. To compare and contrast the various HRM models and their relevance in modern organisations.

5. To understand how the integration of different HRM models contributes to the development of effective HR strategies.

Learning Outcomes

After going through this lesson, students will be able to:

- Identify and describe various Human Resource Management (HRM) models.

- Apply the concepts learned to real-world organisational scenarios by identifying which HRM models are best suited to different organisational needs.

- Assess the changes in the HRM field from a traditional, administrative approach to a more strategic, people-centric function.

- Analyse how various HRM models have impacted organisational practices and management strategies, particularly in aligning HR functions with business objectives and enhancing employee engagement.

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 HRM MODELS

3.2.1 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, organisational 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.,

    (i)   Commitment

85

(ii)   Congruence

(iii)   Competence

(iv)   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; within 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 led 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 profitmaximisation.
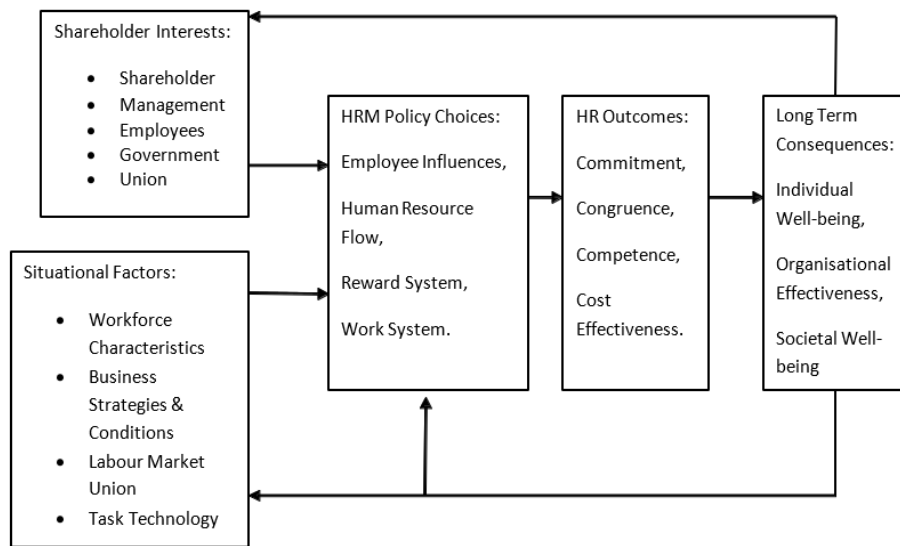
Shareholder Interests:

- Shareholder
- Management
- Employees
- Government
- Union

Situational Factors:

- Workforce Characteristics
- Business Strategies & Conditions
- Labour Market Union
- Task Technology

HRM Policy Choices:

Employee Influences,

Human Resource Flow,

Reward System,

Work System.

HR Outcomes:

Commitment,

Congruence,

Competence,

Cost Effectiveness.

Long Term Consequences:

Individual Well-being,

Organisational Effectiveness,

Societal Well-being

Fig 3.1: Harvard model of HRM

Source: Beer et al. (1984)

3.2.2 Guest's Model of HRM

Guest (1987) extended the Harvard model's four HR policy choices of employee influence, human resource? ow, reward systems and work systems to a total of seven. These seven policy areas, which included: organisational job design; policy formulation and implementation and management of change; recruitment, selection and socialisation; appraisal training and development; manpower flows; reward systems and communication systems. 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.

David Guest's comparative model works on the premise that a set of integrated HRM practices will result to superior individual and 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
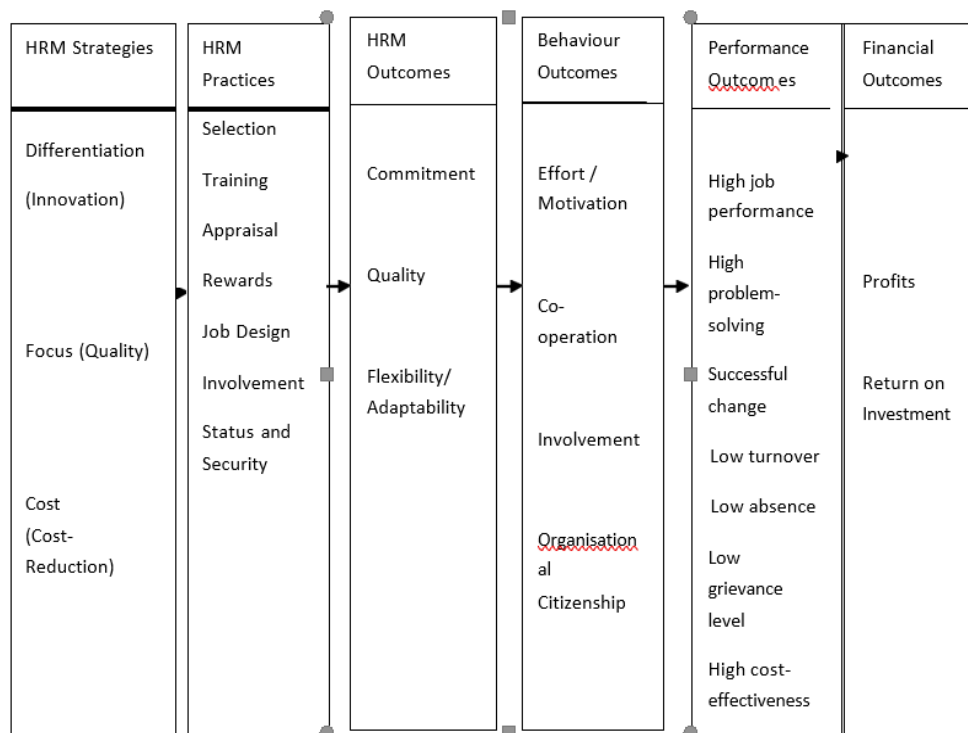
HRM Strategies	HRM Practices	HRM Outcomes	Behaviour Outcomes	Performance Outcomes	Financial Outcomes
Differentiation (Innovation)	Selection	Commitment	Effort / Motivation	High job performance	
	Training				
	Appraisal			High problem-solving	Profits
	Rewards	Quality	Co-operation		
Focus (Quality)	Job Design			Successful change	Return on Investment
	Involvement	Flexibility/ Adaptability	Involvement	Low turnover	
	Status and Security			Low absence	
Cost (Cost-Reduction)			Organisational Citizenship	Low grievance level	
				High cost-effectiveness	

Fig. 3.2: Guest's Model of HRM

Source: Guest (1987).

A. CHECK YOUR PROGRESS

Fill in the Blanks

1. The Harvard Model was proposed by _____ in the year 1984.

   Answer: Beer et al.

2. According to the Harvard Model, long-term consequences of HR policies should be evaluated at _____, _____, and _____ levels.

   Answer: Individual, organisational, societal

3. The four HR policy areas of the Harvard Model are: human resource flows, reward systems, employee influence and _____.

   Answer: Work systems

4. The Harvard Model analyzes policies using four Cs: commitment, congruence, _____, and _____.

   Answer: Competence, cost-effectiveness

5. The Harvard Model focuses on _____ commitment rather than control.

   Answer: Employee

6. The reward system in the Harvard Model is designed to _____ and _____ employees.

   Answer: Attract, retain

7. The Harvard Model supports performance _____ over evaluation as a tool.

   Answer: Appraisal

8. Guest's Model was developed in _____ by _____.

   Answer: 1987, David Guest

9. Guest extended the four policy areas of the Harvard Model to a total of _____ areas.

   Answer: Seven

10. Guest's model assumes that integrated HRM practices will result in superior _____ and _____ performance.

    Answer: Individual, organisational

11. HRM strategies like _____, innovation, and cost reduction are central to

Guest's Model.

Answer: Differentiation

12. According to Guest, correct HRM policies lead to commitment, competence, and
_____ .

Answer: Cost- effectiveness

13. Guest's model predicts that these practices will reduce _____ , labour
turnover, and customer complaints.

Answer: Absenteeism

3.2.3 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.

1. **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.

2. **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.

3. **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.

Some other Interconnected issues are:-

4. **The external context:** The external environment influences 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.

5. **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.

6. **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.
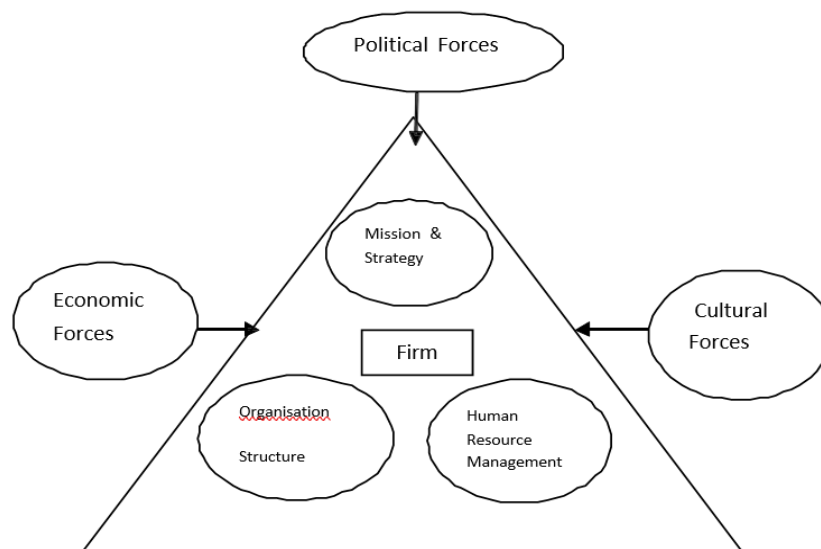
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                    ┌─────────────────┐
                    │ Political Forces │
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                      /\
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                    / Mission & \
                   /  Strategy  \
    ┌──────────┐  /              \  ┌──────────┐
    │ Economic │ →│    Firm      │← │ Cultural │
    │ Forces   │  \              /  │ Forces   │
    └──────────┘   \ Organisation  Human   /   └──────────┘
                    \ Structure    Resource/
                     \            Management/
                      _____/
```

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

Source: Fombrun et al. (1984)

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.

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 organisational performance. A number of lists of 'best practices' have been produced, the best known of which was produced by Pfeffer (1998a), namely:

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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 organisational 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

3.2.4 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

95
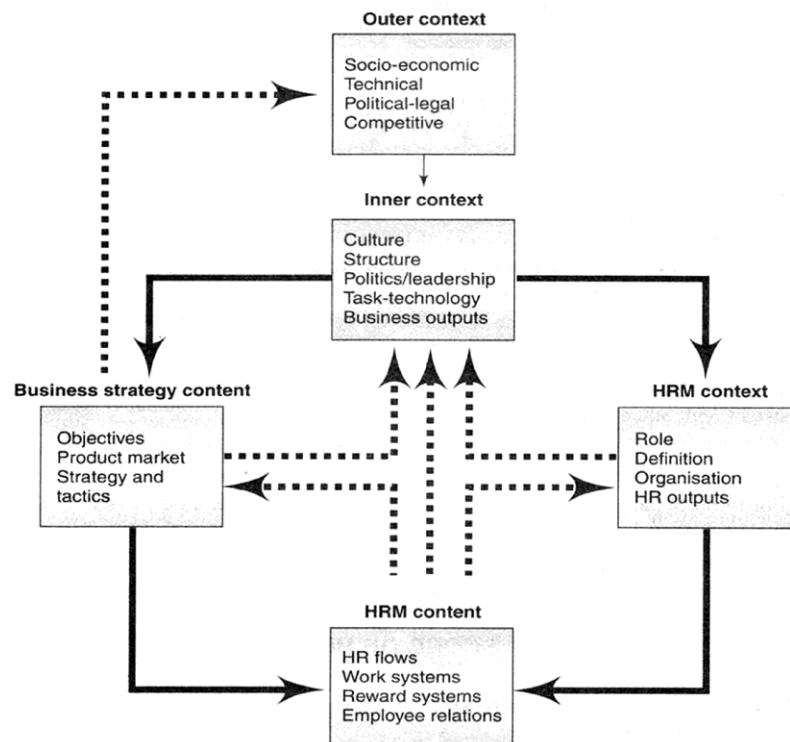
B.   CHECK YOUR PROGRESS

Multiple Choice Questions – Michigan and Warwick Models of HRM

1. The Michigan Model of HRM was proposed by:

A. Beer et al.

B. Guest

C. Fombrun et al.

D. Hendry and Pettigrew

   Answer: C

2. The Michigan Model is also known as the:

A. Soft model of HRM

B. Harvard model

C. Warwick model

D. Hard model of HRM

   Answer: D

3. In the Michigan Model, employees are viewed as:

A. Volunteers

B. Strategic partners

C. Business resources

D. Stakeholders

   Answer: C

4. According to the Michigan Model, organisations exist to:

A. Increase employee satisfaction

B. Achieve objectives

C. Promote equality

D. Support society

   Answer: B

5. The three core components of the Michigan Model are:

A. Policy, Planning, Practice

B. Mission and Strategy, Organisation Structure, HRM Systems

C. Selection, Training, Appraisal

D. Culture, Society, Economy

Answer: B

6. Which of the following is NOT part of Pfeffer's (1998) best practices?

A. Employment security

B. Informal hiring

C. Sharing information

D. High compensation based on performance

Answer: B

7. The Warwick Model of HRM was developed at:

A. Harvard University

B. Warwick University

C. Oxford University

D. Stanford University

Answer: B

8. The Warwick Model emphasises:

A. Performance-based compensation

B. Top-down strategy only

C. Analytical and contextual approach

D. Employee union power

Answer: C

9. Hendry and Pettigrew were involved in developing the:

A. Guest Model

B. Michigan Model

C. Warwick Model

D. Harvard Model

Answer: C

10. The Warwick Model consists of how many main elements?

A. Three

B. Four

C. Five

D. Six

Answer: C

11. Which of the following is part of the five elements of the Warwick Model?

A. Employee benefits

B. Human resource management content

C. Training and development strategy

D. Appraisal system

Answer: B

12. Delery and Doty's (1996) HR practices include all EXCEPT:

A. Broadly defined jobs

B. Formal training systems

C. Selective hiring by intuition

D. Employee voice

Answer: C

3.3 LET US SUM UP

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.

- **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 emphaises 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

3.5 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.

3.6   LESSON END EXERCISE

Q1.   Differentiate between Hard and soft HRM models

_____

_____

_____

Q2.   Is Michigan Model is better than Harvard Model? Give reasons in

support of your answer.

_____

_____

_____

3.7	SUGGESTED READINGS

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HR POLICIES - JOBS IN HRM AND
QUALIFICATION OF HR PROFESSIONALS

4.0   LEARNING OBJECTIVES AND OUTCOMES

Learning Objectives

1. To enhance knowledge about various human resource (HR) policies practiced in
    the HR field.

2. To explore the essential qualifications, certifications, and competencies required

for effective performance in various HR roles.

3. To comprehend the development, implementation, and significance of HR policies, distinguishing between specific and overall policies within an organisation.

4. To assess the impact of well-structured HR policies on employee relations and organisational effectiveness.

Learning Outcomes

After reading this lesson, students will be able to:

- Define HR policies and explain their role in guiding organisational behaviour and compliance.

- Differentiate between specific HR policies (e.g., attendance, leave, code of conduct) and overall HR policies that reflect the organisation's values and culture.

- Identify and describe the key functions and responsibilities of HR generalists and specialists.

- Highlight key competencies such as communication, ethical judgment, and strategic thinking essential for HR effectiveness.

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 organisation'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 organisation's talent.

This part of the lesson highlights the various pathways you may choose 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 organisation and a career in HR can lead to a position as CEO. In today's dynamic business environment, HR professionals are no longer confined to back-office functions. They are now pivotal in aligning talent management with organisational goals, leveraging data analytics for informed decision-making, and spearheading initiatives that enhance employee well-being and productivity. This strategic involvement positions HR as a key player in navigating challenges such as technological advancements, remote work dynamics, and the need for continuous upskilling.

Pathways to Leadership: From HR to the C-Suite

The expanding scope of HR responsibilities has opened new avenues for career progression, with HR professionals increasingly ascending to top executive roles, including CEO positions. Notable examples include Leena Nair, who transitioned from Chief Human Resources Officer at Unilever to CEO of Chanel, and Alison Horner, who moved from Chief People Officer to CEO of Tesco's Asia business. These trajectories underscore the potential for HR leaders to leverage their deep understanding of organisational dynamics and people management in broader leadership capacities.

Embracing Technological Integration

The integration of technology into HR functions has further amplified the profession's impact. For instance, Moderna's merger of its technology and HR departments exemplifies how organisations are reimagining HR's role in the digital age, utilizing artificial intelligence to optimize HR operations and redefine work responsibilities. This convergence of HR and technology not only enhances efficiency but also enables HR professionals to focus more on strategic initiatives and employee-centric approach.

4.2 JOBS IN HRM

One can consider human resource management as a career choice. 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 organisation'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 recognises the significant contributions of HR to their organisation'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 organisation'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 organisation—and a career in HR can lead to a position as CEO.

4.2.1 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 organisation. This section describes the generalist and specialist roles to help you decide which path to follow.

1. **The Generalist:** HR generalists have a broad spectrum of responsibilities: staffing the organisation, 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.

2. **The Specialist:** Larger organisations 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 organisations. 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 organisation'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 organisational development. Examples of job titles in this specialty area are trainer; employee development specialist or manager; leadership development specialist or manager; organisational 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 organisation'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 organisational development and meeting the organisation'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.

Jobs in Human Resource Management

Qualified candidates are likely to find many advantageous and lucrative careers in human resources. If one is planning about a career in this field, here are some jobs that one might want to consider:

1.   **Human resources assistant**: The main task of a human resources assistant is to support HR managers and other executives with various administrative duties. That includes writing job descriptions for employee recruitment, checking references, scheduling interviews and sending employment contracts. They maintain employee records related to work performance, absence, grievance, payroll processing, compensation and termination. Additionally, they keep the work calendar for the HR management, arrange meetings and interviews, coordinate training and HR events and write HR reports.

2.   **Recruitment coordinator**: Many companies go for recruitment coordinators by finding qualified candidates for available work positions. The recruitment coordinator generally works with HR executives to identify job openings and write job descriptions. They source candidates through applications, databases, online job sites, social media platforms and professional networking sites. They screen candidates, schedule and assist with job interviews and submit recruitment process reports to the management.

3.   **Human resources coordinator:** Human resources coordinators undertake various administrative duties for a company's human resources department. They work with HR managers to handle recruitment, employee orientation, employee

training and employee records. They also review employee performances, process payroll and prepare HR activity reports. Additionally, they resolve conflicts, schedule meetings, arrange interviews and oversee HR events. As part of their work, they research and stay updated on HR trends and best practices in the industry.

4.   **Recruiter:** Recruiters work with a company's human resources department to identify its recruitment needs and assist with the hiring process. Along with writing job descriptions and posting job advertisements, they source and screen candidates and interview the shortlisted ones for available job positions. They negotiate employee salaries and benefits, prepare work contracts and provide recruitment reports to the company management. To be effective in their work, recruiters stay updated on job requirements and current labour laws.

5.   **Human resources generalist:** Human resources generalists are professionals responsible for the internal and external human resource matters of a company. They handle recruitment processes, staff training and employee relations. They also develop company policies and guidelines, undertake regulatory compliance and maintain employee databases. Along with preparing HR activity reports, they monitor budgets and payrolls and keep up with HR best practices.

6.   **Employee relations manager**: An employee relations manager is responsible for handling various issues related to employees and company management relations to maintain a harmonious work environment. Along with processing employee complaints, employee relations managers investigate the situations and offer counselling when appropriate. Their understanding of mediation and negotiation can help them find effective ways to resolve workplace conflicts and sensitive issues. They gather and analyse employee feedback and develop best practices and programs for improving employee relations.

7.   **Human resources manager**: Human resources managers undertake the management of a company's recruitment process. They screen candidates, interview

the shortlisted ones, hire staff and make onboarding and training arrangements. They also maintain department records, review performances and wages and ensure workplace health and safety compliance. HR managers act as mediators between executives and employees, take disciplinary actions and resolve disputes.

8. **Labour relations specialist**: The role of a labour relations specialist involves negotiating and bargaining with the union on behalf of the company management. Using their understanding of labour laws, economics and wage data, labour relations specialists can draft specific proposals and regulations to facilitate collective bargaining. They assist and advise the executive managers during the bargaining meetings and prepare labour proposals and contracts. They also implement and manage labour relations programs. Additionally, they address employee grievances, handle disputes and take disciplinary actions.

9. **Recruitment manager**: Recruitment managers, also known as recruiting managers, work with recruitment agencies and companies to supervise hiring operations. They are responsible for finding qualified candidates, scheduling and conducting interviews and making hiring decisions. In their work, they use recruitment software, manage recruitment databases, forecast hiring needs, implement effective recruiting practices and comply with labour laws. They also prepare reports for the company management and network at industry events to cultivate professional relationships.

10. **Director of human resources**: Also known as "HR directors," directors of human resources are responsible for overseeing the human resources department of a company. They supervise employee recruitment, design training programs, maintain employee records, handle employee relations and assess staff requirements. They manage budgets, develop compensation plans, implement HR strategies to meet business goals and ensure compliance with legal regulations.

In larger firms, the human resource department provides such specialized assistance. Figure 4.3 shows human resource management jobs in one organisation. Typical position

includes compensation and benefits manager, employment and recruiting supervisor, training specialist, and employee relations executive. other Examples of HRM job duties include:

1. Recruiters: Maintain contacts within the community and perhaps travel extensively to search for qualified job applicants.

2. Equal employment opportunity (EEO) representatives or affirmative action coordinators: Investigate and resolve EEO grievances, examine organisational practices for potential violations, and compile and submit EEO reports.

3. Job analysts: Collect and examine detailed information about job duties to prepare job descriptions.

4. Compensation managers: Develop compensation plans and handle the employee benefits program.

5. Training specialists: Plan, organize, and direct training activities.

6. Labor relations specialists: Advise management on all aspects of union- management relations.

Many big employers are taking a new look at how they organize their human resource function. For example, J. Randall MacDonald, IBM's former senior vice president of human resources, saw that the traditional human resource organisation divides HR activities into separate "silos" (as in Figure 4.3) such as recruitment, training, and employee relations. MacDonald took a different approach. He split IBM's 330,000 employees into three segments for HR purposes: executive and technical, managers, and rank and file. Now separate human resource management team, (consisting of recruitment, training, and pay specialists, for instance) focus on each employee segment. Each team ensures the employees in each segment get the specialized testing, training, and rewards they require. One survey found that 44% of the large firms they surveyed planned to change how they organize and deliver their HR services. Most plan to use technology to institute more "shared services"

or "transactional" arrangements. These will establish centralized HR units whose employees are shared by all the companies' departments to obtain advice on matters such as discipline problems. The shared services HR teams offer their services through intranets or centralized call centers; they aim to provide managers and employees with specialized support in day-to-day HR activities (such as changing benefits plans).
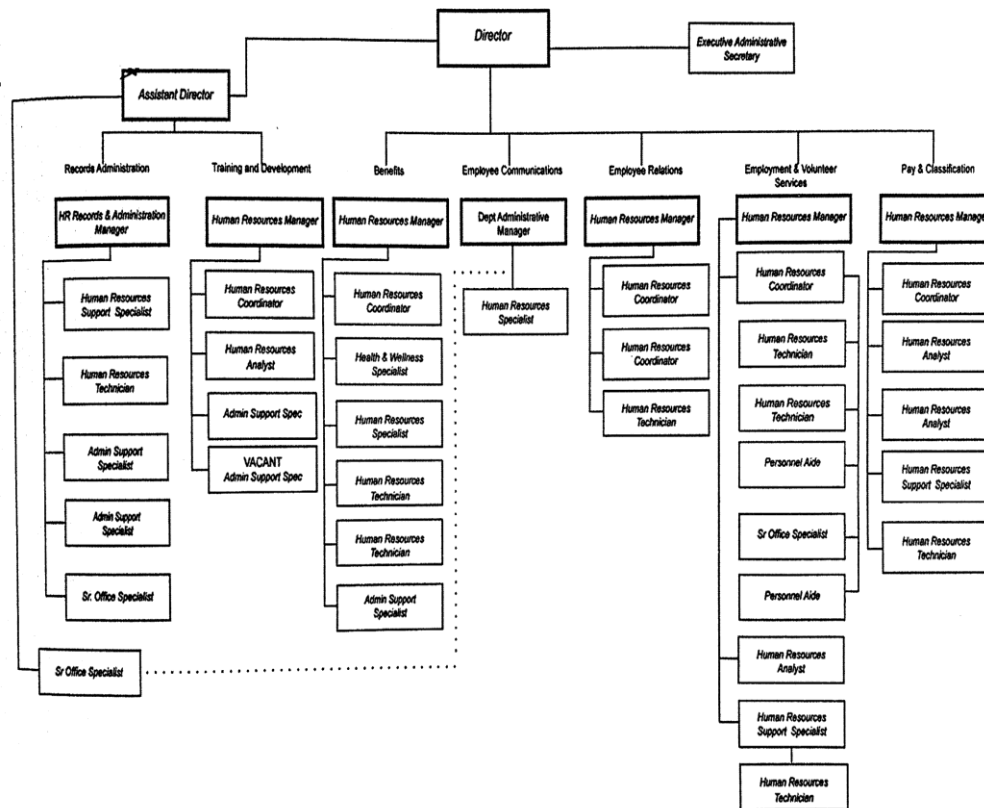

FIGURE 4.3: Human Resource Department Organisation Chart Showing Typical HR Job Titles

You may also find specialized corporate HR teams within a company. These assist top management in top-level issues such as developing the personnel aspects of the company's long-term strategic plan. Embedded HR teams have HR generalists (also known as "relationship managers" or "HR business partners") assigned to functional

departments like sales and production. They provide the selection and other assistance the departments need. Centers of expertise are basically specialized HR consulting firms within the company. For example, one center might provide specialized advice in areas such as organisational change to all the company's various units.

Small firms (say, those with less than 100 employees) generally don't have the critical mass required for a full-time human resource manager (let alone an HR department). The owner and his or her other managers (and perhaps the firm's office manager) handle tasks such as placing help-wanted ads and signing employees on. Gaining a command of the techniques in this book should help you to manage a small firm's human resources more effectively.

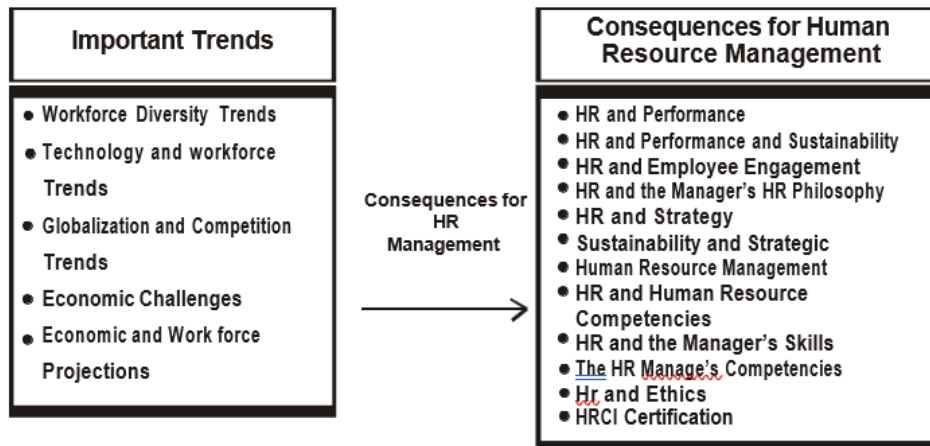# Important Trends and Their Consequences for HR Management

Important Trends	Consequences for Human Resource Management
• Workforce Diversity Trends • Technology and workforce Trends • Globalization and Competition Trends • Economic Challenges • Economic and Work force Projections	• HR and Performance • HR and Performance and Sustainability • HR and Employee Engagement • HR and the Manager's HR Philosophy • HR and Strategy • Sustainability and Strategic • Human Resource Management • HR and Human Resource Competencies • HR and the Manager's Skills • The HR Manage's Competencies • Hr and Ethics • HRCI Certification

Consequences for HR Management

TABLE Demographic Groups as a Percent of the Workforce, 1990–2020

Age, Race, and Ethnicity	1990	2000	2010	2020
Age: 16–24	7.9%	15.8%	13.6%	11.2%
25–54	70.2	71.1	66.9	63.7
55+	11.9	13.1	19.5	25.2
White, non-Hispanic	77.7	72.0	67.5	62.3
Black	10.9	11.5	11.6	12.0
Asian	3.7	4.4	4.7	5.7
Hispanic origin	8.5	11.7	14.8	18.6

Source: U.S. Bureau of Labor Statistics Economic News Release 2/1/12. www.bls.gov/news.release/ecopro.t01.htm

A. CHECK YOUR PROGRESS

Fill in the Blanks

1. Human Resource Management contributes to business success through the strategic management of _____ capital.

    Answer: Human

2. In 2007, _____ magazine and Salary.com ranked Human Resource Manager as number four on its list of the Top Ten Best Jobs in America.

    Answer: Money

3. HR professionals today play a significant role in shaping _____ policy and contributing to the organisation's _____ line.

    Answer: Corporate, bottom

4. Entry-level HR generalist positions are often titled as human resource/personnel _____.

    Answer: Assistant

5. A _____ helps companies find qualified candidates and often works closely with HR executives to source and interview applicants.

    Answer: Recruitment coordinator

6. The five most common areas of HR specialization include workforce planning and employment, HR development, total rewards, employee and _____ relations, and risk management.

    Answer: Labour

7. A _____ specialist is responsible for developing and administering health and safety programs within an organisation.

    Answer: Safety

8. _____ managers act as mediators between executives and employees and ensure compliance with workplace safety standards.

    Answer: Human resource

9. Labour relations specialists play a key role in _____ bargaining and help

draft proposals and regulations.

Answer: Collective

10. An HR _____ supervises the overall functioning of the HR department, including recruitment, compensation planning, and legal compliance.

Answer: Director

11. A job analyst collects and examines detailed information about job duties to prepare job _____.

Answer: Description

12. IBM's former HR head, J. Randall MacDonald, divided HR services based on employee _____ for more personalized HR support.

Answer: Segments

13. A _____ HR team includes HR generalists assigned to specific departments like sales or production.

Answer: Embeded

14. Centres of _____ act like in-house HR consulting teams providing expertise in areas like organisational change.

Answer: Expertise

15. Small firms often do not have a dedicated HR department, and such tasks are managed by the _____ or office manager.

Answer: Owner

4.3   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 of the hierarchy within the organisation, 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:

1. **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 f or positions, you will find tha t 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 in HR

    c)   Masters in Personnel Management & Industrial Relations

2.   **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.

3.   **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.

4. **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.

HRCI Certification

Many HR managers use certification to show their mastery of modern human resource management knowledge. The HR Certification Institute (HRCI) is an independent certifying organisation for human resource professionals. Through testing, HRCI awards several credentials, including Professional in Human Resources (PHR), and Senior Professional in Human Resources (SPHR). The evidence to date generally suggests a positive relationship between human resource managers' competence as reflected by PHR or SPHR certification, and the human resource managers' effectiveness. and clicking on Exam Preparation and then on Sample Questions.

4.4   HR POLICY

Human resource policy defines the philosophies and values of the organisation on how people should be treated and these philosophies and values help to derive the principles upon which managees are expected to act when dealing with human resource matters. Human resource policy provides continuous guidelines on the approach on organisation intends to adopt in managing its people. The specific guidelines about various matters concerning employment and state of the intent of the organisation on different aspects of Human resource such as recruitment, selection, compinsatin, promotion training etc. are provided to human resource manager through human resource policy. The organisation practices the rules and guideliness 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:-

1.   It should present the principles that will guide the organisation's actions and reflect a faith in ethical values of employees.

2.   It must be reasonably stable but not rigid.

3.   It must provide two-way communication system between management and employees.

4.   It should be consistent with public policy.

5.   It should be definite so that it is easy to understand. It should be stated in clear, definite and easily understood terms.

6.   It should be formulated after considering long range plans and needs of the organisation.

4.4.1 Specific and Overall HR Policies

(a)   Specific Human Resources Policy:

There are different aspects associated with management of Human resources within an organisation. If there are different policies for different

areas. If people interest, sulk 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:

1. Age and Employment

2. AIDS

3. Bullying

4. E-mails and the Internet

5. Discipline

6. Employee Development

7. Equal opportunity

8. Grievances

9. Health and Safety

10. Managing diversity

11. Employment

12. Promotion

13. Reward

14. Sexual Harassment

15. Substance abuse

16. Work Life balance

17. Managing Diversity

18. Redundancy

**b)	Overall Human Resource Policy**

The overall human resource policy defines how the organisation 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.

1.   **Equity:** It is concerned with fair and equal treatment for all employees ignoring biases and personal differences.

2.   **Organisational learning:** This value is related to the organisations which believe in need to promote the learning and development of all members in the organisation.

3.   **Performance through people:** The overall human resource policy focuses on developing the performance of the employees by creating culture of continuous improvement.

4.   **Quality of Work life:** This aspect is related with increasing responsibility and autonomy and reducing stress and monotony of the work life.

5.   **Working Condition:** The working condition deals with maintaining safe, healthy, practicable and pleasant working condition.

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

A. CHECK YOUR PROGRESS

Multiple Choice Questions

Q1. Which of the following is NOT typically a formal qualification for an HR Manager?

A) MBA in HR

B) Masters in Personnel Management

C) Diploma in Mechanical Engineering

D) Post Graduate Diploma in HR

Answer: C

Q2. Which HR certification focuses on California-specific employment laws?

A) PHR

B) GPHR

C) SPHR

D) PHR-CA

Answer D

Q3. Which of the following is NOT a core competency required for HR managers?

A) Analytical thinking

B) Legal drafting

C) Communication skills

D) Managing change

Answer B

Q4. What does SPHR stand for?

A) Senior Personnel for Human Relations

B) Senior Professional in Human Resources

C) Specialist for Public HR

D) Strategic Professional of HR

Answer B

Q5. The HR Certification Institute is also known by which acronym?

A) HCRI

B) HCI

C) HRCI

D) HRCC

Answer C

Q6. Which of the following is NOT a characteristic of a good HR policy?

A) Rigid and fixed

B) Ethical in values

C) Clear and understandable

D) Based on long-term organisational needs

Answer A

Q7. The policy dealing with age and employment falls under:

A) General policy

B) Core policy

C) Overall HR policy

D) Specific HR policy

Answer D

Q8. Which value in the overall HR policy is associated with fair and equal treatment?

A) Quality of work life

B) Equity

C) Working conditions

D) Organisational learning

Answer B

Q9. Which of the following is a part of overall HR policy?

A) Discipline

B) AIDS

C) Organisational learning

D) Grievances

Q10. The purpose of specific HR policies is to:

A) Define the organisation's mission

B) Set high-level objectives

C) Provide guidelines on specific HR matters

4.5	LET US SUM UP

HR is a key component of any organisation'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.

4.6	GLOSSARY

1. **HR Policy**: It defines the philosophies and values of the organisation on how people should be treated. It provide continuous guidelines on the approach and organisation intends to adopt in managing its people.

2. **Generalist Role**: HR generalists have a broad spectrum of responsibilities: staffing the organisation, 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.

3. **Specialist Role**: Larger organisations 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.

Q1.   Give the importance of personnel management as a profession.

Q2.   Enumerate the qualifications of personnel manager.

4.8   LESSON END EXERCISE

Q1.   Explain the specialist role of personnel manager.

_____

_____

_____

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

_____

_____

_____

Q3   Explain the difference between General and Overall HR Policies.

_____

_____

_____

4.9	SUGGESTED READINGS

♦ Susan M. Heathfield (2013). How to Prepare for a Career in Human Resources? Available at: About.com Guide

♦ Human Resources Qualifications. Available at: 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.

CODE OF ETHICS OF SOCIETY FOR HRM

STRUCTURE

5.0   LEARNING OBJECTIVES AND OUTCOMES

Learning Objectives

1. To understand the importance of ethical practices in Human Resource Management and the role of a code of ethics in guiding HR behavior and decisions.

2. To identify and explain various ethical practices that HR managers should follow.

3. To differentiate between Personnel Management and Human Resource

Management (HRM) in terms of scope, focus, and relevance in modern organisations.

Learning Outcomes

After reading this lesson, you will be able to:

- List and describe core ethical practices that HR professionals should adhere to based on a formal code of ethics.

- Explain how a code of ethics helps in making responsible HR decisions regarding recruitment, employee relations, diversity, and conflict resolution.

- Clearly differentiate between Personnel Management and HRM.

5.1   INTRODUCTION

A code of ethics offers an invaluable opportunity for a responsible organisation 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. In today's interconnected and socially conscious business environment, the presence of a well-defined code of ethics is crucial. It not only helps in ensuring compliance with legal and regulatory standards but also plays a pivotal role in building and maintaining trust among customers, investors, employees, and the broader community. Organisations that prioritize ethical conduct are more likely to foster a positive public image, attract and retain top talent, and achieve long-term sustainability and success. Moreover, a code of ethics promotes accountability at all levels of the organisation. It sets clear expectations and consequences for ethical breaches, thereby encouraging a culture of integrity and responsibility. This commitment to ethical standards can differentiate an organisation in a competitive marketplace, signaling to stakeholders that it values transparency, fairness, and social responsibility.

5.2   CODE OF ETHICS OF SOCIETY FOR HRM

Ethics means the standards someone uses to decide what his or her conduct should be a code of ethics offers an invaluable opportunity for a responsible organisation 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 organisations 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 organisations we serve and contributing to the ethical success of those organisations. 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 organisations, the business community, and the communities in which we work.

- To assist the organisations we serve in achieving their objectives and goals.

- To inform and educate current and future practitioners, the organisations 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 organisational 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 organisations function.

- To advance our understanding of how organisations 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 organisations we serve.

3. Contribute to the body of knowledge, the evolution of the profession and t he 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 organisations.

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 organisations.

Intent

- To create and sustain an environment that encourages all individuals and the organisation 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 organisations 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 organisations that are both ethical and legal.

7. Act in a responsible manner and practice sound management in the country(ies) in which the organisations 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 organisation.

Guidelines

1. Adhere to and advocate the use of published policies on conflicts of interest within your organisation.

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 organisation 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.

A. CHECK YOUR PROGRESS

Fill in the Blanks

1. Ethics means the _____ someone uses to decide what his or her conduct should be.

   Answer: Standards

2. The original Code of Ethics of SHRM was first developed in the year _____.

   Answer: 1972

3. SHRM stands for _____.

   Answer: Society for Human Resource Management

4. Under professional responsibility, HR professionals must contribute to the _____ success of the organisation.

   Answer: Ethical

5. The principle of _____ focuses on acting as a role model and maintaining ethical conduct.

   Answer: Ethical Leadership

6. HR professionals are responsible for promoting _____ and justice in the workplace.

   Answer: Fairness

   To expand knowledge, professionals must commit to _____ learning and skills development.

   Answer: Continuous

   HR professionals must avoid actual or potential _____ of interest in their practices.

   Answer: Conflicts

7. The use of information by HR professionals must be _____ and responsible.

   Answer: Ethical

8. Under the principle of fairness and justice, HR professionals must treat people

5.3	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 organisation can mislead the observers since, hardly there could be any organisation that is yet to rename its old fashioned title of industrial relations/personnel/welfare/administration department into HRM department. But, in practice, these organisations 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 t it led Developments in the Management of Human Resources. These differences are illustrated in the Table given below:

Dimensions	Personnel Management	HRM
Beliefs and assumptions		
1. Contract	Careful delineation of written contracts	Aim to go beyond contract

2. Rules	Importance of devising clear rules/mutually	'Can-do' outlook; Impatience with 'rule'
3. Guide to Management action	Procedures	Business-need'
4. Behaviour referent	Norms/custom and practice	Values/mission
5. Managerial task vis-a-vis Labour	Monitoring	Nurturing
6. Nature of relations	Pluralist	Individulist
7. Conflict	Institutionalized	De-emphasized
Strategic aspects		
8. Key relations	Labour management	Customer
9. Initiatives	Piecemeal	Integrated
10. Corporate plan	Marginal	Central
11. Speed of decision	Slow	Fast
Line management		
12. Management role	Transactional	Transformational leadership
13. Key managers	Personnel/ IR specialists	General/business/line managers
14. Communication	Indirect	Direct
15. Standardization	High (e.g. 'parity' an issue)	Low (e.g. 'parity' not seen as relevant)
16. Prized management skills	Negotiation	Facilitation
Key levers		
17. Selection	Separate, marginal	Integrated, key task

	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

B. CHECK YOUR PROGRESS

Multiple Choice Questions

1. Which of the following best describes the nature of relations in Personnel Management?

   A. Individualist

   B. Pluralist

   C. Collectivist

   D. Strategic

   Answer: B

2. According to John Storey, HRM aims to go beyond:

   A. Job grading

   B. Written contracts

   C. Collective bargaining

   D. Task divisions

   Answer: B

3. In HRM, the managerial task vis-a-vis labour focuses on:

   A. Monitoring

   B. Bargaining

   C. Nurturing

   D. Regulating

   Answer: C

4. Under Personnel Management, the preferred communication approach is:

   A. Direct

   B. Non-verbal

   C. Indirect

   D. Digital

   Answer: C

5. Performance-related pay is a feature of:

   A. Personnel Management

B. Industrial Relations

C. HRM

D. Administrative Departments

Answer: C

6. In Personnel Management, conflict is usually:

A. Managed through culture

B. Ignored

C. Institutionalized

D. De-emphasized

Answer: C

7. The key relations focus in HRM is primarily on:

A. Government bodies

B. Labour unions

C. Customers

D. Contractors

Answer: C

8. Which one of the following reflects HRM's communication style?

A. Restricted flow

B. Hierarchical flow

C. Increased flow

D. Coded messages

Answer: C

9. In HRM, job design emphasizes:

A. Job enrichment

B. Division of labour

C. Teamwork

D. Repetition of tasks

Answer: C

10. The foci of interventions in Personnel Management is mainly on:

A. Structural reforms

B. Cultural changes

C. Strategic planning

D. Personnel procedures

Answer: D

5.4	**LET US SUM UP**

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. As an HR professional, adhering to ethical practices is paramount. The Society for Human Resource Management (SHRM) provides a comprehensive Code of Ethics that serves as a guiding framework for HR practitioners. This code emphasizes several core principles:

Professional Responsibility: HR professionals are expected to add value to their organisations and contribute to their ethical success. This involves building respect and credibility for the profession, assisting organisations in achieving their goals, and advocating for the appropriate use and appreciation of employees.

Professional Development: Continuous learning and skill enhancement are crucial. HR professionals should pursue formal academic opportunities, commit to ongoing learning, and contribute to the body of knowledge through teaching

and research.

Ethical Leadership: Serving as role models, HR professionals should exhibit the highest standards of ethical conduct, question group actions when necessary, and mentor others to become ethical leaders.

Fairness and Justice: Promoting an environment that encourages all individuals to reach their fullest potential is essential. This includes treating people with dignity and respect, ensuring inclusiveness, and advocating for policies that foster fair treatment.

Conflicts of Interest: Maintaining trust with stakeholders requires HR professionals to avoid activities that create actual or potential conflicts of interest, refraining from using their position for personal gain.

Use of Information: HR professionals must protect the rights of individuals in the acquisition and dissemination of information, ensuring truthful communications and facilitating informed decision-making.

5.5   GLOSSARY

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

- **Personnel Management**: A traditional approach to managing employees, focused on administrative tasks such as hiring, compensation, and compliance. **It is reactive and rule-based, often dealing with issues after they arise.**

- **Human Resource Management (HRM):** A more strategic and proactive approach to managing people, focusing on employee development, motivation, and aligning their goals with organisational objectives for long-term success.

- **Conflict Management:** The process of identifying, addressing, and resolving conflicts within an organisation in a constructive manner, ensuring a harmonious

and productive work environment.

- **Performance Appraisal:** A systematic evaluation of an employee's job performance to provide feedback, recognize achievements, and identify areas for improvement, often influencing career progression decisions.

- **Job Enrichment:** A strategy used to enhance job roles by increasing responsibility, variety, and opportunities for personal development, aiming to improve job satisfaction and employee motivation.

5.6 SELFASSESSMENT 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 organisation's ombudsman, access to organisation's ethics helpline for an organisation's customers?

5.7   LESSON END EXERCISE

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

Q2.   Examine the differences between personnel management and HRM.

5.8   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 Organisation's Code of Ethics. http://www.shrm.org/about/Documents/organisation-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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PROCUREMENT, TRAINING AND
APPRAISAL

6.0 LEARNING OBJECTIVES & OUTCOMES

Learning Objectives

1.   To understand the concept and significance of Human Resource Planning
(HRP) in organisational success.

2.   To identify and explain the steps involved in the Human Resource
Planning process.

3.   To analyse the internal and external factors that influence Human Resource Planning decisions.

4.   To explore how effective HRP contributes to strategic workforce alignment and future readiness.

5.   To apply the principles of HRP to practical business scenarios, including forecasting and gap analysis.

Learning Outcomes

By the end of this section, learners will be able to:
- Define Human Resource Planning and differentiate it from other HR functions.
- Describe the key stages in the HRP process: forecasting, inventory, gap analysis, planning, and monitoring.
- Identify various factors (e.g., organisational strategy, labor market trends, technology) that impact HRP.
- Evaluate the role of HRP in ensuring the right people are in the right roles at the right time.
- Demonstrate the ability to apply HRP concepts in developing workforce plans for hypothetical or real-life organisational situations.

6.1 INTRODUCTION

Organisations 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. Human resource planning is 'the process for ensuring that the human resource requirements of an organisation are identified and plans are made for satisfying those requirements. It is a process in which an organisation attempts to estimate the demand for labour and evaluate the size, nature and sources of supply which will be required to meet the demand.

In today's dynamic and rapidly evolving business environment, effective human resource planning has become more critical than ever. Globalisation, technological advancement, demographic shifts, and changing workforce expectations have significantly increased the complexity of planning for human capital needs. Unlike earlier models that relied heavily on static projections, modern workforce planning is a flexible, data-driven process that must align closely with strategic objectives and adapt to continuous change.

Human resource planning is not merely about numbers—it's about acquiring the right talent, with the right skills, at the right time, and ensuring they are deployed in roles that add the greatest value to the organisation. It involves forecasting future workforce demand, assessing current workforce capabilities, identifying gaps, and developing strategies to close those gaps through recruitment, development, or redeployment.

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6.2 CONCEPT, PROCESS 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 organisational perspective, HR planning intends to achieve better customer satisfaction, quality enhancement aid improved employee motivation.

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 organisation on the basis of overall organisational objective.

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 organisation.

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 organisation 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.

PROCESS OF HR PLANNING

The steps in a general HR Planning Process are:

Setting organisational

Objectives and strategies

☐

Scanning the environment

☐

Preparing an in-house skill

and competency inventory

☐

☐   ☐

HR forecasting -need   HR forecasting estimation

assessment   availability

• Developing HR Plans

and programmes

• Recruitment/ Reduction
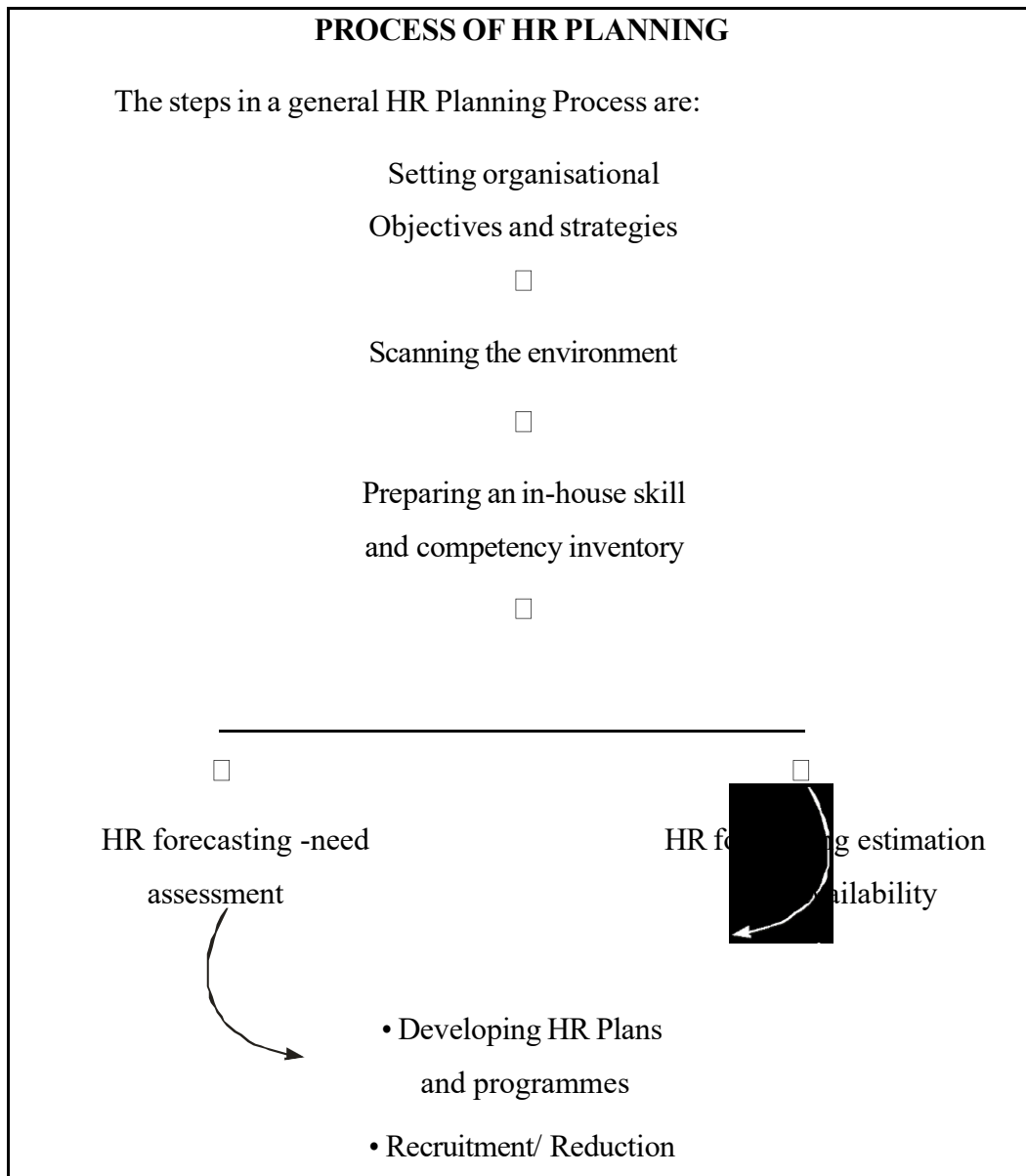
Fig. 6.1: Process of HRM Planning

i)   Setting organisational objectives and Strategics:- The first step in the HR planning process is the consideration of organisational objectives and strategies. The organisational strategy along with the mission and vision statement

clearly expresses the future intent of the organisation. The examination of the organisation strategy would provide a clear indication about the future HR requirements of the firm. Thus, HR plans are guided by the overall organisational objectives and strategies.

ii) Scanning the Environment: - Organisations undertake environmental scanning to identify the changes in the external environment. This also helps in analysing the impact of those changes on the organisational 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 organisation 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 organisation will influence its business strategy and HR Plans decisively.

HR forecasting - Need Assessment: The success of HR Plans depends on the accuracy & Consistency of the HR forecasts that are needed to implement the organisational strategics. These forecasts involve estimating the future requirements of the organisation 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 organisation.

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 organisation will determine its future HR activities.

Developing HR Plans and Programmes: Once the organisation 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 organisation 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.

A. CHECK YOUR PROGRESS

Fill in the Blanks

1. It emphasizes both the _____ (number of personnel) and the _____ (nature of personnel) aspects of HR.

Answer: Quantitative, Qualitative

2. Human Resource Planning is a process of identifying and then _____ the human resource requirements and availability.

Answer: Matching

3. _____ objectives are the foundation upon which human resource planning is based.

Answer: Organisational

4. Technological advancements often lead to changes in the _____ and type of workforce needed.

 Answer: Size

5. The availability of skilled workers in the _____ affects hiring strategies.

6.3 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:

1. **Organisational Factors:**

   (a) **The type of organisation:** It 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 organisations are more complex in this respect than those that render services.

   (b) **Organisational growth Cycles and planning :** It can have considerable influence on HRP. Need for planning is felt when the organisation enters the growth stage. Internal development of

people also begins to receive attention in order to keep up with the growth.

(c) **Time Horizon:** 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 organisation. 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.

2. **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.

3. **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.

4. **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.

5. **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.

6. **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 to time to implement changes to policy, as the law can take a while 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.

7. **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.

B. CHECK YOUR PROGRESS

True or False

1. Human Resource Planning is a solitary act performed once and does not require
   continuous efforts.
   Answer: False

2. Human Resource Planning only focuses on short-term staffing needs and ignores
   long-term HR strategies.
   Answer: False

3. Organisational objectives have no influence on human resource planning.
   Answer: False

4. Technological changes can affect the number and type of employees required.

Answer: True

5. Labor market conditions do not impact the availability of skilled personnel.

Answer: False

6. Government regulations can shape human resource planning through labour laws

Answer: True

7. Internal factors such as employee turnover rates are irrelevant in HR planning.

Answer: False

8. HR planning is unaffected by economic conditions like inflation or recession.

Answer: False

9. The level of education and skills in the workforce influences HR planning.

Answer: True

6.4 LET US SUM UP

HRP is a process in which an organisation 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 organisation 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. As an integral part of overall business planning, HRP ensures that the organisation is well-prepared to face internal and external challenges such as technological advancements, globalization, workforce aging, and shifting market demands. It enables leaders to identify talent gaps, manage succession, and plan for recruitment, training, and development well in advance.

The HRP process typically includes scenario planning, demand forecasting, supply

forecasting, analysis of future workforce requirements, and action planning. These steps help organisations maintain a competitive edge by ensuring they have the right number of people, with the right skills, in the right roles, at the right time.

Moreover, HRP supports effective budgeting, enhances employee productivity, reduces turnover, and helps build a resilient workforce. By anticipating future human capital needs, organisations can not only optimize workforce performance but also foster a culture of continuous improvement and adaptability.

In today's fast-changing business environment, successful organisations view human resource planning as a critical function that bridges current capabilities with future requirements, ensuring sustainable growth and operational excellence.

6.5 GLOSSARY

1. **Demand forecasting:** Demand forecasting is the process of estimating the future numbers of people required and the likely skills and competences they will need.

2. **Human resources planning:** It is the process for ensuring that the human resource requirements of an organisation are identified and plans are made for satisfying those requirements

3. **Environmental Scanning:** Organisation undertake environmental scanning to identify the changes in the external environment.

4. **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.

5. **Soft human resources planning:** It is focused on creating and shaping the culture of the organisation so that there is a clear integration between

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corporate goals and employee values, beliefs and behaviours.

6.6 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.

6.7 LESSON END EXERCISE

Q1. Human Resource Planning strives to have right number & right kind of people at the right place and at the right time. Comment?

_____
_____
_____
_____

Q2. Discuss the importance of Human Resource Planning in modern organisations. How does HRP contribute to the achievement of strategic business goals?

_____

_____

_____

_____

6.8 SUGGESTED READINGS

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JOB ANALYSIS, JOB DESCRIPTION & JOB SPECIFICATION

STRUCTURE

7.0 LEARNING OBJECTIVES & OUTCOMES

Learning Objectives

To understand the concept and purpose of job analysis in organisational settings.

 1. To identify the key applications of job analysis in human resource management
     (HRM), such as recruitment, training, and performance appraisal.

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2. To examine the various methods used to conduct job analysis, including observations, interviews, questionnaires, and functional job analysis.

3. To explore the difference between job description and job specification and how they are derived from job analysis.

4. To analyse how job analysis contributes to effective HR planning and organisational efficiency.

Learning Outcomes

By the end of this topic, learners will be able to:

- Define job analysis and explain its significance within the context of HRM.

- Describe the main applications of job analysis, including how it supports hiring, training, job evaluation, and compliance.

- List and compare different job analysis methods such as interviews, questionnaires, direct observation, and diary/log methods.

- Differentiate between job description and job specification.

- Apply job analysis principles to real-world HR scenarios to enhance role clarity and workforce effectiveness.

- Evaluate the benefits of accurate job analysis for organisational development and legal compliance.

7.1 INTRODUCTION

Human capital management in organisations virtually always requires an in-depth understanding of the work that people do in that organisation. The process by which this understanding is developed is job analysis. t serves as the foundation for many human resource functions, including recruitment, training, performance appraisal, and compensation. By understanding what a job entails and what qualifications are needed to perform it effectively, organisations can

ensure they hire the right people and develop appropriate HR strategies. Job analysis helps align roles with organisational goals and improves overall workforce efficiency.

Job analysis is a cornerstone of effective human resource management (HRM), providing a systematic approach to understanding the intricacies of each role within an organisation. By meticulously examining job duties, responsibilities, necessary skills, and work environments, organisations can align their human capital strategies with overarching business objectives.

This foundational process informs several critical HR functions:

Recruitment and Selection: Detailed job analyses enable the creation of precise job descriptions and specifications, ensuring that recruitment efforts attract candidates whose qualifications align with the role's requirements.

Training and Development: Understanding the specific competencies required for a job allows for the design of targeted training programs, facilitating employee growth and performance enhancement.

Performance Appraisal: Clear delineation of job expectations and responsibilities provides a benchmark for evaluating employee performance objectively, fostering fairness and transparency.

Compensation and Benefits: Assessing the complexity and responsibilities of a role through job analysis aids in establishing equitable compensation structures, promoting internal equity and external competitiveness.

Moreover, job analysis supports legal compliance by ensuring that employment practices are based on job-related criteria, thereby mitigating the risk of discriminatory practices.

In an era where organisational agility and workforce optimization are paramount, job analysis serves as an indispensable tool for HR professionals. It not only enhances operational efficiency but also contributes to employee satisfaction by clarifying role expectations and career pathways.

7.2 CONCEPT & PROCESS 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) behaviour 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.''

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.

"Job analysis refers to the process of studying the operations, duties and organisational aspects of jobs in order to derive specifications or as they are called by some job descriptions.

Michael J.Jucuis

"Job analysis is the process of studying and collecting information relating to the operations and responsibilities of specific job."

Edwin B. Flippo,

"Job analysis is the methodical compilation & study of work data in order to

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define and characterise each occupation in such a manner as to distinguish it from all others". **John A. Shbins,**

"Job analysis is the systematic exploration of activities".

S.P. Robbins & D.A. De Cenzo

The study of above 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.

   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.

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A. CHECK YOUR PROGRESS

Case Study: Implementing Job Analysis at Apex Manufacturing Ltd.

Background

Apex Manufacturing Ltd., a mid-sized company producing automotive components, employs over 400 staff across production, engineering, administration, and sales. The company had recently experienced rapid expansion, leading to inconsistent role definitions, overlapping responsibilities, and unclear reporting lines. These issues started to impact employee performance, morale, and recruitment effectiveness.

The HR department identified the lack of a structured job analysis process as a key issue and proposed a company-wide initiative to clearly define all roles across departments.

Objectives of the Job Analysis Initiative

- Clarify roles and responsibilities.
- Standardize recruitment and selection procedures.
- Create accurate and updated job descriptions and job specifications.
- Identify training and development needs.
- Improve performance management and workforce planning.

Action Plan

1. Selection of Job Analysis Methods

The HR team decided to use a combination of methods:

• Interviews with employees and supervisors for insights into job responsibilities.

• Questionnaires to gather standardized information.

• Direct observation for production roles.

• Review of existing documents like old job descriptions and performance evaluations.

2. Pilot Study

A pilot job analysis was conducted for the roles of:

- Production Supervisor
- Quality Assurance Officer
- Sales Executive

Each job was analysed using multiple sources to ensure reliability.

3. Development of Job Descriptions & Specifications

After gathering data, the HR team drafted:

- Job Descriptions outlining key duties, responsibilities, tools used, and working conditions.
- Job Specifications detailing qualifications, skills, experience, and personal attributes needed.

4. Validation & Feedback

Drafts were reviewed with department heads and employees for accuracy and feedback.

Outcomes

- Clearly defined job roles reduced role confusion and improved team coordination.
- Recruitment processes improved with better job specifications, leading to better candidate matches.
- Training needs were more accurately identified, especially for entry-level technical staff.
- Performance appraisal criteria became more objective and linked to specific duties.
- Employee satisfaction improved due to greater role clarity and fairness.

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.

1. **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.

2. **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.

3. **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.

4. **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.

5. **Litigation Protection:** Still another use of job analyses is to reduce an organisation'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.

PROCESS OF JOB ANALYSIS

Step 1 - Determining the purpose of Job analysis

☐

Step 2 - Gathering background information about the job

☐

Step 3 - Choosing representative jobs for analysis.

☐

Step 4 - Collecting the relevant job information.

☐

Step 5 - Reviewing gathered information

☐

☐_____☐

Step 6 - Job description   Job specification
statement   statement

Table 7.1
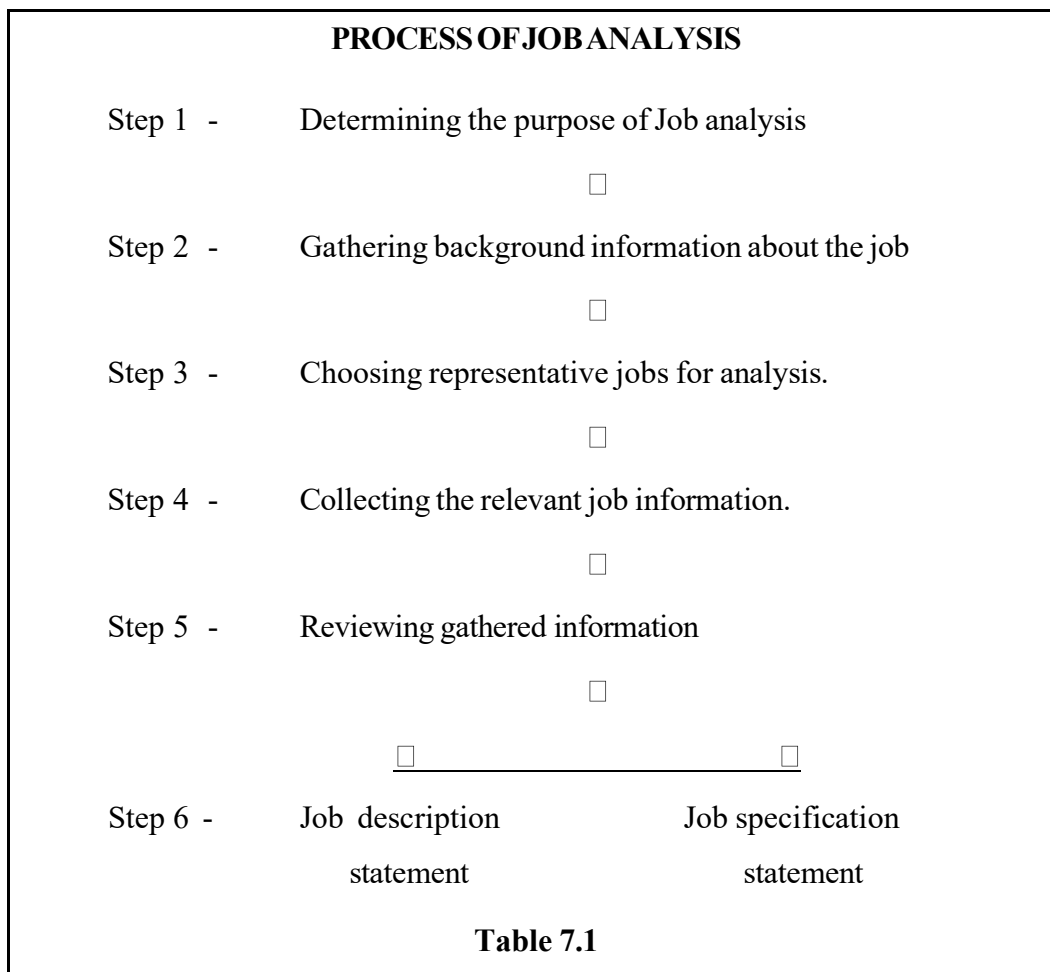
1.   **Determining the purpose of Job Analysis:-** The first step in the Job analysis process is the determination of the end use of the Job analysis. Job analyais is has relevance for almost all HR activities of an organisation However, an organisation may conduct a Job analysis is for specific purpose like hiring the employees or determining their remuneration. Depending upon the purpose of the analysis the organisation 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 organisation to review the background information about the job to know its relative importance in the organisation 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, organisation 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, organisation may find it time- consuming and costly to analyse all their jobs. As a result, it becomes essential for an organisation 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 mangers.

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 as certained to verify the correctness and completeness of the Job analysis report. In case the employee or supervisor paints 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, accontablities, 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.

JobAnalysis

Date _____   **Title** _____

Prepared By _____   **Department** _____

Job Title :	Reports to :

Education/Experience Required

Goals/Objectives of Position

Knowledge/Skills Required

Physical Requirements

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Special Problems/Hazards

Table : 7.2

B. CHECK YOUR PROGRESS

   Multiple Choice Questions

1. Which of the following best defines job analysis?

A. Hiring the right person for the job

B. Studying the duties and responsibilities of a job

C. Comparing different jobs for promotion

D. Measuring employee satisfaction

   Answer: B

2. Which of the following is an outcome of job analysis?

A. Performance appraisal

B. Job description

C. Organisational restructuring

D. Employee engagement

Answer: B

3. The document that outlines the qualifications, skills, and experience required

   for a job is called:

A. Job description

B. Job specification

C. Job evaluation

D. Job enlargement

   Answer: B

4. Which of the following is a method of job analysis?

A. Brainstorming

B. Focus group

C. Observation

D. SWOT analysis

Answer: C

5. Which job analysis method is most suitable for analyzing manual and repetitive

jobs?

A. Interview method

B. Questionnaire method

C. Observation method

D. Critical incident technique

Answer: C

6. Which method of job analysis involves asking employees to record their daily activities?

A. Diary or log method

B. Questionnaire method

C. Functional job analysis

D. Checklist method

Answer: A

7. **Job specification is derived from:**

A. Market research

B. Job description

C. Job evaluation

D. Employee handbook

Answer: B

8. **Which of the following is NOT a direct purpose of job analysis?**

A. Training need identification

B. Wage determination

C. Employee counseling

D. Recruitment planning

Answer: C

9. Which method uses a structured questionnaire to analyse jobs based on worker-related information?

A. Position Analysis Questionnaire

B. Observation method

C. Critical incident method

D. Interview method

Answer: A

10. Which job analysis method collects data through a face-to-face or virtual conversation with the employee?

A. Questionnaire

B. Interview

C. Observation

D. Job rotation

Answer: B

7.3   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 in detail.

- The nature of authority- responsibility relationships.

- Necessary qualifications required for the job.

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.

7.4 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 organisation 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.

C. CHECK YOUR PROGRESS
Fill in the Blanks

1. A _____ is a written statement that describes the duties, responsibilities, working conditions, and reporting relationships of a job.

   Answer: Job description

2. A _____ outlines the qualifications, skills, experience, and personal attributes required to perform a job.

Answer: Job specification

3. The _____ is derived from the job analysis and forms the basis for recruiting suitable candidates.

Answer: Job specification

4. A job description typically includes details such as job title, department, duties, and _____.

Answer: responsibilities

5. _____ is used by HR to match the right candidate to the job based on qualifications and competencies.

Answer: Job specification

6. Job descriptions help in setting clear _____ for employee performance evaluations.

Answer: expectations

7. A job specification focuses on the _____ requirements of a job, such as education and experience.

 Answer: person-related

8. _____ is used to prepare both job descriptions and job specifications.

 Answer: Job analysis.

9. Job specification helps in identifying _____ needs for current or new employees.

   Answer: training

10. Job description helps prevent _____ by clearly defining job roles and duties.

   Answer: role ambiguity

Table 7.3 : 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

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- Accessioning of books, registration of Periodicals

- Inter-Library Loan work

- Shelving of books and periodicals

7.5 LET US SUM UP

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.

7.6 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 organisation.

- **Organisation chart:** A graphic representation outlining how authority

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and responsibility are distributed within an organisation.

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.

7.8 LESSON END EXERCISE

Q1.   Discuss the importance of job description and job specification in the recruitment and selection process. How do these documents support HR decision-making?

_____

_____
_____
_____

Q2.   Describe the process of preparing a job description and job specification. What key elements should each include?

_____
_____
_____
_____

Q3.   Evaluate the challenges organisations may face while creating job descriptions and job specifications. Propose strategies to overcome them.

_____
_____
_____
_____
_____

7.9 SUGGESTED READINGS

- Fine, S.A. 1989. Functional Job Analysis Scales: A Desk Aid. Milwaukee, WI: Sidney

- Harvey, R. J. & Wilson, M. A. (2000). Yes Virginia, There Is An Objective Reality In Job Analysis, Journal of Organisational Behaviour, 20, 829-854.

RECRUITMENT AND SELECTION

STRUCTURE

8.0 LEARNING OBJECTIVES & OUTCOMES

Learning Objectives

1. To comprehend the potential importance of recruitment and selection in successful people management and leadership.

2. To perform job analyses to create accurate job descriptions and specifications, forming the foundation for recruitment and selection.

3. To design effective recruitment plans that utilise various sourcing methods to attract a diverse and qualified applicant pool.

4. To apply systematic selection techniques, including screening, interviewing, and testing, to identify the most suitable candidates.

5. To recognise and apply relevant employment laws and ethical standards to promote fairness and equity in recruitment and selection.

6. To assess the efficiency and effectiveness of recruitment and selection processes using appropriate metrics and feedback mechanisms.

Learning Outcomes

By the end of this topic, learners should be able to:

- Describe how recruitment and selection processes align with organisational goals and human resource strategies.

- Create detailed job descriptions and specifications based on thorough job analyses.

- Formulate recruitment strategies that effectively attract qualified candidates through appropriate channels.

- Execute selection processes, including interviews and assessments, to

identify candidates who best fit the job requirements and organisational culture.

- Ensure all recruitment and selection activities comply with applicable laws and uphold ethical principles, promoting diversity and inclusion.

- Analyse how well-executed recruitment and selection processes contribute to the overall success and competitiveness of an organisation.

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 are 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. t its core, recruitment involves attracting a pool of qualified candidates, while selection entails choosing the most suitable individuals from this pool to fill specific roles. This dual process ensures that organisations not only identify talent but also align it with their strategic objectives and cultural values. Effective recruitment and selection practices lead to the acquisition of skilled employees who contribute to productivity, innovation, and a positive work environment.

Moreover, these processes play a critical role in promoting diversity and

inclusion within the workplace. By implementing fair and transparent recruitment strategies, organisations can attract candidates from varied backgrounds, fostering a diverse workforce that brings in new perspectives and ideas. Such diversity is essential for problem-solving, creativity, and adapting to a globalized market.

In addition to enhancing organisational performance and diversity, effective recruitment and selection help reduce employee turnover. By carefully assessing candidates' fit with the organisation's culture and job requirements, employers can select individuals who are more likely to be satisfied and committed, thereby decreasing the likelihood of turnover and its associated costs.

Furthermore, the ethical dimension of recruitment and selection cannot be overstated. Professionals involved in these processes must uphold principles of fairness and integrity, ensuring that all candidates are evaluated based on merit and without bias. This ethical approach not only safeguards the organisation's reputation but also contributes to a more equitable society by providing equal employment opportunities.

8.2   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.

"Recruitment means attracting candidates, which is primarily a matter of identifying, evaluating and using the most appropriate source of applicant".

Michael Armstrong

"Recruitment is the process of searching for prospective employees and stimulating them to apply for jobs in the organisation."

Edwin B. Flippo

"Recruitment forms the first stage in the process which continues with selection and ceases with the placement of the candidates."

Kempner

"Recruitment is the process of discovering and attracting qualified or appropriate applicants to fill the vacant position."

Anwar & Abdullah

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Steps in the Recruitment process:

Human Resources Planning
↓
Determination of Strategy
↓
Evaluation of Sources of recruitments
↓
Implementation of recruitment methods and strategies
↓
Feedback and control

Table: 8.1
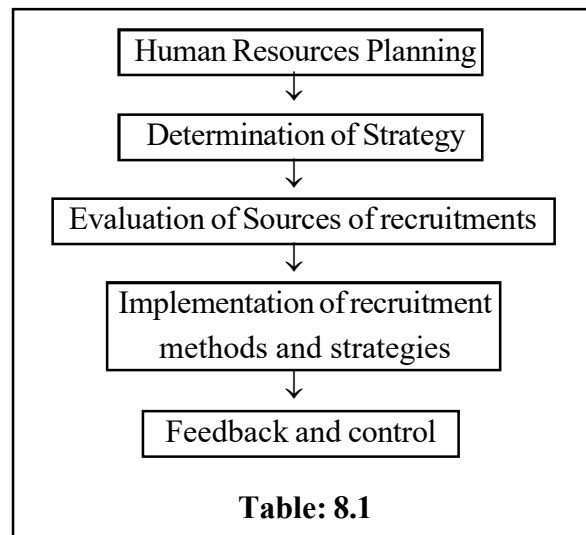
1.   **Human Resources Planning**: The first step in the process of recruitment is the framing of human resources plans in time with the organisational objectives. Human resources plan clearly estimate the level and kinds of human resources required to ensure the accomplishment of the strategic plans of the organisation. 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 refer 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 organisation 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 organisations there is a need for a change in the recruitment process.

A. CHECK YOUR PROGRESS

Fill in the Blanks

1. Recruitment is the process of _____, _____, and _____ qualified candidates for job vacancies within an organisation.

   Answer: Identifying, attracting, hiring

2. In Human Resource Management, recruitment serves as the initial step in _____ _____.

   Answer: Talent acquisition

3. The recruitment process includes stages such as job analysis, sourcing, screening, and _____ candidates.

   Answer: Onboarding

4. Recruitment is a _____ and _____ approach that ensures consistency and efficiency in hiring.

   Answer: Structured, systematic

5. A key feature of recruitment is conducting a thorough _____ _____ to create accurate job descriptions.

   Answer: Job analysis

6. **Effective recruitment strategies aim to attract a _____ and _____ applicant pool.**

Answer: Diverse, competent

7. Recruitment helps organisations analyze current and future _____ _____.

   Answer: Staffing needs

8. A well-executed recruitment process prevents disruption of _____ _____ by ensuring timely hiring.

9. Effective recruitment increases the success rate of hiring by advancing only _____ applicants to the next stage.

   Answer: Qualified

10. Recruitment contributes to building a _____ workforce, bringing in varied perspectives and ideas.

    Answer: Diverse

8.4	SOURCES OF RECRUITMENT

8.4.1 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.

- o 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 organisations 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 reduces 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.

8.4.2 The external sources of recruitment are:

1. **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.

2. **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.

3. **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.

4. **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.

5. **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.

6. **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.

7. **Employment Agencies:** There are certain professional organisations which look towards recruitment and employment of people, i.e. these private agencies run by private individuals supply required manpower to needy concerns.

8. **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 organisation, such people who are appointed have to also leave the concern.

9. **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.

10. **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.

11. **Organisational 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 organisational culture, before applying online. Many companies like ICICI have a separate career website.

12. **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.

13. **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.

14. **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.

15. **Job Fairs / Exhibitions**: A job or Career fair is an exposition for employers to meet prospective job seekers. They usually consist of organisation 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.

16. **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. Organisations chose to recruit expatriates due to non-availability of talent in the country. Reliance, Vodafone and Jet Air recruited expatriates for key positions.

17. **Outsourcing**: Some organisations recently started developing human resource pool by employing the candidates for them. These organisations do not utilize the human resources; instead, they supply HRs to various companies based on their needs on temporary or ad-hoc basis.

18. **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.

8.5	DIFFERENCE BETWEEN RECRUITMENT AND SELECTION

S.No.	Points	Recruitment	Selection
1.	Meaning	It is a process of finding and attracting qualified applicant for the job.	It is the process of short listing Candidates assembling and their final hiring decisions.
2.	Stage	Recruitment is the initial Stage.	Selection is the final Process.
3.	Time	It begins when new Recruits are sought and ends when their applications are Received.	It begins after the applications are Received and ends when hiring decision are made.

4.	Approach	The Process of Recruitment is positive approach.	The Process of Selection is negative approach.
5.	Level	Generally lower level Managers deals with Recruitment.	Middle and top level Managers deals with Selection Process.

B. CHECK YOUR PROGRESS

   Multiple Choice Questions

1. Which of the following is an internal source of recruitment?

a) Campus recruitment

b) Promotion

c) Employment exchange

d) Job fairs

Answer: b

2. Which of the following is an external source of recruitment?

a) Transfer

b) Employee referral

c) Job rotation

d) Internal advertisement

Answer: b

3. Which of the following is NOT an advantage of internal recruitment?

a) Reduces training time

b) Brings in new ideas

c) Cost-effective

d) Boosts employee morale

Answer: b

4. Campus recruitment is primarily used to hire:

a) Experienced professionals

b) Retired employees

c) Fresh graduates

d) Internal staff

Answer: c

5. Which of the following is considered a disadvantage of external recruitment?

a) Limited pool of candidates

b) Higher training costs

c) Encourages employee development

d) Faster hiring process

Answer: b

6. Employee referrals are beneficial because they:

a) Increase recruitment costs

b) Often result in longer hiring times

c) Can lead to better cultural fit

d) Limit the diversity of applicants

Answer: c

7. Which of the following is NOT an external source of recruitment?

a) Employment agencies

b) Walk-in applicants

c) Promotions

d) Online job portals

Answer: c

8. Internal recruitment can be conducted through:

a) Job postings within the organisation

b) Advertising in newspapers

c) Campus interviews

d) Recruitment agencies

Answer: a

9. A key advantage of external recruitment is:

a) Lower recruitment costs

b) Shorter training periods

c) Access to a wider talent pool

d) Higher employee retention

Answer: c

8.6	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 organisation. 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 a greater 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.

8.7 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:

1. **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.

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

   (ii)   Applications and resumes are evaluated solely on qualifications that are stated in the job announcement.

   (iii)   Applications that meet the minimum qualifications are included in subsequent screening reviews.

   (iv)   The search committee secretary will send non-selection letters to applicants who did not meet the minimum qualifications and are eliminated at Stage One.

2. **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.

3. **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:

   (i)   Only applicants who meet the minimum qualifications are reviewed at this stage.

   (ii) A fair screening process entails reviewing an applicant's qualifications compared with the qualifications specified in the job announcement.

   (iii) 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.

   (iv) 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.

(v) The committee will review and evaluate application materials consistently.

(vi) Applications are ranked or prioritized according to the screening criteria review established by the committee and top candidates are identified for interview.

(vii) 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.

4. **Selection Tests:** Many organisations 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 Tests:

(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 = Mental age x 100 Actual age 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 organisation 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 organisation. 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.

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8.8 LET US SUM UP

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 organisation. 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.

8.9	GLOSSARY

1. **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.

2. **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".

3. **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.

4. **Psychological test**: A written, visual or verbal assessment administered to determine cognitive and emotional skills.

5. **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".

6. **Reference checking:** The process of verifying information supplied by applicants on an application or resume.

7. **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.

8. **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.

8.10   SELFASSESSMENT 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?

Q1.   Discuss the strategic importance of recruitment and selection in achieving organisational objectives.

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Q2. Discuss the challenges of recruitment and selection in a globalized workforce.

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PLACEMENT, ORIENTATION, PROMOTION, TRANSFER, ABSENTEEISM

STRUCTURE

9.0   LEARNING OBJECTIVES & OUTCOMES

Learning Objectives

1.   To know about concept of placement, induction, promotion, transfer, absenteeism, turnover & employee separation.

2.   To identify the principles guiding effective placement.

3.   To list the objectives and benefits of conducting orientation programs.

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4.	To comprehend the principles guiding promotion decisions.

5.	To identify the types and reasons of transfers.

6.	To causes of absenteeism in the workplace.

7.	Identify the impact of absenteeism on organisational performance.

Learning Outcomes

By the end of this lesson, learners will be able to:

- Apply the principles of placement to ensure optimal job-person fit.

- Define and explain the concepts of placement, induction, promotion, and transfer within an organisational context.

- Enumerate the benefits and various types of promotion.

- Describe the process and considerations in implementing transfers.

- Identify the impact of absenteeism on organisational performance.

- Explore preventive measures to manage and reduce absenteeism.

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. The selection process is a pivotal step in human resource management, ensuring that organisations onboard individuals whose skills and attributes align with job requirements. However, the

journey doesn't end with hiring; subsequent stages like placement and orientation are crucial for integrating new employees effectively. Proper placement involves assigning new hires to roles that match their competencies, fostering job satisfaction and reducing early turnover. Following placement, orientation programs acquaint employees with company culture, policies, and expectations. Effective orientation enhances communication, boosts performance, and fosters a sense of belonging, which can lead to increased retention and productivity.

As employees grow within an organisation, promotions and transfers become tools for career development and organisational agility. Promotions elevate employees to roles with greater responsibilities and rewards, recognizing their contributions and potential. Transfers, whether lateral or vertical, allow for the redistribution of talent to meet organisational needs and employee aspirations, ensuring optimal utilization of human resources.

9.2   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 organisation in frustration, complaining bitterly about everything. Proper placement is therefore, importance to both the employee and the organisation.

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 organisation.

9.2.1 Principles of Placement

A few basic principles should be followed at the time of placement of a worker 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 the higher nor the lower than the qualification.

3. **Principle of Working Conditions**: The employee should be made conversant with the working conditions prevailing in the organisation 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 organisation.

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.

9.2.2   Process of Placement

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┌─────────────────────────────────────────────┐
│                                               │
│         Collect Details of the employee       │
│                      │                        │
│                      ▼                        │
│           Construct his/her profile           │
│                      │                        │
│                      ▼                        │
│         Match between sub-group profile and   │
│                employee's profile             │
│                      │                        │
│                      ▼                        │
│     Compare sub-group profile to job family   │
│                    profile                    │
│                      │                        │
│                      ▼                        │
│       Match between family profile and sub-   │
│                 group profile                 │
│                      │                        │
│                      ▼                        │
│         Assign the individual to job family   │
│                      │                        │
│                      ▼                        │
│      Assign the individual to specific job    │
│     after further counselling and assessment  │
│                                               │
└─────────────────────────────────────────────┘
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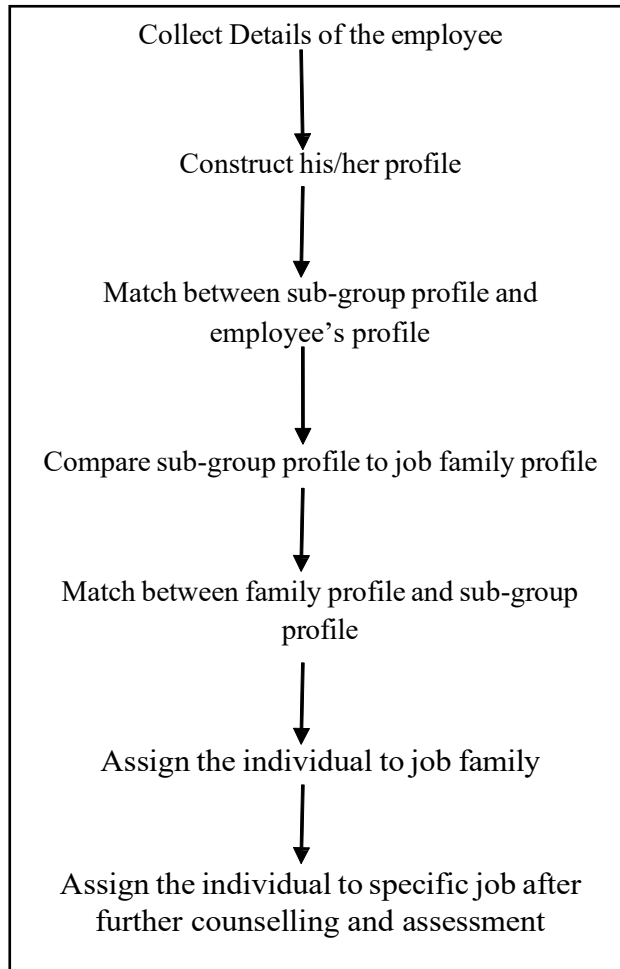
Figure 9.1: Employee Placement Model

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

A. CHECK YOUR PROGRESS

Multiple Choice Questions

1. What does "placement" refer to in Human Resource Management?

a) The process of attracting potential candidates

b) The process of selecting the most suitable candidate

c) The process of assigning a selected candidate to the right job

d) The process of training new employees

Answer: c

2. Which of the following is a key principle of effective placement?

a) Assigning the candidate to any available position

b) Matching the job requirements with the candidate's qualifications

c) Placing the candidate in a higher position irrespective of experience

d) Ignoring the candidate's personal preferences

Answer: b

3. Effective placement ensures:

a) Higher employee turnover

b) Mismatch between job and employee

c) Optimal utilization of employee skills

d) Increased training costs

Answer: c

4. Which of the following is NOT a principle of placement?

a) Placing the right person on the right job

b) Considering the candidate's interests and aptitude

c) Assigning tasks without considering job specifications

d) Ensuring the candidate is physically and mentally fit for the job

Answer: c

5. The main objective of placement is to:

a) Fill vacancies quickly

b) Reduce training time

c) Ensure employee satisfaction and performance

d) Minimize recruitment costs

Answer: c

9.3 CONCEPT OF ORIENTATION /INDUCTION

"Orientation is the process of planned introduction of employees to their jobs, their co-workers, and the organisation".

–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 (Abnrzzese & Quinn-O'Neal, 1 992). E. B. Fillipo defined new employee orientation as the induction process you use for welcoming a new employee into your organisation, 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 organisation 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 stars work. In short, during Orientation employees

are made aware about the mission and vision of the organisation, the nature of operation of the organisation, policies and programmes of the organisation. The nature of Orientation program varies with the organisational size, i.e., smaller the organisation the more informal is the Orientation and larger the organisation more formalized is the Orientation programmes.

A formal induction/orientation programmes should provide following information:

- Brief history and operations of the company.

- The company's organisation 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.

9.3.1 Objectives of Orientation: -

o   To help the new comer to overcome his shyness and overcome his shyness nervousness in meeting new people in a new environment.

o   To give new comer necessary information such as location of a

café, rest period etc.

o   To build new employee confidence in the organisation.

o   It reduces confusion and develops healthy relations in the organisation.

o   To ensure that the new comer does not form false impression and negative attitude towards the organisation.

o   To develop among the new comer a sense of belonging and loyalty to the organisation.

9.3.2   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 a mong employee.

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

- Induction helps to develop good relation.

- A formal induction programmes 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 organisation, the job and employee welfare facilities.

9.3.3   Types of Orientation

1.   General -Idea Orientation: This may also be called overview or summary orientation. In this type, some general information about

the organisation 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 organisation 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 organisation employs 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.

B. CHECK YOUR PROGRESS

   True or False

1. Induction and orientation are interchangeable terms referring to the same process.

   Answer: False

2. A well-structured induction program can enhance employee retention and performance.

Answer: True

3. Orientation is a one-time event that occurs on the first day of employment.

Answer: False

4. Induction programs are solely the responsibility of the Human Resources department.

Answer: False

5. Providing new employees with an overview of the organisation's structure and culture is a component of induction.

Answer: True

6. Orientation programs should be tailored to address the specific needs of different job roles.

Answer: True

7. Skipping the induction process can lead to increased employee turnover.

Answer: True

8. Orientation sessions typically cover topics like company policies, safety procedures, and job expectations.

Answer: True

9. Induction programs are only necessary for entry-level positions.

Answer: False

10. Effective orientation can lead to faster integration of new employees into their teams.

Answer: True

9.4 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 organisational 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 within 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.

9.4.1   Advantages of promotion:

- Present employees if promoted can handle the process products and problems easily as they are already connected to organisation 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.

9.4.2 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 organisational hierarchy with greater responsibility, authority, pay and status.

- Up gradation: Under this Promotion, the job is upgraded in the organisational 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 organisational hierarchy with greater responsibility without any change in the salary

9.4.3 Principles of Promotion

- Every organisation 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 organisation

- It should contain clear cut norms and criteria for judging merit, length of service, potentiality etc.

- Appropriate authority should be entrusted with the task

9.5 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 form one job to another within the same organisation 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 another region/city.

9.5.1 Reasons / Objectives for Transfer

- **Variation in the volume of work**: Transfers are necessary due to variation in the volume of work in different department/

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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.

- **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 many employees. It is a type of mutual exchange and is usually accepted by the management.

- **Meeting Organisational needs**: Transfers are necessary to meet the organisational needs developed out of expansion programmes or fluctuation in work requirements or changes in the organisational 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 overburdened 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.

9.5.2 Types of Transfer

o **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 organisation. Also, it is good to adjust existing staff rather than to hire the new one.

o **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.

o **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.

o **Shift Transfer**: In many multi-shifts jobs such as Call centers 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.

9.6 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

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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 organisation 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 organisations have higher absenteeism rates than non-
- union organisations.

9.6.1   Causes of Absenteeism

a.   **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.

b.   **Length of Employment**: Surveys have shown that the longer the

employee is attached to the organisation, the lesser unplanned leaves taken, though there are exceptional cases. This is most likely due to the fact that organisations 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.

c. **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 e.g. difficult meetings, would coincidently 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

d. **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.

e . **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.

9.6.2 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

a. **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 employee's attendance and make note of noticeable changes. If absenteeism continues then proceed to a written warning.

b . **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 to 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.

c. 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 server the problem has become and the explanation of the employee. The final step, which should only be the resort is dismissal.

d. 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.

E. CHECK YOUR PROGRESS

Case Study: Addressing Chronic Absenteeism at Singareni Collieries Company Limited (SCCL)

Introduction

Singareni Collieries Company Limited (SCCL) is a government-owned coal mining company in India, employing over 40,000 workers across various mining regions.

Challenges

SCCL identified a significant issue with chronic absenteeism among its workforce. Notably, in the Bhupalapalli area, some workers were absent

for 15–20 days a month, with a few missing entire months. Across different regions, over 2,000 employees were categorized as chronic absentees.

Causes of Absenteeism

Demographics: Many absentees were young (25–35 years old) and held engineering degrees.

Employment Basis: The issue spanned both direct recruits and those hired on compassionate grounds.

Job Nature: Despite technological advancements making tasks less physically demanding, absenteeism persisted.

Intervention Strategies

Counseling Sessions: SCCL initiated counseling sessions involving employees and their family members to emphasize the importance of regular attendance and its impact on company operations and national interest.

Career Progression Communication: Employees were informed about opportunities for advancement within the company, highlighting that consistent attendance could lead to promotions up to the level of general manager.

Outcomes

While the counseling approach aimed to address absenteeism empathetically, some employees continued to skip work and even missed counseling sessions. SCCL officials indicated that if these measures failed to yield results, stricter actions might be considered

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.

9.8 GLOSSARY

- **Orientation:** "Orientation is the process of planned introduction of employees to their jobs, their co-workers, and the organisation".

- **Induction***:* Programs designed to introduce and acclimate newly hired employees into the organisation.

- **Promotion:** Career advancement within an organisation, 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 organisation.

- **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 organisation.

- **Turnover***:* Describes changes in the work force resulting from voluntary or involuntary resignations.

9.9 SELFASSESSMENT QUESTIONS

Q1.   What does induction involve?

Q2.   Explain different types of employee separations.

Q3.   Explain the employee placement model.

9.10   LESSON END EXERCISE

Q1.   Explain the causes of employee attrition.

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_____

_____

_____

Q2.   Did the younger staff really lacked dedication and failed to appreciate the career opportunities provided by the firm?

_____

_____

_____

_____

Q3. Explain different types of promotions. What principles should be kept in mind while

promoting the employees?

_____

_____

_____

_____

9.11	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

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EMPLOYEE TRAINING AND PERFORMANCE
PERFORMANCE APPRAISAL

10.0   LEARNING OBJECTIVES & OUTCOMES

Learning Objectives

1.   To understand the concept and purpose of performance appraisal in organisational settings.

2.   To discuss the difference between performance management and performance appraisal

3.   To identify the characteristics that make performance appraisals effective tools for employee evaluation.

4.   To comprehend the importance of performance appraisals in enhancing employee performance and organisational growth.

5.   To familiarize with different performance appraisal methods, including traditional and modern approaches.

6.   To understand the importance of employee training in improving performance and achieving organisational goals.

7.   To explore Various Methods: Familiarize with different employee training methods, including traditional and modern approaches.

Learning Outcomes

After completing this lesson, students will be able to:

- Enumerate and describe the essential features that contribute to effective performance appraisals.

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- Provide reasons for implementing performance appraisals and how they benefit both employees and organisations.

- Differentiate between various performance appraisal methods and assess their applicability in different organisational contexts.

- Enumerate and describe the essential features that contribute to effective employee training programs.

- Justify the reasons for implementing employee training and how it benefits both employees and organisations.

- Differentiate between various employee training methods and assess their applicability in different organisational contexts.

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 organisation's detriment. Among the critics is quality guru W. Edwards Deming (1986), who labelled performance appraisal systems a "Deadly Disease" in organisations, 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 PERFORMANCE APPRAISAL

10.2.1 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 the organisation. 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 Performance appraisal are:

"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."

Edwin Flippo

"Performance Appraisal is the systematic evaluation of the individual with regards to his or her performance on the job and his potential for development."

Dale Beach

"Performance appraisal is a formal system of review and evaluation of individual or team task performance".

R.Wayne Mondy

"Performance appraisal means evaluating an employee's current and/or past performance relative to his or her performance standard".

Gary Dessler

"Performance appraisal" has been identified as one of the most complex phenomenon 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.

The Three -Step Performance Appraisal Cycle
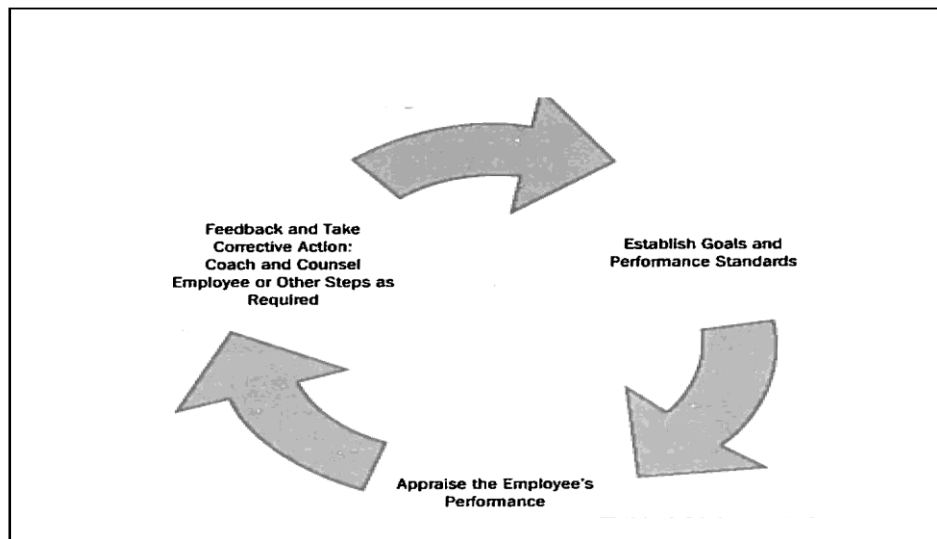
10.2.2 Advantages

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

1. **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.

2. **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 include bonus, high salary rates, extra benefits, allowances and pre-requisites are dependent on performance appraisal. The criteria should be merit rather than seniority.

3. **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.

4. **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.

5. **Communication:** For an organisation, 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.

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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.

6. **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.

A. CHECK YOUR PROGRESS

Multiple Choice Questions

1. Which of the following best defines performance appraisal?

A training session for new employees

B. A method to track sales performance only

C. A systematic evaluation of an employee's job performance

D. A reward system for senior employees

Answer: C

2. One of the main objectives of performance appraisal is:

A. To reduce the workforce

B. To punish underperforming employees

C. To provide feedback for employee development

D. To terminate temporary employees

Answer: C

3. Which of the following is a merit of performance appraisal?

A. Creates conflict between employees

B. Encourages favoritism

C. Helps in identifying training needs

D. Reduces motivation

Answer: C

4. Which of the following is a traditional technique of performance appraisal?

A. 360-degree feedback

B. Rating scales

C. Management by Objectives (MBO)

D. Balanced Scorecard

Answer: B

5. One of the modern techniques of performance appraisal is:

A. Paired comparison

B. Critical incident method

C. Confidential report

D. 360-degree feedback

Answer: D

10.3 APPROACHES AND MEHODS OF PERFORMANCE APPRAISAL

APPROACHES TO PERFORMANCE APPRAISAL

Generally speaking, three approaches are used in making performance appraisal:

(a) **A causal, unsystematic, and often haphazard appraisal:** This method was commonly used in the past, but now it has given place to a more formal method, the main basis being seniority or quantitative measures of quantity and quality of output for the rank-and-file personnel.

(b) **The traditional and highly systematic measurement:** It evaluates employee's characteristics and employee's contributions, or

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both in all the performances in the same manner, utilising the same approach, so that the ratings obtained of separate personnel are comparable.

(c) **The behavioural approach, emphasising mutual goal-setting:** According to McGregor, in the traditional approach, the supervisor is placed in the position of "Playing Gods." He judges and at times criticizes the personal worth of his men. Therefore, emphasis has been laid upon providing mutual goal-setting and appraisal of progress by both the appraiser and the appraises. This approach is based on the behavioural value of fundamental trust in the goodness, capability and responsibility of human being.

Following are the methods used by the organisations for Performance Appraisal of their employees:

Performance Appraisal Methods

Traditional Methods	Modern Methods
Ranking	BARS
Forced Distribution	MBO
Paired Comparison	Assessment Centres
Confidential Report	Human Resource Accounting
Essay Appraisal	360 - Degree feedback
Critical Incident	Peer Appraisals

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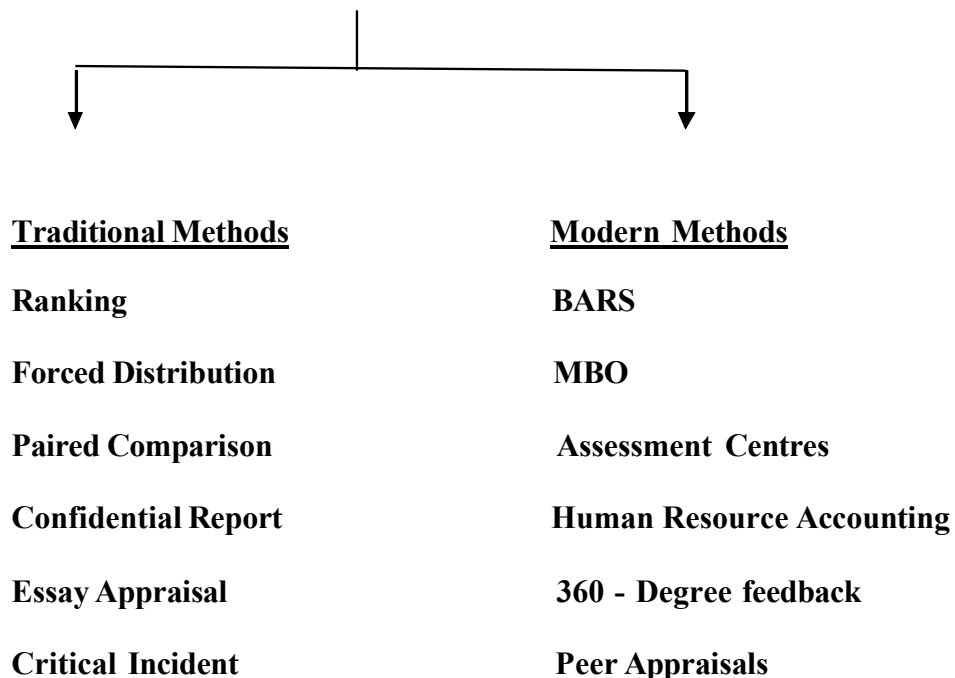
Checklists   **Rating committees**

Rating Scale   **Self Ratings Appraisal by**
                                        subordinates

10.1.3 Traditional Methods

a)   Ranking: 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

- Employees are ranked according to their performance levels.

- It is easier to rank the best and the worst employee.

Limitations of Ranking

- 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

organisation. The ranking system does not eliminate the possibility of snap judgements.

b)   Forced Distribution

This is a ranking technique where raters are required to allocate a certain percentage of rates to certain categories (e g. superior, above average, average) or percentiles (e g. 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 rater's 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   **(Yes/No)**

☐☐   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

Weighted Checklist (Performance Rating Scale 1-5)

		Weights
☐☐	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 comparisons 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.

Note: + means "better than," − means "worse than." For each chart, add up the number of +'s in each column to get the highest-ranked employee.

FOR THE TRAIT "QUALITY OF WORK"

As Compared to:	A Art	B Maria	C Chuck	D Diane	E José
A Art		+	+	−	−
B Maria	−		−	−	−
C Chuck	−	+		+	−
D Diane	+	+	−		+
E José	+	+	+	−	

Maria ranks highest here

FOR THE TRAIT "CREATIVITY"

As Compared to:	A Art	B Maria	C Chuck	D Diane	E José
A Art		−	−	−	−
B Maria	+		−	+	+
C Chuck	+	+		−	+
D Diane	+	−	+		−
E José	+	−	−	+	

Art ranks highest here

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

FIGURE: One Item from an Appraisal Form Assessing Employee Performance on Specific Job- Related Skills

POSITION: PIZZA CHEIF				
SKILL 1: BE ABLE TO MAINTAIN ADEQUATE INVENTORY OF PIZZA DOUGH			RATING	
Each round pizza dough must be between 12 and 14 ounces each, kneaded at least 2 minutes before being placed in the temperature and humidity-controlled cooler, and kept there for at least 5 hours prior to use. There should be enough, but no more for each day's demand.	Needs improvement		Satisfactory	Excellent

f)   Essay Appraisal

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

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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

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.

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- 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

10.3.2 Modern Methods

Below mentioned are the modern methods of Performance Appraisal:

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

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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.

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 organisation. HRA is the process of Assigning, budgeting, and reporting the cost of human resources incurred in an organisation, including wages and salaries and training expenses.

Human resources are valuable assets for every organisation. 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- d e g r e e 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 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 organisation 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 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 organisation, to examine the acceptance of any change by the employees in an organisation and to promote self-development in an individual. It must be noted that the assessment of individual by other people is subjective. 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 feedback on how other people perceive and assess him as an employee. 360-degree feedback is beneficial to both an individual as well as organisation. It leads to pooling of information between individual and other organisational members. It encourages teamwork as there is full involvement of all the top managers and other individuals in the organisation. It stresses upon internal customer satisfaction. It develops an environment of continuous learning in an organisation. Based on a 360-degree feedback, the individual goals and the group goals can be correlated to the organisational strategy, i.e., the individual and the group can synchronize their goals with the organisational 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.

FIGURE: Online 360-Degree Feedback

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

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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.

g) Peer Appraisals

In any case, relying only on supervisors' ratings is not always wise. For example, an employee's supervisor may not understand or appreciate how customers and colleagues who interact with the employee rate his or her performance. Furthermore, there is always some danger of bias for or against the employee. If so, managers have several options.

With more employees working in teams, appraisal of an employee by his or her peers—peer appraisal—is popular. Typically, an employee due for an annual appraisal chooses an appraisal chairperson, the latter then selects one supervisor and three peers to evaluate the employee's work.

h) Rating Committees

Some companies use rating committees. A rating committee is usually composed of the employee's immediate supervisor and three or four other

supervisors.

Using multiple raters is advantageous. It can help cancel out problems such as bias on the part of individual raters.

i)   Self-Ratings

Some employers obtain employees' self-ratings, usually in conjunction with supervisors' ratings. The basic problem, of couge, is that employees usually rate themselves higher than do their supervisors or peers.

j)   Appraisal by Subordinates

Many employers have subordinates rate their managers, usually for developmental rather than for pay purposes. Anonymity affects such upward feedback. Managers who get feedback from subordinates who identify themselves view the upward feedback process more positively than do managers who get anonymous feedback. However, subordinates prefer giving anonymous responses, and those who must identify themselves tend to give inflated ratings.

k)   "Crowd" Appraisals

More employers are using social media—based appraisals to let everyone in the company (the "crowd") appraise each other. Workforce Rypple (http://work.com/) is one such "social performance management platform." Basically, it supplements traditional appraisals. Employees and managers use it to set goals, and to provide feedback and recognition.

TABLE Important Similarities, Differences, and Advantages and Disadvantages of Appraisal Tools

Tool	Similarities/Differences	Advantages	Disadvantages
Graphic rating scale	These scales both aim at measuring an employee's *absolute* performance based on objective criteria as listed on the scales.	Simple to use; provides a quantitative rating for each employee.	Standards may be unclear; halo effect, central tendency, leniency, bias can also be problems.
BARS		Provides behavioral "anchors." BARS is very accurate.	Difficult to develop.
Alternation ranking	These are both methods for judging the *relative* performance of employees relative to each other, but still based on objective criteria.	Simple to use (but not as simple as graphic rating scales); avoids central tendency and other problems of rating scales.	Can cause disagreements among employees and may be unfair if all employees *are*, in fact, excellent.
Forced distribution method		End up with a predetermined proportion of people in each group.	Appraisal results depend on the adequacy of your original choice of cutoff points (for top 10%, and so on).
Critical incident method	These are both subjective, narrative methods for appraising performance.	Helps clarify what exactly is "right" and "wrong" about the employee's performance; forces supervisor to size up subordinates on an ongoing basis.	Difficult to rate or rank employees relative to one another.
MBO		Tied to agreed-upon performance objectives.	Time consuming.

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 organisation. 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.

10.4 PERFORMANCE APPRAISAL PROCESS

The performance appraisal process can be summarised as under:

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┌─────────────────────────────────────────┐
│   Establishing performance standards     │
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                    ↓
┌─────────────────────────────────────────┐
│       Communicating the standards        │
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                    ↓
┌─────────────────────────────────────────┐
│     Measuring the Actual Performance     │
└─────────────────────────────────────────┘
                    ↓
┌─────────────────────────────────────────┐
│   Comparing actual performance with      │
│         desired performance:             │
└─────────────────────────────────────────┘
                    ↓
┌─────────────────────────────────────────┐
│                Feedback                  │
└─────────────────────────────────────────┘
                    ↓
┌─────────────────────────────────────────┐
│         Taking corrective actions        │
└─────────────────────────────────────────┘
```
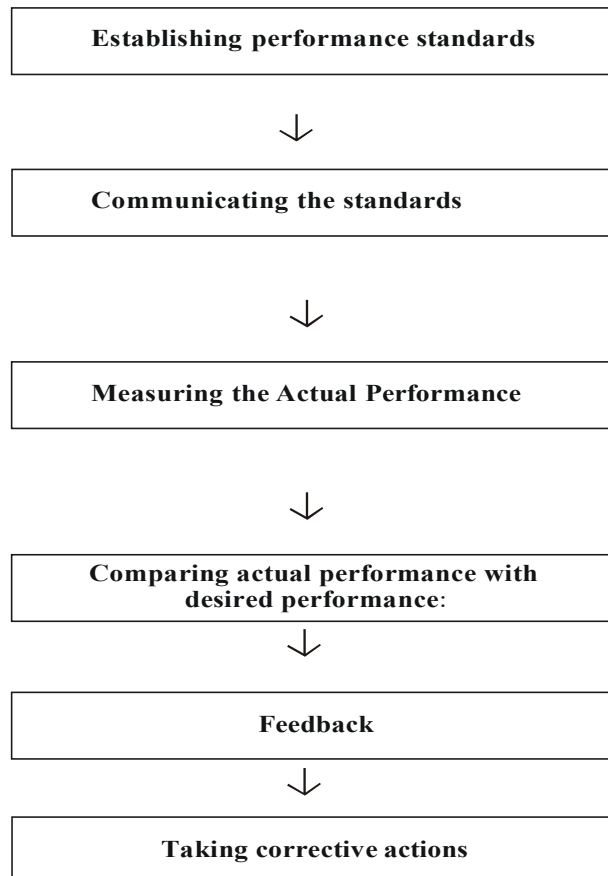
1.   **Establishing performance standards:** The first step in the process of performance appraisal is the setting up of the standards which will be used to as the base to compare the actual performance of the employees. This step requires setting the criteria to judge the performance of the employees as successful or unsuccessful and the degrees of their contribution to the organisational goals and objectives. The standards set should be clear, easily understandable and in

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measurable terms. In case the performance of the employee cannot be measured, great care should be taken to describe the standards.

2. **Communicating the standards:** Once set, it is the responsibility of the management to communicate the standards to all the employees of the organisation. 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.

3. **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.

4. **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 organisational performance. It includes recalling, evaluating and analysis of data related to the employees'

performance.

5. **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.

6. **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 affect overall performance of the organisation.

10.5 ETHICS OF PERFORMANCE APPRAISAL

Every manager should be concerned with ethics, otherwise he may encounter several problems in appraising performance of subordinates.

Essential ethics of an effective appraisal system for managers are :

1. **Reliability and Validity**: Appraisal system should provide consistent, reliable and valid information and data which can be used to defend the organisation-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

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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.

B. CHECK YOUR PROGRESS

Case Study: Implementing a Performance Appraisal System at Baker Tilly

Company Overview

Baker Tilly is a national advisory CPA firm with a workforce of approximately 2,500–5,000 employees. The firm recognized the need to overhaul its performance management system to better align with its strategic goals and enhance employee development.

Objective

The primary objective was to implement a performance appraisal system that:

Facilitates continuous feedback and coaching.

Aligns individual performance with organisational goals.

Improves employee engagement and retention.

Challenges

Prior to the implementation, Baker Tilly faced several challenges:

- An outdated performance management system that was cumbersome and ineffective.

- Low engagement in performance reviews, with completion rates around 70%.

- Lack of structured feedback and developmental support for employees.

Implementation Strategy

Baker Tilly adopted a phased approach to implement the new performance appraisal system:

Needs Assessment: Conducted surveys and focus groups to gather input from employees and managers on desired features and improvements.

System Selection: Chose Quantum Workplace's performance management solutions, which offered tools for feedback, goal setting, and recognition.

Pilot Program: Launched a pilot program with select departments to test the new system and gather feedback.

Full Rollout: Based on pilot feedback, the system was refined and rolled out company-wide.

Training and Support: Provided training sessions for managers and employees to ensure effective use of the new system.

Outcomes

The implementation of the new performance appraisal system yielded significant improvements:

Completion Rates: Performance review completion rates increased from 70% to 100%.

Feedback Quality: Employees received more structured and constructive feedback, leading to improved engagement.

Alignment: Better alignment between individual performance and business goals.

Employee Development: Enhanced focus on career development and growth opportunities.

10.6 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 organisation 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 organisational objectives. It occupies planned learning activities premeditated to develop an employee's performance at her/his recent job."

10.6.1 Objectives of Training

1. **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.

2. **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.

3. **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.

4. 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.

5. **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.

6. **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. 7 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

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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 organisation. 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.

1. **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.

2. **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.

3. **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.

4. **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**

1. **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

2. **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) **Headse**t 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.

3. **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:

(i) 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."

(ii) 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.

(iii) 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.

(iv) **The user interface component** "integrates three types of information that are needed in carrying out a dialogue: knowledge about patterns of interpretation and action 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.

10.8	TRAINING PROCESS

The steps of Training Process are as under:

a)   **Organisational 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

what 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 or 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.

- Offsite such as a university, college classroom hotel, etc.

e)   Designing training and development program:

Designing the training programmes 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 programmes:

Program implementation involves actions on the following lines:

- Deciding the location and organizing training and other facilities

- Scheduling the training programmes.

- Conducting the programmes.

- 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 programmes 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 programmes. In the practice, however organisations either overlook or lack facilities for evaluation.

10.9 LET US SUM UP

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.

10.10 GLOSSARY

1. **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.

2. **Ethics:** A philosophy principle concerned with opinions about appropriate and inappropriate moral conduct or behaviour by an

individual or social group.

3. **Feedback:** Positive or negative information provided to an individual in the form of coaching or counselling regarding his or her performance or behaviour.

4. **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.

5. **Forced distribution:** An appraisal rating method intended to prevent rater errors by requiring the rater to force ratings into a bell-shaped curve.

6. **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

7. **Performance appraisal**: A periodic review and evaluation of an individual's job performance.

8. **Performance standards**: The tasks, functions or behavioural requirements established by the employer as goals to be accomplished by an employee.

9. **Training aids:** Any form of audio or visual materials used for training purposes.

10. **Training and development**: A process dealing primarily with transferring

or obtaining knowledge, attitudes and skills needed to carry out a specific activity or task.

11. **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.

10.11 SELF ASSESSMENT QUESTIONS

Q1. 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.

10.12 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.

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Q2.   What is the various traditional method for imparting training?

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10.13 SUGGESTED READING

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COMPENSATION AND GRIEVANCE REDRESSAL
MECHANISM AND JOB EVALUATION

STRUCTURE

11.0   Learning Objectives and Outcomes

11.1   Introduction

11.2   Concept & need of job evaluation

11.3   Job evaluation process

11.4   Job evaluation techniques

11.5   Let us sum up

11.6   Glossary

11.7   Self-Assessment Questions

11.8   Lesson End Exercise

11.9   Suggested Readings

Learning objectives

1. To outline the concept of job evaluation

2. To explain the importance of job evaluation in achieving internal equity and supporting fair compensation systems.

3. To describe the key steps involved in the job evaluation process, including planning, data collection, evaluation, and communication.

4. To identify and compare major job evaluation methods, such as ranking, classification, point-factor, and factor comparison.

5. To analyse how job evaluation contributes to organisational goals like employee retention, pay equity, and performance alignment.

Learning Outcomes

After studying this lesson, students should be able to:

*   Articulate the definition and purpose of job evaluation in the context of human resource management.

*   Recognize the necessity of job evaluation for maintaining internal consistency and supporting pay equity within organizations.

*   Outline the systematic process of conducting a job evaluation, from preparation to implementation and review.

*   Differentiate between various job evaluation methods and assess their applicability in different organisational contexts.

*   Evaluate the impact of job evaluation on employee engagement, retention, and overall organisational effectiveness.

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.

By implementing job evaluation, organizations can achieve internal equity, where similar jobs receive similar pay, and external competitiveness, aligning compensation with market rates. This dual focus helps in attracting and retaining talent, promoting employee satisfaction, and ensuring compliance with labor laws. There are various methods of job evaluation, including the ranking method, job classification, point-factor method, and factor comparison. Each method has its advantages and is chosen based on the organization's size, complexity, and specific needs.

In contrast, market pricing uses external labor market data to set job worth. While market pricing emphasizes external competitiveness, it may lack sufficient or reliable data for all positions. Therefore, combining job evaluation with market pricing can provide a comprehensive approach to compensation planning.

11.2   CONCEPT & NEED 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.

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- 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

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

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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.)

A. CHECK YOUR PROGRESS

   Multiple Choice Questions

1. What is the primary purpose of job evaluation in an organization?

A. To recruit the best candidates

B. To determine employee satisfaction

C. To establish a rational pay structure

D. To assess employee performance

Answer: C

2. Why is job evaluation needed in an organization?

A. To randomly assign job titles to employees

B. To determine training needs for employees

C. To establish fair and equitable pay structures

Answer: C

3. What is the primary purpose of job evaluation in human resource
   management?

A. To measure employee performance

B. To determine the relative worth of jobs in an organization

C. To recruit new employees

D. To write job descriptions

Answer: B.

4. Which of the following is a direct outcome of effective job evaluation?

A. Increased sales revenue

B. Improved branding strategy

C. Internal equity in compensation

D. Higher product innovation

Answer: C

5. What is the first step in the job evaluation process?
A. Job ranking
B. Collecting salary data
C. Planning and setting objectives
D. Conducting interviews with job holders
Answer: C
6. Which job evaluation method assigns numerical values to various job

11.3   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 step** is to 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 **forth 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

Skill : Education, Experience, Communication
Efforts: Mental Effort, Problem Solving, Concentration and Complexity
Responsibility: Financial Responsibility, ,Supervision, Freedom to Act, Decision-making, Contacts with others and Operational Latitude
Working Conditions: Mental Demand, Physical Effort, Visual Demand

Table11.2: Point Value of Each Factor

Degrees

Factors	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

11.4 JOB EVALUATION TECHNIQUES/METHODS

The next step in the job evaluation process is to select or design a technique 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.

Types of Job Evaluation Methods

Non-Analytical Methods   (Non Quantitative   Analytical Methods   (Quantitative
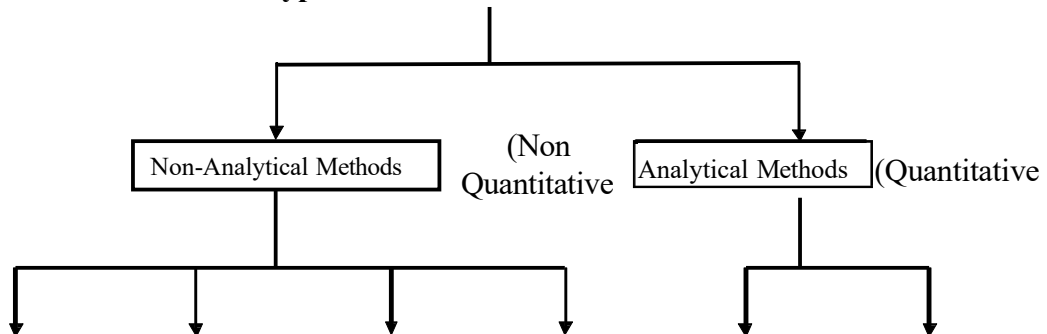
Ranking Method	Classification Method	Paired Comparison Ranking	Internal Benchmarking	Factor Comparison Method	Point Method

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 organisational ranking. The following table is a hypothetical illustration of ranking of jobs.

Table11.4: 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.

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- 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:

1. **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.

2. **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.

3. **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.

4. **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.

5. **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

1. Comparatively simple and easily administered.

2. It takes into account all the factors that a job comprises.

3. Since written job descriptions are used evaluation of jobs tend to be more accurate than under ranking system.

Disadvantages

1. Classification is in general terms and only an overall assessment is possible.
2. 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

3. Placing jobs in classes is very much influenced by the existing wage rates

4. It is difficult to write all-inclusive descriptions of a grade.

5. When individual job descriptions and grade descriptions do not match well, the evaluators have the tendency to classify the job using their subjective judgments.

6. 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

CLERICAL WORKER CLASSIFICATION SYSTEM	
Class I	Simple work, no supervisory responsibility, no public contact
Class II	Simple work, no supervisory responsibility, public contact
Class III	Work of medium complexity, no supervisory responsibility, public contact
Class IV	Work of medium complexity, supervisory responsibility, public contact
Class V	Complex work, supervisory responsibility, public contact.

Source: Marc J.Wallence Jr. and Charles H.Fay, *"Compensation Theory and Practices".*

Grading the Jobs

```
                              Managing Director
                                     |
        ┌────────────────────────────┼────────────────────────────┐
Grade-VI  General Manager    General Manager    General Manager
                 I                   II                 III
                 |                   |
        ┌────────┼──────────┬────────────────┐
      Marketing         Finance         Production       Personnel
Grade-V  Manager         Manager          Manager         Manager
         |                  |                |               |
      Deputy            Deputy           Deputy          Deputy
Grade-IV Marketing      Marketing        Personnel       Personnel
      Manager           Manager          Manager         Manager
                          |                              |
                     ┌────┴────────────────────────────┐
                  Assistant                        Assistant
Grade-III         Personnel                        Personnel
                  Manager                           Manager
                          |
                     ┌────┴─────────┐
                 Personnel        Personnel
Grade-II         Officer          Officer
                     |
                ┌────┴─────────┐
             Personnel       Personnel
Grade-I      Assistants      Assistants
```

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

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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-b y - f a c t o r 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 organisation. 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.

Computerized Job Evaluation:

Using quantitative job evaluation methods such as the point method can be time-consuming. Accumulating the information about "how much" ofeach compensable factor the job contains is a tedious process. The evaluation committees must debate the level of each compensable factor in each job. They then write down their consensus judgments and compute each job's point values or rankings.

Computer-aided job evaluation streamlines this process. Most of these computerized systems have two main components." There is, first, a structured questionnaire. This contains items such as "enter total number of employees who report to this position" Second, such systems may use statistical models. These allow the computer program to price jobs more or less automatically, by assigning points.

B. CHECK YOUR PROGRESS

Fill in the Blanks

i. The _____ method ranks jobs in order based on their relative importance or value to the organisation.

Answer: Ranking

ii. The _____ method uses a benchmark job as a standard for comparing other jobs.

Answer: Factor comparison

iii. The ranking method lacks _____, which can make it less reliable for large organisations.

Answer: Objectivity

iv. In the _____method, jobs are grouped into predetermined grades or classes.

Answer: Classification

v. _____is used to determine the relative worth of jobs within an organisation.

Answer: Job evaluation

vi. One key objective of job evaluation is to ensure _____ in compensation.

Answer: internal equity

vii. The _____used in job evaluation may include skill level, effort, responsibility, and working conditions.

Answer: compensable factors

viii. A major advantage of the point-factor method is its high degree of _____.

Answer: systematic objectivity

11.5   LET US SUM UP

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.

11.6   GLOSSARY

1.   **Analytical:** A method of job evaluation which involves assessing the worth of a job by dividing it into factors.

2.   **Factors**: The main elements or characteristics of a range of jobs which

can be defined and assessed. Factors are divided into levels.

3.   **Factor levels**: A set of agreed criteria to allow the factor to be broken down into elements.

4.   **Factor plan**: The combined number of factors against which jobs will be evaluated.

5.   **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.

6.   **Job Classification**: A hierarchical structure of jobs, usually arranged into classes or pay grades according to some form of job evaluation.

7.   **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.

8.   **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.

9.   **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.

10. **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.

11. **Job Title**: A label for a job that uniquely identifies it.

12. **Non-analytical:** A method of job evaluation which involves assessing a job as a whole without considering factors separately.

13. **Rank order**: The hierarchical relationship of jobs to each other.

14. **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.

15. **Weighting**: The process of differentiating between factors to reflect their importance relative to other factors.

11.7   SELFASSESSMENT 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?

_____
_____
_____

11.8 LESSON END EXCERCISE

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.

_____
_____
_____
_____

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?

_____
_____
_____
_____

Q3.   Write a detailed note on the concept of Job Specification and Job description.
       _____
       _____
       _____
       _____

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WAGE & SALARY ADMINISTRATION STRUCTURE

STRUCTURE

12.0   Learning Objectives & Outcomes

12.1   Introduction

12.2   Meaning of Wages and Salary, Wage Concepts

12.3   Objectives wage and salary administration

12.4   Principles of wage and salary administration

12.5   Factors affecting Wage and Salary structure

12.6   Wage Determination Process

12.7   Types of Wages, Theories of Wages

12.8   Let us sum up

12.9   Glossary

12.10   Self- Assessment Questions

12.11   Lesson End Exercise

12.12   Suggested Readings

12.0 LEARNING OBJECTIVES & OUTCOMES

Learning Objectives

1. To differentiate between different concepts regarding wages and salary

2. To understand the primary goals of wage and salary administration.

3. To comprehend the fundamental principles guiding wage and salary administration.

4. To apply these principles to develop fair and effective compensation structures.

5. To enhance their knowledge about factors affecting salary and wages administration as well as the process of wages and salary administration.

Learning Outcomes

After completing this module, learners will be able to:

*   Differentiate clearly between key compensation concepts such as wages, salaries, allowances, incentives, and benefits.

*   Explain the core objectives of wage and salary administration, including internal equity, external competitiveness, and compliance with labour laws.

*   Describe and interpret the guiding principles of effective wage and salary management, such as fairness, transparency, consistency, and alignment with organisational goals.

- Apply wage and salary administration principles to design equitable and motivating compensation structures suitable for various organisational settings.

- Analyse the internal and external factors (e.g., labour market conditions, job evaluation results, organisational policies, legal requirements) that influence wage and salary decisions.

- Outline and evaluate the step-by-step process of administering wages and salaries, from job analysis and evaluation to salary structure design and performance-based adjustments.

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. In India, the determination of wages is a multifaceted process influenced by various institutional mechanisms. These include collective bargaining, industrial wage boards, government-appointed pay commissions, and adjudication by courts and tribunals. The Minimum Wages Act of 1948 empowers both Central and State Governments to fix and revise minimum wages for scheduled employments, leading to a complex system with significant variations across different regions and occupations. This intricate wage structure often results in disparities and perceptions of unfairness among employees, especially when individuals with similar qualifications and experience receive different compensation. Such inconsistencies can lead to dissatisfaction and decreased morale within the workforce. Moreover, the lack of standardized norms and the prevalence of ad-hoc decisions in wage fixation exacerbate these issues, making it imperative to view compensation through economic, psychological, legal, and growth-oriented lenses to ensure equity and motivation among employees.

12.2 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 organisational problems, development and maintenance of wage structure, establishing rules for administrating 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"

1. **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

2. **Salary:** Paid to white collar workers-paid monthly-paid to employees whose contribution cannot be easily measured

3. **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. This 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 low 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 paisa 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 lo 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 endeavor 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 slate 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 depend 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.

12.3 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.

A. CHECK YOUR PROGRESS

Fill in the Blanks

i. The ----------is the lowest wage that an employer is allowed to pay, ensuring the basic survival of the worker.

Answer: Minimum wages

ii. --------are wages that provide not only for the bare necessities but also for a standard of life that includes comfort, health, and education.

Answer: Living wages

iii. ------- lie between minimum and living wages and take into account the capacity

of the employer to pay and the prevailing wage levels in the industry.

Answer: Fair wages

True or False

1. The minimum wage is the highest salary paid to employees in managerial positions.

   Answer: False

2. Living wages are intended to provide a decent standard of living beyond just basic survival.

   Answer: True

3. Fair wages consider both the employer's capacity to pay and prevailing industry wages.

   Answer: True

4. Minimum wage laws are implemented to ensure workers are paid below the poverty line.

   Answer: False

5. A living wage is legally mandated in most countries like the minimum wage.

   Answer: False

6. Fair wages may vary across industries based on the profitability and wage norms of each industry.

   Answer: True

7. Minimum wage is always higher than the living wage.

Answer: False

12.4   PRINCIPLES OF WAGE AND SALARY ADMINISTRATION

The following principles should be followed for an effective wage and salary administration:

1.   Wage policy should be developed keeping in view the interests of all concerned parties viz., employer, employees, the consumers and the society.

2. Wage and salary plans should be sufficiently flexible or responsive to changes in internal and external conditions of the organisation.

3. 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.

4. Wage and salary administration plans must always be consistent with overall organisational plans and programmes.

5. 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.

6. These plans and programmes should be responsive to the changing local and national conditions.

7. Wage and salary plans should expedite and simplify administrative process.

8. Workers should be associated, as far as possible, in formulation and implementation of wage policy.

9. An adequate data base and a proper organisational set up should be developed for compensation determination and administration.

10. The general level of wages and salaries should be reasonably in line with that prevailing in the labour market.

11. 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.

12. The workers should receive a guaranteed minimum wage to protect them against conditions beyond their control.

13. Prompt and correct payments to the employees should be ensured and arrears of payment should not accumulate.

14. The wage and salary payments must fulfil a wide variety of human needs including the need for self-actualization.

15. Wage policy and programmes 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.

12.5 FACTORS AFFECTING WAGE AND SALARY STRUCTURE

The wages and salary are 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

Employed
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Economy

Trade unions

Labour Market

bargaining power

Wage policy
of the
organisa
tion

Cost of Living

muneration

Abili
ty to
Pay

Government
legislation

Mgt.   Job
Strategy   Requirements

Technological
Development

Psychological
&
Social factor

Prevailing
Market Rates

Figure 12.1
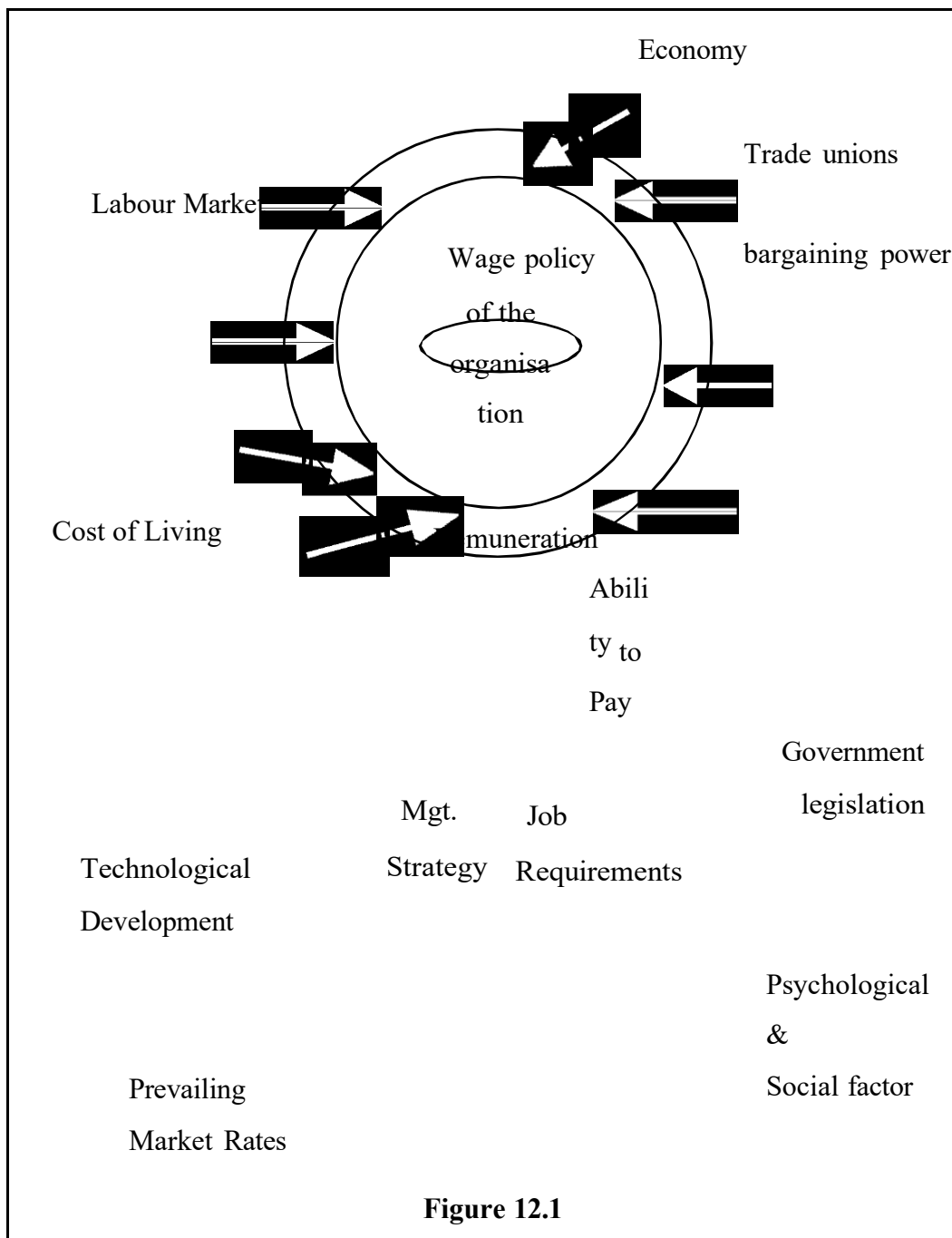
a) **External factors influencing Wage and Salary Administration**

1. **Labour Market**: The labour market conditions or demand and supply forces operate at the national and local levels and determine organisational wage structure. When the demand of a particular type of labour is more and supply is less than 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 are 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 well 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.

B. CHECK YOUR PROGRESS
　Choose the Correct Option
1. Which of the following is an internal factor affecting wage and salary administration?
i. Government legislation
ii. Supply and demand of labour
iii. Company's ability to pay
Answer: C
iv Cost of living
2. Which of the following is a method used to evaluate jobs for salary structure?
i. Recruitment process
ii. Job evaluation
iii. Performance appraisal
iv. Employee engagement
Answer: B
3. Which of the following is a guiding principle of effective wage and salary administration?
A. Unpredictability
B. Arbitrary pay scales
C. Internal equity
D. Irregular incentives

12.6 WAGE 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

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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 raise 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 raided 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
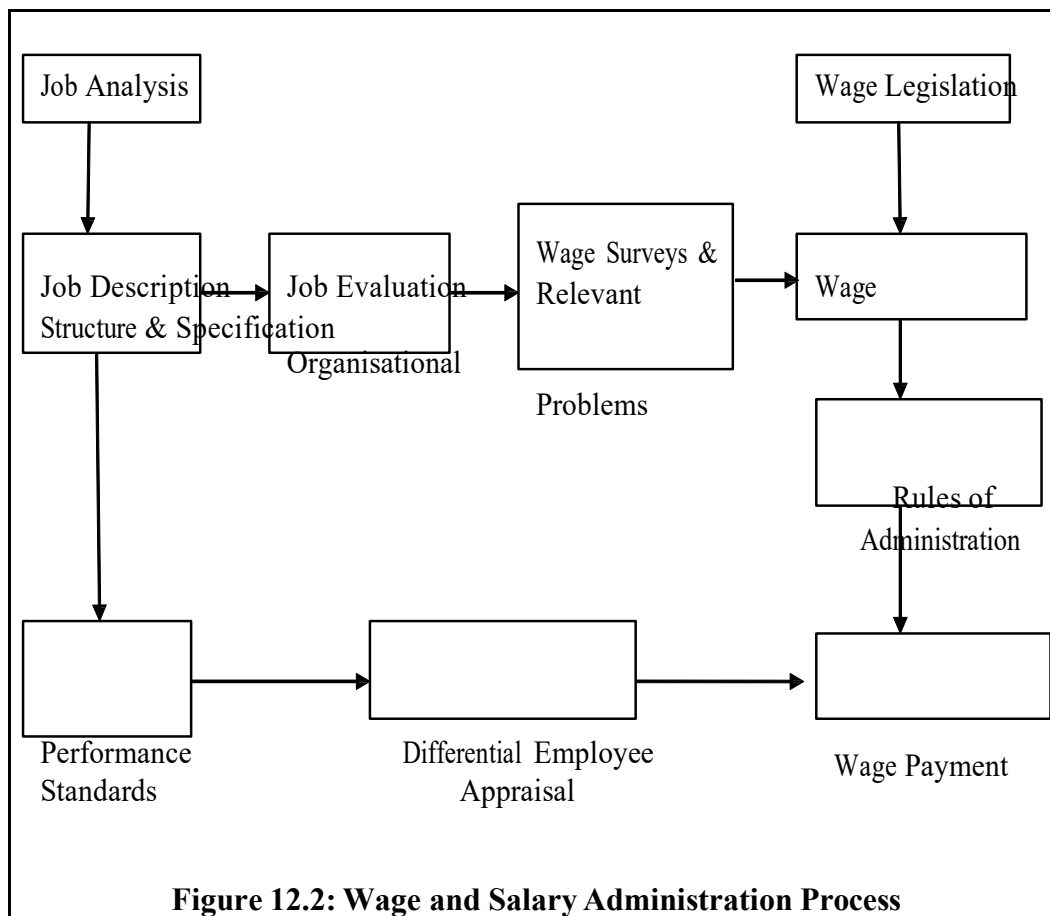
12.7	TYPES OF WAGES, THEORIES OF WAGES

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:

- Time wage

- Piece wage

- 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

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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 beforehand. 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.

   (i)   First limit is for new workers and is very low.

   (ii)   Second limit is for workers with average efficiency.

   (iii)   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:

(i)   1% bonus on 67.5 efficiency.

(ii)   10% bonus on 90% efficiency.

(iii) 20% bonus on 100% efficiency.

(iv)   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.

C. CHECK YOUR PROGRESS

Case Study: Enhancing Wage and Salary Administration in Ludhiana Municipal Corporation

Introduction

Effective wage and salary administration is pivotal for maintaining employee morale, ensuring organisational efficiency, and upholding public trust. In Ludhiana, Punjab, the Municipal Corporation faced challenges related to delayed salary disbursements, leading to employee dissatisfaction and potential disruptions in civic services. Recognizing the gravity of the situation, Mayor Inderjit Kaur initiated reforms to streamline the salary administration process.

Background

Municipal employees in Ludhiana had been experiencing consistent delays in receiving their salaries, often beyond the stipulated date of the 10th of each month. These delays not only affected the financial well-being of the employees but also had the potential to impact the delivery of essential civic services to the public.

Consequences of Ineffective Salary Administration

1. **Employee Morale and Productivity:** Delayed salaries led to decreased motivation among employees, affecting their productivity and commitment to work.

2. **Service Delivery:** Disgruntled employees posed a risk to the consistent delivery of municipal services, potentially leading to public dissatisfaction.

3. **Public Trust:** Persistent administrative inefficiencies eroded the public's trust in the municipal governance system.

Reform Measures Implemented

In response to these challenges, Mayor Inderjit Kaur convened a meeting with senior officials, including the senior deputy mayor, deputy mayor, drawing and disbursing officers (DDOs), and salary clerks. The following directives were issued.

- **Timely Salary Disbursement:** All salary-related paperwork must be finalized by the end of each month to ensure salaries are released by the 10th.

- **Accountability:** DDOs and salary clerks were warned of disciplinary actions in case of delays.

- **Clerical Support:** Clerical staff were instructed to maintain regular attendance to assist employees with salary-related issues.

- **Operational Reforms:** Efforts were initiated to streamline internal operations, aiming to enhance governance and improve the efficiency of civic services.

Outcomes

The implementation of these measures led to noticeable improvements:

- **Employee Satisfaction:** Timely salary payments boosted employee morale and job satisfaction.

- **Enhanced Service Delivery:** With improved employee motivation, the quality and consistency of municipal services saw an uptick.

- **Restored Public Trust:** Proactive governance and administrative efficiency helped in regaining public confidence in the municipal corporation.

Conclusion

This case underscores the critical importance of effective wage and salary administration in public sector organizations. Timely and transparent compensation processes not only ensure employee well-being but also play a significant role in maintaining the quality of public services and trust in governance structures.

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 oring 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

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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 overfulfilling 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 provide 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

According to section 3 of the Minimum wages Act 1948 "The Appropriate Government" will fix minimum wages. The Appropriate Govt. can include local, state and central Govt. This section sets the rate according to hours, days, months or any other wage period may be prescribed.

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 Minium 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, qualfying, 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.

D. CHECK YOUR PROGRESS

Match the following

i.Subsistence Theory	1. Wages are determined by bargaining power of workers and employers
ii.Wage Fund Theory	2. Wages are determined based on the standard of living required
ii.Residual Claimant Theory	3. Wages are paid from a fixed fund set aside for labor
iv.Marginal Productivity Theory	4. Wages are determined by the worker's contribution to output
v.Bargaining Theory	5. Wages are the remainder after all other production costs are met

Answer Key:
i. 2
ii. 3
iii. 5
iv. 4
v. 1

12.8 LET US SUM UP

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.

12.9 GLOSSARY

1. **Differential Pay**: Compensation added to an employee's base salary as a result of conditions of employment, such as a shift differential.

2. **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.

3. **Incentive Compensation**: A reward that compensates an employee for high performance or for achievement above and beyond the defined normal job requirements.

4. **Salary:** Paid to white collar workers-paid monthly-paid to employees whose contribution cannot be easily measured

5. **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

6. **Wage And Salary Administration:** Procedures used for planning and administering organization-wide compensation programs for all levels of employees.

12.10 SELFASSESSMENT QUESTIONS

Q1.   "Money is motivating factor" justify this statement in your comment.

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Q2.   Discuss the wages and salary administration process.

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Q3.   Discuss various wage incentive plans. Which one is best and why?

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12.11 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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12.12 SUGGESTED READINGS

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BROADBANDING

STRUCTURE

13.0   Learning Objectives & Outcomes

13.1 Introduction

13.2   Concept of Broad Banding

13.3   Advantages of broad banding

13.4   Disadvantages of broad banding

13.5   Process of broad banding

13.6   Let us Sum Up

13.7   Glossary

13.8   Self- Assessment Questions

13.9   Lesson End Exercise

13.10 Suggested Readings

13.0   LEARNING OBJECTIVES & OUTCOMES

Learning Objectives

1. To define the concept of broad banding and understand how it differs from traditional pay structures.

2. To explain the rationale and strategic purpose behind implementing a broad banded pay system.

3. To identify the key advantages of broad banding in terms of flexibility, career development, and organisational responsiveness.

4. To recognise the disadvantages or challenges of broad banding, including potential issues with role clarity and pay compression.

5. To describe the process and steps involved in designing and implementing a broad banding structure within an organization.

Learning Outcomes

After reading this lesson, you will be able to:

- Define broad banding as a compensation structure that consolidates many pay grades into fewer, wider salary bands.

- Differentiate between broad banding and traditional job grading systems based on hierarchy and pay range structure.

- List the key advantages of broad banding, such as increased flexibility, simplified administration, and support for lateral career movement.

- Identify the main disadvantages, including lack of defined career progression and risks of pay inequity or compression.

- Outline the process of implementing broad banding, including job evaluation, grouping roles, setting ranges, and communication strategies.

- Assess the applicability of broad banding in dynamic or flat organisational structures and its alignment with strategic HR goals.

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. Broad banding simplifies complex pay systems by merging multiple narrow pay grades into a few wider salary bands, thereby offering greater flexibility in managing employee compensation. This structure not only supports a more dynamic and adaptable workforce, but it also emphasizes skill development, lateral career movement, and performance-based pay progression rather than just vertical promotions. As organizations continue to compete for top talent in a fast-paced and competitive market, broad banding remains a relevant and strategic tool for aligning compensation with evolving career paths, market rates, and internal equity.

13.2   CONCEPT OF BROAD BANDING

Broad banding is the combination of a number of related job classifications into a single pay bond, for which a Broad range of Compensation levels is allowed. This approach gives management a wider pay range within which to pay employees. Broad banding reduces the number of levels or layers within a company. This is the best face-saving way for an organisation to collapse Salary

Ranges and Supporting delayering. This flattens an organisational Structure and Reduces the hierarchy.

Broad banding is used by Payroll Departments in Human Resource Management.

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 on 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.

One expert argues that traditional quantitative evaluation plans actually reward inadaptability. 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 organisation and helps them to 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 organisations 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.

Broadbanding means collapsing salary grades into just a few wide levels or bands, each of which contains a relatively wide range of jobs and pay levels. Figure illustrates this. Here we consolidated the company's previous six pay grades into two broad grades or "broadbands."

A company may create broadbands for all its jobs, or for specific groups such as professionals. The pay rate range of each broadband is relatively large, since it ranges from the minimum pay of the lowest grade the firm merged into the broadband up to the maximum pay of the highest merged grade. Thus, for example, instead of having 10 salary grades, each of which contains a salary range of $15,000, the firm might collapse the 10 grades into three broadbands, each with a set of jobs such that the difference between the lowest- and highest-paid jobs might be $40,000 or more. There is thus a much wider range of pay rates. You can move an employee from job to job within the broadband more easily, without worrying about the employee's moving outside the relatively narrow rate range associated with a traditional narrow pay grade .
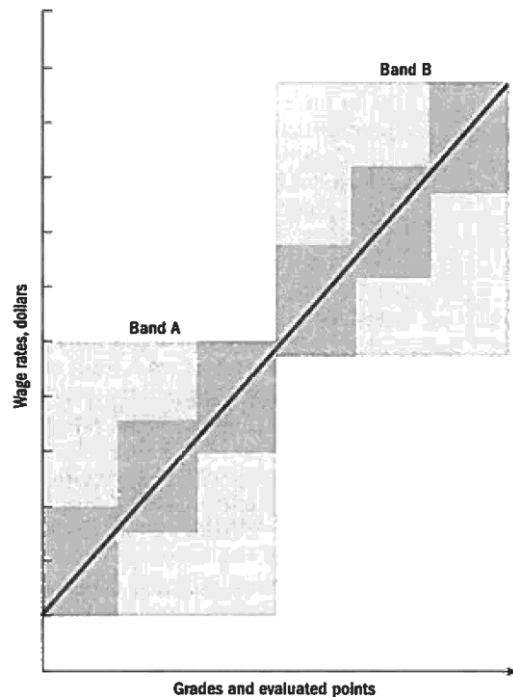
FIGURE: Broadbanded Structure and How It Relates to Traditional Pay Grades and Ranges

A. CHECK YOUR PROGRESS

I. Multiple Choice Questions

1. What is broad banding in compensation management?
A. A method to increase the number of salary grades
B. A strategy to consolidate multiple pay grades into fewer, wider salary bands
C. A system that eliminates salary bands entirely
D. A technique to assign salaries based solely on tenure
Answer: B

2. Broad banding is particularly beneficial in organizations that:
A. Maintain rigid hierarchical structures
B. Operate with flat hierarchies and self-managing teams
C. Avoid cross-functional roles
D. Emphasize tenure over skill development
Answer: B

3. Which of the following is a potential challenge of implementing broad banding?
A. Simplified job classifications
B. Enhanced career development opportunities
C. Difficulty in maintaining pay equity across broad bands

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D. Increased administrative costs
Answer: C
4. Broad banding supports which of the following organisational goals?
A. Rigid job roles and responsibilities
B. Limited employee mobility
C. Encouragement of skill development and lateral movement
D. Strict adherence to traditional promotion paths
Answer: C
5. What is a common reason organization adopting broad banding?
A. To increase the number of hierarchical levels
B. To simplify compensation structures and support organisational flexibility
C. To enforce strict job classifications
D. To reduce employee responsibilities
Answer: B

II. True or False
1. Broad banding involves consolidating multiple job classifications into a single pay band with a broad range of compensation levels.
Answer: True
2. The primary goal of broad banding is to increase the number of hierarchical levels within an organization.
Answer: False
3. Broad banding allows for greater flexibility in employee compensation, especially in organizations with self-managing teams.
Answer: True
4. In a broadband pay structure, the number of salary grades is increased to provide more specific pay ranges.
Answer: False
5. Broad banding can facilitate lateral movement of employees along the pay scale without necessarily involving promotions.
Answer: True
6. Traditional quantitative evaluation plans are often criticized for rewarding adaptability and flexibility.
Answer: False

13.3   ADVANTAGES OF BROAD BANDING

Following are the Advantages of broad banding:

1. **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 organisational structure and reduces the hierarchy.

2. **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.

3. **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.

13.4   DISADVANTAGES OF BROAD BANDING

Following are the Disadvantages of broad banding:

1. **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.

2. **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.

3. **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.

4. **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.

13.5   PROCESS OF BROAD BANDING

The Process of Broad banding involves the 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**:

(i) Evaluate the possible reasons for moving to broad banding in light of your organization's needs

(ii) Lead a discussion of the pros and cons of broad banding in your organization

3.   **Readiness for Banding:**

(i) Assess how the managers and employees in your organization will react to the prospect of switching to a broad banding salary program

(ii) Plan an initiative to study your organization's readiness for broad banding

4.   **Designing a broad banding Structure:**

(i) Differentiate between broad grades and career bands and assess which would be the best fit for your organization

(ii) 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:**

(i) Identify the primary pay delivery models used in broad banding

(ii) Identify the organisational factors and other issues involved in selecting a pay delivery model

(iii) Explain the use of market data in pay delivery under broad banding

6.   **Managing and Controlling Salary Costs:**

(i) Understand how such issues as promotions, internal equity, seniority and consolidation of job titles will be impacted by implementation of broad banding

(ii) 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 organisational buy-in for a broad banding pay structure

8.   **Communicating the New Program:**

(i) Evaluate the possible involvement by key managers and employees in the program design process

(ii) Discuss with senior management the need to invest in a communications campaign to "sell" the new program

(iii) Develop a strategy for keeping employees informed as the project progresses

9. **The New Role for Managers:**

(i) Define the new program management accountabilities for managers

(ii) Develop a training program to help them understand and accept their new role, and to make effective salary management decisions

(iii) Develop a communications initiative to help them explain the new program to their people

10. **The New Role for HR:**

(i) Define the new salary management accountabilities for HR specialists

(ii) Plan and conduct a communications campaign to help the HR staff understand and accept their redefined role

(iii) Develop an administrative procedures guidebook to document the new role responsibilities

(iv) Develop a training program for HR to help them make the role transition

11. **The Future:**

(i) Develop a better understanding of trends affecting wage and salary programs, along with the latest trends and concepts

(ii) Determine if any of the emerging ideas is compatible with your organization's values and needs.
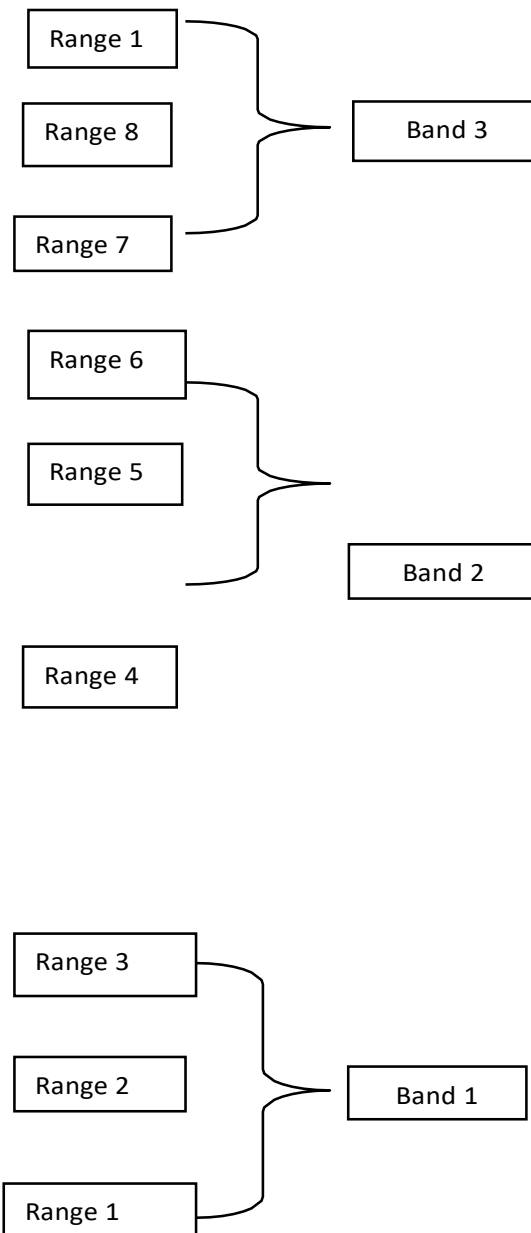
Traditional Structure   **Broadband Structure**

Figure 13.1: Comparison of traditional and broadband structures

B. CHECK YOUR PROGRESS

Multiple Choice Questions

A. Reasons to Move to Broad Banding

B. To make salary structure more rigid

C. To reduce administrative complexity and promote flexibility

D. To eliminate all pay increases

Answer: C

2. Which of the following could be a disadvantage of moving to broad banding?

i. Increased opportunities for career growth

ii. Improved internal mobility

iii. Pay compression issues

iv. Greater pay transparency

Answer: C

3. What does the term broad banding refer to in compensation management?

A. Increasing the number of pay grades

B. Narrowing the range of salaries for each job

C. Consolidating multiple job grades into fewer, wider pay bands

D. Eliminating all salary structures

Answer: C

4. One major advantage of broad banding is:

A. Tighter control of employee movement

B. Increased pay secrecy

C. Greater flexibility in managing employee compensation

D. Reduced opportunities for employee development

Answer: C

5. A potential disadvantage of broad banding is:

A. Increased administrative complexity

B. Greater pay equity and transparency

C. Difficulty in defining clear promotion paths

D. More rigid salary structures

Answer: C

6. Broad banding is most suitable for organizations that:

A. Have strict hierarchical structures

B. Require highly standardized job roles

C. Emphasize flexibility, teamwork, and lateral career movement

D. Focus solely on individual pay negotiations

Answer: C

Which of the following is a step in the process of implementing broad banding?

A. Eliminating all performance-based pay

B. Grouping multiple job grades into broader bands

C. Setting uniform pay for all employees

D. Ignoring market pay comparisons

Answer: B

Fill in the Blanks

1. Broad banding encourages _____ rather than vertical promotions.
   Answer: Lateral career movement
2. The process of broad banding typically begins with _____ to determine the relative value of roles.
   Answer: Job evaluation
3. Broad bands are usually _____ than traditional pay grades but _____.
   Answer: Fewer in number; wider in range
4. Communication and _____ are essential components when implementing a broad banding system.
   Answer: Manager training
5. Broad banding is a pay structure that combines multiple job grades into fewer, wider salary bands.
   Answer: Multiple job grades

13.6   LET US SUM UP

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.

1.　　**Traditional pay Structure**: Typically has range spreads of 20% to 40% and midpoint progressions of 5% to 10%

2.　　**Market-based pay Structure**: Typically has range spreads of 30% to 80% and midpoint progressions of 10% to 15%

3.　　**Broad band**: Typically have range spreads of 80% to 200% (with no defined midpoints)

4.　　**Step structure**: Typically has range spreads of 20% to 40% and midpoint progressions of 5% to 10% with defined points (steps) within the ranges.

13.8　　　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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13.9   LESSON END EXERCISE

Q1.   What types of systems/tools are being currently used to communicate salary ranges to internal customers. Give reason?

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13.10 SUGGESTED READINGS

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INCENTIVES

STRUCTURE

14.0 Learning Objectives & Outcomes

14.1 Introduction

14.2 Conceptual Analysis

  14.2.1 Incentives

  14.2.2 Total Rewards

  14.2.3 Allowances

14.3 Principles of designing incentive/reward system

14.4 Types of Incentives

  14.4.1 Monetary Incentives

  14.4.2 Non-Monetary Incentives

14.5 Incentives across generations

14.6 Difference between Monetary and Non-Monetary Incentives

14.7 Group Incentives

14.8 Let us Sum Up

14.9 Glossary

14.10 Self- Assessment Questions

14.11 Lesson End Exercise

14.12 Suggested Readings

14.0   LEARNING OBJECTIVES & LEARNING OUTCOMES

Learning Objectives

1.   To understand the concept of incentives and their role in employee motivation and performance.

2.   To identify and explain the key principles for designing an effective incentive or reward system.

3.   To distinguish between different types of incentives, including monetary and non-monetary forms.

4.   To describe various forms of monetary incentives such as bonuses, commissions, and profit-sharing.

5.   To list and evaluate examples of non-monetary incentives like recognition, flexible work arrangements, and career development.

Learning Outcomes

After completing this lesson, learners will be able to:

- Define incentives and explain how they influence employee motivation and organisational performance.

- Identify and categorize incentives into monetary and non-monetary types with appropriate workplace examples.

- Explain the purpose and implementation of common monetary incentives, including performance bonuses, overtime pay, and commissions.

- Differentiate between monetary and non-monetary incentives, and assess which type is more suitable based on job role, context, and employee needs.

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. Broadly, incentives can be categorized into intrinsic and extrinsic types. Intrinsic incentives come from within the individual, such as personal satisfaction, curiosity, or a sense of purpose. Extrinsic incentives, on the other hand, are external rewards or pressures, such as money, social recognition, grades, or threats of punishment.

Incentives can also be positive (rewards) or negative (punishments or deterrents). For example, a bonus at work is a positive incentive, while the risk of losing a job due to underperformance is a negative one. Effective incentive systems often combine both types to encourage desired behaviors while discouraging undesired ones. Policymakers, employers, and educators use incentives strategically to guide behavior—for instance, offering tax breaks to encourage investment, or scholarships to motivate academic excellence.

Understanding what drives people and tailoring incentives accordingly is key to achieving both individual goals and collective outcomes. However, incentives can also backfire if misaligned with intrinsic motivation, leading to short-term compliance instead of long-term engagement. Therefore, designing meaningful, ethical, and well-balanced incentives is essential for sustained motivation and performance.

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14.2 CONCEPTUAL ANALYSIS

14.2.1 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.

14.2.2 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

14.2.3 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.

14.3   PRINCIPLES OF DESIGNINGINCENTIVE/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.

A. CHECK YOUR PROGRESS

Case Study: Implementing an Effective Incentive Plan at Tech Nova Solutions

Introduction

TechNova Solutions is a mid-sized software development company with 250 employees. The company experienced rapid growth over five years but noticed a recent dip in productivity, rising attrition rates, and declining employee morale. Exit interviews revealed that employees felt undervalued, lacked recognition, and saw few rewards for high performance.

The management team decided to revisit their existing compensation model, which was heavily fixed (base salary) with limited bonuses and no formal

recognition system. They aimed to design an effective incentive plan to boost motivation, performance, and retention.

Challenges Identified:

- A one-size-fits-all bonus system that didn't consider individual or team performance.

- Lack of non-monetary recognition for contributions beyond revenue.

- Different motivational needs across generations (Millennials preferred learning opportunities, Gen X favored flexible schedules, etc.).

- Concerns about fairness and transparency in reward allocation.

Action Plan Implemented

Conducted a Needs Assessment

Surveys and focus groups identified employee preferences for both monetary and non-monetary incentives.

1.Designed a Tiered Incentive Plan

The plan included:

- Monetary Incentives: Quarterly performance bonuses, project-based incentives, and spot rewards.

- Non-Monetary Incentives: "Employee of the Month" recognition, flexible work-from-home days, wellness benefits, and skill development budgets.

2. Incentives Across Generations:

Customized options:

- Gen Z & Millennials: Learning stipends, public recognition, remote work flexibility.

- Gen X: Performance-based bonuses, health benefits.

- Boomers: Loyalty bonuses and recognition for mentoring roles.

Outcome

Results (6 months after implementation):

- 20% increase in team productivity metrics.

- Employee satisfaction scores rose by 30% in internal surveys.

- Turnover rate dropped by 15%.

- Employees reported feeling more valued, motivated, and engaged.

Conclusion

The case of TechNova Solutions demonstrates that a thoughtfully designed and well-communicated incentive plan can significantly enhance organisational performance, employee satisfaction, and retention. By addressing diverse motivational needs across generations, integrating both monetary and non-monetary rewards, and prioritizing fairness and transparency, TechNova successfully transformed its workplace culture. The positive outcomes-including improved productivity, reduced turnover, and higher morale-highlight the strategic value of aligning incentive systems with employee expectations and organisational goals. This case reinforces the importance of ongoing feedback and flexibility in sustaining an effective rewards strategy in a dynamic workforce environment.

14.4 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.

14.3.1 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 arrangement. 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).

14.3.2 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:

1. **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.

2. **Organisational 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 organisational climate whereas negative approach may spoil the climate, Employees are always motivated in the healthy organisational climate.

3. **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.

4. **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.

5. **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 show by t h e 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.

6. **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 fare of losing job. Job security must be given with some terms and conditions.

7. **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.

8. **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.

One Survey of 235 Managers found that the most used rewards to motivate employees (top-down, from most used to least) are:

- Employee Recognition
- Gift certificates
- Special events
- Cash rewards
- Merchandise incentives
- Email/Print Communications
- Training Programmes
- Work /Life Benefits
- Variable pay
- Group travel
- Individual travel
- Sweepstakes

14.5 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 14.6: Non-monetary incentives desired by different generations of associates

| Mature Workers	Baby Boomers	Generation X'ers	Generation Y'ers
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: http://www2.inc.com/search/16431.html (Nelson, 1999).			
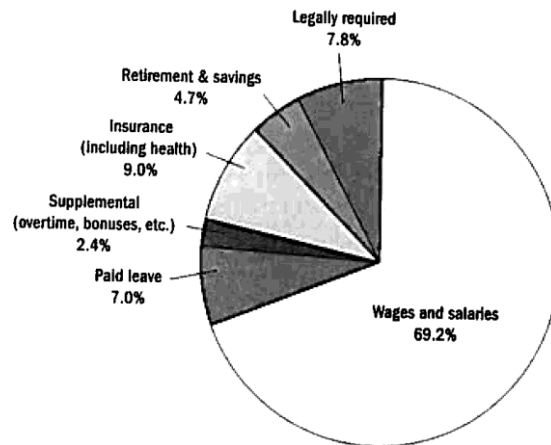
FIGURE : Relative Importance of Employer Costs for Employee Compnsation
March 2011, June 2013

B. CHECK YOUR PROGRESS

    Fill in the Blanks

i.   Incentives are rewards given to employees to encourage improved _____ and motivation.

    Answer: Performance

ii.   _____ incentives are financial rewards such as bonuses, commissions, and profit-sharing.

    Answer: Monetary

iii.   _____ incentives do not involve direct cash payments but include recognition, awards, and flexible work schedules.

    Answer: Non- monetary

iv.   _____ incentives are provided to teams or groups to encourage collaboration and collective effort.

    Answer: Group

v.   The principle of _____ensures that incentive systems are perceived as just and equitable by employees.

    Answer: fairness

vi.   Incentive plans must be _____to link rewards directly to employee performance outcomes.

    Answer: Measurable

vii.   _____ are a common type of non-monetary incentive that publicly appreciate employee efforts.

    Answer: Recognition programs

viii.   _____ motivation is often influenced more by non-monetary incentives than by monetary rewards.

    Answer: Intrinsic

ix.   A well-designed incentive plan helps improve both _____ and organisational productivity.

    Answer: Employee retention

14.6   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:

1. **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.

2. **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.

3. **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.

4. **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.

14.7   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.

C. CHECK YOUR PROGRESS

True or False

1. Incentives are only effective when they involve direct financial compensation.

   Answer: False

2. Monetary incentives include bonuses, commissions, and profit-sharing.

   Answer: True

3. Non-monetary incentives always require additional company spending.

   Answer: False

4. Group-based incentives encourage teamwork and collective performance.

   Answer: True

5. Fairness is an important principle in the design of any incentive system.

   Answer: True

6. An effective incentive plan should be measurable and linked to performance outcomes.

   Answer: True

7. Recognition programs are considered a type of monetary incentive.

   Answer: False

8. Intrinsic motivation is often enhanced by non-monetary rewards such as job satisfaction

   Answer: True

9. A well-structured incentive plan has no effect on employee retention.

   Answer: False

10. It is not necessary to consider generational differences when designing incentive systems.

   Answer: False

14.8   LET US SUM UP

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.

14.9   GLOSSARY

1. **Incentive Compensation**: A reward that compensates an employee for high performance or for achievement above and beyond the defined normal job requirements.

2. **Internal Equity**: A standard that fairly establishes a pay level that corresponds to each job's relative value to the organization.

3. **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.

4. **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.

14.10   SELFASSESSMENT QUESTIONS

Q1.   What is Incentive? Describe its advantage and disadvantage.

Q2.   If you were a manager, what factors would you consider before implementing an incentive plan in your team?

Q3. Which type of incentive—monetary or non-monetary—do you personally find more motivating, and why?

14.11 LESSON END EXERCISE

Q1.   What points should be kept in mind while designing reward/incentive system?

_____

_____

_____

_____

_____

Q2.   Differentiate between monetary/extrinsic and non-monetary/intrinsic incentives.

_____

_____

_____

_____

_____

_____

_____

_____

Q3.   What kinds of incentives are desired by different generation of employees?

14.12 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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GRIEVANCE REDRESSAL

Learning Objectives

1. To define the concept of a grievance and understand its significance in industrial relations.

2. To identify the features and objectives of an effective grievance handling procedure.

3. To recognize the need for a structured grievance procedure within organizations.

4. To analyse the benefits of implementing a robust grievance handling system.

5. To examine the common causes leading to employee grievances.

6. To classify the various types of grievances encountered in the workplace.

7. To understand the machinery and guiding principles essential for grievance redressal.

Learning Outcomes

After studying this lesson, learners will be able to:

- Articulate the definition and importance of addressing grievances in maintaining industrial harmony.
- Describe the key features and objectives that constitute an effective grievance handling procedure.
- Explain why organizations need a formal grievance procedure to ensure fair and transparent conflict resolution.

- Discuss the advantages of having a grievance handling system, such as improved employee morale and reduced turnover.
- Identify common causes of grievances, including unfair treatment, poor working conditions, and lack of communication.
- Illustrate the components and guiding principles (e.g., promptness, confidentiality, impartiality) of grievance redressal machinery.
- Demonstrate the steps involved in the grievance handling process, from grievance identification to resolution and follow-up.

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. This gap between what the employee expects and what the organization delivers creates a sense of discontent, often referred to as a **grievance**.

Grievances can arise from a variety of sources such as poor working conditions, inadequate wages, unfair treatment by supervisors, denial of benefits, workload imbalances, discrimination, or unresolved interpersonal conflicts. If these issues are left unaddressed, they can lead to a decline in employee morale, reduced productivity, increased absenteeism, and eventually, high turnover rates. Therefore, effective grievance handling is crucial for maintaining organisational harmony.

A transparent and responsive grievance redressal mechanism helps in identifying the root causes of employee dissatisfaction and provides a structured approach to resolving them. It not only prevents minor issues from escalating but also fosters a culture of trust and open communication. When employees feel heard and respected, they are more likely to remain engaged and committed to the organization's goals.

15.2 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." Agrievance 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. 2.1 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.

15.2.2 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.

15.3 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.

15.4 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:

1. It encourages employees to raise concerns without fear of reprisal.

2. It provides a fair and speedy means of dealing with complaints.

3. It prevents minor disagreements developing into more serious disputes.

4. It saves employers time and money as solutions are found for workplace problems.

5. It helps to build an organisational climate based on openness and trust.

15.5 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 equipment, 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.

15.6 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.

15.7 MACHINERY AND GUDING 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.

B. CHECK YOUR PROGRESS
  Case Study: Implementing an Effective Grievance Redressal Mechanism at Zenith Electronics Ltd.
Background:
Zenith Electronics Ltd. is a leading manufacturer of home appliances, employing over 1,200 staff members in its manufacturing and administrative facilities across India. While the company has a strong reputation for product quality and customer service, internal feedback surveys showed growing dissatisfaction among employees, particularly related to working conditions and communication gaps with

management.

Despite its size, Zenith had only an informal grievance redressal process where employees reported issues to their immediate supervisors. There was no structured platform to escalate unresolved complaints or track the resolution process.

The Problem:

Over a six-month period, HR noted a 25% increase in attrition and a sharp rise in complaints related to:

- Unfair shift scheduling
- Delayed salary reimbursements
- Lack of transparency in promotions
- Harassment by supervisors

Exit interviews confirmed that many employees felt ignored or intimidated when raising concerns and had no faith in the current grievance resolution system.

The Response:

Realizing the long-term impact on employee morale and productivity, the management decided to implement a formal grievance redressal mechanism based on best practices in HR management.

Steps Taken:

- Formation of a Grievance Redressal Committee (GRC):
- Comprised of HR executives, legal advisors, and employee representatives.
- Responsible for reviewing and resolving all formal complaints.
- Multi-level Grievance Reporting System:

Level 1: Report to immediate supervisor

Level 2: Escalate to department head

Level 3: Escalate to GRC for final resolution

Anonymous Grievance Portal:

Employees could submit complaints online anonymously.

A unique tracking number was generated to monitor progress.

Timeline for Resolution:

Complaints had to be acknowledged within 48 hours.

Resolution aimed to be completed within 10 working days.

Awareness & Training:

Workshops conducted to inform employees about the new process.

Training for supervisors on empathetic listening and unbiased reporting.

Results After Implementation:

Within 4 months:

Over 70 grievances were filed and resolved.

Employee satisfaction scores in internal surveys rose by 35%.

Attrition dropped by 15%.

Trust in management visibly increased.

The mechanism also helped management identify recurring issues, such as departmental bottlenecks and leadership gaps, which were then addressed proactively.

Conclusion:

The case of Zenith Electronics Ltd. demonstrates that a transparent, fair, and timely grievance redressal mechanism not only enhances employee morale but also boosts organisational efficiency. By institutionalizing grievance handling, companies can foster a work environment built on trust, respect, and accountability.

15.8 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-p h a s e 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:

1. **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

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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.

2. **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

3. **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.

4. **Third Party Mediation**: If the grievance has not been settled bi-laterally 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.

15.9 LET US SUM UP

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. Implementing a structured grievance handling procedure is essential for organizations to address and resolve such issues effectively. This procedure provides a formal mechanism for employees to voice their concerns and ensures that complaints are addressed promptly and fairly. Benefits of an effective grievance handling system include improved employee morale, enhanced trust in management, and the prevention of minor issues escalating into major disputes.

15.10 GLLOSSARY

1. **Grievance:** A formal complaint or allegation by an employee or group of employees made to unfair treatment or violation of a union contract.

2. **Grievance procedures:** The process and guidelines to be followed by employees, management or the union when resolving differences or conflicts.

15.11 SELF ASSESSMENT QUESTIONS

Q1.   Explain grievance redressal procedure.

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Q2.   Explain different types of grievances.

Q3.   Discuss the essentials of sound grievance handling procedure.

15.12 LESSON END EXERCISE

Q1.   Draw Ladder system of grievance handling.

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Q2.   Discuss the concept of employee grievances within industrial relations.

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Q3.   Describe the machinery and guiding principles essential for an effective grievance redressal system.

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15.13 SUGGESTED READINGS

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INDUSTRIAL RELATIONS AND LABOUR WELFARE

STRUCTURE

16.0   Learning Objectives & Outcomes

16.1   Introduction

16.2   Concept of Industrial Relations

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16.0   LEARNING OBJECTIVES & OUTCOMES

Learning Objectives

1. To define the concept of industrial relations and explain its significance in the workplace.

2. To identify and describe the key features and objectives of industrial relations.

3. To analyse the importance of maintaining harmonious industrial relations for organisational and economic development.

4. To examine the causes leading to poor industrial relations and their impact on productivity and morale.

5. Propose effective strategies and suggestions to improve industrial relations within an organisation.

6. To evaluate different theoretical approaches to industrial relations, including unitarist, pluralist, and radical perspectives.

Learning Outcomes

After completing this lesson, students will be able to:

- Articulate the meaning and scope of industrial relations, including the roles of employers, employees, and government agencies.

- Discuss the characteristics and aims of industrial relations, such as promoting industrial democracy and safeguarding interests of both labour and management.

- Assess the significance of good industrial relations in ensuring uninterrupted production, reducing disputes, and enhancing employee morale.

- Identify factors contributing to poor industrial relations, such as unfair wages,

poor working conditions, and lack of communication.

- Recommend measures to improve industrial relations, including sound personnel policies, participative management, and effective grievance procedures.

- Compare and contrast various approaches to industrial relations, understanding their underlying assumptions and implications for workplace dynamics.

16.1   INTRODUCTION

Industrial Relations play a vital role in shaping the dynamics of the workplace. By promoting collaboration and understanding between employers and employees, IR practices help in achieving organisational goals while ensuring employee welfare and industrial harmony. 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.

In India, the significance of Industrial Relations is underscored by the enactment of the Industrial Disputes Act, 1947. This pivotal legislation was introduced to provide a legal framework for the investigation and settlement of industrial disputes, ensuring industrial peace and harmony. The Act outlines mechanisms such as conciliation, arbitration, and adjudication to address conflicts between employers and employees, thereby promoting fair labor practices and safeguarding workers' rights.

Effective Industrial Relations are crucial for maintaining a stable and productive workforce. They facilitate open communication, mutual respect, and cooperation between management and employees, leading to reduced conflicts and enhanced job satisfaction. Moreover, robust IR practices contribute to economic growth by ensuring uninterrupted industrial operations and fostering a conducive environment for investment.

16.2   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.

16.2.1 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.

16.2.2 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 endeavors.

- **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.15 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.

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A. CHECK YOUR PROGRESS

Case Study: Industrial Relations at Cummins India Limited

Introduction

Cummins India Limited (CIL), a subsidiary of the global power leader Cummins Inc., operates in the manufacturing sector, producing engines and related technologies. With a significant presence in India, CIL has been recognized for its proactive approach to industrial relations.

Objectives of the Study

The primary goals of this case study were to:

- Examine the wage settlement processes at CIL.

- Assess the satisfaction levels of production associates concerning welfare facilities.

- Identify effective practices in maintaining harmonious industrial relations.

Research Methodology

A structured, close-ended questionnaire was administered to 50 production associates selected through random convenience sampling. The study focused on aspects such as pay, working hours, leave policies, health and safety measures, disciplinary actions, and grievance handling mechanisms.

Key Findings

1. **Harmonious Industrial Relations**: Since 2010, CIL has maintained cordial and collaborative relationships between management and employees.

2. **Regular Communication**: Weekly and monthly meetings between management representatives, store managers, and union representatives facilitate open dialogue.

3. **Effective Grievance Redressal**: An Industrial Relations (IR) manager conducts weekly meetings to promptly address and resolve employee grievances.

4. **Leadership Engagement**: Senior leadership, including the CEO, engages with employees quarterly to communicate business goals and address concerns.

5. **Employee Participation**: Line managers and shop floor managers regularly interact with the IR department to discuss and resolve day-to-day issues, ensuring employee voices are heard.

Outcomes

- **Employee Satisfaction**: A significant percentage of respondents reported average to high satisfaction with working conditions and welfare facilities.

- **Reduced Conflicts**: The proactive approach to communication and grievance handling has led to a decrease in industrial disputes.

- **Enhanced Productivity**: The harmonious work environment has contributed to improved employee morale and productivity.

Conclusion

The case study concluded that regular and transparent communication between management and employees is crucial for maintaining healthy industrial relations. Further, timely resolution of employee concerns prevents escalation and fosters trust and active participation of senior leadership in employee engagement initiatives reinforces organisational commitment to employee welfare.

16.2.3 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.

16.2.4 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.

16.2.5 Importance

1. **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.

2.   **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.

3.   **High morale:** Good Industrial relations improve the morale of the employees and motivate the worker workers to work more and better.

4.   **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.

5.   Contributes to **economic growth** and development.

16.3   CAUSES OF POOR INDUSTRIAL RELATIONS

1.   **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.

2.   **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.

3. 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.

4. Psychological causes: Lack of job security, non-recognition of merit and performance, poor interpersonal relations are the psychological reasons for unsatisfactory employer-employee relations.

5. 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.

16.4   SUGGESTIONS TO IMPROVE INDUSTRIAL RELATIONS

1. 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.

2. Participative management: Employees should associate workers and unions in the formulation and implementation of HR policies and practices.

3. 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.

4. 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.

5. 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.

6. 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.

7. Creating a proper communication channel to avoid grievances and misunderstandings among employees

8. 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.

B. CHECK YOUR PROGRESS

True or False

1. Unfair wages and poor working conditions are significant contributors to poor industrial relations.
Answer: True
2. Poor organisational climate, characterized by lack of trust and transparency, can result in strained industrial relations.
Answer: True
3. Effective communication between management and employees is crucial for maintaining good industrial relations.
Answer: False
4. Autocratic leadership styles can contribute to poor industrial relations.
Answer: True
5. Establishing clear boundaries and protocols is essential for managing industrial relations effectively.
Answer: False
6. Ensuring employees understand company policies helps in maintaining good industrial relations.
Answer: True
7.Implementing effective grievance redressal mechanisms can improve industrial relations.
Answer: True

16.5 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".

1.   **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.

2. **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.

3.   **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.

4   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 over emphasises 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.

5. 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.

6. **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

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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 it self, 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.

7. **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.

16.6   LET US SUM UP

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 union, 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.

16.7 GLOSSARY

1. **Industrial Relations:** It means the relationship between employers and employees in course of employment in industrial organisations.

2. **Unitary Perspective:** In it the organization is perceived as an integrated and harmonious system, viewed as one happy family.

3. **Pluralistic-Perspective:** In pluralism the organization is perceived as being made up of powerful and divergent sub-groups - management and trade unions.

4. **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.

5. **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.

6. **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.

7. **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.

8. **Human Resource Management Approach:** This approach emphasises individualism and the direct relationship between management and its employees.

16.8 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.

16.9   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.

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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INDUSTRIAL DISPUTES

| 17.0 | LEARNING OBJECTIVES & LEARNING OUTCOMES |

Learning objectives

1.   To define the concept of industrial disputes and explain their significance in labor-management relations.

2.   To identify and explain the principles laid down by Indian courts for determining the nature and legality of industrial disputes.

3.   To distinguish between various forms/types of industrial disputes such as strikes, lockouts, gheraos, and go-slows.

4.   To examine how socio-economic and organisational factors contribute to conflict at the workplace.

5.   To evaluate the effectiveness of dispute resolution mechanisms in promoting industrial peace.

Learning Outcomes

This lesson will enhance your knowledge about:
- Accurately define and describe what constitutes an industrial dispute under Indian labor law.
- Identify and interpret the principles laid down by courts for judging the nature of industrial disputes.
- Recognize and describe the various forms of industrial disputes, such as strikes, lockouts, and go-slows.
- Recommend appropriate mechanisms for resolving specific types of industrial disputes.
- Critically evaluate the strengths and weaknesses of current dispute resolution systems in India.

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 the parties' employees and employers and are always against the interest of both employees and the employers but also result in significant economic losses, reduced productivity, and a negative impact on the morale and well-being of the workforce. In extreme cases, they can even lead to prolonged shutdowns, legal battles, and reputational damage to the organization. It harms both the parties' employees and employers—and are ultimately against the interest of both. Maintaining harmonious industrial relations is essential for the smooth operation of any enterprise, economic growth, and overall national development. t their core, industrial disputes reflect a breakdown in communication and trust between labour and management. While differing interests between the two parties are natural in any workplace, failure to address them constructively can lead to confrontations that are damaging to both sides. Such disputes result in reduced productivity, financial losses, legal complications, and reputational harm. They also negatively affect the morale, motivation, and well-being of the workforce.

From the employers' perspective, industrial disputes can stall operations, result in missed deadlines, and damage client relationships. For employees, they can lead to loss of income, job insecurity, and long-term strain on labor rights. In many cases, the impact extends beyond the organization—affecting supply chains, communities, and the broader economy.

Moreover, prolonged disputes often invite government intervention, legal scrutiny, and media attention, further complicating resolution. These situations underscore that industrial disputes are not merely internal organisational issues—they are matters of public and economic interest.

17.2 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 means 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 above 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

17.3 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.

17.4	FORMS/ TYPES OF INDUSTRIAL DISPUTES
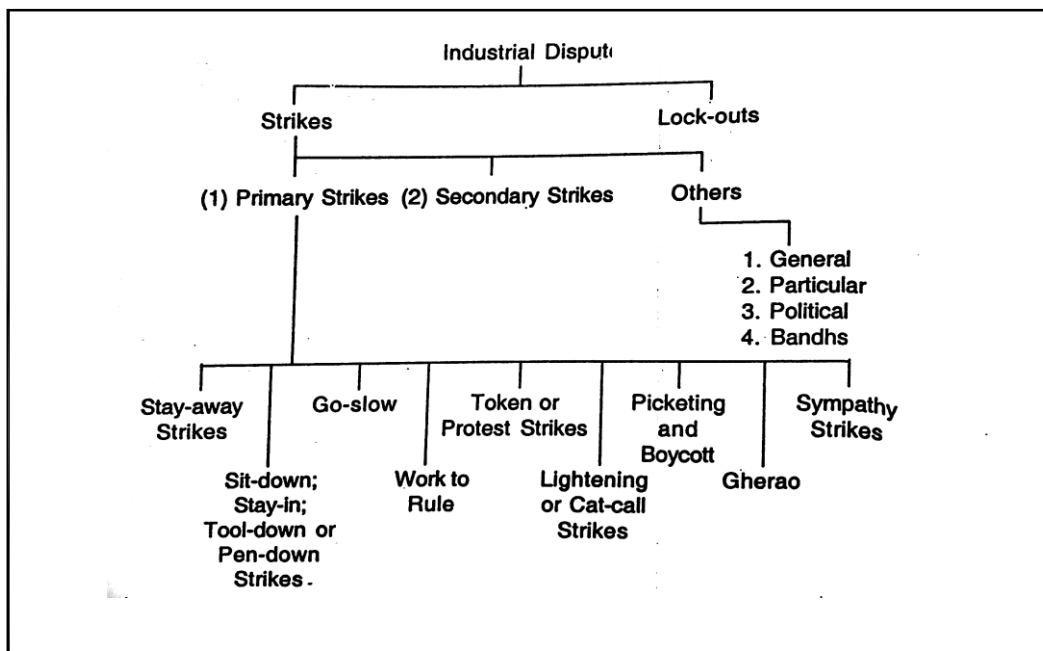
The Industrial Dispute can arise in any of the following form given below:

Strikes, Lockouts and Gherao are the most common forms of Industrial Disputes

We will explain them in detail below:

1. **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 is 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 fact, 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 employer 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.

A. CHECK YOUR PROGRESS

Choose the Correct Answer

i. What is a trade dispute?
a. disagreement between two companies
b. A disagreement between an employer and employees regarding employment terms
c. A conflict between two countries over trade rules
Answer: b
ii. Which of the following is a form of trade dispute?
a. Promotion of employees
b. Strike
c. Organising a festival
Answer: b
iii. Lockout is:
a. A form of industrial dispute initiated by employees
b. A method of rewarding workers
c. A form of industrial dispute initiated by employers
Answer: c
iv. A 'go-slow' refers to:
a. Complete stoppage of work
b. Deliberately reducing the pace of work by employees
c. Employees working overtime
Answer: b
v. Picketing involves:
a. Employees forming a committee to suggest policies
b. Employees protesting outside the workplace
c. Employers hiring new workers
Answer: b

17.5 CAUSES OF INDUSTRIAL DISPUTES

Some of the important causes of an industrial dispute are:-

1. Demand for higher wages and allowances.

2. Demand for payment of bonus and determination of its rate thereof.

3. Demand for higher social security benefits.

4. Demand for good and safer working conditions, including length of a working day, the interval and frequency of leisure and physical work environment.

5. 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.

6. 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.

17.6 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:

i. Collective bargaining

ii. Voluntary arbitration

1. **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.

2. **Voluntary arbitration:** It is he 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.

B. CHECK YOUR PROGRESS

Fill in the Blanks

i. A trade dispute arises when there is a disagreement between _____ and _____ regarding employment conditions.

Answer: Employers, Employees

ii. Lack of proper _____ and promotion policies can lead to dissatisfaction among employees.

17.7 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:

1. **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.

2. **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.

3. **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.

4. **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

17.8 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 ad-hoc 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.

Voluntary Methods   Statutory Measures

| Code of Discipline | Tripartite Machinery | Worker's Participation | Collective Bargaining | | I.D. Act, 1947 | State Acts |

Labour
Administration
(States &
Central Levels)

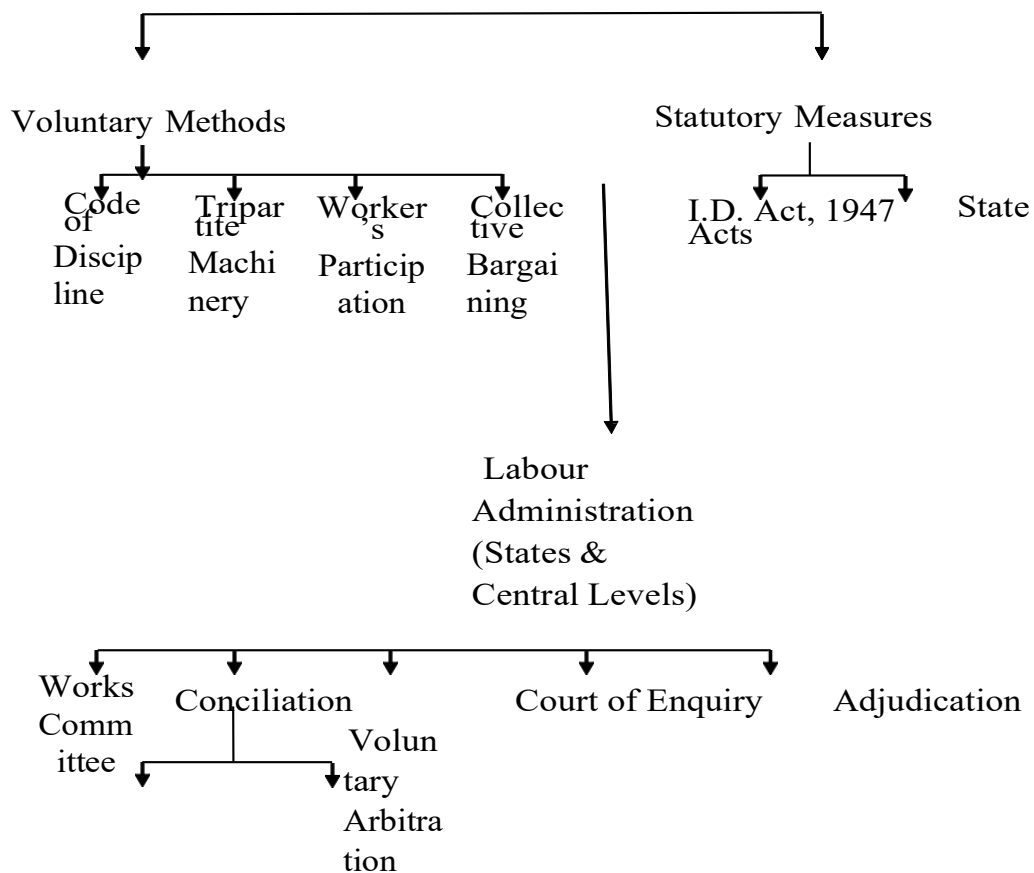Works Committee   Conciliation   Court of Enquiry   Adjudication

Voluntary Arbitration

Figure 17.1: Machinery for Prevention and Settlement of Industrial Disputes

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 i.e. 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. Such disputes are inherently harmful to both employees and employers. For workers, they can lead to loss of income, job insecurity, and emotional stress. For employers, they result in decreased productivity, financial losses, strained labor relations, and potential reputational damage. At a macroeconomic level, industrial disputes can hinder industrial growth, reduce investor confidence, and negatively affect the overall economy. Timely and effective resolution of industrial disputes is essential to maintain industrial harmony, improve productivity, and promote a positive working environment. Fostering mutual trust, transparent communication, and respect between management and workers is critical to preventing such conflicts and ensuring long-term organisational success and social stability.

17.10   GLOSSARY

1.   **Adjudication**: It is the process of settling disputes compulsorily through the intervention of a third party appointed by the Government.

2.   **Arbitration:** An alternative dispute resolution method that uses a neutral third party (i.e. arbitrator) to resolve individual, group or labour-management conflicts.

3.   **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.

4.   **Gherao:** Gherao means encirclement of the managers to criminally intimidate him to accept the demands of the workers.

5.   **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.

6.   **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.

7.   **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.

17.11   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.

17.12   LESSON END EXERCISE

Q1   Write a detailed note on

a)   Conciliation

b)   Arbitration

c)   Adjudication

_____
_____
_____
_____

Q2:   Describes the enforceability of an arbitral award?

_____

_____

_____

_____

17.13   SUGGESTED READINGS

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CONFLICT RESOLUTION AND
COLLECTIVE BARGAINING

STRUCTURE

18.0   Learning Objectives & Outcomes

18.1   Introduction

18.2   Conceptual Analysis

18.3   Features of Collective Bargaining

18.4   Conditions for Successful Collective Bargaining

18.5   Negotiation Process

      18.5.1 Pre-negotiation Phase

      18.5.2 Negotiation Phase

18.6   The Agreement

18.7   Contract Administration

18.8   Let Us Sum Up

18.9   Glossary

18.10   Self- Assessment Questions

18.11   Lesson End Exercise

18.12   Suggested Readings

18.0   LEARNING OBJECTIVES & LEARNING OUTCOMES

Learning Objectives

1. To define and explain the meaning of management control systems.

2. To identify and explain the key features of collective bargaining.

3. To analyse factors that influence the success or failure of collective agreements.

4. To interpret real-life examples or case studies of collective bargaining negotiations.

5. To describe the step-by-step negotiation process involved in collective bargaining.

Learning Outcomes

By the end of this lesson, students will be able to:

- Define the concept of collective bargaining and understand its significance in employer-employee relations.

- Explain how collective bargaining promotes industrial democracy and protects workers' rights.

- Recognize the prerequisites for effective collective bargaining, such as mutual trust, strong representation, and clear communication.

- Simulate a collective bargaining negotiation with defined roles for practice.

- Evaluate the effectiveness of negotiation strategies and tactics in achieving mutually beneficial agreements.

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. 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 involves multiple employers—such as in industry-wide negotiations—both sides represent broader collective interests, giving the process a more complex and impactful dimension.

Unlike negotiations in non-employment settings—where individual or non-collective interests may dominate—labour negotiations often carry implications for the broader economy and public welfare. For instance, wage agreements can influence inflation, cost of living, and purchasing power. This broader impact makes collective bargaining a matter of public interest, prompting governments to intervene when necessary—especially during stalemates that result in strikes or lockouts, which can disrupt essential services or economic activity. Moreover, collective bargaining contributes to industrial democracy,

encouraging dialogue over confrontation. It plays a critical role in promoting industrial peace, increasing productivity, and building long-term labour-management partnerships based on mutual trust and respect.

| 18.2 | 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.

18.3	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.

18.4   CONDITIONS FOR SUCCESSFUL COLLECTIVE BARGAINING

1. **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.

2. **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.

3. **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.

4. **Support of Labour Administration Authorities:** Support by the labour administration authorities is necessary for successful collective bargaining. This implies that they will:

(i)   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.

(ii) Will not support a party in breach of agreements concluded consequent to collective bargaining.

(iii) As far as is practicable, secure observance of collective bargaining agreements.

(iv) Provide methods for the settlement of disputes arising out of collective bargaining if the parties themselves have not so provided.

5. **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.

6. **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.

7. **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.

A. CHECK YOUR PROGRESS

Case Study: Collective Bargaining at Bajaj Auto, Chakan Plant (2013)

INTRODUCTION

Collective bargaining is a key mechanism in industrial relations, involving negotiations between employers and a group of employees aimed at establishing agreements that regulate working conditions. In India, the process is particularly important due to the large and diverse workforce, significant presence of trade unions, and growing industrialization. One of the most cited examples of collective bargaining in modern Indian industry is the labor dispute at Bajaj Auto's Chakan Plant in Maharashtra in 2013. This case highlights the tensions between management and organized labor, the role of unions, and the importance of structured negotiations.

In June 2013, nearly 900 workers at the Chakan plant went on strike, demanding:

A significant wage hike

Representation through a newly formed union: Vishwa Kalyan Kamgar Sanghatana (VKKS)

Better working conditions and job security

Equity shares in the company for workers

The strike halted production for over 50 days and drew national attention.

EFFECTS

- **On Production**: The strike severely disrupted production, especially of high-selling motorcycle models like Pulsar and KTM Duke, causing financial losses.

- **On Industrial Relations**: It strained relations between the management and the workers, leading to a more rigid negotiation atmosphere.

- **On Public Perception**: Media coverage and labor support increased public awareness of collective bargaining rights and union struggles in India's manufacturing sector.

CONSEQUENCES

- **Legal and Political Intervention**: The Maharashtra government had to step in to mediate, recognizing the gravity of the work stoppage.

- **Union Recognition Issues**: The company's refusal to recognize the new union led to a broader debate about union rights and representation under Indian labor laws.

- **Worker Discontent**: Temporary and contractual workers expressed dissatisfaction over not being included in union negotiations, which created divisions among the workforce.

OUTCOMES

- **Partial Acceptance of Demands:** Management agreed to a wage increase and improvements in working conditions but did not concede to the demand for equity shares or full recognition of the new union.

- **Resumption of Work:** After weeks of negotiation, workers resumed duty, although trust between both parties remained fragile.

- **Industrial Policy Impacts:** The case prompted many Indian companies to review their employee engagement practices and reconsider how they approach collective bargaining.

CONCLUSION

The Bajaj Auto Chakan strike of 2013 serves as a landmark case in understanding the dynamics of collective bargaining in India. It illustrates that while collective bargaining is essential for addressing worker grievances, its success depends on mutual respect, open communication, legal frameworks, and timely government intervention. This case reinforces the idea that adversarial approaches often lead to economic losses and damaged reputations. Constructive dialogue, inclusive negotiation, and respect for legal rights are vital to resolving labour disputes and achieving sustainable industrial harmony.

18.5	PROCESS

It consists of three phases:

- Pre-negotiation
- Negotiation
- Agreement

18.5.1 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:

(i)   Ensuring that the enterprise is not rendered uncompetitive

(ii)   The need to keep wage increases below the level of productivity increases and/or within the inflation rate.

(iii)   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.

1. **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.

2. **Research and Study:** The union's demands should be carefully studied. The following are some of the matters to which attention should be paid:

(i) Assess the economic impact of the demands on the company.

(ii) 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.

(iii)   Separate the demands which the company has no intention of fulfilling or giving, either on a question of principle or due to economic incapacity.

(iv)   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.

(v)   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.

3.   **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 13which 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.

4.　　**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.

5.　　**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;

(i)　　Options as referred to above

(ii)　　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.

(iii)　　How to link one's requirements to the concessions one makes.

18.5.2 Negotiation Phase

1.　　**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 it's 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.

2   **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.

3.   **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.

4.   **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.

5.   **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

1.　　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.

2.　　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.

3.　　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.

4.　　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 increases 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.

5.   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.

6.   Skillful 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.

18.6   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 affected.

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.

B. CHECK YOUR PROGRESS

Multiple Choice Questions

1. What is the primary goal of collective bargaining?

i. Increasing market share

ii) Reducing government interference

iii) Negotiating terms and conditions of employment

iv) Promoting competition among employees

Answer: iii

2. Which of the following is NOT a feature of collective bargaining?

i. It is a voluntary process

ii. It involves direct government intervention

iii. It is a continuous process

iv. It involves representatives of both employees and employers

Answer: ii

3. A successful collective bargaining process requires all of the following EXCEPT:

i. Mutual trust

ii. Strong leadership

iii. Arbitrary decisions

iv. Effective communication

Answer: iii

4. Which stage comes first in the collective bargaining process?

i. Negotiation

ii. Agreement

iii. Implementation

iv. Preparation

Answer: iv

5. In which of the following countries did the concept of collective bargaining originate?

i. Germany

ii. France

iii. United Kingdom

iv. United States

Answer: ii

6. During which stage are both parties actively discussing their demands and terms?

i. Preparation

ii. Negotiation

18.7	CONTRACTADMINISTRATION

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 t 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.

18.8   LET US SUM UP

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 is 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.

18.9   GLOSSARY

1. **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

2. **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

3. **Collective Agreement**: a signed, written agreement between an employer (or an employer's organization) and the union representing a grow pod the organization's employees containing provisions outlining the terms and conditions of their employment

4. **Good Faith Bargaining**: the legal requirement that the parties negotiate a collective agreement bargain honestly, fairly, and sincerely

5. **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

6. **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

18.10 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?

18.11 LESSON END EXERCISE

Q1. Describe the role of supervisor in Collective bargaining as Negotiator, an observer and Communicator.

_____
_____
_____
_____

Q2. Analyze the Bajaj Auto Chakan Plant strike as a case of collective bargaining. What were the major issues and outcomes?

_____

_____

_____

_____

Q3. Critically examine the role of trade unions in shaping the outcomes of collective bargaining in the public sector.

_____

_____

_____

_____

18.12   SUGGESTED READINGS

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WORKERS' PARTICIPATION IN MANAGEMENT

| 19.0 | LEARNING OBJECTIVES & OUTCOMES |

Learning objectives

1. To define Workers' Participation in Management and explain its relevance in modern industrial relations.

2. To describe the essential features of WPM, including its economic, psychological, social, ethical, and political objectives.

3. To examine the different forms and mechanisms through which WPM is implemented, such as works committees, joint management councils and board-level representation.

4. To comprehend the legal provisions and constitutional directives that support WPM in India.

5. To assess the effectiveness of various WPM schemes in promoting industrial harmony and productivity.

Learning Outcomes

By the end of this lesson, you will be well versed with:

*   The concept of Workers' Participation in Management (WPM) and explain its relevance in modern industrial relations.

*   The key features and objectives of WPM, including mutual decision-making and improved employer-employee relations.

*   The various levels of WPM, from informative participation to decision-making roles.

*   The different forms and mechanisms of WPM, such as works committees,

joint management councils and representation on boards.

- The structure and effectiveness of WPM in India, including relevant laws, practices, and case examples.

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. The concept is rooted in the belief that employees, being an integral part of the organization, should have a say in the decisions that impact their work environment and professional lives.

This concept is based on the Human Relations approach to management, which emerged as a reaction to the traditional authoritarian management style that viewed workers merely as tools of production. The Human Relations approach emphasized the importance of considering workers' needs, motivations, and aspirations, thereby introducing a new set of values focused on cooperation, mutual respect, and shared responsibility between labor and management.

Workers' participation is not just a moral or ethical obligation but also a strategic tool for enhancing organisational performance. When employees are actively involved in decision-making, it leads to higher job satisfaction, greater commitment, reduced industrial disputes, and improved productivity. Moreover, it fosters a sense of ownership and accountability among workers, contributing to a more motivated and innovative workforce.

Various forms of participation exist—ranging from consultative committees and quality circles to joint management councils and even representation on company boards. While the degree and structure of participation may vary from country to country or organization to organization, the underlying objective remains the same: to bridge the gap between management and labor, build trust, and create a collaborative work environment.

19.2   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.

19.2.1 Features of (WPM) Workers' Participation in Management:

i. Participation means mental and emotional involvement rather than mere physical presence.

ii. Workers participate in management not as individuals but collectively as a group through their representatives.

iii. 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.

19.2.2 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.

19.2.3 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.

A. CHECK YOUR PROGRESS

Fill in the Blanks

i. One of the main objectives of WPM is to establish _____ _____.

Answer: Industrial democracy

ii. Satisfying the workers' _____ and _____ needs is one of the objectives of WPM.

Answer: Social, Esteem

iii. WPM strengthens - cooperation to maintain industrial peace and harmony.

Answer: Labor management

iv. A feeling of _____ should exist at all levels of the organization.

Answer: Participation

v. The management should engage in effective _____ with the workers.

Answer: Consultation

vi. Until full acceptance of participative structures, _____ support is needed to protect mutual rights.

Answer: legislative

vii. WPM aims to establish harmonious relations and develop social _____ among employees.

Answer: education

viii. A crucial objective of WPM is the promotion of industrial _____.

Answer: harmony

ix. Effective WPM requires a strong partnership between employees and

19.3   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.

Worker's Empowerment

Empowering workers refers to passing on authority and responsibility. to workers or employees in the organisation 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

Set-up Circle
☐
Train Members
☐
Select Problem Topic
☐
Investigate Problem
☐
Develop Solution
☐
Present Suggestions to Management
☐
Execute Solutions
☐
Monitor Solution
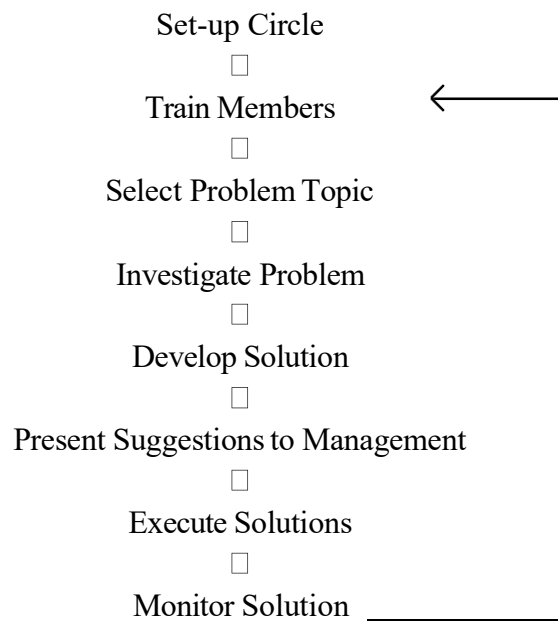
Fig 20.1

(**Source:** Robert P. Bechio, Organisational Behaviour. *The Dryden Press, 1995, P. 239*)

Empowered individual is facilitated by a combination of factors, including values, leadership actions, job structure, and reward systems, as illustrated in above model.

Self-directed teams (another name for empowered teams) have the following distinct features:

1. They are empowered to share various management and leadership functions.

2. They plan, control and improve their own work processes.

3. They set their own goals and inspect their work.

How to empower workers today?

So, how do the companies/organisations do worker empowerment in the workplace. The employers weave employee empowerment into the daily roles of our employees. We make sure to enable, inspire and encourage individuals to take steps to improve their work experience, increase their work engagement and help build an inclusive culture.

How to empower employees in organisations:

Employees can be empowered through following steps:

1. **Offer authority and ownership by handing out responsibility.** Let an worker take on a new project — and run with it. When we delegate different (even small) tasks to a worker, it empowers her to get the job done, and done well.

2. **Make guidelines and best practices clear.** When workers understand the guidelines within which they should work which boundaries they can push, they're able to do their job more effectively and feel more supported.

3. **Encourage communication** Bosses should to increase levels of trust and show that all ideas are welcome and valued.

4. **Offer individual or team coaching** Superiors bosses should try to identify roadblocks, find solutions and then take action to achieve goals through their employees.

5. **Allow opportunities for growth.** Employers should Foster internal development and growth across departments with cross-department job shadows and transitions. They should allow their subordinates to avail opportunities for their growth and development.

6. **Provide organisational support for workers** to create and drive their own development plans with their managers.

B. CHECK YOUR PROGRESS

Case Study: Workers' Participation in Management at NTPC Ramagundam

Background

The National Thermal Power Corporation (NTPC) is a leading public sector enterprise in India, operating several power plants across the country. The Ramagundam unit in Andhra Pradesh is one of its major facilities, known for its significant power generation capacity and workforce.

Objectives of the Study

The primary aim was to analyze the nature and extent of workers' participation in management at NTPC Ramagundam. The study sought to understand how participative practices influenced decision-making processes and industrial relations within the organization.

Methodology

A descriptive research approach was adopted, utilizing primary data collected through interviews with workers, trade union leaders, and managerial personnel. Statistical tools such as averages, percentages, and the Chi-square test were employed to interpret the data.

Key Findings

Participative Mechanisms: NTPC Ramagundam had established various participative forums, including joint management councils and committees, facilitating dialogue between workers and management.

Employee Involvement: Workers were actively involved in discussions related to operational efficiency, safety measures, and welfare activities, leading to a sense of ownership and responsibility.

Industrial Relations: The participative approach contributed to harmonious industrial relations, with reduced conflicts and enhanced mutual trust between employees and management.

Outcomes

Enhanced Productivity: The collaborative environment led to improved operational performance and productivity.

Employee Satisfaction: Workers reported higher job satisfaction due to their involvement in decision-making processes.

Organisational Commitment: There was a noticeable increase in employees' commitment

to organisational goals and values.

Conclusion

The case of NTPC Ramagundam illustrates that effective implementation of Workers' Participation in Management can lead to positive outcomes such as improved industrial relations, increased productivity, and enhanced employee satisfaction. It underscores the importance of fostering a participative culture within organizations for mutual growth and success.

19.4 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 excaped 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 poduction. 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 alsi 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 faund that a single 9 mm carbide drill could perform the job of the other five drills and twice as fast. The process naw takes eight minutes, and 75,000 units can be turned out at peak, volume, The cost af the component has also fallen by Rs 30 thanks to savings an 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, alang with efforts to cost 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 crore in the first nine months of 2008-09; the full-year figure will be well shart 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 least500 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 30th 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.

19.5   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 Asan 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 programmes 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 vote 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, it is 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.

i. Workers' Participation in Management is aimed at promoting industrial democracy.

Answer:True

ii. WPM eliminates the need for labour unions in an organization.

Answer: False

iii. One of the forms of WPM is representation of workers on the company's board of directors.

Answer: True

iv. Works Committees are compulsory under the Industrial Disputes Act, 1947, for establishments with 100 or more workers.

Answer:True

v. The success of WPM depends on mutual trust and strong communication between management and workers.

Answer: True

vi. Workers' Participation in Management helps improve employer-employee relations.

Answer: True

vii. WPM is only applicable in public sector enterprises.

Answer: False

viii. Joint Management Councils are one of the mechanisms used in WPM.

Answer: True

ix. WPM ensures complete control of workers over management decisions.

Answer: False

19.5.1 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.

19.5.2 Measures for making Participation effective

i. 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.

ii. Employers and workers should agree on the objectives of the industry

iii. They should recognize and respect the rights of each other.

iv. 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.

v. 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.

vi. Participation should be a continuous process. To begin with, participation should start at the operating level of management.

vii. A mutual co-operation and commitment to participation must be developed by both management and labour.

viii. 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"

19.6 LET US SUM UP

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. While the concept of Workers' Participation in Management holds promise for enhancing industrial relations and productivity, its success in India has been limited. Addressing the challenges of ideological differences, strengthening trade unions, educating workers, and ensuring timely implementation of decisions are crucial steps toward realizing the full potential of WPM.

19.7 GLOSSARY

1. **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.

2. **Joint/labour management committee*:* A panel comprised of

management and union representatives whose purpose is to address problems, resolve conflicts and build on relationships.

3. **Resolution:** The disposition of a disagreement or grievance through alternative dispute resolution methods.

4. **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.

5. **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.

6. **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.

19.8	SELFASSESSMENT 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.

19.9 LESSON END EXERCISE

Q1. Examine the pre-requisites for effective participation in management. Why are these conditions essential for the success of participative structures?

_____

_____

_____

Q2. Evaluate the effectiveness of Workers' Participation in Management in India. What are the key challenges, and how can its implementation be improved?

_____

_____

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LABOUR WELFARE

STRUCTURE

20.0   Learning Objectives & Outcomes

20.1   Introduction

20.2   Concept of Labour Welfare

       20.2.1   Features & Need of Labour Welfare

       20.2.2   Objectives of Labour Welfare

       20.2.3   Scope of Labour Welfare

       20.2.4   Types of Labour Welfare

20.3   Principles of Labour Welfare

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20.5   Labour Welfare Officer

       20.5.1   Qualifications of Labour Welfare Officer

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20.6   Let Us Sum Up

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20.8   Self-Assessment Questions

20.9   Lesson End Exercise

20.10   Suggested Readings

Learning Objectives

1. To define labour welfare and its significance in industrial relations.

2. To explain the necessity of welfare measures in enhancing employee well-being and organisational efficiency.

3. To enumerate the primary goals of implementing welfare programs for employees.

4. To discuss the various domains covered under labour welfare, including physical, mental, and social aspects.

5. To analyze various theoretical and practical approaches to labour welfare, including philanthropic, religious, and legislative perspectives.

6.   To describe the key functions and duties performed by the officer in promoting employee welfare.

Learning Outcomes

After completing the lesson, learners will able to:

*   Articulate a clear definition of labour welfare and its relevance in contemporary workplaces.

*   Evaluate the impact of welfare initiatives on employee satisfaction, productivity and organisational harmony.

*   Develop comprehensive welfare programs tailored to the needs of employees, considering both statutory requirements and voluntary enhancements.

*   Incorporate principles and approaches that ensure the effectiveness and sustainability of welfare initiatives.

*   Demonstrate the competencies required to serve as a Labour Welfare Officer, including advising management, counseling employees, and ensuring compliance with welfare regulations.

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. Labour welfare can be broadly categorized into two types: statutory welfare, which is mandated by law (such as safety regulations, working hour limits, health and sanitation measures), and voluntary welfare, which includes additional facilities and services provided by employers out of goodwill, such as recreational facilities, educational programs, housing schemes, and counseling services. These welfare initiatives help to build a motivated and loyal workforce, reduce absenteeism and turnover, prevent industrial unrest, and contribute to a positive organisational culture. Furthermore, they help bridge the socio-economic gap between different classes of society, reinforcing the principles of social justice and human dignity.

In the modern industrial era, with increasing focus on human rights, corporate social responsibility, and sustainable development, labour welfare has emerged as a fundamental aspect of good governance and ethical business practices.

Labour welfare measures can be broadly classified into:

- **Statutory Welfare**: These are mandatory provisions enforced by legislation to ensure the basic rights and safety of workers. Examples include regulations related to working hours, health and sanitation, safety measures, and social security benefits.

- **Voluntary Welfare**: These are additional benefits provided by employers out of goodwill, beyond what is legally required. Such measures may include recreational facilities, educational programs, housing schemes, and counseling services, aimed at enhancing the quality of life for employees.

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 f or 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 industrailzation and mechanization, it has acquired added importance. The worker, both in industry and agriclture, 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 basis 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 adaptation of measures to promote the physical, social, psychological and general well-being of the working people. According to Arther 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 Encylopedia 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 conductive 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".

20.2.1 Features and Need of Labour Welfare

The basic features of labour welfare measures are as follows:

- Labor welfare includes various facilities, services and amenities provided to workers for improving their health, efficiency, economic betterment and social status.

- 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.

- Welfare measures may be introduced by the employers, government, employees or by any social or charitable agency.

- The purpose of labor welfare is to bring about the development of the whole personality of the workers to make a better workforce.

- 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.

- 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 have 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 interest in 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 hot 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 programmes 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 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 undersedation 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.

20.2.2 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 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.
- To boost productivity and efficiency at the workplace.
- To provide healthy and proper working conditions.
- To ensure wellbeing of employees and families.

A. CHECK YOUR PROGRESS

True or False

1. Labour welfare schemes are flexible and ever-changing, with new welfare measures added to existing ones over time.

Answer: True

2. Welfare measures can only be introduced by employers and not by the government, employees, or any social or charitable agency.

Answer: False

3. The purpose of labour welfare is to bring about the development of the whole personality of the workers to make a better workforce.

Answer: True

4. Labour welfare is usually undertaken within the premises or in the vicinity of the undertakings for the benefit of the employees and members of their families.

Answer: True

5. Labour welfare is a broad term that covers social security along with items like medical aid, crèches, canteens, recreation, housing, adult education, etc.

Answer: True

6. The primary objective of labour welfare is to maximize profits for employers.

Answer: False

7. Providing healthy and proper working conditions is not considered a part of labour welfare.

Answer: False

20.2.3 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:

1. **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.

2.   **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.

3.   **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.

4.   Recreation facilities inside the organisation

5.   Education and library services

6.   General welfare programs

7.   Housing facilities for workers

8.   Family case work and counselling

20.2.4 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.

20.3   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.

- 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.

B. CHECK YOUR PROGRESS

  Fill in the Blanks

i. Industrial labour must be treated like _____ beings with wants and needs.

Answer: Human

ii. Everyone in the industry should be aware of and accept the concept of _____ _____.

Answer: Labor welfare

iii. Welfare should also include a person's life at home, educational institution, and _____.

Answer: Community

iv. All stakeholders must accept full _____ for implementing labour welfare schemes.

Answer: Responsibility

v. Labour welfare programmes must be periodically _____ and _____.

Answer: Reviewed, Scrutinized

vi. _____ welfare measures are mandated by law and include provisions such as safety regulations, working hour limits, health, and sanitation measures.

Answer: Statutory

vii. The primary objective of labour welfare is to build a _____ and _____ workforce.

Answer: Motivated, loyal

20.4	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 an enthusiastically. Welfare benefits not only extended to self but the society also. Many approaches have been designed in this perspective, which are as under

1. **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.

2. **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.

3. **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.

4. **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.

5. **The Placating Approach**: The placating theory advocates timely satisfaction of workers for their appeasement. As modern workers become bolder 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.

6. **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.

7. **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.

8. **Social Approach**: This theory believes in wellbeing 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.

20.5   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

20.5.1 Qualifications of Labour Welfare Officer

Minimum Qualifications of Labour welfare officer 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.

Who is Labour welfare officer?

Schedule 49 of the Factories Act 1948, provides that in every factory wherein 500 or more workers are ordinarily employed, the employer shall appoint a person who can act as an advisor, counsellor, mediator and liaisoning between the management and the labour, for improving the efficiency, productivity and profitability of organization. Here, she/he is called Labour Welfare officer.

Professionally he or she should be Post Graduate in Social Science, diploma in Labour welfare, recognised by the State Government, 3-5 years working experience in Industrial Safety and finally having hard working ability and sound communication Skills.

Main objectives of this Position:

1. To eliminate the evils of the jobber system in the recruitment of labour

2. To develop and improve the labour administration in mills / factory.

3. To serve as a liaison with the State Labour Commissioner. Duties of Labour Welfare officer: The Malaviya Committee's Report on Labour Welfare in 1969, following the model rules framed under the Factories Act of 1948, has specified the following duties of welfare officers:
1. Supervision

2. Advice

3. Liaison

4. Counselling

20.5.2   Functions of Labour Welfare Officer

In actual practice, the welfare officer has been entrusted with the following functions:

(a) Supervision of:

(i) Safety, health and welfare programmes; housing, recreation, and sanitation services;

(ii) Looking after the working of the joint committee;

(iii) Grant of leave with wages; and

(iv) Redressal of workers' grievances.

(b) Counselling Workers on:

(i) Personal and family problems;

(ii) Adjusting to work environment; and

(iii) Understanding rights and privileges.

(c) Advising the Management on Matters of:

(i) Formulating welfare policies;

(ii) Apprenticeship training programmes;

(iii) Meeting statutory obligations to workers;

(iv) Developing fringe benefits; and

(v) Workers' education and use of communication media.

(d) Establishing Liaison with Workers to:

(i) Understand the various limitations under which they work;

(ii) Appreciate the need of harmonious industrial relations in the plant;

(iii) Interpret company policies to workers; and

(iv) Persuade workers to come to a settlement in the event of a dispute.

(e) Establishing Liaison with the Management to:

(i) Appreciate the workers' viewpoint on various matters;

(ii) Intervene on behalf of the workers in matters under the consideration of the management;

(iii) Help different department heads to meet their obligations;

(iv) Maintain harmonious industrial relations in the plant; and

(v) Suggest measures for the promotion of the general well-being of workers.

(f) Working with the Management and Workers to:

(i) Maintain harmonious industrial relations in the plant;

(ii) Arrange a prompt redressal of grievances and speedy settlement; and

(iii) Improve the productivity and productive efficiency of the enterprise.

(g) Working with the Public to:

Secure a proper enforcement of the various provisions of the Acts as applicable to the plant by

establishing contact with factory inspectors, medical officers and other inspectors;

i) To help workers to make use of community services.

ii) It is obvious that the duties and functions entrusted to a Welfare Officer range from assisting the management in policy formulation and implementation to supervising welfare programme, establishing contacts with workers and the

public, solving workers' problems and grievances.

iii) The National Commission on Labour has stated, "the care of workers in all matters affecting their well-being, both at the place of work and outside, puts a special responsibility on the welfare officer. He should be a 'maintenance engineer on human side.' In many cases, he also handles grievances and complaints of workers relating to terms and conditions of service and domestic and other matters which lie in the domain of personnel management. There is, thus, virtually, no demarcation between personnel management functions and welfare functions."

iv) The Commission recommended that "in order to reduce the hierarchical hiatus in the status of these two officers, there should be an interchange to encourage professional functional mobility and to eliminate the functional monopoly as well the hierarchical status problems."

v) A Welfare Officer in India is a "multi-purpose personnel officer." He is a mainly concerned with welfare of the staff with a role of staff adviser or specialist. He is expected to act as an adviser counsellor, mediator and a liaison-man between the management and labour, i.e., to act as a "maintenance engineer on the human side."

20.5.3   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.

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- 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.

- To maintain the security for industrial health, Industrial peace and resolving disputes.

- To make 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.

C. CHECK YOUR PROGRESS

Case Study: Impact of Labour Welfare Measures at Procter & Gamble (P&G) Egypt

Introduction

Procter & Gamble (P&G) Egypt implemented a comprehensive labour welfare program aimed at enhancing employee well-being and job satisfaction. The initiative encompassed both statutory and voluntary welfare measures, including health and safety protocols, recreational facilities, educational programs, and housing schemes. The primary objective was to foster a motivated and loyal workforce, reduce absenteeism and turnover, and promote a positive organisational culture.

Effects

The implementation of these welfare measures led to several positive effects:

- Improved Job Satisfaction: Employees reported higher levels of job satisfaction, attributing it to the enhanced welfare facilities.

- Increased Employee Commitment: There was a notable rise in affective, normative, and continuance commitment among employees, indicating a stronger emotional attachment and loyalty to the organisation.

- Enhanced Work Environment: The provision of hygienic facilities and health insurance contributed to a safer and more comfortable work environment.

Consequences

The positive effects of the welfare measures had several consequential benefits:

- **Reduced Absenteeism and Turnover:** With increased job satisfaction and commitment, the rates of absenteeism and employee turnover saw a significant decline.

- **Improved Productivity:** A more satisfied and committed workforce led to enhanced productivity and efficiency within the organization.

- **Positive Organisational Culture:** The welfare initiatives contributed to the development of a positive and supportive organisational culture, fostering better teamwork and communication.

Outcomes

The long-term outcomes of P&G Egypt's labour welfare program included:

- **Sustainable Employee Engagement:** The company succeeded in maintaining high levels of employee engagement, which is crucial for long-term organisational success.

- **Enhanced Corporate Image:** By prioritizing employee welfare, P&G Egypt strengthened its reputation as a socially responsible and employee-centric organization.

- **Benchmark for Industry:** The success of the welfare program set a benchmark for other companies in the industry, demonstrating the tangible benefits of investing in employee welfare.

Conclusion

This case study illustrates how comprehensive labour welfare measures can lead to significant improvements in employee satisfaction, organisational culture, and overall productivity. It underscores the importance of both statutory and voluntary welfare initiatives in achieving sustainable organisational success.

| 20.6 | LET US SUM UP |

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.

20.7	GLOSSARY

1. **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.

2. **Labour welfare**: It refers to the Statutory and voluntary efforts made for betterment of the labour.

3. **Philanthropic approach**: This theory urges that good should be done for human beings.

4. **Public Relations Approach**: This theory works on the basis of goodwill between employers and employees and the general public.

5. **The Placating theory**: The placating theory advocates timely satisfaction of workers for their appeasement.

6. **The Policing Approach**: This theory is basically meant for making the employees and the workers to avail the basic facilities needed.

20.8	SELF - ASSESSMENT 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?

20.9   LESSON END EXERCISE

Q1. Explain the objectives and need for labour welfare measures. How do these measures benefit

both employees and employers?

_____

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Q2. Discuss the principles of labour welfare in detail. How do these principles help in creating

a healthy work environment?

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Q3. Describe the different types of labour welfare measures, such as statutory, voluntary, and mutual. Give examples of each.

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