DKR21: HUMAN RESOURCE MANAGEMENT

Unit – I

Human Resource Management – Human Resource Philosophy – Changing Environment of HRM – Strategic Human Resource Management using HRM to attain Competitive Advantage – Trends in HRM – Organization of HR Departments – Line and Staff Functions – Role of HR Managers.

Unit – II

Recruitment and Placement – Job Analysis: Methods Job Specification. HR and the responsive Organization Recruitment and Selection Process, Employment Planning and Forecasting – Building Employee Commitment – Promotion from within – Sources, Developing and using Application Forms.

Employee Testing and Selection – Selection Process, Basic Testing Concepts – Types of Test – Work Samples and Simulation – Selection Techniques Interview – Common Interviewing Mistakes – Designing and Conducting Effective Interview – Small Business Applications.

Unit – III

Training and Development – Orientation and Training: Orientating the Employees – the Training Process – Need Analysis – Training Techniques – Special Purpose Training.

Developing Managers: Management Development – The responsive Managers – On the Job and Off the Job Development Techniques – Using HR to build a responsive Organization.

Performance Appraisal: Methods Problems and Solutions – MBO Approach – the Appraisal Interviews – Performance Appraisal in Practice – Managing Careers – Career Planning and Development – Managing Transfers and Promotions.

Unit – IV

Compensation and Managing Quality – Establishing Pay Plans: Basics of Compensation – Factors determining Pay Rate – Current Trends in Compensation – Job Evaluation.

Pay for Performance and Financial Incentives: Money and Motivation – Incentives for Operations – Employees and Executives – Organisation wide Incentive Plans – Practices in Indian Organisations.

Benefits and Services: Statutory Benefits – Non-Statutory Benefits (Voluntary) – Insurance benefits – Retirement Benefits and other welfare measures to build Employee Commitment.

Unit – V

Labour Relations and Employee Security: Industrial Relation and Collective Bargaining: Trade Units – Collective Bargaining – Future of Trade Unionism – Discipline Administration – Grievance Handling – Managing Dismissals and Separation.

Labour Welfare: Importance and Implications of Labour Registrations – Employee Health – Auditing HR Functions – Future of HRM Function.

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DKR21: HUMAN RESOURCE MANAGEMENT

LESSON

1

INTRODUCTION TO HUMAN RESOURCE MANAGEMENT

CONTENTS

1.0 HUMAN RESOURCE FUNCTION & PHILOSOPHY

The main functions of human resource management are classified into two categories:

(a) Managerial Functions and (b) Operative Functions

(a) Managerial Functions Following are the managerial functions of Human Resources Management

1. Planning: Planning is a predetermined course of actions. It is a process of determining the organisational goals and formulation of policies and programmes for achieving them, Thus, planning is future oriented concerned with clearly charting out the desired direction of business activities in future. Forecasting is one of the important elements in the planning process. Other functions of managers depend on planning function.

2. Organization: Under organisation, the human resource manager has to organise the operative functions by designing structure of relationship among jobs, personnel and physical factors in such a way so as to have maximum contribution towards organisational objectives. In this way a personnel manager performs following functions:

(a) Preparation of task force.

(b) Allocation of work to individuals.

(c) Integration of the efforts of the task force.

(d) Coordination of work of individual with that of the department.

3. Directing: Directing is concerned with initiation of organised action and stimulating the people to work. The personnel manager directs the activities of people of the organisation to get its function performed properly. A personnel manager guides and motivates the staff of the organisation to follow the path laid down in advance.

4. Controlling: It provides basic data for establishing standards, makes job analysis and performance appraisal, etc. All these techniques assist in effective control of the qualities, time and efforts of workers.

(b) Operative Functions: The following are the Operative Functions of Human Resource Management

1. Procurement of Personnel: It is concerned with the obtaining of the proper kind and number of personnel necessary to accomplish organisation goals. It deals specifically with such subjects as the determination of manpower requirements, their recruitment, selecting, placement and orientation, etc.

2. **Development of Personnel:** Development has to do with the increase through training, skill that is necessary for proper job performance. In this process various techniques of training are used to develop the employees. Framing a sound promotion policy, determination of the basis of promotion and making performance appraisal are the elements of personnel development function.

3. Compensation to Personnel: Compensation means determination of adequate and equitable remuneration of personnel for their contribution to organisation objectives. To determine the monetary compensation for various jobs is one of the most difficult and important function of the personnel management. A number of decisions are taken into the function, viz., job-evaluation, remuneration, policy, inventive and premium plans, bonus policy and co-partnership, etc. It also assists the organisation for adopting the suitable wages and salaries, policy and payment of wages and salaries in right time.

4. Maintaining Good Industrial Relation: Human Resource Management covers a wide field. It is intended to reduce strife, promote industrial peace, provide fair deal to workers and establish industrial democracy. It the personnel manager is unable to make harmonious relations between management and labour industrial unrest will take place and millions of man-days will be lost. If labour management relations are not good the moral and physical condition of the employee will suffer, and it will be a loss to an organisation vis-a-visa nation. Hence, the personnel manager must create harmonious relations with the help of sufficient communication system and co-partnership.

5. Record Keeping: In record-keeping the personnel manager collects and maintains information concerned with the staff of the organisation. It is essential for every organisation because it assists the management in decision making such as in promotions.

6. Personnel Planning and Evaluation: Under this system different type of activities are evaluated such as evaluation of performance, personnel policy of an organisation and its practices, personnel audit, morale, survey and performance appraisal, etc.

1.1 CHANGING ENVIRONMENTS OF HRM

Environments of HRM comprise political-legal, economic, technological, demographic (external), and unions, organisational culture and conflict, professional bodies, organisational objectives and policies (internal). Knowledge about the environment helps the HR manager and his/her team to proactive and not remain reactive to the environment. Reactive strategy serves the purpose when the environment is fairly stable and competition to less serve. Both of these have become things of the past. Today's business environment is characterized by change and intense competition. Proactive steps are vital for any organization if it has to survive in such an environment.

A) EXTERNAL FACTOR

As was started earlier, external forces include political-legal, economic, technological, and demographic factors, the influence of which on HRM considerable. Each of these is examined in detail here

a) Political-Legal

The Political environment covers the impact of political institutions on the HRM department. In a democratic political setup (as opposed to a totalitarian system), there are three institutions which together constitute the total political environment. They are - (**i**) the legislature, (**ii**) the executive, (**iii**) the judiciary.

The legislature, also called parliament at the central level and Assembly at the state level, is the law making body. The plethora of labour acts which are in force are enacted by the legislature.

The executive, popularly known as the government, in the law implementing body. The legislature decides and the executive acts.

Above these two is the judiciary which has the role of a watchdog. The main function of the judiciary is to ensure that both the legislature and the executive work within the confines of the Constitution and in public interest.

b) Economic

Economic environment refers to all those economic factors which have bearing on the HR function. Economic growth, industrial production, agriculture, population, national and per capita income, money and capital markets, suppliers, competitors, customers, and industrial labour are the components of the economic environment.

Suppliers for the HR department, suppliers are who those provide human resource to an organization. Employment exchanges, universities, colleges, training institutes, consulting firms, casual-labour, contractors, competitors, and the like are the sources that supply human resources. The type of employees the organization receives depends on the supplier.

Competitors Competition plays a significant role in the some of the HR functions and activities. As the number of organizations competing for human resources increases, so does the importance of the staffing function and its appraisal and compensation activities. If several companies make job offers to one individual, the organisation with more attractive terms and conditions will win. When employees with particulars skills are hard to obtain, the organization may need to groom its own employees through well-managed HR planning programmes co-ordinated with training and development activities.

Customers have their own influence on a company's personnel functions. It needs no mention that customers want high quality products at reasonable prices. So everybody in the organisation must endeavour to offer products which give satisfaction for the money customers pay. Sales are often affected by product quality which is directly related to the skills and qualification of the organisation's employee.

Economic Growth Whether a country is economically developed or not affects the quality of labour. Quality of labour in any country depends to a large extent on educational and health available for its citizens. In advanced countries people and governments spend more on education and health; with greater wealth and education better quality labour is assured, which in turn ensures higher productivity. The inverse is likely to happen in low income countries which spend less on education and health. Uneducated citizens with poor health cannot contribute to productivity. Realising the relationship among health, education, quality labour and productivity, development policies tend to focus on these variables simultaneously.

c) Technological

Technology is a systematic application of organised knowledge to practical tasks. Technological advances affect the HR functions in more than one way. *First,* technology makes the job more intellectual or upgraded. *Second,* it renders works dislocated if they do not equip themselves to the job. *Third,* job becomes challenging for the employees who cope with the requirements of technology. *Fourth,* technology reduces human interaction at the work place. *Finally,* job holders become highly professionalised and knowledgeable in the job they perform.

d) Demographic

Demographic variables include sex, age, literacy, mobility, etc. Modern work force is characterized by literate, women and scheduled caste and scheduled tribes workers. Now, workers are called 'knowledge workers' and the organisations wherein they work are called 'knowledge organisations'. As such, the traditional line of distinction between manual and non-manual workers is getting blurred. Employees are demanding parity in remuneration and responsibility among various categories and levels of employees.

B) Internal Environment

These are the forces internal to an organisation. Internal forces have profound influence on HR functions. The internal environment of HRM consists of unions, organisational culture and conflict, professional bodies, organisational objectives, polices, etc.

a) Unions: Trade unions are formed to safeguard the interest of its members/workers. HR activities like recruitment, selection, training, compensation, industrial relations and separations are carried out in consultation with trade union leaders.

b) Organisational Culture and Conflict: As individuals have personality, organisations have cultures. Each organisation has its own culture that distinguishes one organisation from another. Culture may be understood as sharing of some core values or beliefs by the members of the organisation. "Value for time" is the culture of Reliance industries limited. The culture of Tata conglomerate is "get the best people and set them free" HR practices need to be implemented that best fit the organisations culture. There is often conflict between organisational culture and employee's attitude, conflict usually surfaces because of dualities such as personal goal *vs.* organisational goal, discipline *vs.* autonomy, rights *vs.* duties, such conflicts have their bearings on HR activities in an organisation.

c) Professional Bodies:

Like other professional bodies, the NIPM as the HR professional body regulates the functions of HR practitioners in India. For this, the NIPM in India has laid down a code of ethics which the HR practitioners are expected to declare their allegiance to the code. Thus professional bodies also influence HR functions of an organisation.

1.2 STRATEGIC HUMAN RESOURCE MANAGEMENT USING HRM TO ATTAIN COMPETITIVE ADVANTAGE

The term ‘strategy’ is widely used in and presupposes importance. In other words of the Oxford Concise Dictionary, strategy means 'general ship'. Thus, strategy is associated with the long-term decisions taken at the top of the enterprise. The original literary meaning of strategy is 'the art and science of directing military forces'. The term strategy is frequently being used in the present-day corporate world. It envisages thinking ahead to survive and grow in a highly competitive environment. Strength is concerned with determining which open will provide maximum benefits. According to Jauch and Glueck.

1.2.1 Model of Strategic Management

In the descriptive and prescriptive management texts, strategic management appears as a cycle in which several activities follow and feed upon one another. The strategic management process is typically broken down into five steps:

1. Mission and Goals

The mission describes the organization’s values and aspirations; it is the organization’s raison d’être and indicates the direction in which senior management is going. Goals are the desired ends sought through the actual operating procedures of the organization and typically describe short-term measurable outcomes

2. Environmental Analysis

Environmental analysis looks at the internal organizational strengths and weaknesses and the external environment for opportunities and threats. The factors that are most important to the organization’s future are referred to as strategic factors and can be summarized by the acronym SWOT – Strengths, Weaknesses, Opportunities and Threats.

3. Strategic Formulation

Strategic formulation is concerned with making decisions with regard to defining the organisation's vision and mission, establishing long- and short-term objectives to achieve the organisation's vision and selecting the strategy to be used in achieving the organisation's objectives.

4. Strategy Implementation

Strategy implementation is concerned with aligning the organisation structure. systems and processes with the chosen industry. It involves making decisions with regard to matching strategy and organisational structure and providing organisational leadership pertinent to the strategy and monitoring the effectiveness of the strategy in achieving the organisation's objectives.

5. Strategy Evaluation

Strategy evaluation is an activity that determines to what extent the actual change and performance match the desired change and performance.

1.2.2 Hierarchy of Strategy

Another aspect of strategic management in the multidivisional business organization concerns the level to which strategic issues apply. Conventional wisdom identifies different levels of strategy – a hierarchy of strategy.

1. Corporate

2. Business

3. Functional.

Corporate-Level Strategy

Corporate-level strategy describes a corporation’s overall direction in terms of its general philosophy towards the growth and the management of its various business units. Such strategies determine the types of business a corporation wants to be involved in and what business units should be acquired, modified or sold. This strategy addresses the question, ‘What business are we in?’ Devising a strategy for a multidivisional company involves at least four types of initiative:

- Establishing investment priorities and steering corporate resources into the most attractive business units.

- Initiating actions to improve the combined performance of those business units with which the corporation first became involved.

- Finding ways to improve the synergy between related business units in order to increase performance.
- Making decisions dealing with diversification

Business-Level Strategy

Business-level strategy deals with decisions and actions pertaining to each business unit, the main objective of a business-level strategy being to make the unit more competitive in its marketplace. This level of strategy addresses the question, 'How do we compete?' Although business-level strategy is guided by 'upstream', corporate-level strategy, business unit management must craft a strategy that is appropriate for its own operating situation. In the 1980s, Porter (1980, 1985) made a significant contribution to our understanding of business strategy by formulating a framework that described three competitive strategies: cost leadership, differentiation and focus.

The ***low-cost leadership*** strategy attempts to increase the organization's market share by having the lowest unit cost and price compared with competitors. The simple alternative to cost leadership is ***differentiation strategy***. This assumes that managers distinguish their services and products from those of their competitors in the same industry by providing distinctive levels of service, product or high quality such that the customer is prepared to pay a premium price. With the focus strategy, managers focus on a specific buyer group or regional market. A market strategy can be narrow or broad, as in the notion of niche markets being very narrow or focused. This allows the firm to choose from four generic business-level strategies – low-cost leadership, differentiation, focused differentiation and focused low-cost leadership in order to establish and exploit a competitive advantage within a particular competitive scope.

Miles and Snow (1984) have identified four modes of strategic orientation: defenders, prospectors, analysers and reactors. Defenders are companies with a limited product line and a management focuses on improving the efficiency of their existing operations. Commitment to this cost orientation makes senior managers unlikely to explore new areas. Prospectors are companies with fairly broad product lines that focus on product innovation and market opportunities. These sales orientation makes senior managers emphasize 'creativity over efficiency'. Analysers are companies that operate in at least two different product market areas, one stable and one variable. In this situation, senior managers emphasize efficiency in the stable areas and innovation in the variable areas. Reactors are companies that lack a consistent strategy–structure–culture relationship. In this reactive orientation, senior management's responses to environmental changes and pressures thus tend to be piecemeal strategic adjustments. Competing companies within a single industry can choose any one of these four types of strategy and adopt a corresponding combination of structure, culture and processes consistent with that strategy in response to the environment. The different competitive strategies influence the 'downstream' functional strategies.

Functional-Level Strategy

Functional-level strategy pertains to the major functional operations within the business unit, including research and development, marketing, manufacturing, finance and HR. This strategy level is typically primarily concerned with maximizing resource productivity and addresses the question, 'How do we support the business-level competitive strategy?' Consistent with this, at the functional level, HRM policies and practices support the business strategy goals.

1.3 CURRENT TRENDS IN HUMAN RESOURCE MANAGEMENT

The world of work is rapidly changing. As a part of organization, Human Resource Management (HRM) must be prepared to deal with effects of changing world of work. For the HR people it means understanding the implications of globalization, work force diversity, changing skill requirements, corporate downsizing, continuous improvement initiatives, reengineering, the contingent work force, decentralized work sites and employee involvement. Let us consider each of them one by one.

1. Globalization and Its Implications

Business today doesn't have national boundaries – it reaches around the world. The rise of multinational corporations places new requirements on human resource managers. The HR department needs to ensure that the appropriate mix of employees in terms of knowledge skills and cultural adaptability is available to handle global assignments. In order to meet this goal, the organizations must train individuals to meet the challenges of organization. The employees must have working knowledge of the language and culture (in terms of values, morals, customs and laws) of the host country.

Human Resource Management (HRM) must also develop mechanisms that will help multicultural individuals work together. As background, language, custom or age differences become more prevalent, there are indications that employee conflict will increase. HRM would be required to train management to be more flexible in its practices. Because tomorrow's workers will come in different colors, nationalities and so on, managers will be required to change their ways. This will necessitate managers being trained to recognize differences in workers and to appreciate and even celebrate these differences.

2. Work-force Diversity

In the past HRM was considerably simpler because our work force was strikingly homogeneous. Today's work force comprises of people of different gender, age, social class sexual orientation, values, personality characteristics, ethnicity, religion, education, language, physical appearance, marital status, lifestyle, beliefs, ideologies and background characteristics such as geographic origin, tenure with the organization, and economic status and the list could go on. Diversity is critically linked to the organization's strategic direction. Where diversity flourishes, the potential benefits from better creativity and decision making and greater innovation can be accrued to help increase organization's competitiveness. One means of achieving that is through the organization's benefits package. This includes HRM offerings that fall under the heading of the family friendly organization. A family friendly organization is one that has flexible work schedules and provides such employee benefits such as child care. In addition to the diversity brought by gender and nationality, HRM must be aware of the age differences that exist in today's work force. HRM must train people of different age groups to effectively manage and to deal with each other and to respect the diversity of views that each offers. In situations like these a participative approach seems to work better.

3. Changing Skill Requirements

Recruiting and developing skilled labor is important for any company concerned about competitiveness, productivity, quality and managing a diverse work force effectively. Skill deficiencies translate into significant losses for the organization in terms of poor-quality work and lower productivity, increase in employee accidents and customer complaints. Since a growing number of jobs will require more education and higher levels of language than current ones, HRM practitioners and specialists will have to communicate this to educators and community leaders etc. Strategic human resource planning will have to carefully weigh the skill deficiencies and shortages. HRM department will have to devise suitable training and short term programs to bridge the skill gaps and deficiencies.

4. Corporate Downsizing

Whenever an organization attempts to delayer, it is attempting to create greater efficiency. The premise of downsizing is to reduce the number of workers employed by the organization. HRM department has a very important role to play in downsizing. HRM people must ensure that proper communication must take place during this time. They must minimize the negative effects of rumors and ensure that individuals are kept informed with factual data. HRM must also deal with actual layoff. HRM department is key to the downsizing discussions that have to take place.

5. Continuous Improvement Programs

Continuous improvement programs focus on the long term well-being of the organization. It is a process whereby an organization focuses on quality and builds a better foundation to serve its customers. This often involves a companywide initiative to improve quality and productivity. The company changes its operations to focus on the customer and to involve workers in matters affecting them. Companies strive to improve everything that they do, from hiring quality people, to administrative paper processing, to meeting customer needs.

Unfortunately, such initiatives are not something that can be easily implemented, nor dictated down through the many levels in an organization. Rather, they are like an organization wide development process and the process must be accepted and supported by top management and driven by collaborative efforts, throughout each segment in the organization. HRM plays an important role in the implementation of continuous improvement programs. Whenever an organization embarks on any improvement effort, it is introducing change into the organization. At this point organization development initiatives dominate. Specifically, HRM must prepare individuals for the change. This requires clear and extensive communications of why the change will occur, what is to be expected and what effect it will have on employees.

6. Re-engineering Work Processes for improved Productivity

Although continuous improvement initiatives are positive starts in many organizations, they typically focus on ongoing incremental change. Such action is intuitively appealing the constant and permanent search to make things better. Yet many companies function in an environment that is dynamic facing rapid and constant change. As a result continuous improvement programs may not be in the best interest of the organization. The problem with them is that they may provide a false sense of security. Ongoing incremental change avoids facing up to the possibility that what the organization may really need is radical or quantum change. Such drastic change results in the re-engineering of the organization.

Re-engineering occurs when more than 70% of the work processes in an organization are evaluated and altered. It requires organizational members to rethink what work should be done, how it is to be done and how to best implement these decisions. Re-engineering changes how organizations do their business and directly affects the employees. Re-engineering may leave certain employees frustrated and angry and unsure of what to expect. Accordingly HRM must have mechanisms in place for employees to get appropriate direction of what to do and what to expect as well as assistance in dealing with the conflict that may permeate the organization. For re-engineering to generate its benefits HRM needs to offer skill training to its employees. Whether it's a new process, a technology enhancement, working in teams, having more decision making authority, or the like, employees would need new skills as a result of the re-engineering process.

7. Contingent Workforce

A very substantial part of the modern day workforce is the contingent workers. Contingent workers are individuals who are typically hired for shorter periods of time. They perform specific tasks that often require special job skills and are employed when an organization is experiencing significant deviations in its workflow. When an organization makes its strategic decision to employ a sizable portion of its workforce from the contingency ranks, several HRM issues come to the forefront. These include being able to have these virtual employees available when needed, providing scheduling options that meet their needs and making decisions about whether or not benefits will be offered to the contingent work force.

No organization can make the transition to a contingent workforce without sufficient planning. As such, when these strategic decisions are being made, HRM must be an active partner in these discussions. After all its HRM department's responsibility to locate and bring into the organization these temporary workers. As temporary workers are brought in, HRM will also have the responsibility of quickly adapting them to the organization. HRM will also have to give some thought to how it will attract quality temporaries.

8. Decentralized Work Sites

Work sites are getting more and more decentralized. Telecommuting capabilities that exist today have made it possible for the employees to be located anywhere on the globe. With this potential, the employers no longer have to consider locating a business near its work force. Telecommuting also offers an opportunity for a business tin a high cost area to have its work done in an area where lower wages prevail.

Decentralized work sites also offer opportunities that may meet the needs of the diversified workforce. Those who have family responsibilities like child care, or those who have disabilities may prefer to work in their homes rather than travel to the organization's facility. For HRM, decentralized work sites present a challenge. Much of that challenge revolves around training managers in how to establish and ensure appropriate work quality and on-time completion. Work at home may also require HRM to rethink its compensation policy. Will it pay by the hour, on a salary basis, or by the job performed. Also, because employees in decentralized work sites are full time employees of the organization as opposed to contingent workers, it will be organization's responsibility to ensure health and safety of the decentralized work force.

9. Employee Involvement

HRM has a significant role to play in employee involvement. There are a number of employee involvement concepts that appear to be accepted. These are delegation, participative management, work teams, goal setting, employee training and empowering of employees. What is needed to demonstrate leadership as well as supportive management. Employees need to be trained and that's where human resource management has a significant role to play. Employees expected to delegate, to have decisions participative handled, to work in teams, or to set goals cannot do so unless they know and understand what it is that they are to do. Empowering employees requires extensive training in all aspects of the job. Workers may need to understand how new job design processes. They may need training in interpersonal skills to make participative and work teams function properly.

1.4 ORGANIZATION OF HR DEPARTMENTS

Two issues become relevant in a discussion on organisation of an HR department. They are

(i) Place of the HR department in the overall set-up, and
(ii) Composition of the HR department itself.

Status of the HR department in the total organisational structure depends on whether a unit is small or large. In most of the small organisations, there is no separate department to co-ordinate the activities relating to personnel. In fact, there may not be any personnel manager at all. Services of outsiders who specialize in maintaining accounts and records relating to provident fund, pension and other statutory requirements are retained for a fee. Alternatively, a low-placed employee may be entrusted with the task of attending to these functions. Figure 1.1 shows structure of this type. In fact, it was this arrangement which was followed in the past, irrespective of the size of the organisation. Earlier, Personnel departments were called 'health and happiness' departments. The people assigned to deal with personnel issues were often individuals who were past their prime. The personnel department was se en as a place where the lesser productive employees could be placed with minimal da mage to the organisation's ongoing operations. Individuals in the personnel department were perceived as those responsible for planning company picnics, vacation schedules and retirement parties. Personnel, as an activity, was seen as a necessary but unimportant part of the organisation, Fortunately, things have changed for the better, and the status of the personnel department has improved enormously over the years.

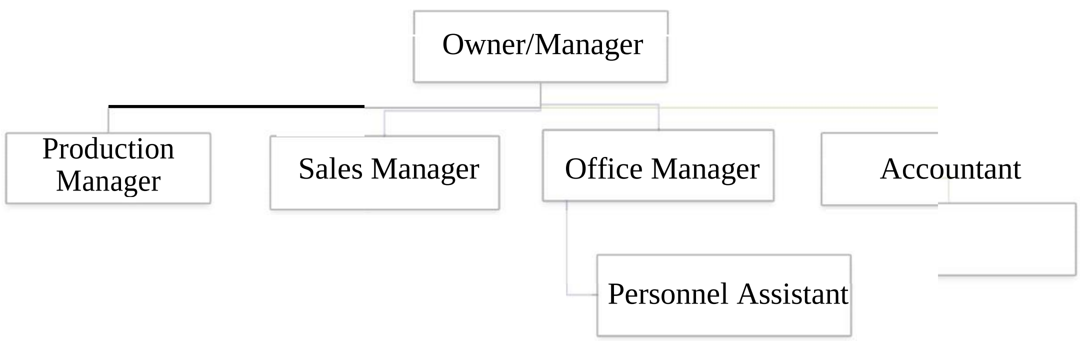

Fig. 1.1 HRM in a Small-Scale Unit

A large-scale unit will have a Manager/Director heading the HR department. His or her status will be equal to that of any executive. Figure 1.2 shows this structure. This arrangement holds good when the company has a single unit. Where the company has multiple plants located in different parts of the country, there may be a centralised HR/personnel department at the main or registered office and each plant will have separate HR/personnel department. Routine activities relating to each plant are handled by the HR/personnel department attached to the work, whereas the broad policies, matters concerning executives, and the like are handled by the central department. This is the conglomerates as BHEL, and L&T.

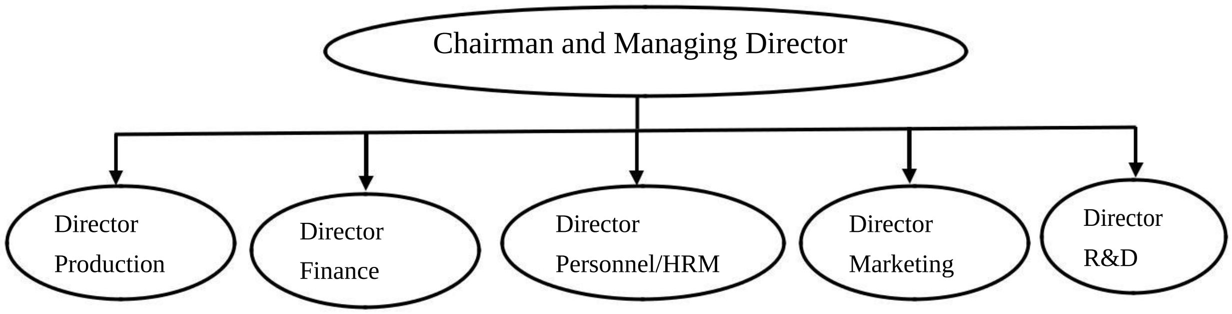

Fig. 1.2 HRM in Large Scale Unit

Coming to the composition of the HR department, it may be stated that it depends on the scale of operations and attitude of the top management towards is personnel. However atypical HR department (see Fig. 1.3) is headed by the director, under whom are Manager-Personnel, Manager-Administration, Manager-HRD and Manager-Industrial Relations. The department will grow in size and importance when new demands are placed on it by the top management.

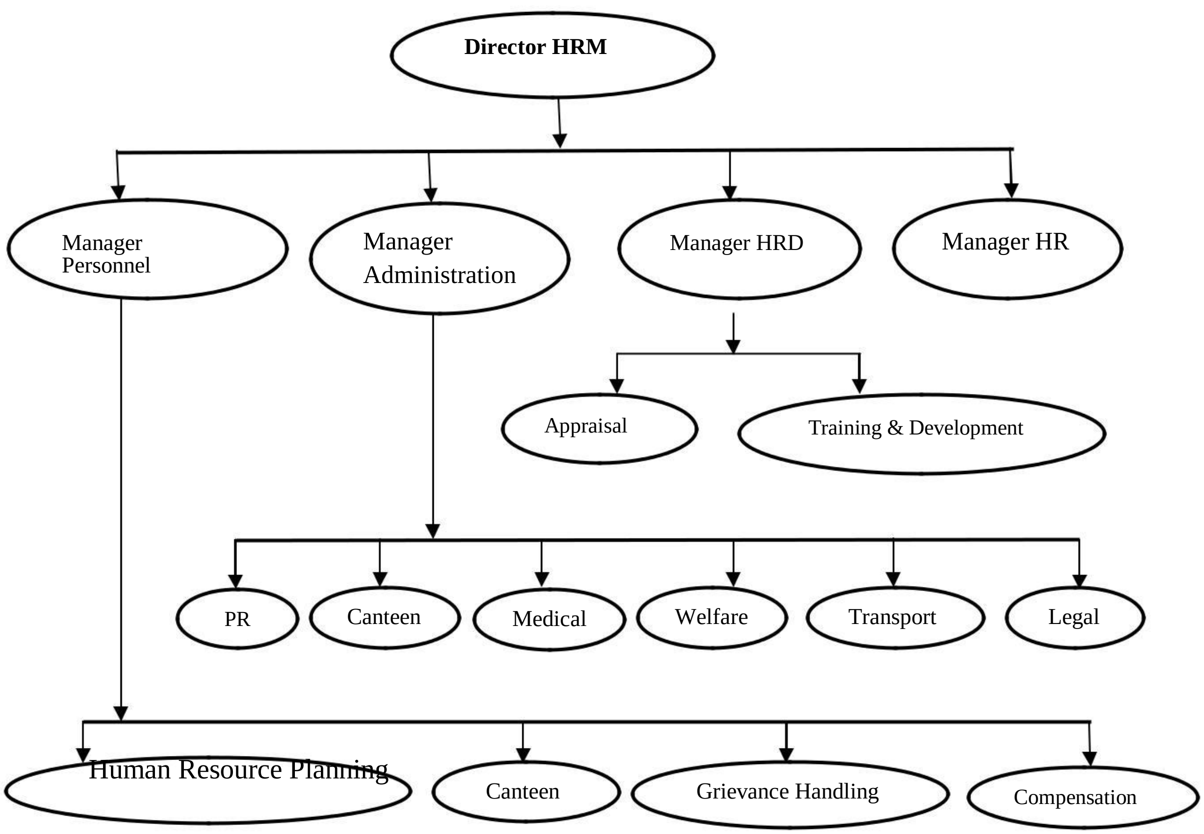

Fig. 1.3 Composition of a HR/Personnel Department

1.5 LINE AND STAFF FUNCTIONS

The functions of an enterprise are very often classified into 'line' and 'staff' functions. Production, finance, and distribution are called the line functions. All other functions such as personnel, engineering, legal advice, etc., are called the staff functions. In fact line functions are the organic functions of an enterprise which directly affect the product. They are found universally in every organisation and are considered absolutely essential. But this is not the case with the staff functions. They are auxiliary in nature and only indirectly affect production, finance, or distribution of a product or service.

It is, however, better to distinguish 'line' and 'staff' by authority relationship rather than by activities. Staff is usually advisory in nature and has only the power to recommend. In its strictest sense, staff possesses no authority over the line. As a practical matter, however, it may be accorded the authority to command because the top manager has indicated that whatever the staff man says to do should be done when it pertains to his function or sphere of competence. A personnel manager issuing orders to the head of the sales department hoe he should go about hiring an employee function. This is known as functional authority and should be distinguished from the mere staff authority to give advice.

When functional authority has been granted to the personnel department, the question often arises as to whom its orders should be directed - whether only to the executives of equal level or to persons at any level below or above the personnel department at which implementation of the order is to be done. Koontz believes that in order to preserve 'some semblance of unity of command ' functional authority of a staff department should not extend beyond persons at its own level.

1.6 ROLE OF HUMAN RESOURCE MANAGER

1.6.1 Introduction

In most of the big enterprises, human resource department is set up under the leadership of personnel manager who has specialised knowledge and skills. The human resource manager performs managerial as well as operative functions. Since he is a manager, he performs the basic functions of management like planning, organising, directing and controlling to manage his department. He has also to perform certain operative functions of recruitment, selection, training, placement, etc., which the problems to management, the human resource managers attach highest priority to the settlement of industrial disputes than anything else.

The role of human resource management in industry is underlined by the complex and dynamic nature of environment under which the modern large-scale industries function. The impact of technology on organisation structure, politicisation of workers‘ unions, and the growing consciousness of industrial employees about their rights and privileges, have made the role of personnel management increasingly more important in industrial undertakings. The task has also been facilitated by the greater recognition of the value of human resources in industry and application of human resource development (HRD) techniques by the enlightened managers in modern organisations.

1.6.2 Functions of a Human Resource Manager

A human resource manager, charged with fulfilling the objectives of an organisation, should be a leader with high intellectual powers, a visionary and a philosopher who provides the initiative to shape the future in terms of leading the human beings in an organisation towards more prosperous and progressive policies.

1. Human Resource Manager as an Intellectual: The basic skill in the human resource field as compared to technologists or financial experts is the skill to communicate, articulate, understand and above all, to be an expert when it comes to putting policies and agreements in black and white. The personnel man‘s skill lies in his command over the language. A personnel man has to deal with employees and he must possess the skills of conducting fruitful and systematic discussions and of communicating effectively. He should also be in a position to formulate principles and foresee the problems of the organisation. This means that he would require the mental ability to deal with his people in an intelligent manner as well as to understand what they are trying to say.

2. Human Resource Manager as an Educator: It is not enough that a human resource manager has command-over the language, which, however, remains his primary tool. He should be deeply interested in learning and also in achieving growth. Basically, human beings like to grow and realise their full potential. In order to harmonise the growth of individuals with that of the organisation, a personnel administrator must not only provide opportunities for his employees to learn, get the required training and assimilate new ideas but also he himself should be a teacher. A personnel man who simply pushes files and attends labour courts for conciliation purposes and other rituals of legal procedure for the settlement of industrial disputes is not a personnel administrator of the future.

3. Human Resource Manager as a Discriminator: A human resource administrator must have the capacity to discriminate between right and wrong, between that which is just and unjust and merit and non-merit. In other words, he should be a good judge when he sits on a selection board, a fair person when he advises on disciplinary matters and a good observer of right conduct in an organisation.

4. Human Resource Manager as an Executive: The human resource manager must execute the decisions of the management and its policies with speed, accuracy and objectivity. He has to streamline the office, tone up the administration and set standards of performance. He has to coordinate the control functions in relation to the various other divisions and, in doing so he should be in a position to bring unity of purpose and direction in the activities of the personnel department. He must ask relevant questions and not be merely involved in the office routine whereby the status quo is maintained. He should have the inquisitiveness to find out causes of delay, tardy work and wasteful practices, and should be keen to eliminate those activities from the personnel functions which have either outlived their utility or are not consistent with the objectives and purposes of the organisation.

5. Human Resource Manager as a Leader: Being basically concerned with people or groups of people, and being placed in the group dynamics of various political and social functions of an organisation, a Human resource manager must not shirk the role of leadership in an organisation. He, by setting his own example and by working towards the objectives of sound personnel management practices, must inspire his people and motivate them towards better performance. He should resolve the conflicts of different groups and build up teamwork in the organisation.

6. Human Resource Manager as a Humanist: Deep faith in human values and empathy with human problems, especially in less developed countries, are the sine qua non for a Human resource man. He has to deal with people who toil at various levels and partake of their joys and sorrows. He must perform his functions with sensitivity and feeling.

7. Human Resource Manager as a Visionary: While every leading function of an organisation must evolve its vision of the future, the primary responsibility for developing the social organisation towards purposive and progressive action fall on the personnel man. He should be a thinker who sets the pace for policy-making in an organisation in the area of human relations and should gradually work out new patterns of human relations management consistent with the needs of the organisation and the society. He must ponder on the social

obligations of the enterprise, especially if it is in the public sector, where one has to work within the framework of social accountability. He should be in close touch

1.7 KEYWORDS

Human Resource Management

strategic management

HR department

Line and Staff function

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1.8 QUESTIONS FOR DISCUSSIONS

1. What are the functions of Human Resource Management?
2. Discuss HRM and its environments.
3. Explain the different models in Strategic Human Resource Management.
4. The role of HRM in formulating the hierarchy of strategies is crucial'. Elaborate.
5. Critically evaluate the current trends in HRM.
6. Describe the organization of HR departments.
7. What do you understand by line and staff functions?
8. Discuss the roles and functions of Human Resource Manager

LESSON

2

RECRUITMENT AND PLACEMENT

CONTENTS

Recruitment means search of the prospective employee to suit the job requirements as represented by job specification–a technique of job analysis. It is the first stage in selection which makes the vacancies known to a large number of people and the opportunities that the organisation offers. In response to this knowledge, potential applicants would write to the organisation. The process of attracting people to apply in called recruitment.

2.0 Definition of Recruitment:

Dale S. Beach has defined "Recruitment as the development and maintenance of adequate manpower resources. It involves the creation of a pool of available labour upon whom the organisation can depend when it needs additional employees."

According to Edwin B. Flippo: "Recruitment is the process of searching for prospective employees and stimulating them to apply for jobs in the organisation."

2.1 Recruitment Process:

As was stated in the beginning of the chapter, recruitment is the process of locating, identifying, and attracting capable applications for jobs available in an organisation. Accordingly, the recruitment process comprises the following five steps.

1. Recruitment planning

2. Strategy development

3. Searching

4. Screening

5. Evaluation and Control

Recruitment Planning

The step involved in the recruitment process is planning. Here, planning involves to draft a comprehensive job specification for the vacant position, outlining its major and minor responsibilities; the skills, experience and qualifications needed; grade and level of pay; starting date; whether temporary or permanent; and mention of special conditions, if any, attached to the job to be filled.

Strategy Development

Once it is known how many with what qualifications of candidates are required, the next step involved in this regard is to devise a suitable strategy for recruiting the candidates in the organization. The strategic considerations to be consider may include issues like whether to prepare the required candidates themselves or hire it from outside, what type of recruitment method to be used, what geographical area be considered for searching the candidates, which source of recruitment to be practiced, and what sequence of activities to be followed in recruiting candidates in the organization.

Searching

This step involves attracting job seekers to the organization. There are broadly two sources used to attract candidates. These are:

1. Internal Sources, and
2. External Sources

Screening

Though some view screening as the starting point of selection, we have considered it as an integral part of recruitment. The reason being the selection process starts only after the applications have been screened and shortlisted. Let it be exemplified with an example.

In the universities, applications are invited for filling the post of Professors. Applications received in response to invitation, i.e., advertisement are screened and shortlisted on the basis of eligibility and suitability. Then only the screened applications are invited for seminar presentation and personal interview. These selection process starts from here, i.e., seminar presentation or interview.

Job specification is invaluable in screening. Applications are screened against the qualification, knowledge, skills, abilities, interest and experience mentioned in the job specification. Those who do not qualify are straightway eliminated from the selection process. The techniques used for screening candidates vary depending on the source of supply and method used for recruiting. Preliminary applications, de-selection tests and screening interviews are common techniques used for screening the candidates.

Evaluation and Control

Given the considerable cost involved in the recruitment process, its evaluation and control is therefore, imperative. The costs generally incurred in a recruitment process include *(i)* Salary of recruiters; (*ii)* cost of time spent for preparing job analysis, advertisement, etc.; *(iii)* administrative expenses; *(iv)* cost of outsourcing or overtime while vacancies remain unfilled; and *(v)* cost incurred in recruiting unsuitable candidates.

In view of above, it is necessary for a prudent employer to try to answer certain questions like: whether the recruitment methods are appropriate and valid? and whether the recruitment process followed in the organisation is effective at all or not? In case the answer to these questions are in negative, the appropriate control measures need to be evolved and exercised to tide over the situation. However, such an exercise seems to be only rarely carried out in practice by the organisation employers.

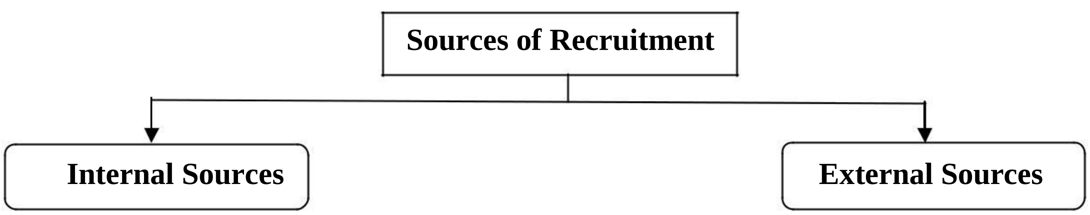
2.2 Sources of Recruitment:

The various sources of recruitment are classified into two broad categories, namely:

1. Internal Sources

2. External Sources.

This sources included under each category are depicted in the following Fig. 1.4



Internal Sources	External Sources
a) Present Employees	a) Employment Exchanges
b) Employee Referrals	b) Advertisements
c) Former Employees	c) Previous Applicants
d) Management Consultants	d) Campus Recruitment
	e) Raiding
	f) Word-of-Mouth
	g) Deputation

1. Internal Sources:

This refers to the recruitment from within the company. The various internal sources are promotion, transfer, past employees and internal advertisements.

a) Present Employees: Promotions and transfers from among the present employees can be a good source of recruitment. Promotion implies upgrading of an employee to a higher position

carrying higher status, pay and responsibilities. Promotion from among the present employees is advantageous because the employees promoted are well acquainted with the organizational culture, they get motivated, and it is cheaper also. Promotion from among present employees also reduces the requirement for job training. However, the disadvantage lies in limiting the choice to a few people and denying hiring of outsiders who may be better qualified and skilled. Furthermore, promotion from among present employees also results in inbreeding which creates frustration among those not promoted.

b) Former Employees: Former employees are another source of applicants for vacancies to be filled up in the organisation. Retired or retrenched employees may be interested to come back to the company to work on a part-time basis. Similarly, some former employees who left the organisation for any reason may again be interested to come back to work. This source has the advantage of hiring people whose performance is already known to the organisation.

c) Employee Referrals: This is yet another internal source of recruitment. The existing employees refer their family members, friends and relatives to the company as potential candidates for the vacancies to be filled up in the organisation. This source serves as one of the most effective methods of recruiting people in the organisation because employees refer to those potential candidates who meet the company requirements known to them from their own experience. The referred individuals are expected to be similar in type in terms of race and sex, for example, to those who are already working in the organisation.

d) Previous Applicants: This is considered as internal source in the sense that applications from the potential candidates are already lying with the organisation. Sometimes the organisations contact through mail & messenger these applicants to fill up the vacancies particularly for unskilled or semiskilled jobs.

Evaluation of Internal Source

Let us try to evaluate the internal source of recruitment. Obviously, it can be done in terms of its advantages and disadvantages. The same are spelled out as follows:

Advantages: The advantages of the internal source of recruitment include the following:

i) Familiarity with own Employees: The organisation has more knowledge and familiarity with the strengths and weakness of its own employees than of strange and unknown outsiders.

ii) Better Use of the Talent: The policy of internal recruitment also provides an opportunity to the organisation to make a better use of the talents internally available and to develop them further and further.

iii) Economic Recruitment: In case of internal recruitment, the organisation does not need to spend much money, time and effort to locate and attract the potential candidates. Thus, internal recruitment proves to be economical, or say, inexpensive.

iv) Improves Morale: This method makes employees sure that they would be preferred over the outsiders as and when vacancies will be filled up in their organisation.

v) A Motivator: The promotion through internal recruitment serves as a source of motivation for employees to improve their career and income. The employees feel that organisation is a place where they can build their life-long career, besides, internal recruitment also serves as a means of attracting and retaining competent employees in the organisation.

Disadvantages

a) Limited Choice: Internal recruitment limits its choice to the talent available within the organisation. Thus, it denies the tapping of talent available in the vast labour market outside the organisation. Moreover, internal recruitment serves as a mean for "inbreeding", which is never healthy for the future of the organisation.

b) Discourages Competition: In this system, the internal candidates are protected from competition by not giving opportunity to otherwise competent candidates from outside the organisation. This in turn, develops a tendency among the employees to take promotion without showing extra performance.

c) Stagnation of Skills: With the feeling that internal candidates will surely get promoted, their skill in the long run may become stagnant or obsolete. If so, the productivity and efficiency of the organisation, in turn decreases.

d) Creates Conflicts: Conflicts and controversies surface among the internal candidates, whether or not they deserve promotion.

(b) External Sources:

External sources refer to the practice of getting suitable persons from outside. The various external sources are employment exchange, advertisement, past employees, private placement agencies and consultants, walks-ins, campus recruitment, trade unions, etc.

a) Employment Exchanges

The National commission on labour (1969) observed in its report that in the pre-Independence era, the main source of labour was rural areas surrounding the industries. Immediately after Independence, National Employment Service was established to bring employers and job seekers together. In response to it, the compulsory notification of vacancies act of 1959 (commonly called employment exchange act) was instituted which became operative in 1960. under the section 4 of the act, it is obligatory for all industrial establishment having 25 workers are more, to notify the nearest employment exchange of vacancies (with certain expectations) in them, before they are filled. The main functions of these employment exchanges with their branches in most cities are registration of job seekers and their placement in the notified vacancies. it is obligatory for the employer to inform the outcome of selection within 15days to the employment exchange.

Employment exchanges are particularly useful in recruiting blue - collar, white - collar and technical workers. A study conducted by Gopalji on 31 organizations throughout the country also revealed that recruitment through employment exchanges was most preferred for clerical personnel i.e. white - collar jobs.

b) Advertisements

Advertisement in newspapers or trade and professional journals is generally used when qualified and experienced personnel are not available from other sources. Most of the senior positions in industry as well as commerce are filled by this method. The advantage of advertising is that more information about the organization job descriptions and job specifications can be given in advertisement to allow self-screening by the prospective candidates. Advertisement gives the management a wider range of candidates from which to choose. Its disadvantage is that it may bring in a flood of response, and many times, from quite unsuitable candidates.

c) Management Consultants

Management consultancy firms help the organisations to recruit technical, professional and managerial personnel They specialise middle level and top level executive placements. They maintain data bank of persons with different qualifications and skills and even advertise the jobs on behalf their clients to recruit right type of personnel.

d) Campus Recruitment

Jobs in commerce and industry have become increasing technical and complex to the point where school and college degrees are widely required. Consequently big organisations maintain a close liaison with the universities, vocational institutes and management institutes for recruitment to various jobs.

Recruitment from educational institutional is a well - established practice of thousands of business and other organisations. It is also known as campus recruitment. Reputed industrial houses which require management trainees send their officials to campuses of various management institutes for picking up talented candidates doing MBA

e) Raiding

Raiding is a technical term used when employees working elsewhere are attracted to join organisations. The organisations are always on the lookout for qualified professionals, and are willing to offer them a better deal if they make the switch. There are always some employees who are professionally very competent, but dissatisfied with something or the other in the organisation. They form the easy‘ group to attract. The other group is formed of those who are equally competent but are quite satisfied with their present position. To attract them, the organisation has to offer a very lucrative package of perquisites. Whatever may be the means used to attract, often it is seen as an unethical practice and not openly talked about.

f) Word-of-Mouth

Some organizations in India also practise the 'word of mouth' method of recruitment. In this method, the word is passed around the possible vacancies or openings in the organization. Another form of word- of- mouth method of recruitment is "employee-pinching" i.e. the employees working in another organization are offered an attractive offer by the rival organizations. This method is economic, both in terms of time and money.

Some organizations maintain a file of the applications and bio - data sent by job seekers. These files serve us very handy as and when there is vacancy in the organization. The advantage of this method no - cost involved in recruitment. However, the drawbacks of this method of recruitment are non-availability of the candidate when needed and the choice of candidates is restricted to a too small number.

g) Deputation

Another source of recruitment is deputation i.e. sending an employee to another organisation for a short duration of two to three years. This method of recruitment is practiced, in a pretty manner, in the government departments and public sector organisations. Deputation is useful because it provides ready expertise and the organisation does not have to incur the initial cost of induction and training. However, the disadvantage associated with deputation is that the deputation period of two/three years is not long enough for the deputed employee to prove his/her mettle, on the one hand, and develop commitment with the organisation to become part of it, on the other.

Advantages

The advantages of external sources of recruitment are as under:

1. **Qualified Personnel:** By using external sources of recruitment the management can make qualified and trained people to apply for vacant Jobs in the organisation.

2. **Wider choice:** When vacancies are advertised widely a large number of applicants from outside the organisation apply. The management has a wider choice while selecting the people for employment.
3. **Fresh Talent:** The insiders may have limited talents. External sources facilitate infusion of fresh blood with new ideas into the enterprise. This will improve the overall working of the enterprise.
4. **Competitive Spirit:** If a company can tap external sources, the existing staff will have to compete with the outsiders. They will work harder to show better performance.

Disadvantages

The disadvantages of filling vacancies from external sources are as follows:

1. **Dissatisfaction among Existing Staff:** External recruitment may lead to dissatisfaction and frustration among existing employees. They may feel that their chances of promotion are reduced.

2. **Lengthy Process:** Recruitment from outside takes a long time. The business has to notify the vacancies and wait for applications to initiate the selection process.

3. **Costly Process:** It is very costly to recruit staff from external sources. A lot of money has to be spent on advertisement and processing of applications.

4. **Uncertain Response:** The candidates from outside may not be suitable for the enterprise. There is no guarantee that the enterprise will be able to attract right kinds of people from external sources.

Evaluation of alternative sources

A company cannot fill all its vacancies from one single source. It must carefully combine some of these sources, weighing their cost and flexibility, the quality of men they supply, and their effect on the present work force. Following are some of the measures which can be used to assess how good or how poor various sources have proved to be:

1. **Time lag between Requisition and Placement:** The basic statistics needed to estimate the time lag are the time-lapse data. To take an example, a company‘s past experience may show that the average number of days from application to interview is 15 from interview to offer is 5, from offer to acceptance is 7 and from acceptance to report for work is 21. Therefore, if the company begins its recruitment and selection process today, the best estimate is that it will be 48 days before the new employee is added to the pay-roll. With

this information, the length'of the pipe-line for alternative sources of recruitment can be described and suitable recruiting sources chosen.

2. Yield Ratios: These ratios tell us about the number of leads/contacts needed to generate a given number of hires in a given time. To take an example, suppose a company is contemplating expansion and needs 10 additional engineers in the next 6 months. On thebasis of its past experience the company predicts as under: We must extend offers to

2 candidates to gain one acceptance. If we need 10 engineers we will have to extend 20 offers. Further, if the interview -to-offer ratio has been 3 : 2 then 30 interviews must be conducted and since the invitees to interview ratio is 4: 3 then as many as 40 candidates must be invited. Finally, if contacts or leads required to find suitable candidates to invite are in 6: 1 proportions then 240 contacts be made.

3. Employee Attitude Studies: These studies try to discover the reactions of present employees to both external and internal sources of recruitment.

4. Correlation Studies: These studies tell us about the extent of correlation which, exists between different sources of recruitment and factors of success on the job.

2.3 JOB ANALYSIS

Job analysis is the process by means of which a description is developed of the present method and procedures of doing a job, physical conditions in which the job is done, relation of the job to other jobs and other conditions of employment. Job analysis is intended to reveal what is *actually* done as opposed to what should be done. Therefore if a man is found doing some activity not required of that job, it should still form part of the job analysis except where the immediate removal of that activity is possible. The purpose of job analysis is not to describe an ideal but to show the management how at the moment a particular job is being carried out.

- ***Job description***: tasks, responsibilities, working conditions, etc.
- ***Job specification***: employee characteristics (abilities, skills, knowledge, tools, etc.) needed to perform the job.

2.3.1 PURPOSES AND USES OF JOB ANALYSIS

A comprehensive job analysis programme is an essential ingredient of sound personnel management. It is fundamental to manpower management programmes because the results of job analysis are widely used throughout the programmes. The information provided by job analysis is useful, if not essential, in almost every phase of employee relations.

(i) Organisation and Manpower Planning: It is helpful in organisational planning for it defines labour needs in concrete terms and coordinates the activities of the work force, and clearly divides duties and responsibilities.

(ii) Recruitment and Selection: By indicating the specific requirements of each job (i.e., the skills and knowledge), it provides a realistic basis for hiring, training, placement, transfer and promotion of personnel.

(iii) Wage and Salary Administration: By indicating the qualifications required for doing specified jobs and the risks and hazards involved in its performance, it helps in salary and wage administration. Job analysis is used as a foundation for job evaluation. 31

(iv) Job Re-engineering: Job analysis provides information which enables us to change jobs in order to permit their being manned by personnel with specific characteristics and qualifications. This takes two forms :

(a) Industrial Engineering Activity, which is concerned with operational analysis, motion study, work simplification methods and improvements in the place of work and its measurement, and aims at improving efficiency, reducing unit labour costs, and establishing the production standard which the employee is expected to meet; and

(b) Human Engineering Activity, which takes into consideration human capabilities, both physical and psychological, and prepares the ground for complex operations of industrial administration, increased efficiency and better productivity.

(v) Employee Training and Management Development: Job analysis provides the necessary information to the management of training and development programmes. It helps it to determine the content and subject-matter of in-training courses. It also helps in checking application information, interviewing, weighing test results, and in checking references.

(vi) Performance Appraisal: It helps in establishing clear-cut standards which may be compared with the actual contribution of each individual.

(vii) Health and Safety: It provides an opportunity for identifying hazardous conditions and unhealthy environmental factors so that corrective measures may be taken to minimise and avoid the possibility of accidents.

2.3.2 METHODS OF JOB ANALYSIS

Following methods may be used to collect information about job analysis:

(i) Observation. This was the first method of job analysis used by industrial-organizational psychologists. The process involves simply watching incumbents perform their jobs and taking notes. Sometimes they ask questions while watching, and commonly they even perform job tasks themselves. Besides slow and costly, this method also interferes with normal work operations. However, it generally produces a good and complete job description. This method is particularly desirable where manual operations are prominent and where the work cycle is short. Working conditions and hazards can also be better described when observed personally by the analyst.

(ii) Questionnaires and surveys. Expert incumbents or supervisors often respond to questionnaires or surveys as a part of job analysis. These questionnaires include task statements in the form of worker behaviours. Subject matter experts are asked to rate each statement from their experience on a number of different dimensions like importance to overall job success, frequency performance and whether the task must be performed on the first day of work or can be learned gradually on the job. The questionnaire responses can be statistically analyzed to provide a more objective record of the components of the job. To a greater and greater extent, these questionnaires and surveys are being administered online to incumbents. Sometimes persons leaving the job are also interviewed to give their views about the job.

(iii) Interviews. It is essential to supplement observation by talking with incumbents. These interviews are most effective when structured with a specific set of questions based on observations, other analyses of the types of jobs in question, or prior discussions with human resources representatives, trainers, or managers knowledgeable about jobs.

(iv) Checklists. This is also used as a job analysis method, specifically with areas like the Air Force. In the checklist method, the incumbent checks the tasks he or she performs from a list of task statements that describe the job. The checklist is preceded by some sort of job analysis and is usually followed by the development of work activity compilations or job descriptions. The scope of task statements listed depends upon the judgment of the checklist constructor.

(v) Critical incidents and work diaries. The critical incident technique asks subject matter experts to identify critical aspects of behaviour or performance in a particular job that led to success or failure. For example, the supervisor of an electric utility repairman might report that in a very time-pressing project, the repairman failed to check a blueprint and as a result cut a line, causing a massive power loss. The second method, a work diary, asks workers and/or supervisors to keep a log of activities over a prescribed period of time. They may be asked to simply write down what they were doing at fifteen minutes after the hour for each hour of the work day. Or, they may list everything they have done up to a break.

(vi) The Position Analysis Questionnaire (PAQ). It is a well-known job analysis instrument. Although it is labeled a questionnaire, the PAQ is actually designed to be completed by a trained job analyst who interviews the SMEs (e.g., job incumbents and their supervisors). The PAQ was designed to measure job component validity of attributes presented in aptitude tests.

Job component validity is the relationship between test scores and skills required for good job performance. The PAQ divided into six major sections: information input, mental process, work output, relationships with others, job context, and other job characteristics.

2.4 EMPLOYMENT PLANNING AND FORECASTING

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

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

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

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

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

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

2.5 BUILDING EMPLOYEE COMMITMENT

Employees are the backbone of any organisation. They are the drivers of superior organisational performance. Despite the fact that computer and IT have revolutionized the work place, people are still needed to programme and operate the computers in order to get the desirable result.

Low levels of commitment to both the organisation and work have been linked to absenteeism, employee turnover and intention to quit. The success of any organisation in achieving its objectives is dependent on the level of commitment of its employees to both the organisation and its various goals. This shows that building employees' commitment to the workplace is one important goal of human resource policies and practices.

Organisations that want to remain competitive in a dynamic-complex business environment of today must make building employee commitment at work a top priority.

2.5.1 THE CONCEPT OF EMPLOYEE COMMITMENT

There is no universal definition of commitment. Authors, researchers and scholars define the concept to suit their interest and purpose. Some common definitions of employee commitment are given below.

i. Commitment is a state of mind in which an individual becomes bound by his actions to beliefs that sustain his activities and his own involvement (Salancik, 1977).

ii. Commitment is willingness on the part of individuals to contribute much more to the organisation than their formal contractual obligation (Martin and Nicholas, 1987).

iii. Organizational commitment may also be defined as the psychological affiliation of an employee to the organization (Chen et al., 2002).

2.5.2 BUILDING EMPLOYEE COMMITMENT

Building employee commitment to the workplace is one important goal of human resource policies and practices. Research over the years revealed that commitment has a positive effect on productivity, turnover and willingness to help co-workers.

Several ways of building employee commitment at work include the following.

(i) Fair treatment

Excellent grievance procedure that guarantees fair treatment of all employees in all grievance and disciplinary matters must be in place.

(ii) People first-value

To build committed workforce organisations should emphasise ideas that portray employees as the most valued assets. Employees must be trusted, treated with respect, involved in making on-the-job decisions, and encouraged to grow and reach their full potential.

(iii) Employment security

Practice lifetime employment without guarantees. Make stable employment and continual improvement of your team members or employees your strategy to obtain the smooth, steady growth of the company. This may be difficult in this era of global economic meltdown induced staff retrenchment. Staff retrenchment must be undertaken with human face. Retrenched employees entitlements must be fully paid. Unless this is done, those left behind will never be committed. All efforts must be geared towards ensuring that employees have confidence in their future with the organisation.

(iv) Excellent Reward package

In addition to offering employees competitive total reward packages, organisations should build a pay plan that encourages employees to think of themselves as partners. This means employees should have healthy share of the profits and downturn during good years and bad years respectively. Stock ownership plan can also be encouraged to make employees major stakeholders in the business.

(v) Value based hiring

Commitment should be embedded in companies' activities right from start. They must demonstrate to potential employees at the point of entry that, they are organisation committed to employees' welfare, career progression, learning and growth. Self-selection can also be utilized, exhaustive screening process that requires some sacrifice on the part of the employees should also be encouraged to create a commitment atmosphere.

(vi) Build excellent brand and solid reputation

There are some business organisations today that do receive thousands of unsolicited applications due to their image, policies, programmes, ideologies and level of profitability. These are organisations that several millions of people are willing to work in and grow. Companies like GSK, Shell, IBM, Infosys, and Procter & Gamble consider their 'employment brand' and 'reputation' as key asset in attracting and retaining skilled, competent, committed and motivated people.

The truth about commitment is that people are more interested in working in well-established organisations with global brand and excellent reputation. Build your brand and reputation to build committed workforce.

(vii) Strong commitment to training and development

To build commitment, there should be a great emphasis on, and investment in, training and development. There should be a deliberate commitment of significant resources to the training and development of employees at work.

(viii) Groom-from-within philosophy/Promote-from-within policy

Organisations that practices groom-from-within philosophy are populated by committed people. In such organisations talent development through training and retraining of staff is accorded the greatest priority. If there is a job vacancy, first of all candidates will be sought locally, but if no one is available; candidates will be sought across a region or across the world.

Groom-from-within philosophy succeed best in an atmosphere where managers act as coaches or mentors and also encourage people to move around within the organisation for career development purposes rather than holding on to the best talents.

2.6 DEVELOPING AND USING APPLICATION FORMS

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

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

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

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

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

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

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

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

Even when applicants come armed with elaborate resumes, it is important to ask the applicants to translate specific resume material into a standardized application form. Job seekers tend to exaggerate, or overstate their qualifications on a resume.

So it's always better to ask the applicant to sign a statement that the information contained on the resume or application blank is true and that he or she accepts the employer's right to terminate the candidate's employment if any of the information is found to be false at a later date.

2.7 KEYWORDS

Recruitment	Job analysis
Employee commitment	Planning and forecasting
Application forms	

2.8 QUESTIONS FOR DISCUSSIONS

1. Define recruitment.
2. Explain the recruitment process.
3. What are the various sources of recruitment? Discuss their relative advantages and disadvantages.
4. What is meant by job analysis? Discuss the purposes and uses of job analysis
5. Explain the various methods of Job analysis.
6. Critically evaluate the employment planning and forecasting.
7. what do you understand by concept of employee commitment?
8 How to build employee commitment? If you are HR Manager.

LESSON

3

EMPLOYEE TESTING AND SELECTION

CONTENTS

3.0 SELECTION PROCESS

Selection is a long process, commencing from the preliminary interview of applicants and ending with the contract of employment. In practice, the process differs among organizations and between two different jobs within the same company.

There is no single universally accepted selection process followed by all organisations. The selection process is likely to vary from organisation to organisation depending upon the nature of jobs and organisation.

Steps involved in standard selection process:

1. Preliminary interview
2. Application Blank

3. Selection tests
4. Selection Interview
5. Reference checks
6. Physical Examination
7. Final Selection

1. Preliminary interview

Like screening, the purpose of preliminary interview is to eliminate unsuitable or unqualified candidates from the selection process. In screening unqualified candidates are eliminated on the basis of information given in the application forms, whereas preliminary interview rejects misfits for reasons, which did not appear in the application forms. Due care needs to be taken to ensure that the weeding out process does not lead the elimination of desirable candidates. Obviously, preliminary interviews should be conducted by someone who inspires confidence, who is genuinely interested in people and whose judgment in adjusting of applicants is fairly reliable. Besides, the interviewer should be courteous, kind and respective. He/ she should not appear brusque or impatient. That is precisely the reason, preliminary interview is also called 'courtesy interview'.

2. Application Blanks

Application blank is the commonest device for getting information from a prospective candidate. Almost all organizations require job seekers to ill up an application. This serves as a personal record of the candidate bearing personal history profile, detailed personal activities, skills and accomplishments. According, the following data is generally called on from the applicant through applicant blank:

a) **Biographical Information:** It includes name, father's name, age, sex, nationality, height, marital status, identification marks and number of dependents.
b) **Educational information :** These cover candidate's academic qualification, course, year of passing, subject offered, percentage of marks, division, name of educational institutions, training acquired, scholarship, etc.
c) **Work experience:** It includes positions held, name of employer, nature of job, salary, duration of various assignments, reasons for leaving the present job, membership of professional bodies, etc.
d) **Salary:** It refers to minimum salary acceptable and minimum joining period required.

e) **Extra-Curricular Information:** It covers information like participation in games, level of participation, prizes won, dramas, debates, NSS, NCC, hobbies, etc.

f) **References:** It includes the names of (two or three) referees who know the character, work and abilities of candidate. However, empirical evidence reports a very slight relationship between references and performance measures. Besides inaccurate facts, this can also be attributed to the referee’s inability to access and describe the candidate, and his limited knowledge about him.

3.1 Selection Test

Individuals differ in many respects including job-related abilities and skills. In order to select a right person for the job, individual differences in terms of abilities and skills need to be adequately and accurately measured for comparison. This is done through a device called ‘selection test’. Selection test is a device that uncovers the information about the candidates which are not known through application blank and interview.

3.1.1 What is selection test?

Test is defined differently by different writers and psychologists. Some definite test as “an objective and standardized measure of a sample behavior”. It is considered standardized because the procedure of administering the test, the environment in which the test is conducted, and method of calculating individual score are uniformly applied. It is called objective because of test measures the individual differences in terms of their abilities and skills following an unbiased and scientific method avoiding interference of human factors.

1. **Objective:** It means the validity and reliability of measuring job related abilities and skills. It is crazy of the whole testing movement. The psychological tests should show that the test is predictive of the important aspects of role behavior related to job for which the candidate is evaluation. Besides the objectivity also refers to equality of opportunity for those being tested avoiding discrimination in terms of caste, creed, sex, religion etc.
2. **Standardized:** Standardized refers to the uniformity of procedure administered and the environment in which the test is taken. Uniformity refers to testing conditions which include the time limit, instructions, testee’s state of mind and health, room temperature, test instruments, etc.

3. **Sample of behaviour:** This refers to the fact that a total replication of reality of human behaviour in any given testing situation is just not possible. Therefore, the behaviour predicted through test is likely to be representative one, or say, a sample of behaviour.

3.1.2 Purpose of test

Tests, i.e. psychological tests are conducted for various purposes. They include:

1. Guiding and counselling students seeking admissions in the educational institutes.
2. Career guidance to those thinking to make careers in specific vocations.
3. Research into human behaviour and its personalities.
4. Employment selection of the candidates for an organization. As regards selection tests, these are conducted mainly to fulfill the following purpose.
    i. For the selection and placement of new employees
    ii. For appraising employees for promotional potentials.
    iii. For counselling employees to enable them to perform better in their jobs.

3.1.3 Types of Tests

1. Intelligence Tests: These are tests to measure one‘s intellect or qualities of understanding. They are also referred to as tests of mental ability. The traits of intelligence measured include: reasoning, verbal and non-verbal fluency, comprehension, numerical, memory and spatial relations ability. Binet-Simon; Stand ford-Binet and Weshier-Bellevue Scale are some examples of standard intelligence tests.

2. Aptitude test: Aptitude tests measure ability and skills of the testee. These tests measure and indicate how well a person would be able to perform after training and not what he/she has done. Thus aptitude tests are used to predict the future ability / performance of a person. There are two objectives of the aptitude tests. One to advise youth or jobseekers regarding field of activities in which they are likely to succeed. This is called 'vocational guidance'. Second, to select best persons for jobs where they may succeed. This test is called 'vocational selection'.

Specific aptitude tests have been designed to measure special abilities to perform a job. Examples of such tests are Mechanical Aptitude Test, Clerical aptitude test, Artistic aptitude test, Musical aptitude test, Management aptitude test, Differential aptitude test, etc.

3. Achievement tests: Achievement tests are measure a person's potential in given area/ job. In other words, these tests measure what a person can do based on skill or knowledge already acquired by him/her. Achievement tests are used for admission to specific courses in the academic institutions. In these tests, grades in previous examinations are often used as indicators of achievement and potential for learning. Indian industries have now started conducting these tests to judge for themselves the level of proficiency attained rather than believing their scores in academic examinations. Achievement tests are also known by the names, proficiency tests, performance, occupational or trade tests.

Achievement tests resemble those of aptitude tests. However, the difference lies in the usage of results. The line of difference between achievement and aptitude is very thin in the sense of past achievement and performance. This difference between the two can be exemplified with an example.

4. PIP Tests: PIP tests are those which seek to measure one‘s personality, interest and preferences. These tests are designed to understand the relationship between any one of these and certain types of jobs.

Interest tests are inventories of likes and dislikes of people towards occupations, hobbies, etc. These tests help indicate which occupation (e.g. artistic, literary, technical, scientific, etc.) are more in tune with a person‘s interests. Strong Vocational Interest Blank and Kuder Preference Records are examples of interest tests. These tests do not; however, help. In predicting on the job performance. Besides, they leave room for faking and the underlying assumptions in the tests could be belied.

5. Projective Tests: These tests expect the candidates to interpret problems or situations. Responses to stimuli will be based on the individual‘s values, beliefs and motives. Thematic Apperception Test and Rorschach Ink Blot Test are examples of projective tests. In Thematic Apperception Test a photograph is shown to, the candidate who is then asked to interpret it. The test administrator will draw inferences about the candidate‘s values, beliefs and motives from an analysis of such interpretation.

6. Graphology: The origin of graphology is traced back to the eleventh century when the Chinese drew attention to the relationship between hand writing and personality. It has been said that an individual's hand writing can suggest the degree of energy, inhabitations, and spontaneity to be found in the writer, disclosing idiosyncrasies and elements of balance and control from which many personality characteristics can be inferred. For example, big letters and emphasis on capital letters indicate a tendency towards domination competitiveness. A slant to the right moderate pressure and good legibility show leadership potential.

4. Selection Interview

Interview is an oral examination of candidates for employment. No selection process is complete without one or more interviews. Interview is the most common and core method of both obtaining information from job-seekers, and decision-making on their suitability or otherwise.

Organizations may seek to make their selection process as objective as possible. But interview which is an essential element of the process, by and large still remains subjective.

Interviews usually take place at two crucial stages in the selection process, i.e., at the beginning and in the end. Interviews can differ in terms of their focus and format. Usually several individuals interview one applicant. This is called panel interview. Such panels usually consist of representatives from-personnel and concerned operating units/line functions. In this method, usually, applicants get screened from one stage to another, at least in the initial stages. The interviews can be structured or unstructured general or in-depth. Sometimes where the job requires the job holder to remain claim and composed under pressure, the candidates are intentionally objected to stress and strains in the interview by asking some annoying or embarrassing questions. This type of interview called the stress interview.

Interviewing is both an art and a science. The effectiveness of the interview as a screening device can be improved by taking care of certain aspects like the following:

1. The interview should be based on a checklist of what to look for in a candidate. Such a checklist could be based on proper job analysis. Each critical attribute which the interview seeks to evaluate may be assigned a specific weightage.

2. It is desirable to prepare a specific set of guidelines for the interview.

3. The interviewers need to train to evaluate performance in the interview objectively. Also, all interviewers need to develop common understanding about the criteria measures, their purposes and weightages.

4. The interviewers may use past behaviour to predict future behaviours and obtain additional information to attempt such linkages more meaningfully.

5. There should be proper coordination between the initial and succeeding interviews.

5. Reference Checks

The reference check as yet another step in the selection process used for the purpose of verifying information and also obtaining additional feedback on an application. The candidate is asked to supply two-three names of persons i.e., referees who know him/her personally, Previous employers, University Professors, neighbours and friends can act as references. However, references are treated as mere formality and are hardly used to influence selection decisions. The obvious reasons are:

a) Reference are normally those who speak well about the candidate.

b) Referee may give favourable opinion about the candidate to get rid of them.

c) Sometimes referee either does not know much about the candidate or does not want to

divulge the truth about the candidate because it might adversely affect the selection or promotion of the concerned candidate.

6. Physical Examination

The last tool used in the selection process is physical examination. The main purpose of conducting physical or medical examination is to have proper matching of job requirement with the physical ability of the candidate. Among various objectives of a physical test, the major ones are to detect if the individual is carrying any infectious diseases, to identify health defects of an individual for undertaking certain works detrimental to his/her health and to protect companies from employees filing compensation claims for injuries and accidents caused by pre-existing ailments.

However, with regard to physical examination, there are few matters of concern. The pre-placement physical examination often fails to detect complicated diseases because of two reasons. *Firstly*, test is cursory. *Secondly*, not enough is known about ailments. Added to this is growing automation which requires less physical strengths for jobs. Moreover, a sound physical condition is no guarantee against accidents. This, then, underlines concern for safety.

7. Final Selection

The last step in the selection process is the final selection of the candidate for a job. The candidates who have cleared all the above hurdles are finally selected and a letter of job offer is issued to them. The job offer i.e., appointment letter contains the details like pay-scale, allowances and other terms and conditions of the job. It also contains when and whom he should report for joining the duty. When he/she reports for joining, he/she needs to be placed in a particular section or division and introduced to the job and organisation.

3.2 SELECTION TECHNIQUES INTERVIEW

Interview Techniques

There are many possible approaches to conducting a selection interview. Whatever the approach one point is certain - the interview will be extremely important to both the applicant and the employer. For most selection situations, the interview provides the opportunity to evaluate applicants and for applicants to gain an impression of the organisation at first hand.

Major features of the approach to selection interviewing recommended include:

- Focusing attention on the competencies most critical to success in the position, and making the most effective use of the interviewing time available.
- Use of a structured interview format based on careful preparation of a written checklist of questions.
- An emphasis on obtaining specific examples of relevant past behaviour, rather than attempting psychological analysis of personality which uses hypothetical questions or relying on subjective reactions to applicants.
- Use of several interviewers (panel) to share information, offset 'judgement bias' and to reach consensus ratings of applicants.
- Separation of fact gathering from comparative evaluation of applicants.
- Objective, reliable and logical methodology.
- Note taking during the interview, and documentation of the reasons for selection decisions.

Plan for the interview

More effective use of interview time is gained by reviewing job requirements in order to prepare a list of interview questions which will provide job relevant information. Sample interview questions and sample interview plans have been prepared to assist you in your preparation.

Careful planning of specific questions will draw out information about past behaviour relevant to the particular skills, knowledge, experience and abilities critical to job success. This ensures the focus of the interview is on the most important aspects of the applicant's capacity to perform the job.

Separate data collection and judgement

Interviewers often make lasting decisions about applicants in the first few minutes. The usefulness of the interview as an information gathering process is then lost as the interviewer simply looks for information to support this initial judgement. Using a structured interviewing process to seek information on job relevant behaviour minimises this problem.

The approach recommended here means the interview is used to collect information on the applicant's past behaviour and the behaviour displayed during interview and the demonstrated capacity to perform in the role. When experiencing a strong view of an applicant it is appropriate to make an effort to seek contrary evidence. This affords the applicant with an opportunity to present a more balanced view.

Pooling of the information obtained by each interviewer, and joint evaluation of the applicants takes place only after the interview process is completed and not between candidates as this may 'lead' the decision process of some panel members.

Behaviour predicts behaviour

If you want to know how somebody is likely to behave in a certain situation, the best thing to find out is how they behaved in the past when placed in a similar situation. If a candidate has been able to meet deadlines and to work well with other people in the past, then the chances are they will be able to do so in the future. As with any prediction method, you will sometimes be wrong using past behaviour to predict future behaviour so care must be taken to find supportive evidence (i.e., through referee reports). Your rate of success will be high, however, if you can gather sufficient valid data about past behaviour, and if you have an accurate idea of the behaviour to be required in the future. Although people do change and develop, major behavioural characteristics tend to remain basically the same in adults. People who have been honest in the past tend to be so in the future. A person, who has shown good judgement, or decisiveness, or tenacity, or ability to learn in the past, is likely to repeat this behaviour in the future.

Develop questioning, listening and note taking skills

Knowing what to look for and having planned questions which will draw out information about the relevant past behaviour of applicants is a good start. Interviewers still need to conduct the interview skillfully, however. The key skills of questioning, listening and note taking are central to the success of the interview. The criteria focused interviewing process provides clear guidelines for applying these skills to meet the needs of both the interviewer and the applicant.

Integrating the interview with other selection techniques

The clear criteria and rating methods utilised allow for integration of interview findings with other selection techniques such as the application, referee reports, samples of job behaviour and ability tests. Psychological tests are not currently used by USQ. This means the accuracy of the interview and other selection tools can be cross-checked. Alternatively, different selection tools can be used to measure different competencies relevant to the position. This specialisation allows for more in-depth coverage of competencies. A simple example might be when selecting a computer operator. A test of ability might be used instead of using the interview or referees' report to get information about past performance or skill levels. Similarly, having a lecturer make a presentation may allow for an assessment of prepared oral presentation skills. The interview and referees' reports can then concentrate on other critical aspects. However, they should be focused clearly on objective and independent feedback of the applicant against the selection criteria. When the results of the application and interview are added to results of tests and referees' reports, a comprehensive profile is available for selection decision making.

Selection decision making by panel discussion

When the interviewing, reference checking and other information gathering stages are complete, a final decision can be made. In the process recommended, a number of people will have been involved in gathering information. It is important for each person to share the information so that all relevant data is considered. This requires an effective process of group decision making. Bringing applicant data together and discussing it, criterion by criterion, allows for ratings to be supported by behavioural or factual evidence - not just surface impressions. These findings need to be documented on the interview summary form.

By ensuring a focus on evidence of past behaviour to support predictions of future behaviour, we make use of the most valid and reliable selection information available.

Remember, consensus decision making is not averaging but is a process whereby the reason for a score may be proposed and assessed until such time as the panel, in general, feels the final score and relative judgements are representative of the panel's view.

3.3 COMMON INTERVIEWING MISTAKES

Incorrect attire:

Dress appropriately for the type of job interview. Always dress in more conservatively than you would normally. Make sure that you are not wearing outlandish colours, showing too much skin, or wearing too much jewellery (man or woman).

Unprepared answers:

You know the typical job questions, so have them prepared. Know ahead of time your answers to questions such as, "What are you strengths and weaknesses? Where do you see yourself in ten years? What can you bring to the company that nobody else can? What brought you to this part of your career?" These generalized questions will more than likely be asked of you on the big day.

Unprepared questions:

Just as much as must prepare the answers to give to your interviewer, you must also come prepared with questions to ask of the interviewer about the position and the company. Employers want to see people who think on their toes and are interested in the position as much as possible. Scribble down a few quick questions that you can ask at the appropriate time of the interview so that you are not trying to think on the spot of what to ask.

Forgetting to do your research:

If you are going on a job interview and know nothing about the company, than you are mistaken. You must learn as much as possible about the position and company prior to your interview. Therefore, you will be able to hold an intelligent and well-informed discussion about the company. You will also be able to ask questions more comprehensively.

Slips of the tongue:

Although this mistake is difficult to control, people often make them. People accidentally say the wrong thing, infer the wrong idea, or blurt out an insult or profanity. Any of these slips of the tongue can throw you out of the interview race. Concentrate on what you say, so that it comes out intelligibly and not incoherently.

Ringing of cell phones:

Make sure your phone is off prior to the interview. Nothing is ruder or more disrespectful to an interviewer than listening to another ring.

Checking the time:

Be careful not to glance at your watch or the wall clock in the middle of your interview. Perhaps you should take off your watch prior to the interview so that you have no chance of accidentally looking at your wrist.

Asking about salary too early:

While it probably one of the determining factors in your decision to work at a company, do not jump the gun in the interview to ask about salary. The interviewer will inevitably tell you what salary and benefits come with the job. There are so many people looking for jobs, so if the company sees you as someone who just wants the money and does not necessarily care about the job, it will work against you in the long run.

Tardiness:

Do not be late to your job interview. Rather, arrive around 10-15 minutes early so you can settle in, fill out paperwork, and allow your interviewer to get ready.

Fidgeting:

While you will probably be nervous prior to and during your job interview, try not to fidget. It is distracting and reads nervousness and anxiety. No employer wants a fidgety co-worker in the building.

Lying:

While it is common to exaggerate on resumes, it is downright wrong to lie on them and in your job interview. Honesty is the most venerable quality in a worker and an employer and interviewer will respect your truth and honesty. Do not claim to have worked somewhere if you have not, and so on and so forth.

3.4 DESIGNING CONDUCTING AN EFFECTIVE INTERVIEW

There are two basic ways to avoid these interview problems. One is obvious: keep them in mind and avoid them (don't make snap judgments, for instance). The second is not quite so obvious: Be careful how you design and structure the interview. Structured interviews can minimize many of the problems.

Structured interviews are effective interviews.

In a structured interview, you approach the interview using a “structured” process, pre-planned questions and a written rating process. Structured interviews:

- provide the ability to compare and rank all applicants who have answered the same pre-planned questions.

- increase the likelihood that all persons interviewing the applicant reach the same conclusion.

- maximize the chance that information obtained from the interview is a reliable predictor of job performance.

- Ensure all applicants are asked the same questions and pre-planned questions are more likely to focus on job related factors

Prepare:

- Schedule sufficient ***time*** for the interview.

• Reserve a ***private room*** that is free from interruptions.

• Review the applicant's ***resume*** and/or application.

• Review the ***job description*** and make sure it is current.

Develop Pre-Planned Questions:

• Develop **behavior-based questions** to gain the most reliable information on an applicant's ability to perform the job. This type of question asks the applicant to describe past actions to specific job-related situations. The manner in which an applicant has responded in the past is a good indicator of how he or she will respond to similar circumstances in the future.

For example you might ask:

- Tell me about a situation where you were required to meet a tight deadline. What was the situation and how did you handle it?

Try not to ask theoretical questions. Theoretical questions result in responses that the applicant thinks are right or what you want to hear. They do not provide reliable information for the hiring decision.

The following question is theoretical and encourages an applicant to tell what they would do in a given situation:

- What would you do to meet a tight deadline?

• Be sure and base your questions on the most important job tasks and those that have the greatest risk should an employee make an error.

• Create a written rating process that allows you to rate the applicant's past performance using a scale from good to poor.

The following are examples of permissible inquiries during interviews:

• Any questions that relate directly to the performance of the job as advertised.

• Questions related to education, previous experience, and related professional activities.

• Questions regarding ability to perform specific essential job functions—[Do not mention a person's disability when asking such a question.]

- What is the candidate looking for in a position that he or she doesn't now have?
- Why does the candidate want to work at Organization?
- What does the candidate like best/least about his or her current or last position?
- When can the candidate start work?
- Can the candidate confirm dates of employment as stated on the resume?
- What is the salary required?
- What is the candidate's current salary?
- What does the candidate know about the organization?
- How did the candidate learn about this position?
- Has the candidate ever been convicted of a crime? If so, when, where, and what was the disposition of the case?
- Names of persons who will be willing to provide professional and/or character references for the applicant.
- What job-related organizations, clubs, professional societies, or other associations do you belong to—you may omit those which indicate race, religious creed, color, national origin, ancestry, sex, or age.
- What is your leadership style?
- what do you see as your biggest challenge? What would you propose to do about it?
- Describe a situation that frustrated you at work.
- Describe an on-going problem that you were able to resolve or overcome.
- Describe an environment that is ineffective for you.
- Describe a time when you found it necessary to make an unpopular decision.
- Describe a leader you admire.

Build Rapport:

• Provide a friendly and enthusiastic greeting.

• Sit beside the applicant to create an open, relaxed atmosphere. Try not to sit behind a desk. This creates a physical barrier and can make the applicant uneasy.

• Briefly make small talk to put the applicant at ease.

• Tell the applicant what your job position is and how it relates to the desired position.

Question Applicant:

• Use a consistent interviewing format with all applicants.

• Ask your pre-planned questions. Make sure that you use open-ended questions to encourage the applicant to speak freely and supply needed information.

• If an applicant has difficulty answering a question, help the applicant relax by moving on to the next question.

• Use follow-up probes to gain more detailed information on how the applicant handled prior job-related situations. (Find out the details of the situation, what the applicant did in the situation and how it turned out.)

• Use effective listening skills to obtain as much information as possible. (A general guideline is to give the applicant 80 % of the air time and limit yourself to 20 %.)

• Observe the applicant's body language. It can provide additional insight into his or her behavior.

• Take good notes. Use your notes to document the basis for your decision.

• Using the scale you developed, rate the applicant's responses.

Provide Information:

• Use the job description and other job-related documents to describe the job and career potential. Make sure your representation is based on facts so that the applicant is not misled.

NOTE: *Always provide information regarding the job and institution after the applicant has answered questions regarding their skills. This will prevent the applicant from tailoring their responses to fit the job requirements.*

Answer Questions:

• Allow the applicant the chance to ask you additional questions about the job or institutions.

Conclude Interview:

• Ask the applicant if there is anything else that would be important for you to know.

• Determine the applicant's interest in the job.

• Inform the applicant of the next steps and when he or she can expect them to occur.

• End on a positive note and thank the applicant.

3.5 KEYWORDS

Application Blank	Test
Selection	Interview

3.6 QUESTIONS FOR DISCUSSIONS

1. Explain the selection process.
2. What is selection test?
3. Bring out the types and purposes of tests?
4. Describe the Selection techniques interview.
5. What are the Common interviewing mistakes?
6. If you were the interviewer of your company, How to Designing and conducting an effective interview?

LESSON

4

TRAINING AND DEVELOPMENT

CONTENTS

4.0 Introduction

Though training and education differ in nature and orientation, they are complementary. An employee, for example, who undergoes training, is presumed to have had some formal education. Furthermore, no training programme is complete without an element of education. In fact, the distinction between training and education is getting increasingly blurred now-a-days. As more and more employees are called upon to exercise judgment and to choose alternative solutions to the job problem training programmes seek to broaden and develop the individual through education. For instance, employees in well-paid jobs and or employees in the service industry may be required to make independent decisions regarding their work and their relationships with clients. Hence, organisations must consider elements of both education and training while planning their training programmes.

Training is the systematic modification of behaviour through learning which occurs as a result of education, instruction development and planned experience. Training is the increasing knowledge and skill of an employee for doing a particular job; Training is a short term process utilizing a systematic and organised procedure by which trainees learn technical knowledge and skill for a definite purpose. Training is a process of learning a sequence of programmed behaviour. It implies application is a process of learning a sequence of programmed behaviour. It implies application of rules and procedures to guide their behaviour thereby improve their performance.

Training is a systematic programme to increase the knowledge, skills, abilities and aptitudes of employees to perform specific jobs. Training is concerned with increasing the knowledge and understanding of the total environment. Development is concerned with the growth of an employee in all respects. Development programmes seek to develop skills and competence for future jobs while training programmes are directed toward maintaining and improving job performance. Thus training is a process by which the aptitudes, on the one hand skills, abilities of employees to perform specific jobs are increased. On the other hand, education is the process of increasing the general knowledge and understanding of employees.

4.1 Distinction between Training and Development

Training	Development
Training means learning skills and knowledge for doing a particular job. It increases job skills.	Development means the growth of an employee in all respects. It shapes attitudes.
The term ‘training’ is generally used to denote imparting specific skills among operative workers and employees.	The term ‘development’ is associated with the overall growth of the executives.
Training is concerned with maintaining and improving current job performance. Thus, it has a short-term perspective.	Executive development seeks to develop competence and skills for future performance. Thus, it has a long-term perspective.
Training is job-centred in nature.	Development is career-centred in nature.
The role of trainer or supervisor is very important in training.	All development is ‘self development’. The executive has to be internally motivated for self-development

Development refers to those learning opportunities designed to help employee grow. Development is not primarily skills-oriented. Instead, it provides general knowledge and attitudes which will be helpful to employees in higher positions. Efforts towards development often depend on personal drive and ambition. Development activities, such as those supplied by management development programmes are generally voluntary.

4.2 Induction Training:

The introduction of the new employee to the job is known as induction. It is the process by which new employees are introduced to the practices, policies and purposes of the organisation. Induction follows placement and consists of the task of orienting or introducing the new employee to the company, its policy and its position in the economy. Induction literally means helping the worker to get or with his own environment. After an employee is assigned his job, it is necessary to introduce him to his job situation, his associates in the job and the overall policies of the company. The induction stage demands great care because the first impression made on the mind of the employee is very critical in the employment life and the treatment he receives during the early days on the new job helps him to form an opinion about his employer and the company.

An induction process properly designed should serve the following purposes:

(a) to help the newcomer to overcome his natural shyness, any nervousness he may experience in meeting new people in the new environment;

(b) to integrate the new employee into the organisation and develop a sense of belonging which is a strong motivational force;

(c) to supply information about the nature for workforce, conditions of service and welfare facilities.

4.2.1 Need for Induction of New Employees

The new employee may have some difficulty in settling down to his new job and in developing a sense of belonging. He can easily adjust himself to his new job if he is given a clear explanation of the work of the department to which he is attached. This introduction of the employee to the job is known as induction.

Purpose and Need for Induction

The purpose of induction and orientation is to help the new employee and the organization to accommodate each other. Included in this process may be financial assistances for expenses of travel filling out of pay roll and other forms, introduction to colleagues and explanation of the policies and practices of the organization, many other factors which serve to integrate the new employee into the enterprise.

The need for security, belonging, esteem and knowledge is met through proper induction and orientation. Haphazard procedures, casual greetings, and lack of information can precipitate anxiety, discouragement, disillusionment or defensive behaviour, including quitting. A successful induction is that which reduces the anxiety of the new employee. Therefore, such methods which bring this about are explained to company workers.

Any neglect in the area of induction and orientation may lead to labour turnover, confusion and wasted time and expenditure.

4.3 Training requirement for different types of employees

Employees at different levels require training. Unskilled workers squire training in improved methods of handling machines and materials to reduce the cost of production and waste and to do the job in the most economical way. Such employees are given training on the job itself and the training is imparted by their immediate superior officers, sardars or foremen. The training period ranges from 3 weeks to 6 weeks. Semi-skilled workers require to cope with the requirements of an industry arising out of the adoption of mechanization, rationalization and technical processes. These employees are given training either in their own sections or departments, or in segregated training shops where machines and other facilities are easily available. The trainings is usually imparted by the more proficient, workers, bosses or inspectors, and lasts for few hours or a week, depending upon the number of operations, and the speed and accuracy required on a job. Training methods include instruction in several semi-skilled operations because training in one operation only creates difficulties in adjustments to new conditions, lends the colour of specialisation to a job and makes work somewhat monotonous for an individual.

Skilled workers are given training through the system of, apprenticeship, which varies in duration from a year to three or five years. Craft training is imparted in training centres and the industry itself.

Other employees: Besides the above types of employees, others - typists, stenographers, accounts clerks and those who handle computers - need training in their particular fields; but such training is usually provided outside an industry.

Salesmen are given training so that they may know the nature and quality of the products and the routine involved in putting through deal; they are trained in the-art of salesmanship, audio handling customers and meeting their challenges.

The supervisory staff needs training most for they form a very important link in the Chain of administration. The training programmes, for supervisors must be tailor-made to fit the needs of an undertaking. Their training enables supervisor to cope with the increasing demands, of the enterprise in which they are employed and to develop team spirit. Supervisory training aims at:

(i) Helping the present supervisors to improve their performance.

(ii) Helping them to prepare for greater responsibilities of the higher levels of management.

(iii) Building, up the security and status of supervisors; and

(iv) Ensuring their technical competence with a view to enabling them to know and understand all about the processes and operations in which their workers participate.

4.4 Orientation is generally provided on the following:

(i) The significance of the job with all necessary information about it including job training and job hazards.

(ii) The company, its history and products, process of production and major operations involves in his job.

(iii) Structure of the organization - the geography of the plant and functions of the various departments.

(iv) Employees‘ own department and job and how they fit into the organization.

(v) Many programmes include follow-up interviews at the end of 3 or 6 months with a view to finding out how the new employee is getting along.

(vi) Relations between foremen and personnel department.

(vii) Company policies, practices, objectives and regulations.

(viii) Personnel policy and sources of information.

(ix) Terms and conditions of service, amenities and welfare facilities.

(x) Rules and regulations governing hours of work and overtime, safety and accidents prevention, holidays and vacations, method of reporting, tardiness and absenteeism.

(xi) Grievance procedure and discipline handling.

(xii) Social benefits (insurance, incentive plans, pensions, gratuities, etc.) and recreation services, athletic, social and culture activities) and

(xiii) Opportunities, promotions, transfers, suggestion schemes and job stabilisation.

Verbal explanations at interview are supplemented by a wide variety of printed material, employee handbooks, house journal, picture stories, comics and cartoons, pamphlets, etc., along with short study tours around the plant on the above matters. Techniques of Induction Programme

An Induction programme consists primarily of three steps:

(a) General orientation by the staff – the personnel department.

(b) Specific orientation by the job supervisor, or his representative.

(c) Follow-up orientation by either the personnel department or supervisor.

The first phase of the programme is ordinarily conducted by the personnel department. This type of induction is general for it gives the necessary information about the history and operations of the firm, the purpose which is to help an employee to build up some pride and interest in the organization. Information is also given on specific employee services, such as pension, health and welfare plans, safety programmes, etc.

At the second stage, induction is conducted by the job supervisor. Induction is specific and requires skill on the part of the men. The employee is shown the department and his place of work, introduced to other employee, informed of the location of the bathrooms, lavatories, canteens, and time clock; and told about the organization‘s specific practices and customs (such as whether the personnel bring their lunch or whether lunch is supplied to them at concessional rates, the timings and length of rest periods, the work dress etc.). The purpose of specific induction is to enable an employee to adjust himself with his work and environment.

Follow-up induction takes place sometime within one week to six months from the time of the initial hiring and orientation. It conducted either by a foreman or a specialist. The employee may be asked whether his hours of work and pay are as represented to him before employment; how he feels about his fellow-workers; how he feels about his boss; and whether he has any suggestion to make for changes in the induction procedure or in other company practices. The interviewer records the answers as well as his own comments on the employee’s progress. At the same time, the line supervisor completes an evaluation of the employee, indicating his strong and weak points, indicating also whether he is doing well.

4.5 Management Development

The stages involved in a management development programme are:

(i) Organizational Planning, to determine, the company‘s present and future needs.

(ii) Managerial appraisal, to evaluate periodically the abilities and performance of individuals with a view to identifying managers showing a promise of further development and meeting their training needs.

(iii) Programme targeting, to focus the company‘s effects on the most pertinent areas.

(iv) Ascertaining key positions requirements to stress the basic requirements of particular managerial positions.

(v) Replacement of skills inventories, to indicate persons qualified for managerial replacements.

(vi) Planning individual development programmes, to provide specified development programmes for promising managers, and

(vii) Appraising existing programmes, to‘ascertain areas of improvement to be incorporated in future programmes.

Since the object of management development is to influence and modify the behaviour of the managers in operation, it is necessary that in framing a management development programme for specified managerial group, the following points should be involved.

(1) The programme must take care to throw impulses into-the system in a manner that generates the urge to behaviour changes from within the trainee manager by the process of evolving rather than an imposition from outside.

(2) Identify the pattern of behaviour of which the programme is aimed at which it seeks to influence and modify.

(3) Identify the nature of the exposure the impulses that must be introduced into the system through the development programme, which will touch the springs of motives and responses modifying the behaviour in the desired direction.

4.5.1 Management Development Program (MDP)

Management development programmes, aim systematically to identify talent, improve skills, widen experience and help people to grow in their ability to accept greater responsibility. The subject matter of a course for Management Development Programme (MDP) may comprise:

1. Company or Organisation : The Management Development Programme (MDP) relating company or organisation may contain the following sub-areas :

(i) Objective and philosophy of company.

(ii) Policies, procedures and practices of an organisation.

(iii) Products and services.

(iv) Organisational structure and organisation dynamics.

(v) Plant facilities.

(vi) Financial aspects such as investment planning, financial planning and control capital budgeting.

(vii) Labour management relations etc.

2. Management Techniques and Principles : Under this main area the following sub-areas may be included:

(i) Organisation principles.

(ii) Financing, planning and management.

(iii) Cost analysis and control.

(iv) Operations research and data processing.

(v) Marketing management, Marketing research.

(vi) Production planning and control.

(vii) management and administration.

(viii) Decision-making.

3. Human Relations : In this constituent the below mentioned sub-areas may be included :

(i) Motivation.

(ii) Understanding human behaviour.

(iii) Group dynamics; (iv) Discipline.

(v) Complaints and grievances.

(vi) Collective bargaining.

(vii) Counselling and suggestion scheme.

(viii) Selection methods and procedures.

(ix) Attitudes, training and development.

(x) Job evaluation and performance appraisal.

(xi) Labour economics.

(xii) Supervisory responsibilities.

4. Technical Knowledge and Skills : Under this main area the following sub-areas may be included:

(i) Computer technology.

(ii) PERT/CPM.

(iii) Linear programming.

(iv) Materials handling.

(v) Inventory control.

(vi) Adequate understanding of technology, products, processes.

5. Personnel Skills : It contains the following sub-areas :

(i) Speaking.

(ii) Report writing.

(iii) Conference leadership

(iv) Learning through listening.

(v) Reading improvement.

6. Economic, Social, and Political Environment : It contains the following sub-areas :

(i) Business.

(ii) Economic system.

(iii) Relations with the state.

(iv) Community relations.

(v) Political systems.

(vi) Legal framework of business.

(vii) Social responsibilities of the corporation and business.

4.5.2 Consideration on Administering a Management Development Programme:
While administering the programme, we should have to give the following considerations:

1. Systematic Career Planning: A Management Development Programme should support a systematic career planning for managerial personnel otherwise the frustrated trainees might seek opportunities elsewhere and the whole investment made in training programmes would go waste.

2. Structured Course: Management Development must follow a series of structured courses. There should also be an active interaction between the trainees and management.

3. Indiscriminate Approach: The training programme should cover as far as possible, every manager, capable of showing potential for growth. It should be free from discrimination. Peter Drucker pointed out that - the right men out of every ten who were not included in the programme will understandably feel slighted. They may end of by welcoming less effective, less productive, less willing to do new thing.

4. Properly Planned: The entire programme should be properly planned. The trainee should take part in it. An individual may stay out, but it should be made clear that he does so at some risk to his future promotion. The company should not normally allow any manager to opt out of a training programme.

4.5.3 Essentials of Success of Management Development Programme (MDP): The following are the essentials for the success of Management Development Programme (MDP) :

1. Circulate the Materials to Participants : The following materials should be distributed among the participants to make the programme more successful :

(a) Newsletter conveying information about corporate affairs.

(b) Copies of talks given by management personnel.

(c) Excerpts from well-written and informative articles.

(d) Copies of minutes of meeting distributed among those who were not present.

When these materials are discussed by a group, new plans and improved procedures will be formulated.

2. Programme should be prepared well in advance: The programme should be prepared well in advance and should contain decisions about instructional methods and development approaches to be used and have a provision of expertise and the necessary support system. It should be based on the policy of promoting a proper utilisation of trained executives, their knowledge and techniques in the improvement of the operations of an organisation.

3. Training division should have smart and successful executives : The training division should not be a dumping ground for people found to be unsuitable for other jobs; it should be mannered by a group of smart and successful executives drawn from various functional areas and disciplines. A multi-disciplinary approach should be emphasised in training programmes rather than the purely personal flavour that is often found in them.

4. Programme should be for all not the weak ones: A management programme should not only be looked upon as something meant for the "limping horses" in the organisation; it should be for the "high fliers" as well. In view of knowledge explosion and the consequent threat of management obsolescence, such programmes should be meant for everyone in an organisation and not just for the weak ones.

5. Management Development Programme (MDP) should be based on a definite strategy : The MDP should be based on a definite strategy, which should spell out the type, coverage and objectives of the programme. The multitier supervisory and management development programme should start from the first line supervisor and go all the way up to the top management.

6. Top Management should Accept Responsibility: The top management should accept responsibility for getting the policy of development executed. To do so, a senior officer may be placed in-charge to initiate and implement the MDP.

7. Management Development is a “Line Job”: It is essentially a "line job". It takes place on the job and involves both the man and his boss.

8. Selection of the Right Materials: Management development starts with the selection of the right materials for managerial ranks. It is essential to ensure that really good material is led into the programme at the entry level.

9. Realistic Time Table is Required: There should be realistic time table in accordance with the needs of a company. This time table should take into account the needs for managerial personnel over a sufficiently long period and the resources which are available and which will be required.

10. It should Fulfill the needs of the Company: Management development must be geared to the needs of the company and the individual.

11. Developing Managers is the Responsibility of All Managers: Every manager must accept direct responsibility for developing managers under his control on the job, and a high priority should be given to his task. Thus, for the development of management, it is essential for the top management to promote a culture for:

(i) learning and gaining knowledge.

(ii) the quest of excellence.

(iii) tolerance of mistakes.

(iv) striving to maintain a balance and an equity.

(v) the discovery of self and others. and

(vi) enabling a subordinate to become aware of his superiors‘ interest in his development and mental growth.

4.6 PROCESS OF DESIGNING A TRAINING PROGRAMME:

Training programmes are costly propositions. They are time and energy consuming too. Hence, the training programmes should be framed with great care and caution. The following steps should be taken while developing a training programme. These steps usually involve a considerable amount of dialogue between personnel department professionals and other supervisors and managers. Ordinarily, the flows or sequences of these steps are approximately as follows but the various steps are independent and in some cases may be done simultaneously.

1. Determining the need and Priorities for Training: The very first step in designing a training programme is to determine the organisation‘s need for such programme. It is from need assessment that the entire training process will flow. If the organisation does not accurately determine its need, the training process will be in appropriately undertaken. Mc-Guhee and Thayer have recommended the following three-steps approach in order to determine training need :

(a) Organisational Analysis: This analysis basically determines where training emphasis should be placed in the organisation.

(b) Man Analysis: It is used to determine who needs to be training and what skills and knowledge or attitudes should be augmented or improved.

(c) Operational Analysis: It assists to decide what the training should consist of; requiring a study of what a person should be taught if he is to perform his task with maximum effectiveness. Some of the popular methods to assess the training needs of employees in a company include observation and analysis of job performance. In each company, the management should analyse organisation needs, job specifications and the present skill levels of the employees. The analysis of organisational needs should focus on the number of employees with various combinations of skills needed at each level and in every part of the firm for specific periods. Regarding job specifications, many organisations have written job specifications that define the skills needed for each job in the firm. By carefully examining these specifications, the human resources staff can obtain a clear idea of the nature of skills needed for each job. Then, an analysis of worker skills and qualifications from his personal file can assist in determining training needs. Similarly training needs can be assessed for a group of employees.

2. Translating needs into Objectives and Establishing Training Goals: Once the training needs have determined the next important step is to translate the skills needed into specific training objectives or desired outcomes of training objectives. These training objectives or goals are then used to determine the specific courses that will be offered. Training objectives should include such matters as specific skills to be taught, the number of people to be trained and from which units and the period within which such training should take place. Objectives for training programme that do not relate directly to specific job skills should also be considered for example, employee health and safety guidelines, promotion opportunities and self-study opportunities. Training objectives include the general content of the training to be given. The most frequently adopted objectives or training subjects by the companies are: new employee orientation, performance appraisal, leadership, selection process, interpersonal skills, word processing, new equipment operation, team building, delegation skills, and listening skills. Sometimes, orientation regarding company policy and practices can be particularly important, especially for new employers.

3. Selecting Trainees: Selecting individuals or groups for training is a very complex decision for the firm and the individuals chosen. From the firm‘s perspective, providing the right training to the right people can help to create and maintain a well-trained and stable work force. To impart training for individuals with limited performance partial or lack of interest is simply a waste of time, effort, and money. Overlooking individuals with ambition and potential represents a lost opportunity and can contribute to higher employee turnover. It should be assumed that ambition and potential are widespread in the firm and exist at all age levels. There are at least four important considerations important in selecting trainee: (i) legal requirements and formalities (ii) employee needs and motivation (iii) skills obsolescence and retraining, and (iv) multi-skilling. Employee needs and motivation can be determined with the help of previous performance evaluations as well as interviews performance evaluations as well as interviews with individual employees and owner supervisors. The rapidly change in technology is requiring that all segments of the society give higher priority to worker retraining. This also means that individual workers themselves must seek out training opportunities to avoid having their skills become obsolete. Similarly, numerous companies have moved in the direction of training their employees to have multiple skills, called multi-skilling. In particular, multi-skilling is relevant where self-managed teams are utilised. Everyone is encouraged to learn all of the jobs of the team and employees are usually paid according to the number of skills that they have developed.

4. Making the Curriculum and Choosing Training Methods After -deeming training objectives and translating into specific course areas, the trainees are identified and evaluated, management will be in a position to decide the overall curriculum, *i.e.,* the arrangement of courses to be offered. The curriculum is a sort of grand plan of what training is to be presented and with what frequency. However, a part which must be added to this grand plan is the matter of training methods. Will the training be on the job, off the job, prior to employment, or prior to a formal assignment? Will it be done by lecture computer assisted, or carried out by some other method? Will it be long-term or short-term?

5. Preparation of training budget Preparing a training budget will be an interactive process with the other steps in formulating a training program. Budget constraints may limit the human resource manager's alternatives and must, therefore, considered during all phases of the development process. Costs that must be included in the training budget are: staff planning time, trainees' wages, trainers' salary, and expenses such as cost of training materials, travels, accommodations, and meals. If the desired training programme does not fit within budget constraints, the human resource manager must consider modification such as fewer trainees, different trainees, different training techniques, and a different training location.

6. Selecting trainers and providing training to trainers. An effective training programme can be developed only when effective trainers are available. Firms have the option of using staff trainers or of seeking contract trainers outside, or of having both, types of trainers. Staff trainers' may be full-time specialists on the organisation or may be part-time trainers. After their selection, they must be provided with the information regarding the persons who are to be strained. The trainers should be engaged after careful evaluation of their suitability and effectiveness so as to ensure quality training.

7. Using selected training technique. To conduct the training is a significant aspect of training process. Under this step, the trainers speak, demonstrate, and illustrate in order to put over the new knowledge, skills, and operations. Besides, he suggests the trainee to be at ease, without any stress and strain, and explains to him the necessity of the training programme and creation of trainee's personal interest in training. The trainer tells the sequence of the entire job, the need for each step in the job, the relationship of the job to the total work-flow, the nature of interpersonal behaviour required at the job, and so on. All key points should be covered and emphasised. Audio-visual aids should be used to demonstrate and illustrate. To ensure follow-up by the trainee, he should be asked to repeat the operations, and encouraged to ask questions for further classifications and understanding.

8. Performance or learning tryout. As the training continues, it is important that the progress of trainees should be monitored. This may be accomplished by periodic skill or knowledge tests or periodic assessments by the personnel department. The trainee may be asked to do the job several times. His mistakes, if any, are corrected and complicated steps should be explained again. As soon as the trainee demonstrates that he can do the job rightly, he is put at his own job and the training is said to be over.

9. Evaluation system of training programme. In order to generate adequate feedback, some key purposes of conducting this evaluation are :

(i) Determining whether a programme meets its objectives or goals.

(ii) Identify strengths and weaknesses in the training process.

(iii) Calculate the cost-benefit ratio of a programme.

(iv) Determine who benefited the most from a programme and why

(v) Establish a data base for further decision about the programme.

Training programmes can be evaluated with a variety of methods. The most popular method involves analysis questionnaires filled out by the trainees either at the end of the training session or within a few weeks. Although in some situations employees can accurately evaluate the quality of the training programme, in other situations their subsequent performance or degree of improvement is a more valid measure. After specific performance measurement, the results are compared with the objectives for the training programme. If the training objectives have been met, the training is said to be successful.

4.7 METHODS OF TRAINING

The following methods are generally used to provide training:

On-the-Job Training Methods: This type of training is imparted on the job and at the work place where the employee is expected to perform his duties. It enables the worker to get training under the same working conditions and environment and with the same materials, machines and equipment's that he will be using ultimately after completing the training. This follows the most effective methods of training the operative personnel and generally used in most of the individual undertaking.

1. On Specific Job: On the job training methods is used to provide training for a specific job such an electrician, motor mechanic, and pluming etc.

(a) Experience: This is the oldest method of on-the-job training. Learning by experience cannot and should not be eliminated as a method of development, though as a sole approach; it is a wasteful, time consuming and inefficient. In some cases, this method bas proved to be very efficient though it should be followed by other training methods to make it more meaningful.

(b) Coaching: On-the-Job coaching by the superior is an important and potentially effective approach is superior. The technique involves direct personnel instruction and guidance, usually with extensive demonstration.

2. Job Rotation: The major objective of job rotation training is the broadening of the background of trainee in the organisation. If trainee is rotated periodically from one job to another job, he acquires a general background. The main advantages are: it provides a general background to the trainee, training takes place in actual situation, competition can be stimulated among the rotating trainees, and it stimulates a more co-operative attitude by exposing a man to other fellow problem and view-points.

3. Special Projects: This is a very flexible training device. The trainee may be asked to perform special assignment; thereby he learns the work procedure. Sometime a task-force is created consisting of a number of trainees representing different functions in the organisation.

4. Apprenticeship: Under this method, the trainee is placed under a qualified supervisor or instructor for a long period of time depending upon the job and skill required. Wages paid to the trainee are much less than those paid to qualified workers. This type of training is suitable in profession, trades, crafts and technical areas like fitter, turner, electrician, welders, carpenters etc.

5. Vestibule Training: Under this method, actual work conditions are created in a class room or a workshop. The machines, materials and tools under this method are same as those used in actual performance in the factory. This method gives more importance to learning process rather than production.

6. Multiple Management: Multiple management emphasizes the use of committees to increase the flow of ideas from less experience managers and to train them for positions of greater responsibility. The McCormick & Company of Baltimore, U.S.A. developed the programme. The company claims that the plan has increased employee efficiency, reduced labour turnover and absenteeism, and enabled the company to pay higher wages than those prevailing in the area and industry. In this method; a junior board authorized to discuss any problem that the senior board may discuss, and its members are encouraged to put their mind to work on the business a whole, rather than too concentrate to their specialized areas.

Off-the-job Training Methods

Following are the off the job training techniques:

1. Special Courses and Lectures: Lecturing is the most traditional form of formal training method Special courses and lectures can be established by business organizations in numerous ways as a part of their development programmes. First, there are courses, which the organizations themselves establish to be taught by members of the organizations. Some organizations have regular instructors assigned to their training and development such as Tata and Hindustan Lever in private sector; Life Insurance Corporation. State Bank of India and other nationalized commercial banks, Reserve Bank, Hindustan Steel, Fertilizer Corporation and many others in public sector. A second approach to special courses and lectures is for organizations to work with universities or institutes in establishing a course or series of course to be taught by instructors by these institutes. A third approach is for the organizations to send personnel to programmes established by the universities, institutes and other bodies. Such courses are organized for a short period ranging from 2-3 days to a few weeks.

2. Conferences: This is also an old method, but still a favourite training method. In order to escape the limitations of straight lecturing many organizations have adopted guided, discussion type of conferences in their training programmes. In this method, the participants pools, their ideas and experience in attempting to arrive at improved methods of dealing with the problems, which are common subject of discussion; Conferences may include buzz sessions that divide conferences into small groups of four or five intensive discussion. These small groups then report back to the whole conference with their conclusions or questions. Conference method allows the trainees to look at the problem from a prouder angle.

3. Case Studies: This technique, which has been developed, popularized by the Harvard Business School, U.S.A is one of the most common forms of training. A case is a written account of a trained reporter of analyst seeking to describe an actual situation. Some causes are merely illustrative; others are detailed and comprehensive demanding extensive and intensive analytical ability. Cases are widely used in variety of programmes. This method increases the trainee‘s power of observation, helping him to ask better questions and to look for broader range of problems.

4. Brainstorming : This is the method of stimulating trainees to creative thinking This approach developed by Alex Osborn seeks to reduce inhibiting forces by providing for a maximum of group participation and a minimum of criticism. A problem is posed and ideas are invited. Quantity rather quality is the primary objective. Ideas are encouraged and criticism of any idea is discouraged. Chain reactions from idea to idea often develop. Later these ideas are critically examined. There is no trainer in brainstorming and it has been found that the introduction of known efforts into it will reduce the originality and practicability of the group contribution, Brainstorming frankly favours divergence, and his fact may be explain why brainstorming is so little used as yet in developing countries where no solutions ought to carry the highest premium.

5. Laboratory Training: Laboratory training adds to conventional training by providing situations in which the trains themselves experience through their own interaction some of the conditions they are talking about. In this way, they more or less experiment on themselves. Laboratory training is more concerned about changing individual behaviour and attitude. There are two methods of laboratory training: simulation and sensitivity training.

(a) Simulation: An increasing popular technique of management development is simulation of performance. In this method, instead of taking participants into the field, the field can be simulated in the training session itself Simulation is the presentation of real situation of organisation in the training session. It covers situations of varying complexities and roles for the participants. It creates a whole field organisation, relates participants, through key roles in it, and has them deal with specific situations of a kind they encounter in real life. There are two common simulation methods of training: role-playing is one and business game is the other.

(i) Role-playing: Role-playing is a laboratory method, which can be used rather easily as a supplement of conventional training methods. Its purpose is to increase the trainee‘s skill in dealing with other people. One of its greatest use, in connection with human relations training, but it is also used in sales training as well. It is spontaneous acting of a realistic situation involving two or more persons, under classroom situations. Dialogue spontaneously grows out of the situation, as the trainees assigned to it develop it. Other trainees in the group serve as observers or critics. Since people take rules even day, they are somewhat experienced in the art, and with, a certain amount of imagination they can protect themselves into roles other than their own. Since a manager is regularly acting roles in his relationship with other it is essential for him to have role awareness and to do role thinking so that they can size up each size up each relationship and develop the most effective interaction position.

(ii) Gaming: Gaming has been devised to simulate the problems of running a company or even a particular department. It has been used for a variety of training objectives from investment strategy, collective bargaining techniques to the morale of clerical personnel. It has been used at all the levels, from the executives for the production supervisors. Gaming is a laboratory method in which role-playing exists but its difference is that it focuses attention on administrative problems, while role-playing tend to emphasis mostly feeling and tone between people in interaction. Gaming involves several terms, each of which given a firm to operate for a number of periods. Usually the periods are short one year or so. In each period, each-team makes decisions on various matters such as fixation of price, level of production inventory level, and so forth.

Since each team is competing with others, each firm‘s decisions win affect the results of all others. All the firm‘s decisions are fed into a computer, which is programmed to behave somewhat like a real market.

(b) Sensitivity Training: Sensitivity training is the most controversial laboratory training method. Many of its advocates have an almost religious zeal in their enhancement with the training group experience. Some of its critics match this favour in their attacks on the technique. As a result of criticism and experience, a somewhat revised approach, often described as 'team development‘ training. has appeared. National Training Laboratories at Bethel U.S.A. The training groups themselves called ‘T GROUP’ first used it. Since then its use has been extended to other organizations, universities and institutes. Training is essential for the smooth, economic, timely and efficient production, work or service in any organisation. To get work accomplished well from a worker or employee, it is a must that he is given proper training in methods of work. Training is the organized producer by which people learn knowledge and skill for a definite purpose management can‘t make a choice as between 'training‘ or 'no training‘. On the other hand, it is a must. The only choice lies in the method of training.

4.8 TECHNIQUES OF EVALUATION OF TRAINING

Several techniques of evaluation are being used in organisations. One approach towards evaluation is to use experimental and control groups. Each group is randomly selected, one to receive training (experimental) and the other not to receive training (control).

The random selection helps to assure the formation of groups quite similar to each other. Measures are taken of the relevant indicators of success (e.g. words typed per minute, quality pieces produced per hour, wires attached per minute) before and after training for both groups. If the gains demonstrated by the experimental group are better than those by the control group, the training programme is labelled as successful.

Another method of training evaluation involves longitudinal or time-series analysis. Measurements are taken before the programme begins and are continued during and after the programme is completed. These results are plotted on a graph to determine whether changes have occurred and remain as a result of the training effort. To further validate that change has occurred as a result of training and not due to some other variable, a control group may be included.

One simple method of evaluation is to send a questionnaire to the trainees after the completion of the programme to obtain their opinions about the programme‘s worth. Their opinions could also be obtained through interviews. A variation of this method is to measure the knowledge and/or skills that employees possess at the commencement and completion of training. If the measurement reveals that the results after training are satisfactory, then the training may be taken as successful.

In order to conduct a thorough evaluation of a training programme, it is important to assess the costs and benefits associated with the programme. This is it difficult task, but· is useful in convincing the management about the usefulness of training.

4.9 KEYWORDS

Training	Development
Induction	Case Study
Management Development Program	Role play
Sensitivity training	Brainstorming

4.10 QUESTIONS FOR DISCUSSIONS

1. What do you meant by training? Distinction between training and development.
2. What is induction Training? Describe the need and purpose of induction Training.
3. What can be the subject matter of Management Development Program (MDP)?
4. What consideration should be given to administer a MDP?
5. What are the requisites for the success of MDP?
6. Elaborate on the different methods that are used for the training of employees.
7. Explain the training requirement for different types of employees in an organization.
8. Describe the Techniques of evaluation of training.
9. Explain the Process of designing a training program.

LESSON

5

PERFORMANCE APPRAISAL

CONTENTS

5.0 Introduction

Performance appraisal or Performance evaluation is a method of evaluating the behaviour of employees in a work place, normally including both the quantitative and qualitative aspect of job performance. Performance here refers to the degree of accomplishment of the tasks that makeup an individual‘ job. It indicates how well an individual fulfilling the job demands. Performance is measured in terms of results. Thus, Performance appraisal is the process of assessing the performance or progress of an employee, or a group of employees on the given job, as well as his potential for future development. Thus, performance appraisal comprises all formal procedures used in organisations to evaluate contributions, personality, and potential of individual employees. In other words, performance appraisal includes the comparison of performance scales of different individuals holding similar areas of work responsibilities and relate to determination of worth of the scales for the achievement of organisation objective.

5.1 Definitions of Performance Appraisal:

Performance Appraisal has been defined as follows:

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

(ii) According to Wendell French, Performance appraisal and review in the formal, systematic assessment of how well employees are performing their jobs in relations to establish standards and the communication of that assessment to employees.

5.2 Characteristics of Performance Appraisal:

The following are the characteristics of Performance Appraisal

1. A Process: Performance appraisal is not a one-act play. It is rather a process that involves several acts or steps.

2. Systematic Assessment: Performance appraisal is a systematic assessment of an employee‘s strengths and weakness in the context of the given job.

3. Main Objective: The main objective of it is to know how well an employee is going for the organisation and what needs to be improved in him.

4. Scientific Evaluation: It is an objective, unbiased and scientific evaluation through similar measure and procedures for all employees in a formal manner.

5. Periodic Evaluation: Although informal appraisals tend to take place in an unscheduled manner (on continuous) basis with the enterprises a supervisors evaluate their subordinates work and as subordinates appraise each other rand supervisors on a daily basis, yet the systematic (i.e., formal) appraisal of an individual employee is likely to occur at certain intervals throughout that person‘s history of employment (say quarterly, six monthly, annually, etc.)

6. Continuous Process: In addition to being periodic performance usually is an ongoing process. It means that appraisals are regularly scheduled and are not dumped on the employee on whimsical dates without relevance. The process has not been broken in person‘s history of employment however, the periodicity of appraisal may be changed as per needs of the situation.

7. Employee Feedback: Performance appraisal system provides information to employees on how well they are doing their jobs, and this feedback is provided to them when it is relevant. Performance appraisal is also called Employee Rating and Service Rating. Performance appraisal and merit rating are used synonymously. But strictly speaking performance appraisal is a wider term than merit-rating. In merit rating the focus is on judging the calibre and worth of an employee so as to place him on right job. On the other hand, performance appraisal focuses on the performance and future potential of the employee. Its aim is not simply to decide placement or promotion but to measures the value of worker in different job situations.

5.3 PURPOSE OF PERFORMANCE APPRAISAL

The following are the main purposes of performance appraisal.

1. Appraisal Procedure: It provides a common and unified measure of performance appraisal, so that all employees are evaluated in the same manner. It gives an in discriminatory rating of all the employees.

2. Decision Making: Performance appraisal of the employees is extremely useful in the decision making process of the organization. In selection, training, promotion, pay increment and in transfer, performance appraisal is very useful tool.

3. Work Performance Records: Performance appraisal gives us complete information in the form of records regarding every employee. In the case of industrial disputes even arbitrator accepts these records in the course of grievance handling procedure.

4. Employees Development: Performance appraisal guides the employees in removing their defects and improving their working. The weaknesses of the employee recorded in the performance appraisal provide the basis for an individual development programme. If properly recorded and used, the performance appraisal gives the fair opportunities to employees to correct and rectify their mistakes.

5. Enables Supervisors to be More Alert and Competent: Performance appraisal enables supervisor to be more alert and competent and to improve the quality of supervision by giving him a complete record of employee's performance. He can guide an employee, where he is prone to commit mistakes.

6. Merit Rating: Merit rating is another name of performance appraisal; it gives supervisors a more effective tool for rating their personnel. It enables them to make more careful analysis of employee's performance and make them more productive and useful.

7. Improves Employer Employee Relations: Performance appraisal is not only a useful guide for the supervisors and employees but it improves the employer-employee relations by creating a more conductive and amicable atmosphere in the organization. It also stimulates free exchange of thoughts and ideas between the supervisor and his men. In this way performance appraisal bridges the emotional gap between the employer and employee by bringing them more close and by reducing man-to-man differences in the organization.

5.4 USES OF PERFORMANCE APPRAISAL

Performance appraisal helps the employees in Self-improvement and Self-development. It helps the management in taking decisions about Placement, Promotions, Transfer, Training and Development, etc. It helps to achieve individual and organisational goals. It is useful to the employees and the organisation. Therefore, Performance Appraisal should be conducted objectively from time to time. The employees should not oppose it. However, they should see that the performance appraisals are systematic, fair and impartial. It should not be for punishing the employees. It should be for improving the employees and their performances.

1. Help in Deciding Promotion: It is in the best interest of the management to promote the employees to the positions where they can most effectively use their abilities. A well-organised, development and administered performance appraisal programme may help the management in determining whether an individual should be considered for promotion because the system not only appraises the worth of the employee on the present job but also evaluates his potentialities for higher job.

2. Help in Personnel Actions: Personnel actions such as lay-offs, demotions, transfers and discharges etc. may be justified only if they are based on performance appraisal. While in some cases, actions are taken because of unsatisfactory performance of the employee, in some other cases it may be called for due to some economic conditions beyond control such as changes in production process. In former case, the action can only be justified on the basis of the result of performance appraisal.

3. Help in Wage and Salary Administration: The wage increase given to some employees on the basis of their performance may be justified by the performance appraisal results. In some cases appraisal, i.e., merit and seniority are combined for higher salaries on better positions.

4. Help in Training and Development: An appropriate system of performance appraisal helps the management in devising training and development programmes and in identifying the areas of skill or knowledge in which several employees are not at par with the job requirements. Thus the appraisal system points out the general training deficiencies which may be corrected by additional training, interviews, discussions or counselling. It helps in spotting the potential to train and develop them to create an inventory of executives.

5. Aid to Personnel Research: Performance appraisal helps in conducting research in the field of personnel management. Theories in personnel field are the outcome of efforts to find out the cause and effect relationship between personnel and their performance. By studying the various problems which are faced by the performance appraiser, new areas of research may be developed in personnel field.

6. Help in Self Evaluation: Performance appraisal helps the employee in another way also. Every employee is anxious to know his performance on the job and his potentials for higher jobs so as to bring himself to the level of that position.

7. Help in Creating Healthy Competition: Performance appraisal brings out the deficiencies and shortcomings of the employees. Discussions between ratter and rates may be conducted in a spirit of co-operation and mutual understanding. This gives an opportunity to the employer to have an insight on their performance and to take corrective measures to improve upon their performance.

5.5 Essentials of an Effective Performance Appraisal System:

The following are the essentials of an effective Performance Appraisal System:

1. Mutual Trust: The existence of an atmosphere of confidence and trust so that both supervisor and employee may discuss matters frankly and offer suggestions which may be beneficial for the organisation and for an improvement of the employee. An atmosphere of mutual trust and confidence should be created in the organisation before introducing the appraisal system. Such an atmosphere is necessary for frank discussion of appraisal. It also helps to obtain the faith of employees in the appraisal system.

2. Clear Objectives: The objectives and uses of performance appraisal should be made clear and specific. The objectives should be relevant, timely and open. The supervisor must very thoroughly evaluate the employee‘s performance so that he is capable of meeting challenges about his ratings of his subordinate.

3. Standardisation: Well-defined performance factors and criteria should be developed. These factors as well as appraisal form, procedures and techniques should be standardised. It will help to ensure uniformity and comparison of ratings. The appraisal techniques should measure what they are supposed to measure. These should also be easy to administer and economical to use. The appraisal system should be performance based and uniform. Employees should be made fully aware of performance standards and should be involved in setting the standards.

4. Training: Evaluators should be given training in philosophy and techniques of appraisal. They should be provided with knowledge and skills in documenting appraisals, conducting post appraisal interviews, rating errors, etc.

5. Job Relatedness: The evaluators should focus attention on job-related behaviour and performance of employees. The results of performance rather than personality traits should be given due weight. Suggestions for improvement should be directed towards the objective facts of the job (such as work schedules, output, reports completed, sales made, losses incurred, profits earned, accomplishments, etc.). Joint plans for the future must be developed after consultation with subordinates. The individual as a person should never be criticised.

6. Strength and Weaknesses: The raters should be required to justify their ratings. The supervisor should try to analyse the strength and weaknesses of an employee and advise him on correcting die weakness.

7. Feedback and Participation: Arrangements should be made to communicate the ratings to both the employees and the raters. The employees should actively participate in managing performance and in the ongoing process of evaluation. The superior should play the role of coach and counsellor. The overall purpose of appraisals should be developmental rather than judgmental.

8. Individual Differences: While designing the appraisal system, individual differences in organisations should be recognised. Organisations differ in terms of size, nature, needs and environment. Therefore, the appraisal system should be tailor-made for the particular organisation. The needs of rates in terms of feedback, mobility, confidence and openness should also be considered.

9. Post Appraisal Interview: A post-appraisal interview should be arranged so that employees may be supplied with feedback and the organisation may know the difficulties under which employees work, so that their training needs may be discovered.

10. Review and Appeal: A mechanism for review of ratings should be provided. Which particular technique is to be adopted for appraisal should be governed by such factors as the size, financial resources, philosophy' and objectives of an organisation. The results of the appraisal, particularly when they are negative, should be immediately communicated to the employees, so that they may try to improve their performance.

5.6 Steps in Appraising Performance:

Various steps in appraising performance of employees are as follows:

1. Establishing Performance Standard: The process of evaluation begins with the establishment of Performance Standards. While designing a job and formulating a job description, performance standards are usually developed for the position. These standard should be very clear and not vague, and objective enough to be understood and measured.

These standard should be discussed with the supervisors to find out which different factors are to be incorporated. Weights and points to be given to each factor and these then should be indicated on the Appraisal Form, and later on used for appraising the performance of the employees.

2. Communicating Performance Expectations to Employees: The next important step is to communicate the aforesaid standards to the concerned employees. Their jobs and jobs related behaviour should be clearly explained to them. It should be noted that job related behaviours are those critical behaviour that constitute job success. The employee should not be presumed to guess what is expected of him. It should be noted that here communication means that the standards have been transmitted to the employee and he has received and understood them a two-way communication, i.e., transference of information from the manager to the subordinate regarding expectations, and feedback from the subordinate to the manager that this information has been received and understood in same context and contents.

3. Measuring Actual Performance: The third step is the measurement of actual performance. To determine what actual performance is, it is necessary to acquire information about it we should be concerned with how we measure and what we measure. Four sources of information are frequently used to measure actual performance: personal observation, statistical reports, oral reports and written reports.

4. Comparing Actual Performance with Standards: The next step is comparison of actual performance with the standards. By doing so the potentiality for growth and advancement of an employee can be appraised and judged. Efforts are made to find out deviations between standard performance and actual performance.

5. Discussing the Appraisal with the Employee: After comparing actual performance with standards, the next step is to discuss periodically the appraisal with the employee. Under these discussion good points, weak points, and difficulties are indicated and discussed so that performance is improved. The information that the subordinate receives about his performance assessment has a great impact of his self-esteem and on his subsequent performance. Conveying good news is considerably less difficult for both the manager and the subordinate than when performance has been below expectations.

6. **Initiating Corrective Action:** The final step is the initiation of corrective action whenever necessary. Immediate corrective action can be of two types. One is immediate and deals predominantly with symptoms. The other is basic and delves into causes. Immediate corrective action is often described as putting out fires whereas basic corrective action gets to the source of deviation and seeks to adjust the difference permanently. Coaching and counselling may be done or special assignments and projects may be set. Persons may be deputed for formal training courses, and decision making responsibilities and authority may be delegated to the subordinates. Attempts may also be made to recommend for salary increases or promotions, if these decisions become plausible in the light of appraisals. It should be noted that the above details may vary from organisation to organisation, but these steps usually form the principal steps/features of a sound evaluation programme.

5.7 METHODS OR TECHNIQUES OF PERFORMANCE APPRAISAL

Several methods and techniques are used for evaluating employee performance. They may be classified into two broad categories, viz., traditional methods and modern methods while traditional methods lay emphasis on the rating of the individual's personality traits, such as initiative, dependability, drive creativity, integrity, intelligence, leadership potential, etc.; the modern methods, on the other hand, place more emphasis on the evaluation of work results.

Performance Appraisal

Traditional Methods

1. Ranking Method
2. Grading Method
3. Man-to-Man Comparison Method
4. Graphic Rating Scale Method
5. Essay Method
6. Forced Choice Method
7. Paired comparison
8. Checklist method

Modern Methods

1. Management by Objective (MBO)
2. Assessment Centre Method
3. Human Asset Accounting Method
4. Behaviourally Anchored Rating Scales
5. 360- degree appraisal

5.7.1 Traditional Methods of Performance Appraisal:

There are different techniques/methods which are used for performance appraisal of employees. Some of the methods of performance appraisal are:

1. Ranking Method: Ranking method is the oldest and simplest method of rating. Here, each employee is compared with all others performing the same job and then he is given a particular rank i.e. First Rank, Second Rank etc. It states that A is superior to B. B is superior to C and so on. This method ranks all employees but it does not tell us the degree or extent of superiority i.e. by how much one employee is superior to another. Secondly, this ranking is based on only mental assessment so it is not possible to give any objective proof about why the rater has ranked one employee as superior to another. In this method, the performance of individual employee is not compared with the standard performance. Here, the best is given first rank and poorest gets the last rank. The ranking method is highly subjective. Similarly, here the employees are compared as a whole. Comparison of the various parts of an employee's performance is not done.

2. Grading Method: Under this method of performance appraisal, different grades are developed for evaluating the ability of different employees and then the employees are placed in these grades. These grades may be as follows: (i) Excellent; (ii) very good; (iii) Good; (iv) Average; (v) Bad; (vi) Worst.

3. Man-to-Man Comparison Method: This method was first used in USA army during the 1st World War. Under this method, few factors are selected for analysis purposes. These factors are: leadership, dependability and initiative. After that a scale is designed by the rate for each factor. A scale of person is also developed for each selected factor. Each person to be rated is compared with the person in the scale, and certain scores for each factor are awarded to him/her. In other words, instead of comparing a whole man to a whole man personnel are compared to the key man in respect of one factor at a time. We can use this method in job evaluation. This method is also known as the Factor Comparison Method. In performance appraisal, it is not of much use because the designing of scale is a very difficult task.

4. Graphic Rating Scale Method of Performance Appraisal: This is the very popular, traditional method of performance appraisal. Under this method, scales are established for a number of fairly specific factors. A printed form is supplied to the rater. The form contains a number of factors to be rated. Employee characteristics and contributions include qualities like quality of work, dependability, creative ability and so on. These traits are then evaluated on a continuous scale, where the rater places a mark somewhere along the scale. The scores are tabulated and a comparison of scores among the different individuals is made. These scores indicate the work of every individual. The following table presents simple graphic scale:

	Quality	**Quantity**	**Creative**	**Dependability**
Excellent				
Good				
Average				
Poor				

This method is popular because it is simple and does not require any writing ability. The method is easy to understand and use. Comparison among pairs is possible. This is necessary for decision on salary increases, promotion, etc.

5. Essay Method: The essay method involves an evaluator's written report appraising an employee's performance, usually in terms of job behaviours and/or results. The subject of an essay appraisal is often justification of pay, promotion, or termination decisions, but essays can be used for developmental purposes as well.

Since essay appraisals are to a large extent unstructured and open-ended, lack of standardization is a major problem. The open-ended, unstructured nature of the essay appraisal makes it highly susceptible to evaluator bias, which may in some cases be discriminatory. By not having to report on all job-related behaviours or results, an evaluator may simply comment on those that reflect favourably or unfavourably on an employee. This does not usually represent a true picture of the employee or the job, and content validity of the method suffers.

6. Forced Choice Method: The series of statements arranged in the blocks of two or more are given and the rater indicates which statement is true or false. The rater is forced to make a choice. HR department does actual assessment. Advantages - Absence of personal biases because of forced choice. Disadvantages – Statements may be wrongly framed.

7. Paired comparison: A performance appraisal that measures the relative performance of employees in a group. 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.

8. Checklist Appraisal: The main purpose of this method is to reduce the evaluator's burden of rating the employee. In this method a dichotomous questionnaire (A question with two answer choices namely `Yes' or `No') is used. A rater is required to put a tick mark against the respective column. This questionnaire is prepared and scored by the HR department. The main disadvantage of this method is the rater is not given the flexibility to add or delete the statements.

5.7.2 MODERN METHOD OF APPRAISAL AND CAREER DEVELOPMENT

Most of the traditional methods emphasise either on the task or the worker‘s personality, while making an appraisal. For bringing about a balance between these two, modern methods have been developed. The details of these methods are as follows:

5.7.2.1 Management by Objective (MBO): It was Peter F. Drucker who first gave the concept of MBO to the world in 1954 when his book The Practice of Management was first published. Management by objective can be described as, 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 results expected of him and use these measures as guides for operating the unit and assessing the contribution of each of its members.

5.7.2.1.1 Essential Characteristics of MBO:

The important features of MBO are as follows:

1. A Philosophy: Management by objective is a philosophy or a system, and not merely a technique.

2. Participative Goal Setting: It emphasises participative goal setting.

3. Clearly Define Individual Responsibilities: Management by objective (MBO) clearly defines each individual's responsibilities in terms of results.

4. Accomplishment of Goal: It focuses a tension on what goal must be accomplished rather than on how it is to be accomplished (method).

5. Objective Need into Personal Goal: MBO converts objective need into personal goals at every level in the organisation.

6. It Establishes Goals Yardsticks: It establishes standards or goals yardsticks as operating guides and also as basis of performance evaluation.

7. Efforts to Blend and Balance Goals: It is a system intentionally directed toward effective and efficient attainment of organisational and personal goals.

5.7.2.1.2 Objectives of MBO: The objective of MBO is to change behaviour and attitudes towards getting the job done. In other words, it is results-oriented. It is performance that counts. It is a management system and philosophy that stress goals rather than methods. It provides responsibility and accountability and recognises that workers or employees have needs for achievement and self-fulfillment. It meets these needs by providing opportunities for participation in goal setting process. Subordinates become involved in planning their own careers.

5.7.2.1.3 The Process of MBO:

It is as follows:

1. Establishment of Goal: The first step is to establish the goals of each subordinate. In some organisations, superiors and subordinates work together to establish goals. While in other organisation, superiors establish goals for subordinates. The goals typically refer to the desired outcome to be achieved. Thereafter these goals can be used to evaluate employee performance.

2. Setting the Performance Standard: The second step involves setting the performance standard for the subordinates in a previously arranged time period. As subordinates perform, they know fairly well what there is to do, what has been done, and what remains to be done.

3. Comparison of Actual Goals with the Standard Goals : In the third step the actual level goal attainment is compared with the standard goals. The evaluator explores reasons of the goals that were not met and for the goals that were exceeded. This step helps to determine possible training needs. It also alerts the superior to conditions in the organisation that may affect a subordinate but over which the subordinate has no control.

4. Establishing New Goals, New Strategies: The final step involves establishing new goals and, possibly, new strategies for goals not previously attained. At this point, subordinate and superior involvement in goal-setting may change. Subordinates who successfully reach the established goals may be allowed to participate more in the goal-setting process next time. The process is repeated.

5.7.2.1.4 Benefits or Advantages of MBO:

The benefits of MBO are as follows:

1. Balanced Focus on Objectives: MBO forces the management to set objectives with balanced stress on key result area. Thus, crisis conditions are avoided to take place in the organisation.

2. Better Managing Things: MBO forces managers to think about planning for results, rather than merely planning activates or works. Managers are required to ensure that the targets are realistic and needed resources are made available to subordinates to achieve the targets. Clearly set objectives for the subordinates serve as evaluation standards and motivators for them. Thus, MBO results in improvement in managing.

3. Better Organising: The positions in the enterprise can be built around the key result areas. Managers are required to clarify organisational roles and structures hence better organising.

4. MBO Reduces Role Conflict and Ambiguity: Role conflict exists when a person is faced with conflicting demands from two or more supervisors; and role ambiguity exits when a person is uncertain as to how he will be evaluated, or what he has to achieve. Since MBO aims at providing clear targets and their order or priority, it reduces both these situations.

5. It Provide more Objective Appraisal Criteria: The targets emerge from the MBO process provide a sound set of criteria for evaluating the manager‘s performance.

6. More Motivation: MBO helps and increases employee motivation because it relates overall goals to the individual‘s goals: and help to increase an employee‘s understanding or where the organisations and where it is heading.

7. Managers Complete with Themselves: Managers are more likely to complete with themselves than with other managers. The kind of evaluation can reduce internal conflicts that often arise when managers compete with each other to obtain scarce resources.

8. Develop Personal Leadership: MBO helps the individual manager to develop personal leadership, especially the skills of listening, planning, controlling, motivating, counselling and evaluating. This approach to managing instills a personal commitment to respond positively to the organisation‘s major concerns as well as to the development of human resources.

9. MBO Identifies Problem Early: It identifies problems better and early. Frequent performance review sessions make this possible.

10. Identifies Performance Deficiency: MBO identifies performance deficiencies and enables the management and the employee to set individualised self-improvement goals and thus proves effective in training and development of people. Mc Gregor points out that MBO, in most of the cases, does some good without costing much. He further point out, under proper conditions, participation and consultative management provide encouragement to people to direct their creative energies towards organisation objectives, give them some voice in decisions which affect them, and provide sufficient opportunities for satisfaction of social, egoistic and self-fulfillment needs.

5.7.2.1.5 Disadvantages of MBO

1. Unfavourable Attitude of Managers: Some executives have an attitude that the regular attention required of them by Management by objectives system, drawn heavily on their busy time-schedule and is not consistent with their roles. They feel that it is not so effective a way as some other approaches. Some view their roles as primarily involving policy-making, budget formulation etc.

2. Difficult to Apply MBO Concepts: Those executives who have been involved very often find it difficult to apply MBO concepts to their own work habits. They find it hard to think about the results of work rather than the work itself. They tend to over emphasize goals that the easy to quantify, sometimes forgetting that workers often behave almost like children at play-when the game no longer challenges, interest is soon last.

3. Heavy Paper Work: MBO involves a huge amount of newsletter, instruction booklets, training manuals, questionnaires, performance data review and appraisals report to be prepared by the superior and subordinates. Thus MBO is said to have created one more paper mill in organisation added to the already existing large amount of paper work.

4. Tug of War: There is sometimes tug of war in which the subordinates try to set the lowest targets possible and the supervisors the highest.

5. Time Consuming: MBO is time consuming especially in the early phases of its introduction when employees are unfamiliar with its process. A number of pitfalls have been indicated, by the researchers, in the way of effective working of MBO programmes. The reasons for failure in the MBO process are: hasty implementation, unknowledgeable users, lack of management follow through, and support, over emphasis on structure, treatment of another gimmick, failure to carefully monitor and encourage the MBO process during hard initial year of implementation. MBO can be effective technique for performance evaluation and for motivating subordinates, by developing communication between executives at all levels. Those at the bottoms must be willing to listen to the voice of experience, and those at the bottoms must be willing to listen to the voice of experience, and those at the top willing to accept fresh idea from lower echelon employees. Similarly, executives must keep abreast of new programmes, especially the modern ideas that have been developed in the academic circles.

2. Assessment Centre Method This concept was first applied to military situations by Simoniet in the Geran Army in the 1930s and the War office Selection Board of the British Army in the year 1960. The main objective of this method was and is to test candidates in a social situation, using a number of assessors and variety of procedures. The most important characteristic of the assessment centre is job-related simulations. These simulations involve characteristics that managers feel are important to the job success. The evaluators observe and evaluate participants as they perform activities commonly found in these higher level jobs. In this method many evaluators join together to assess the performance of employee in several situations with the use of variety of criteria. It is used mostly to help select employees for the first level (the lowest) supervisory positions. The assessments are made to find employee potential for the purpose of promotions. The assessment is generally done with the help of a couple of employees and involves a paper-and pencil test, interviews, and situational exercises. The main features of the techniques are given below:

(i) Leaderless Discussion: The use of situational excises such as an in basket exercise, business game, a role-playing incident and leaderless group discussion.

(ii) Highly Experienced Evaluator: Evaluators are drawn from experienced managers with proven ability at different level of management.

(iii) Employee's Individual and Collective Evaluation: The evaluators evaluate all employees, both individually and collectively, and each candidate is given one of the three categories more than acceptable, less than acceptable and unacceptable.

(iv) Preparation of Summary Report: A summary Report is made by the members, and a feedback on a face-to-face basis is administered to all the candidates who ask for it.

3. Human Asset Accounting Method:

This technique refers to money estimates to the value of a firm‘s internal human organisation and its external customer goodwill. If well trained employees leave a firm, the human organisation is worthless; if they join it, its human assets are increased. if distrust and conflict prevail, the human enterprise is devalued. If team work and high morale prevail, the human organisation is a very valuable asset. The current value of a firm‘s human organisation can be evaluated by developed procedures by undertaking periodic measurements of key casual and intervening enterprise variables. The key casual variables include the structure of an organisation‘s management policies, decisions, business leadership, skills, strategies, and behaviour. The intervening variables indicate the internal state and health of an organisation. They include loyalties, attitudes, motivations, and collective capacity for effective interaction, communication and decision-making. These two types of variable measurements must be made over several years to provide the needed date for the computation of the human asset accounting.

4. Behaviourally Anchored Rating Scales (BARS): This method is also called behavioural expectation scales. These are the rating scales whose scale points are determined by statements of effective and ineffective behaviour. They are said to be behaviourally anchored in that the scales represent a range of descriptive statements of behaviour varying from the least to the most effective. A rater must indicate which behaviour on each scale best described an employee‘s performance. Behaviourally anchored rating scales (BARS) are having 5 steps:

1. Generate Critical Incidents: Persons with knowledge of the job to be appraised (job holders/supervisors) are asked to describe specific illustrations (critical incidents) of effective performance behaviour.

2. Develop Performance Dimensions: These people then cluster the incidents into a smaller set (or say 5 or 10) of performance dimensions. Each cluster (dimension) is then defined.

3. Reallocate Incidents: Any group of people who also know the job then reallocate the original critical incidents. They are given the cluster‘s definitions, and critical incidents, and asked to redesign each incident to the dimension it best described. Typically a critical incident is retained if some percentage usually (50 to 80%) of this group assigns it to the same cluster as the previous group did.

4. Scale of Incidents: This second group is generally asked to rate (7 or 9 point scales are typical) the behaviour described in the incident as to how effectively or ineffectively it represents performance on the appropriate dimension.

5. Develop Final Instrument: A subset of incident (usually 6 or 7 per) cluster is used as behaviour anchors for the performance dimensions. BARS were developed to provide results which subordinates could use to improve performance superiors would feel comfortable to give feedback to the ratee. Further, BARS help to overcome rating errors. Unfortunately, the method too suffers from distortions inherent in most rating techniques.

5. 360o Appraisal: In 360-degree performance appraisal technique a manager is rated by everyone above, alongside and below him. 360 degree approach is essentially a fact-finding, self-correcting technique, used to design promotions. The personality of each top manager – their talents, behavioural traits, values, ethical standards, tempers, loyalties – is to be scanned, by their colleagues as they are best placed to diagnose their suitability for the job requirements. In this method a question is structured to collect required data about a manager from his bosses, peers, subordinates. 360-degree approach of assessment provides equal opportunity to evaluate the efforts of the top manager or managers in running a company effectively. It focuses on the intrinsic qualities of the manager as well as his capacity to lead. It also gives feedback to all assesses on their styles.

Merits of 360-Degree Approach: The merits of the technique are 1. The organisation gains from the self-awareness of the top managers. It reveals strengths and weaknesses in their managing styles. 2. The gap between self-assessment and the views of one‘s colleagues is reduced. 3. Teamwork thrives once peer group assessment is included in the methodology. 4. Empowerment is facilitated. 5. Facts about the organisational culture are brought to light. 6. Inflexible managers are forced to initiate change in their style:

Demerit of 360-Degree Approach: The main drawbacks of this approach are as follows: 1. 360-degree approach can be utilised to humiliate people. 2. Response from colleagues tends to be biased. 3. Linking rewards to findings can prove to be unfair. 4. The results could be uneven. This technique identifies most suitable and acceptable person for the consideration of promotion. 360-degree approach supports the company‘s progress and rewarding the excellent performance of an individual.

5.8 Limitations of Performance Appraisal

The main limitations of Performance Appraisal are explained below:

1. Time Consuming: Performance appraisal is a time taking affair. It is a very lengthy process under which different forms are to be filled in and various observations are required to be noted in a careful manner.

2. Lack of Reliability: Reliability implies stability and consistency in the measurement. Lack of consistency over time and among different raters may reduce the reliability of performance appraisal.

3. Incompetence: Raters may fail to evaluate performance accurately due to lack of knowledge and experience. Post appraisal interview is often handled ineffectively.

4. No Uniform Standards: The standards used for appraisal purpose are not uniform within the same organisation. This makes the rating unscientific. Similarly, the rating is done on the basis of an overall impression, which is not proper.

5. Absence of Effective Participation of Employees: In performance appraisal effective participation of concerned employee is essential. In many methods of appraisal he is given a passive role. He is evaluated but his participation or self-evaluation is rather absent.

6. Resistance of Employees to Appraisal: Employees oppose the system as they feel that the system is only for showing their defects and for punishing them. The managers resist the system as they are not willing to criticise their subordinates or have no capacity to guide them for self-improvement or self-development.

7. Paperwork: Some supervisors feel that performance appraisal is paperwork. They make such complaints because many a times, performance appraisal reports are found only in the files rather than rendering any practical use.

8. Fear of Spoiling Relations: Performance appraisals may also affect superior-subordinate relations. As appraisal makes the superior more of a judge rather than a coach, the subordinate may look upon the superior with a feeling of a suspicion and mistrust.

9. Stereotyping: This implies forming a mental picture of a person on the basis of his age, sex, caste or religion. It results in an over-simplified view and blurs the assessment of job performance.

10. Negative Approach: Performance appraisal loses most of its value when the focus of management is on punishment rather than on development of employees.

11. Multiple Objectives: Raters may get confused due to too many objectives or unclear objective of performance appraisal.

12. Resistance: Trade unions may resist performance appraisal on the ground that it involves discrimination among its members. Negative ratings may affect interpersonal relations and industrial relations particularly when employees/unions do not have faith in the system of performance appraisal.

13. Halo Effect: Generally, there is the presence of ‗a halo' effect which leads to a tendency to rate the same individual first, which once have stood first.

14. Individual Differences: Some people are more distinct while some are very liberal in assigning the factors, points or number to the employees. They are unable to maintain a fair distinction between two individuals. It also nullifies the utility of this system.

15. Unconfirmed: Sometimes the results of performance appraisals are not confirmed by other techniques of motivation, incentive wages plans and so on. Factors are introduced in the managerial appraisal because of a fact or bias in the person concerned conducting the appraisal.

5.9 KEYWORDS

performance appraisal

Management by Objective (MBO)

Performance Review

Assessment Centres

Halo Effect

5.10 QUESTIONS FOR DISCUSSIONS

1. Define performance appraisal
2. What are the Characteristics of performance appraisal?
3. Discuss the Purpose Of Performance Appraisal
4. What is the uses of performance appraisal
5. How is performance appraisal in an effective?
6. Describe the various Steps involved in appraising performance.
7. Explain the methods of performance appraisal.
8. What is Management By Objective (MBO)? What are the main objectives MBO?
9. Explain the Process of MBO
10. Discuss advantages and disadvantages of MBO
11. Bring out the Limitations of Performance Appraisal

LESSON

6

MANAGING TRANSFERS AND PROMOTIONS

CONTENTS

6.1 TRANSFERS

A transfer is a change in job assignment. It may involve a promotion or demotion or no change at all in status and responsibility. A transfer has to be viewed as a change in assignment in which an employee moves from one job to another in the same level of hierarchy, requiring similar skills, involving approximately same level of responsibility, same status and same level of pay. A transfer does not imply any ascending (promotion) or descending (demotion) change in status or responsibility.

6.1.1 Purposes of Transfers

Organizations resort to transfers with a view to serve the following purposes:

i. **To meet the organizational requirements:** Organizations may have to transfer employees due to changes in technology, changes in volume of production, production schedule, product line, quality of products, changes in the job pattern caused by change in organizational structure, fluctuations in the market conditions like demands fluctuations, introduction of new lines and/or dropping of existing lines. All these changes demand the shift in job assignments with a view to place the right man on the right job.

ii. **To satisfy the employee needs:** Employees may need transfers in order to satisfy their desire to work under a friendly superior, in a department where opportunities for advancement are bright, in or near their native place or place of interest, doing a job where the work itself is challenging, etc.

iii. **To utilise employees better:** An employee may be transferred because management feels that his skills, experience and job knowledge could be put to better use elsewhere.

iv. **To make the employee more versatile:** Employees may be rolled over different jobs to expand their capabilities. Job rotation may prepare the employee for more challenging assignments in future.

v. **To adjust the workforce:** Workforce may be transferred from a plant where there is less work to a plant where there is more work.

vi. **To provide relief:** Transfers may be made to give relief to employees who are overburdened or doing hazardous work for long periods.

vii. **To adjust the workforce:** Workforce may be transferred from a plant where there is less work to a plant where there is more work.

viii. **To reduce conflicts:** Where employees find it difficult to get along with colleagues in a particular section, department or location – they could be shifted to another place to reduce conflicts.

ix. **To punish employees:** Transfers may be affected as disciplinary measures – to shift employees indulging in undesirable activities to remote, far-flung areas.

6.1.2 Types of Transfers

Transfers can be classified thus

i) Production Transfers: Transfer caused due to changes in production.

ii) Replacement Transfers: Transfer caused due to replacement of an employee working on the same job for a long time

iii) Rotation transfers: Transfers initiated to increase the versatility of employees.

iv) Shift transfers: Transfers of an employee from one shift to another.

v) Remedial transfers: Transfers initiated to correct the wrong placements.

vi) Penal transfers: Transfers initiated as a punishment for in disciplinary action of employees.

6.1.3 Benefits and Problems of transfers

A summary of benefits and problems associated with transfers is given below:

Benefits	**Problems**
Improve employee skills otherwise reduce monotony, boredom.	Inconvenient to employees who do not want to move.
Remedy faulty placement decisions.	Employees may or may not fit in the new location/department.
Prepare the employee for challenging assignments in future.	Shifting of experienced hands may affect productivity.
Stabilize changing work requirements in different departments/locations.	Discriminatory transfers may affect employee morale.
Improve employee satisfaction and morale	
Improve employer-employee relations	

6.1.4 Transfer Policy

Organizations should clearly specify their policy regarding transfers. Otherwise, superiors may transfer their subordinates arbitrarily if they do not like them. It causes frustration among employees. Similarly, subordinates may also request for transfers even for the petty issues. Most of the people may ask for transfer to riskless and easy jobs and places. As such, organization may find it difficult to manage such transfers. Hence, an organization should formulate a systematic transfer policy. A systematic transfer policy should contain the following items:

- Specification of circumstances under which an employee will be transferred in the case of any company initiated transfer.
- Name of the superior who is authorized and responsible to initiate a transfer.
- Jobs from and to which transfers will be made, based on the job specification, description and classification, etc.
- The region or unit of the organization within which transfers will be administered.
- Reasons which will be considered for personal transfers, their order of priority, etc.
- Reasons for mutual transfer of employees.
- Norms to decide priority when two or more employees request for transfers like priority of reason, seniority.
- Specification of basis for transfer, like job analysis, merit, length of service.
- Specification of pay, allowances, benefits, etc., that is to be allowed to the employee in the new job.
- Other facilities to be extended to the transferee like special level during the period of transfer, special allowance for packaging luggage, transportation, etc.

Generally, line managers administer the transfers and HR managers assist the line managers in this respect.

6.2 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.

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 labor turn over as external recruitment costs more. Also increase in salary and status will increase job satisfaction.

When scale of pay is increased without changing job it is called up-gradation and promotion involves changes in job as well as high salary.

When higher position is given without change in salary it is known as Dry Promotion.

All these, Promotion Up-Gradation and Dry Promotion are used by management to increase morale of employee and as giving reward also.

6.2.1 Advantages of promotion:

- Present employees if promoted can handle the process products and problems easily as they are already connected to organization but new incumbent may take some to adjust him or may not adjust himself at all.

- The cost of training the insiders for the higher position is nearly nil hence no extra training cost.

- Employees will give their best as they know that reward of giving good performance is sure.

- High morale of the employees is achieved.

6.2.2 Bases of Promotion

Organisations adopt different bases of promotion depending upon their nature, size, management, etc. Generally, they may combine two or more bases of promotion. The well-established bases of promotion are seniority and merit.

Merit-based promotions:

Merit based promotions occur when an employee is promoted because of superior performance in the current job. Merit here denotes an individual's knowledge, skills, abilities and efficiency as measured from his educational qualifications, experience, and training and past employment record.

The advantages of this system are fairly obvious:

- It motivates employees to work hard, improve their knowledge, acquire new skills and contribute to organisational efficiency.
- It helps the employer to focus attention on talented people, recognise and reward their meritorious contributions in an appropriate way.
- It also inspires other employees to improve their standards of performance through active participation in all developmental initiatives undertaken by the employer (training, executive development, etc.)

However, the system may fail to deliver the results, because:

- It is not easy to measure merit. Personal prejudices, biases and union pressures may come in the way of promoting the best performer.
- When young employees get ahead of other senior employees in an organisation (based on superior performance), frustration and discontentment may spread among the ranks. They may feel insecure and may even quit the organisation.
- Also, past performance may not guarantee future success of an employee. Good performance in one job (as a Foreman, for example) is no guarantee of good performance in another (as a supervisor).

Seniority-based promotions:

Seniority refers to the relative length of service in the same organisation. Promoting an employee who has the longest length of service is widely welcomed by unions because it is fairly objective. It is easy to measure the length of service and judge the seniority. There is no scope for favouritism, discrimination and subjective judgement. Everyone is sure of getting the same, one day.

In spite of these merits, this system also suffers from certain limitations. They are:

- The assumption that the employees learn more with length of service is not valid as employees may learn up to a certain stage, and learning capabilities may diminish beyond a certain age.
- It de-motivates the young and more competent employees and results in greater employee turnover.
- It kills the zeal and interest to develop, as everybody will be promoted without

showing any all-round growth or promise.

- Judging the seniority, though it seems to be easy in a theoretical sense, is highly difficult in practice as the problems like job seniority, company seniority, regional seniority, service in different organisations, experience as apprentice trainee, trainee, researcher, length of service not only by days but by hours and minutes will crop up.

6.2.3 Promotion Policy

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

- Establish a fair and equitable basis for promotion i.e., merit or seniority or both.
- A promotion policy established thus, should provide equal opportunities for promotion in all categories of jobs, departments and regions of an organisation.
- It should ensure an open policy in the sense that every eligible employee is considered for promotion rather than a closed system which considers only a particular class of employees. It must tell the employees the various avenues for achieving vertical growth through career maps, charts etc.
- The norms for judging merit, length of service, potentiality, etc., must be established beforehand. The relative weightage to be given to merit or seniority or both should also be spelt out clearly.
- The mode of acquiring new skills, knowledge, etc., should be specified to all employees so that they can prepare themselves for career advancement.
- Appropriate authority should be entrusted with the responsibility of taking a final decision on promotion.
- Detailed records of service, performance, etc., should be maintained for all employees, to avoid charges of favouritism, nepotism etc.
- It should be consistent in the sense that it is applied uniformly to all employees, inspective of their background.
- Promotion policy should contain alternatives to promotion when deserving candidates are not promoted due to lack of vacancies at higher level. These alternatives include up gradation, re-designation, sanctioning of higher pay or increments or allowances assigning new and varied responsibilities to the

  employee by enriching the job or enlarging the job.

- A provision for appeal against (alleged) arbitrary actions of management and review should be there.
- Promotions initially may be for a trial period so as to minimise the mistakes of promotion.
- Promotion policy, once it is formulated, should be communicated to all employees, particularly to the trade union leaders. It should be reviewed periodically, based on the experiences and findings of the attitude and morale surveys.

6.4 KEYWORDS

Self-Assessment tools

Promotions

Transfers

Individual Counselling

Skill Invention

6.5 QUESTIONS FOR DISCUSSIONS

1. Bring out the purpose of transfers.
2. What is Transfer? Explain the types of transfers.
3. Critically evaluate the benefits and problems of transfers.
4. Explain the Transfer policy.
5. What are the Advantages of promotion?
6. Elaborate the Bases of promotion.
7. Describe the Promotion policy.

LESSON

7

COMPENSATION AND FINANCIAL INCENTIVES

CONTENTS

7.0 Introduction

Good compensation plans, well administrated, have a salutary effect on the entire enterprise. Employees are happier in their work, co-operation and loyalty are higher, and productive output is up and quality is better. In the absence of such plans compensations are determined subjectively on the basis of haphazard and arbitrary decisions. This creates several iniquities which are among the most dangerous sources of friction and low morale in an enterprise.

Although there can be both monetary and non-monetary forms of compensation prevalent in an enterprise, yet it is the former which is the most basic element by which individuals are attracted to an organization, persuaded to remain, and induced to engage in behaviour beneficial to the organization. I

Primary Compensation

The primary monetary compensation is basic pay in the form of wages or salaries. In popular usage a distinction is drawn between these two words. The word 'wage' is used to denote payments to hourly-rated production workers and the word 'salary' is used to denote payments to clerical, supervisory and managerial employees. For our purpose, however, this distinction is meaningless because roughly the same problems are involved in the administration of both wage and salary policies.

Time as a Basis for Pay

The old and most common system of paying employees in on the basis of time, *i,e.*, rate per hour, per day, per week, per month or per year. Under this system no consideration is given to the quality or the amount of output. The employer buys the time of the worker, *i.e.*, the worker is guaranteed a definite payment for a specified period of working. Use of time rates for salaried employees is almost universal. Time basis is more satisfactory when units of output are not distinguishable and measurable and employees have little control over the quality of output or when there is no clear-cut relation between effort and output as on some machine-paced jobs; work delays are frequent and beyond the employee's control; quality of work is especially important; supervision is good and the supervisors know what constitutes " a fair day's work", and competitive conditions and cost control do not require precise advance knowledge of labour costs per units of output.

Nominal and Real Wages

Wages can be expressed in two ways. When they are expressed in terms of money paid to the worker they are called *nominal* wages. But when they are expressed in terms of their purchasing power with reference to some base year they are called *real* wages. These wages are arrived at by making adjustment in the nominal wages for the rise or fall in the cost of living. Thus, if the nominal wage of a worker in 1998 was Rs. 400 p.m. and in 2001 it is Rs. 900 p.m. but if the living in 2001 has become thrice as costly as in 1998 the real wage of the worker in 2001 is Rs. 300 only.

How do we measure changes in the cost of living, or changes in the prices that consumers pay? The measuring rod is the consumer price index number. This index number is intended to show over a period of time the average percentage change in the prices paid by the consumers belonging to the population group proposed to be covered by the index for a fixed list of goods and services consumed by them. The average percentage change, measured by the index, is calculated month after month with reference to a fixed period. This fixed period known as the 'base period' of the index; and since the object of the index is to measure the effect of price changes have to be determined with reference to a fixed list of goods and services of consumption which is known as a fixed basket of goods and services.

Important steps in the construction of this index number are as follows:

1. Selection of representative commodities consumed by the group.
2. Making arrangements for obtaining their price quotations regularly.
3. Selecting a base year and converting current price into price relatives based on the prices of the base year.
4. Obtaining a weighted average of the price relatives taking the quantities consumed in the base year as weights.

7.1 Incentive Compensation:

Incentive Compensation is essentially a managerial device for increasing workers' productivity. The belief underlying incentive compensation is that an offer of money in addition to character than in place of-primary compensations will result in an increased rate of output. But in many cases this is not also largely because in today's machine-paced production system individual worker or group can do little to speed the production line or the pace of the automatic machine.

7.1.1 Advantages of Incentive Pay Programs

- Incentives focus employee efforts on specific performance targets. They provide real motivation that produces important employee and organizational gains.
- Incentive payouts are variable costs linked to the achievement of results. Base salaries are fixed costs largely unrelated to output
- Incentive compensation is directly related to operating performance. If performance objectives (quantity and/or quality) are met, incentives are paid. If objectives are not achieved, incentives are withheld.
- Incentives foster teamwork and unit cohesiveness when payments to individuals are based on team results.
- Incentives are a way to distribute success among those responsible for producing that success.

7.1.2 Effects of Incentive Compensation:

- This is tendency among the workers to sacrifice quality for the sake of quantity. This calls for a very strict system of checking and inspection.
- Unless there are appropriate guarantees, workers may tend to oppose the introduction of new machinery or methods other changes in conditions of production which would necessitate a restudy of the job because of a fear that their earnings may be reduced.
- Unless greater vigilance is exercised there is a danger of workers disregarding safety regulations.
- Unless a maximum ceiling on incentive earning is fixed, some workers tend to overwork and undermine their health.
- Jealousies may arise among workers because some are able to earn more others. In the case of group systems, the fast workers may be dissatisfied with the efforts of the slower members of the group.

7.2 Incentive Plans:

A wide verity of incentive plans has been devised by industries under which the worker earnings are related directly to some measurement of work done either by himself or by his group. Such plans are generally classified into the following four categories.

- Individual incentive plan
- Group incentive plan
- Factory-wide or plant-wide incentive plans
- Payment by result to indirect workers.

1. Individual incentive plan:

The simplest of all individual incentives popular since the scientific movement over a hundred years ago is the straight piece-rate system under which the employee is guaranteed a minimal hourly rate for meeting some re-established standard output.

2. Group incentive plan:

One particular advantage of group incentive plans is that they encourage team spirit-a sense of mutual co-operation amongst individuals. Co-operation reduces wastage of idle time and encourages effective communication with one another.

3. Factory-wide or plant-wide incentive plans:

Profit-sharing is a very common example of a plant-wide incentive plan. Under this plan certain percentage of profit is distributed among employees usually annually or bi-annually as an incentive over and above their wages and salaries. Employees individual shares may be determined either on the basis of their length of services or on the number of hours each has worked during the year or on the basis of their wages and salaries.

4. Payment by result to indirect workers:

Various systems of incentive payment also sometime designed for indirect workers such as maintenance workers, cleaners, inspections and packers to reward them for their increased efforts. It is argued that a part of increased production which the direct workers may achieve is attributable to the effort of indirect workers.

7.3 Incentives for Hourly Employees

Incentive payments for hourly employees may be determined by the number of units produced, by the achievement of specific performance goals, or by productivity improvements in the organization as a whole. In the majority of incentive plans, incentive payments serve to supplement the employee's basic wage.

Piecework

One of the oldest incentive plans is based on piecework. Under straight piecework, employees receive a certain rate for each unit produced. Their compensation is determined by the number of units they produce during a pay period.

Under a differential piece rate, employees whose production exceeds the standard output receive a higher rate for all of their work than the rate paid to those who do not exceed the standard.

Employers will include piecework in their compensation strategy for several reasons. The wage payment for each employee is simple to compute, and the plan permits an organization to predict its labor costs with considerable accuracy, since these costs are the same for each unit of output. The piecework system is more likely to succeed when units of output can be measured readily, when the quality of the product is less critical, when the job is fairly standardized, and when a constant flow of work can be maintained.

Under the piecework system, employees normally are not paid for the time they are idle unless the idleness is due to conditions for which the organization is responsible, such as delays in work flow, defective materials, inoperative equipment, or power failures. When the delay is not the fault of employees, they are paid for the time they are idle.

Computing the piece rate. Although time standards establish the time required to perform a given amount of work, they do not by themselves determine what the incentive rate should be. The incentive rates must be based on hourly wage rates that would otherwise be paid for the type of work being performed. Say, for example, the standard time for producing one unit of work in a job paying Rs. 6.50 per hour was set at twelve minutes. The piece rate would be Rs. 1.30 per unit, computed as follows.

$$\frac{60 \text{ (minutes per hour)}}{12 \text{ (standard time per unit)}} = 5 \text{ units per hour}$$

$$\frac{\text{Rs. } 6.50 \text{ (hourly rate)}}{5 \text{ (units per hour)}} = \text{Rs. } 1.30 \text{ per unit}$$

Limited use of piecework. In spite of its incentive value, the use of piecework is limited. One reason is that production standards on which piecework must be based can be difficult to develop for many types of jobs. In some instances the cost of determining and maintaining this standard may exceed the benefits gained from the system. Jobs in which individual contributions are difficult to distinguish or measure, or in which the work is mechanized to the point that the employee exercises very little control over output, also may be unsuited to piecework. The same is true of jobs in which employees are learning the work or in which high standards of quality are paramount.

One of the most significant weaknesses of piecework, as well as of other incentive plans based on individual effort, is that it may not always be an effective motivator. If employees believe that an increase in their output will provoke disapproval from fellow workers, they may avoid exerting maximum effort because their desire for peer approval outweighs their desire for more money.' Over a period of time, the standards on which piece rates are based tend to loosen, either because of peer pressure to relax the standards or because employees discover ways to do the work in less than standard time. In either case, employees are not required to exert as much effort to receive the same amount of incentive pay, so the incentive value is reduced.

Negative reaction to piecework. Despite the opportunity to earn additional pay, employees, especially those belonging to unions, have negative attitudes toward piecework plans. Some union leaders have feared that management will use piecework or similar systems to try to speed up production, getting more work from employees for the same amount of money. Another fear is that the system may induce employees to compete against one another, thereby taking jobs away from workers who are shown to be less productive. There is also the belief that the system will cause some employees to lose their jobs as productivity increases or will cause craft standards of workmanship to suffer.

Standard Hour Plan

Another common incentive technique is the standard hour plan, which sets incentive rates based on a predetermined “standard time” for completing a job. If employees finish the work in less than the expected time, their pay is still based on the standard time for the job multiplied by their hourly rate. For example, if the standard time to install an engine in a half-ton truck is five hours and the mechanic completes the job in four and a half hours, the payment would be the mechanic’s hourly rate times five hours. Standard hour plans are particularly suited to long-cycle operations or those jobs or tasks that are non-repetitive and require a variety of skills.

The Wood Products Southern Division of Potlatch Corporation has successfully used a standard hour plan for the production of numerous wood products. The incentive payment is based on the standard hours calculated to produce and package 1,000 feet of wood paneling. If employees can produce the paneling in less time than the standard, incentives are paid on the basis of the percentage improvement. Thus, with a 1,000-hour standard and completion of the wood paneling in 900 hours, a 10 percent incentive is paid. Each employee’s base hourly wage is increased by 10 percent and then multiplied by the hours worked.

While standard hour plans can motivate employees to produce more, employers must ensure that equipment maintenance and product quality does not suffer as employees strive to do their work faster to earn additional income.

7.4 Incentives for Management Employees

Merit raises constitute one of the financial incentive systems used most commonly for managerial employees. Most recent studies of pay practices indicate that as many as 90 percent of large public and private sector organizations have merit pay programs for one or more of their employee groups. Incentive pay may also be provided through different types of bonuses. Like those for hourly employees, these bonuses may be based on a variety of criteria involving either individual or group performance. As stated earlier, managerial employees are also usually included in the different types of gain sharing plans. Although they may not technically manage employees, sales employees and professional employees will also be discussed in this section.

Merit Raises

Merit raises can serve to motivate managerial, sales, and professional employees if they perceive the raises to be related to the performance required to earn them. Furthermore, theories of motivation, in addition to behavioral science research, provide justification for merit pay plans as well as other pay-for-performance programs. For employees to see the link between pay and performance, however, their performance must be evaluated in light of objective criteria. If this evaluation also includes the use of subjective judgment by their superiors, employees must have confidence in the validity of this judgment. Most important, any increases granted on the basis of merit should be distinguishable from employees' regular pay and from any cost-of-living or other general increases. Where merit increases are based on pay-for-performance, merit pay should be withheld when performance is seen to decline.

Problems with Merit Raises

Merit raises may not always achieve their intended purpose. Unlike a bonus, a merit raise may be perpetuated year after year even when performance declines. When this happens, employees come to expect the increase and see it as being unrelated to their performance. Furthermore, employees in some organizations are opposed to merit raises because, among other reasons, they do not really trust management. What are referred to as merit raises often turn out to be increases based on seniority or favoritism, or raises to accommodate increases in cost of living or in area wage rates. Even when merit raises are determined by per-formance, the employee's gains may be offset by inflation and higher income taxes. Compensation specialists also recognize the following problems with merit pay plans:

1. Money available for merit increases may be inadequate to satisfactorily raise employees' base pay.

2. Managers may have no guidance in how to define and measure performance; there may be vagueness regarding merit award criteria.

3. Employees may not believe that their compensation is tied to effort and performance; they may be unable to differentiate between merit pay and other types of pay increases.

4. Employees may believe that organizational politics plays a significant factor in merit pay decisions, despite the presence of a formal merit pay system.

5. There may be a lack of honesty and cooperation between management and employees.

6. It has been shown that "overall" merit pay plans do not motivate higher levels of employee performance.

Lump-Sum Merit Pay

To make merit increases more flexible and visible, organizations such as Boeing, Timex, and Westinghouse have implemented a lump-sum merit program. Under this type of plan, employees receive a single lump-sum increase at the time of their review, an increase that is not added to their base salary. Unless management takes further steps to compensate employees, their base salary is essentially frozen until they receive a promotion.

Organizations using a lump-sum merit program will want to adjust base salaries upward after a certain period of time. This can be done yearly or after several years. These adjustments should keep pace with the rising cost of living and increases in the general market wage.

7.5 Incentives for Sales Employees

The enthusiasm and drive required in most types of sales work demand that sales employees be highly motivated. This fact, as well as the competitive nature of selling, explains why financial incentives for salespeople are widely used. These incentive plans must provide a source of motivation that will elicit cooperation and trust. Motivation is particularly important for employees away from the office who cannot be supervised closely and who, as a result, must exercise a high degree of self-discipline.

Unique Needs of Sales Incentive Plans

Incentive systems for salespeople are complicated by the wide differences in the types of sales jobs. These range from department store clerks who ring up customer purchases to industrial salespersons from McGraw-Edison who provide consultation and other highly technical services. Salespersons' performance may be measured by the dollar volume of their sales and by their ability to establish new accounts. Other measures are the ability to promote new products or services and to provide various forms of customer service and assistance that do not produce immediate sales revenues.

Performance standards for sales employees are difficult to develop, however, because their performance is often affected by external factors beyond their control. Economic and seasonal fluctuations, sales competition, changes in demand, and the nature of the sales territory can all affect an individual's sales record. Sales volume alone therefore may not be an accurate indicator of the effort salespeople have expended.

In developing incentive plans for salespeople, managers are also confronted with the problem of how to reward extra sales effort and at the same time compensate for activities that do not contribute directly or immediately to sales. Furthermore, sales employees must be able to enjoy some degree of income stability.

7.5.1 Types of Sales Incentive Plans

Compensation plans for sales employees may consist of a straight salary plan, a straight commission plan, or a combination salary and commission plan.

Straight salary plan

A straight salary plan permits salespeople to be paid for performing various duties not reflected immediately in their sales volume. It enables them to devote more time to providing services and building up the goodwill of customers without jeopardizing their income. The principal limitation of the straight salary plan is that it may not motivate salespeople to exert sufficient effort in maximizing their sales volume.

Straight commission plan

The straight commission plan, based on a percentage of sales, provides maximum incentive and is easy to compute and understand. For example, organizations that pay a straight commission based on total volume may use the following simple formulas:

Total cash compensation = 2% x total volume

or

Total cash compensation = 2% × total volume up to quota + 4% × volume over quota

However, the straight commission plan is limited by the following disadvantages:

1. Emphasis is on sales volume rather than on profits (except in those rare cases where the commission rate is a percentage of the profit on the sale).

2. Territories tend to be milked rather than worked.

3. Customer service after the sale is likely to be neglected.

4. Earnings tend to fluctuate widely between good and poor periods of business, and turnover of trained sales employees tends to increase in poor periods.

5. Salespeople are tempted to grant price concessions.

6. Salespeople are tempted to overload their wholesale customers with inventory.

When a combined salary and commission plan is used, the percentage of cash compensation paid out in commissions (i.e., incentives) is called *leverage*. Leverage is usually expressed as a ratio of base salary to commission. For example, a salesperson working under a 70/30 combination plan would receive total cash compensation paid out as 70 percent base salary and 30 percent commission. The amount of leverage will be determined after considering the constraining factors affecting performance discussed earlier and the sales objectives of the organization. The following advantages indicate why the combination salary and commission plan is so widely used:

1. The right kind of incentive compensation, if linked to salary in the right proportion, has most of the advantages of both the straight salary and the straight commission forms of compensation.

2. A salary-plus-incentive compensation plan offers greater design flexibility and can therefore be more readily set up to help maximize company profits.

3. The plan can develop the most favourable ratio of selling expense to sales.

4. The field sales force can be motivated to achieve specific company marketing objectives in addition to sales volume.

7.6 Incentives for Professional Employees

Like other salaried workers, professional employees, engineers, scientists, and attorneys, for example, may be motivated through bonuses and merit increases. In some organizations, unfortunately, professional employees cannot advance beyond a certain point in the salary structure unless they are willing to take an administrative assignment. When they are promoted, their professional talents are no longer utilized fully. In the process, the organization may lose a good professional employee and gain a poor administrator. To avoid this situation, some organizations have extended the salary range for professional positions to equal or nearly equal that for administrative positions. The extension of this range provides a double-track wage system, whereby professionals who do not aspire to become administrators still have an opportunity to earn comparable salaries.

Professional employees can receive compensation beyond base pay. For example, scientists and engineers employed by high-tech firms are included in performance base incentive programs such as profit sharing or stock ownership. These plans encourage greater levels of individual performance. Cash bonuses can be awarded to those who complete projects on or before deadline dates. Payments may also be given to individuals elected to professional societies, granted patents, or meeting professional licensing standards.

7.7 Incentives for Executive Employees

A major function of incentive plans for executives is to motivate them to develop and use their abilities and contribute their energies to the fullest possible extent. Incentive plans should also facilitate the recruitment and retention of competent executive employees. This can be accomplished with plans that will enable them to accumulate a financial estate and to shelter a portion of their compensation from current income taxes.

Components of Executive Compensation

Organizations commonly have more than one compensation strategy for executives in order to meet various organizational goals and executive needs. For example, chief executive officers (CEOs) may have their compensation packages heavily weighted toward long-term incentives, because CEOs should be more concerned about the long-term impact of their decisions than the short-term implications. Group vice presidents, on the other hand, may receive more short-term incentives since their decisions affect operations on a six to twelve month basis. Regardless of the mix, executive compensation plans consist of four basic components. (1) base salary, (2) short-term incentives or bonuses, (3) long-term incentives or stock plans, and (4) perquisites. Another important element in compensation strategy is the compensation mix to be paid to managers and executives accepting overseas assignments.

Bases for Executive Salaries

The levels of competitive salaries in the job market exert perhaps the greatest influence on executive base salaries. An organization's compensation committee normally members of the board of directors will order a salary survey to find out what executives earn in comparable enterprises. Comparisons may be based on organization size, sales volume, or industry grouping. By analyzing the survey data, the committee can determine the equity of the compensation package outside the organization.

Job evaluation will allow the organization to establish internal equity between top managers and executives. For executives, the Hay profile method is probably the most widely used method of job evaluation. Finally, base pay will be influenced by the performance of the executive. Most organizations evaluate their executives according to a set of predetermined goals or objectives.

Bases for Executive Short-Term Incentives

Incentive bonuses for executives should be based on the contribution the individual makes to the organization. A variety of formulas have been developed for this purpose. Incentive bonuses may be based on a percentage of a company's total profits or a percentage of profits in excess of a specific return on stockholders' investments. In other instances the payments may be tied to an annual profit plan whereby the amount is determined by the extent to which an agreed-upon profit level is exceeded. Payments may also be based on performance ratings or the achievement of specific objectives established with the agreement of executives and the board of directors. Objectives influencing the creation of shareholder value include sales, operating margin, cost of capital, and service and quality measures.

Top corporate executives have the opportunity to earn large sums of money. Frequently, a significant part of their total compensation comes from incentive bonuses. When long-term compensation is added to annual base salary increases and bonuses, the total compensation of some executives may well reach into the millions of dollars.

Bases for Executive Long-Term Incentives

Short-term incentive bonuses are criticized for causing top executives to focus on quarterly profit goals to the detriment of long-term survival and growth objectives. Emhart Corporation faced this problem when deciding whether to update and expand a profitable facility that manufactured industrial hardware. At one time, Emhart would have opted not to expand, since the executives making this decision received their incentive bonuses primarily on the basis of profit growth. Expansion of the hardware plant would not increase short-term profit growth and thus would cut into their bonuses. But Emhart revamped its plan, deciding to link executive bonuses with the long-term price of stock Consequently, according to Emhart chairman T. Mitchell Ford, the company okayed the expansion. “The plan lets us manage with a long-term view of the business,” said Sherman B. Carpenter, vice president for administration.

Sears, Combustion Engineering, and Borden, like Emhart, have adopted compensation strategies that tie executive pay to long-term performance measures. Each of these organizations recognizes that, while incentive payments for executives may be based on the achievement of specific goals relating to their positions, the plans must also take into account the performance of the organization as a whole. Important to stockholders are such performance results as growth in earnings per share, return on stockholders’ equity, and, ultimately, stock price appreciation. A variety of incentive plans, therefore, has been developed to tie rewards to these performance results, particularly over the long term.

Stock options are the primary long-term incentive offered to executives. The basic principle behind stock options is that executives should have a stake in the business so that they have the same perspective as the owners i.e., stockholders. The major long-term incentives fall into three broad categories:

1. Stock price appreciation grants
2. Restricted stock and restricted cash grants
3. Performance-based grants

Each of these broad categories includes various stock grants or cash incentives for the payment of executive performance, Often, as one observer notes, organizations combine stock options with tandem stock appreciation rights plus performance-based grants to balance market performance and internal, strategic performance. The granting of stock options contributes substantially to executives’ million-dollar compensation packages.

Executive Perquisites

In addition to incentive programs, executive employees are often given special benefits and perquisites. Perquisites, or “perks,” are a means of demonstrating the executives’ importance to the organization while giving them an incentive to improve their performance. Furthermore, perks serve as a status symbol both inside and outside the organization. Perquisites can also provide a tax saving to executives, since some are not taxed as income. Some of the more common perquisites include assigned chauffeurs, country club memberships, special vacation policies, executive physical exams, use of an executive dining room, car, phones, liability insurance, and financial counselling.

7.8 Organisation-Wide Incentive Plans

Organisation-wide incentive plans are plans in which all or most employees can participate, and which generally tie the reward to some measure of companywide performance. Also called variable pay plans, they include gainsharing plans, Profit-sharing, and employee stock ownership (ESOP).

7.8.1 Gainsharing Plans

The emphasis on total-quality management has led many organizations to implement a variety of gainsharing plans. Gainsharing plans enable employees to share in the benefits of improved efficiency realized by the organization or major units within it. Many of these plans cover managers and executives as well as hourly workers. The plans encourage teamwork among all employees and reward them for their total contribution to the organization. Such features are particularly desirable when working conditions make individual performance difficult if not impossible to measure.

The basic principle of gainsharing, according to some authorities on productivity and incentives, is to establish effective structures and processes of employee involvement and a fair means of rewarding system-wide performance improvement. At its root, gainsharing is an organizational program designed to increase productivity or decrease labor costs and share monetary gains with employees.

Inherent in gainsharing is the idea that involved employees will improve productivity through more effective use of labour, capital, and raw materials and share the financial gains according to a formula that reflects improved productivity and profitability. The more common gainsharing plans include profit-sharing plans, the Scanlon and Rucker plans, Improve share, and employee stock ownership plans (ESOPs).

7.8.2 Profit-Sharing Plans

Probably no incentive plan has been the subject of more widespread interest, attention, and misunderstanding than profit sharing. Profit sharing is any procedure by which an employer pays, or makes available to all regular employees, special current or deferred sums based on the organization's profits. As defined here, profit sharing represents cash payments made to eligible employees at designated time periods, as distinct from profit sharing in the form of contributions to employee pension funds.

Profit-sharing plans are intended to give employees the opportunity to increase their earnings by contributing to the growth of their organization's profit. These contributions may be directed toward improving product quality, reducing operating costs, improving work methods, and building goodwill rather than just increasing rates of production. Profit sharing can help to stimulate employees to think and feel more like partners in the enterprise and thus to concern themselves with the welfare of the organization as a whole. Its purpose therefore is to motivate a total commitment from employees rather than simply to have them contribute in specific areas.

A popular example of a highly successful profit-sharing plan is the one in use at Lincoln Electric Company, a manufacturer of arc welding equipment and supplies. This plan was started in 1934 by J. F. Lincoln, president of the company. Each year the company distributes a large percentage of its profits to employees in accordance with their salary level and merit ratings. In recent years the annual bonus has ranged from a low of 55 percent to a high of 115 percent of annual wages. In addition, Lincoln's program includes a piecework plan with a guarantee, cash awards for employee suggestions, a guarantee of employment for thirty hours of the forty-hour workweek, and an employee stock purchase plan.

The success of Lincoln Electric's incentive system depends on a high level of contribution by each employee. The performance evaluations employees receive twice a year are based on four factors dependability, quality, output, ideas and cooperation. There is a high degree of respect among employee and management for Lincoln's organizational goals and for the profit-sharing program.

7.8.2.1 Variations in Profit-sharing Plans

Profit-sharing plans differ in the proportion of profits shared with employees and in the distribution and form of payment. The amount shared with employees may range from 5 to

50 percent of the net profit. In most plans, however, about 20 to 25 percent of the net profit is shared. Profit distributions may be made to all employees on an equal basis, or they may be based on regular salaries or some formula that takes into account seniority and/or merit. The payments may be disbursed in cash, deferred, or made on the basis of combining the two forms of payment.

7.8.2.2 Requirements for Successful Profit-Sharing Plans

Most authorities in the field agree that to have a successful profit-sharing program, an organization must first have a sound HR program, good labor relations, and the trust and confidence of its employees. Profit sharing thus is a refinement of a good HR program and a supplement to an adequate wage scale rather than a substitute for either one. As with all incentive plans, it is the underlying philosophy of management, rather than the mechanics of the plan, that may determine its success. Particularly important to the success of a profit-sharing plan are the provisions that enable employees to participate in decisions affecting their jobs and their performance.

7.8.2.3 Weaknesses of Profit-Sharing Plans

In spite of their potential advantages, profit-sharing plans are also prone to certain weaknesses. The profits shared with employees may be the result of inventory speculation, climatic factors, economic conditions, national emergencies, or other factors over which employees have no control. Conversely, losses may occur during years when employee contributions have been at a maximum. The fact that profit-sharing payments are made only once a year or deferred until retirement may reduce their motivational value. If a plan fails to pay off for several years in a row, this can have an adverse effect on productivity and employee morale.

7.8.3 Employee stock ownership plans (ESOP)

Employee stock ownership plans are companywide plans in which a corporation contributes shares of its own stock or cash to be used to purchase such stock to a trust established to purchase shares of the firm's stock for employees. The firm generally makes these contributions annually in proportion to total employee compensation, with a limit of 15% of compensation. The trust holds the stock in individual employee accounts, and distributes it to employees upon retirement (or other separation from service), assuming the person has worked long enough to earn ownership of the stock.

ESOPs have several advantages. The company gets a tax deduction equal to the fair market value of the shares that are transferred to the trustee, and can also claim an income tax deduction for dividends paid on ESOP-owned stock. Employees as noted aren't taxed until they receive a distribution from the trust, Usually at retirement when their tax rate is lower. The Employee Retirement Income Security Act (ERISA) allows a firm to borrow against employee stock held in trust and then repay the loan in pre-tax rather than after-tax dollars, another tax incentive for using such plans.

ESOPs can also help shareholders of closely held corporations (in which, for instance, a family owns virtually all the shares) to diversify their assets, by placing some of their own shares of the company's stock into the ESOP trust and purchasing other marketable securities for themselves in their place.

Research suggests that ESOPs do encourage employees to develop a sense of ownership in and commitment to the firm, They do so in part because the ESOPs provide increased financial incentives, create a sense of ownership, and held build teamwork. Those responsible for the funds usually, the firm's top executives must be fastidious in executing their fiduciary responsibilities for the fund.

7.9 Three Unique Bonus Plans

To provide employees with bonuses that encourage maximum effort and cooperation but are not tied to profit fluctuation, three unique plans have been developed. Two plans, which bear the names of their originators, Joe Scanlon and Alan W. Rucker, are similar in their philosophy. Both plans emphasize participative management. Both encourage cost reduction by sharing with employees any savings resulting from these reductions. The formulas, on which the bonuses are based, however, are somewhat different. The third plan, Improshare, is a sharing program based on the number of finished goods that employee teams complete in an established period.

7.9.1 The Scanlon Plan

The philosophy behind the Scanlon plan is that employees should offer ideas and suggestions to improve productivity and, in turn, be rewarded for their constructive efforts. The plan requires good management, leadership, trust and respect between employees and managers, and a workforce dedicated to responsible decision making. When correctly implemented, the Scanlon Plan can result in improved efficiency and profitability for the organization and steady employment and high compensation for employees.

According to Scanlon's proponents, effective employee participation, which includes the use of committees on which employees are represented, is the most significant feature of the Scanlon Plan. This gives employees the opportunity to communicate their ideas and opinions and to exercise some degree of influence over decisions affecting their work and their welfare within the organization. Employees have an opportunity to become managers of their time and energy, equipment usage, the quality and quantity of their production, and other factors relating to their work. They accept changes in production methods more readily and volunteer new ideas. The Scanlon Plan encourages greater teamwork and sharing of knowledge at the lower levels. It demands more efficient management and better planning as workers try to reduce overtime and to work smarter rather than harder or faster.

The primary mechanisms for employee participation in the Scanlon Plan are the shop committees established in each department. These committees consider production problems and make suggestions for improvement within their respective departments to an organization-wide screening committee. The function of the screening committee is to oversee the operation of the plan, to act on suggestions received from the shop committees, and to review the data on which monthly bonuses are to be based. The screening committee is also responsible for consulting with and advising top management, which retains decision-making authority. Both the shop committees and the screening committee are composed of equal numbers of employees and managers.

Financial incentives under the Scanlon Plan are ordinarily offered to all employees (a significant feature of the plan) on the basis of an established formula. This formula is based on increases in employee productivity as determined by a norm that has been established for labour costs. The norm, which is subject to review, reflects the relationship between labour costs and the Sales Value Of Production (SVOP). The SVOP includes sales revenue and the value of goods in inventory.

The plan also provides for the establishment of a reserve fund into which 25 percent of any earned bonus is paid to cover deficits during the months when labour costs exceed the norm. After the reserve portion has been deducted, the remainder of the bonus is distributed, with 25 percent going to the organization and 75 percent to the employees. At the end of the year, any surplus that has been accumulated in the reserve fund is distributed to employees.

7.9.2 The Rucker Plan

The Share Of Production plan (SOP), or Rucker Plan, normally covers just production workers but may be expanded to cover all employees. As with the Scanlon Plan, committees are formed to elicit and evaluate employee suggestions. The Rucker Plan, however, uses a far less elaborate participatory structure. As one authority noted, "It commonly represents a type of program that is used as an alternative to the Scanlon Plan in firms attempting to move from a traditional style of management toward a higher level of employee involvement."

The financial incentive of the Rucker Plan is based on the historic relationship between the total earnings of hourly employees and the production value that employees create. The bonus is based on any improvement in this relationship that employees are able to realize. Thus, for every 1 percent increase in production value that is achieved, workers receive a bonus of 1 percent of their total payroll costs.

Lessons from the Scanlon and Rucker Plans

Perhaps the most important lesson to be learned from the Scanlon and Rucker plans is that any management expecting to gain the cooperation of its employees in improving efficiency must permit them to become involved psychologically as well as financially in the organization. If employees are to contribute maximum effort, they must have a feeling of involvement and identification with their organization, which does not come out of the traditional manager and subordinate relationship. Consequently, it is important for organizations to realize that while employee cooperation is essential to the successful administration of the Scanlon and Rucker plans, the plans themselves do not necessarily stimulate this cooperation.

The attitude of management is of paramount importance to the success to either plan. For example, where managers show little confidence and trust in their employees, the plans tend to fail. Managers further note that Scanlon and Rucker plans are successful only when the following are true:

- Bonus formulas are clearly understood and can be reviewed by employees.
- Management is highly committed to making the plan succeed.
- Adequate training is given to both employees and supervisors.
- Adequate potential exists for employee rewards.

Like any other incentive plan, the Scanlon and Rucker plans are no better than the organizational environment in which they are used.

7.9.3 Improshare

Improshare improved productivity through sharing is a gainsharing program developed by Mitchell Fain, an industrial engineer with experience in traditional individual incentive systems. Whereas individual production bonuses are typically based on how much an employee produces above some standard amount, Improshare bonuses are based on the overall productivity of the work team. Improshare output is measured by the number of finished products that a work team produces in a given period. Both production (direct) employees and nonproduction (indirect) employees are included in the determination of the bonus. Since a cooperative environment benefits all, Improshare promotes increased interaction and support between employees and management.

The bonus is based not on dollar savings, as in the Scanlon and Rucker plans, but on productivity gains that result from reducing the time it takes to produce a finished product. Bonuses are determined monthly by calculating the difference between standard hours (Improshare hours) and actual hours, and dividing the result by actual hours. The employees and the company each receive payment for 50 percent of the improvement. Companies such as Hinder liter Energy Equipment Corporation pay the bonus as a separate check to emphasize that it is extra income.

7.10 KEYWORDS

Compensation	Financial Incentives
Gainsharing Plan	Profit-Sharing Plan
Employee stock ownership plans (ESOP)	Rucker Plan
Scanlon Plan	Piecework
Organisation-Wide Incentive Plans	Standard hour plan

7.11 QUESTIONS FOR DISCUSSIONS

1. What do you understand by compensation?
2. What are the advantages of incentive pay programs?
3. Write the effects of incentive compensation
4. Discuss the various types of incentive plans.
5. Describe the nature of some important management incentives.
6. Explain the Incentives for Hourly Employees.
7. Discuss the Profit-Sharing Plans. Elaborately.
8. Write short notes on:

   a) The Scanlon Plan

   b) The Rucker Plan

   c) Improshare

LESSON

8

JOB EVALUATION

CONTENTS

8.0 Introduction

Job Evaluation is a system wherein a particular job of an enterprise is compared with its other jobs. In the present industrial era, there are different types of jobs which are performed in every business and industrial enterprise. Comparative study of these jobs is very essential because on the basis of such study the structure of wages for different types of jobs is prepared. The comparison of jobs may be made on the basis of different factors such as duties, responsibilities, working conditions, efforts, etc. In nut shell, it may be said that job evaluation is a process in which a particular job of a business and industrial enterprise is compared with other jobs of the enterprise. Some scholars name it the determination of job rate.

8.1 Definitions:

Below are given some important definitions of the job evaluation

1. According to the International Labour Office (ILO), "Job evaluation is an attempt to determine and compare the demands which the normal performance of a particular job makes on normal workers, without taking into account the individual abilities or performance of the workers concerned".

2. In the words of Kimball and Kimball "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".

3. Wendell French defines job evaluation as "a process of determining the relative worth of the various jobs within the organization, so that differential wages may be paid to jobs of different worth. The relative worth of a job means relative value produced. The variables which are assumed to be related to value produced are such factors as responsibility, skill, effort and working conditions".

Job evaluation is a process of comparing jobs with other jobs in terms of the demand a job makes on the worker. It does not set the price of a job; it merely fixes its relative worth. It presents 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. It is not evaluating the ,merit of the worker who is doing the work. It rates the job and not the qualities of the individual worker on the job, which is the task of employee rating. We may define job evaluation as a process of analyzing and describing positions, grouping them and determining their relative value of comparing the duties of different position in terms of their different responsibilities and other requirements.

8.2 Objectives of job evaluation

The following are the objectives of job evaluation:

(i) To secure and maintain complete, accurate and impersonal descriptions of each distinct job or occupation in the entire plant.

(ii) To provide a standard procedure for determining the relative worth of each job in a plant.

(iii) To determine the rate of pay for each job which is fair and equitable with relation to other jobs in the plant, community or industry.

(iv) To ensure that like wages are paid to all qualified employees for like work.

(v) To promote a fair and accurate consideration of all employees for advancement and transfer.

(vi) To provide a factual basis for the consideration of wage rates for similar jobs in a community and industry. and

(vii) To provide information for work organization, employees‘ selection, placement, training and numerous other similar problems.

8.3 Principles of Job Evaluation

There are certain broad principles, which should be kept in mind before putting the job evaluation programme into practice. These principles are:

(i) Rate the job and not the man. Each element should be rated on the basis of what the job itself requires.

(ii) The elements selected for, rating purposes should be easily explainable in terms and as few in number as will cover the necessary requisites for every job without any overlapping.

(iii) The elements should be clearly defined and properly selected.

(iv) Any job rating plan must be sold to foremen and employees. The success in selling it will depend on a clear-cut explanation and illustration of the plan.

(v) Foremen should participate in the rating of jobs in their own departments.

(vi) Maximum co-operation can be obtained from employees when they themselves have an opportunity to discuss job ratings.

(vii) In talking to foremen and employees, any discussion of money value should be avoided. Only point values and degrees of each element should be discussed.

(viii) Too many occupational wages should not be established. It would be unwise to adopt an occupational wage for each total of point values.

8.4 Advantages of Job Evaluation

Job evaluation enjoys the following advantages:

(i) Job evaluation is a logical and to some extent an objective method of ranking jobs relative to one another. It may help in removing inequalities in existing wage structures and in maintaining sound and consistent wag differentials a plant or industry.

(ii) In the case of new jobs, the method often facilitates fitting them into the existing wage structure.

(iii) The method helps in removing grievances arising out of relative wages; and it improves labour and management relations.

(iv) The method replaces the many accidental factors, occurring in less systematic procedures, of wage bargaining by more impersonal and objective standards, thus establishing a clear basis for negotiations.

(v) The method may lead to greater uniformity in wage rates, thus simplifying wage administration.

(vi) The information collected in the process of job description and analysis may a1so be used for the improvement of selection, transfer and promotion procedures on the basis of comparative job requirements.

(vii) Such information also reveals that workers are engaged on jobs requiring less skill and other qualities than they possess, thereby pointing to the possibility of making more efficient me of the plants‘ labour force.

8.5 Methods of Job Evaluation:

The following are the methods of Job Evaluations

1. Ranking Method: The ranking method requires a committee typically composed of both management and employee representatives of job in a simple rank order, from highest to lowest. Rating specialists review the job analysis information and thereafter appraise each job subjectively according to its general importance in comparison with other jobs. In other words, an overall judgment is made of the relative worth of each job, and the job is ranked accordingly. These are overall rankings, although raters may consider individually the responsibility, skill, effort, and working conditions and each job. No attempt is made to determine the critical factors in each job. Therefore, it is quite possible that important elements of some jobs may be overlooked while unimportant items are weighed too heavily. It may be noted that because of the difficulties in ranking a large number of jobs at the time, the paired comparison technique of ranking is sometimes used. With this technique, decisions are made about the relative worth of only two jobs at a time. However, since each job is compared with every other jobs, the number of comparisons to be made increases rapidly with the addition of each job to the list.

2. Job Grading or Job Classification Method: This method works by assigning each job a grade, level or class that corresponds to a pay grade for instance Grade I, Grade II, Grade III and so forth. These grades or classifications are created by identifying gradations of some common denominations, such as job responsibility, skill, knowledge, education required, and so on. Then, for each job grade so created standard job descriptions are determined. Thereafter, such standard description is matched with job descriptions in the organization. The standard description that most nearly matches the job description determines the job‘s grading. This method requires a decision at the initial stage on the number of pay grades to be included in the wage and salary plan. Of course, the actual amount to be assigned to pay grades made after the job evaluation is completed.

3. Factor-comparison Method: This method is a combination of ranking and point systems. All jobs are compared to each other for the purpose of determining their relative importance by selecting four or five major job elements or factors which are more or less common to all jobs. These elements are not predetermined. These are chosen on the basis of job analysis. The few factors which are customarily used are: (i) mental requirements (ii) skill (iii) physical requirements (iv) responsibilities (v) working conditions, etc. A few jobs are selected as key jobs which serve as standard against which all other jobs are compared. key job is one whose contents have been stabilized over a period of time and whose wage rate is considered to be presently correct by the management and the union.

Evaluation of Various Methods: None of the systems is free from defects. None is the best in all conditions and for all types of organizations. However, the point system is the best in the present circumstances. It is widely used in almost all the enterprises as a technique of job evaluation since it presents an analytical approach to the measurement of job worth. It is better not to insist on a particular system of job evaluation. A mix of all the methods should be adopted.

8.5.1 Merit Rating

Merit rating in a technique to evaluate the merits of duals according to job request merit. The personal abilities that an individual brings to his job, measured by the extent to which his output or quality of his work exceeds the minimum that can reasonably to expect for his basic rate of pay.

The definitions of merit rating are given as follows:

1. According to Edward Flippo, "Merit rating is a systematic, periodic and, so far as humanly possible, an impartial rating of an employee‘s excellence in matters pertaining to his present job to his potentialities for a job".

2. According to Scot, Clothier and Spriegal, "Merit rating of an employee is the process of evaluating the employee‘s performance on the job in terms of the requirements of the job".

3. Alford and Beatty observe, "Employees or personnel rating is the evaluation or appraisal of the relative worth to the company of a man‘s services of his better job".

8.5.1.1 Objects Of Merit Rating

The objects of Merit Rating are as follows:

1. To make a comparative study of the abilities of different employees.

2. To provide higher reward to the more efficient employees.

3. To prove the justification of different rat of wages to different employees according to their abilities.

4. To establish harmonious relation between employees and employers.

5. To motivate the employees to do better and more work.

6. To determine a policy for promotions and transfer.

7. To evaluate the success of training programmes.

8. To forecast the need of training to the employees and to determine the nature of training.

8.5.1.2 Methods of Merit Rating

Following are the various methods of Merit Rating:

1. Rating Procedure: In this method, the abilities of an employee are compared with that of other employees. Under this method, the employees are divided into efficient and inefficient employee. This method adopts the technique of paired comparison. Therefore, the pairs of two employees each are made according to the formula of N (N-1) Z and the more efficient employee in every pair is underlined. The employee having maximum underline is treated as the most efficient employee having maximum underline is treated as the most efficient employee whereas the employee having no underline to his credit is treated least efficient employee.

2. Grading Method: Here different grades are divided for evaluating the ability of different employees and then the employees are placed in these grades. The grades are, Excellent, Very Good, Good, Average, Bad, And Worst. Every grade may again be sub-divided into three grades: (i) Highly Satisfactory (ii) Satisfactory (iii) Non-satisfactory. Employees can be placed in any of these groups according to their abilities.

3. Man to Man Comparison Method: This is the method where, a master scale is used to evaluate the qualities of different employees. The five scales of performance are determined for every job in the master scale. For example, to measure the efficiency of employees, first of all the most efficient employee is selected and after that the most inefficient employees are selected who are respectively more efficient than average efficiency and less efficient than average efficiency. These five employees become the base for measuring the efficiency of the total employees. Every employee of the enterprise is compared with these five employees to evaluate their ability and efficiency.

4. Graphic Rating Method: In this method, the abilities of employees are evaluated through graph. The abilities of all the employees are represented on a graph paper with the help of scale. Following qualities are included to evaluate the ability of employees such as quantity of Job, quality of job, regularity, ability to learn, ability to initiate, dependence upon other employees and officers, safety aspects, ability to direct, ability to supervise, behaviour with other employees and officers.

Under this method of Merit Rating, a report is prepared regarding Merit Rating of every employees and it is represented on a graph paper. It makes evaluation of employees very easy and simple.

5. Checking List Method: A list of necessary qualities for the performance of a job is prepared under this method. The qualities of the employees are measured on the basis of the abilities of such lists. If an employee possesses that quality, the sign ‗+' is marked in the list. If that quality is not possessed by an employee the sign ‗-' is marked in the list. If there is a doubt regarding it, the sign of (?) is marked in the list. On the basis these sign, the abilities of an employee are evaluated. The specimen of checking list of Merit Rating is as follows :

Checking List of Merit Rating

S.No.	Question	Yes (+)	No (-)
1.	Does the employee possess technical knowledge of his job?		
2.	Does the employee possess interest in his job?		
3.	Is the attendance of employee satisfactory?		
4.	Is the health of employee satisfactory?		
5.	Does the employee follow the orders and instructions?		
6.	Does the employee behave well?		
7.	Does the employee perform his duties properly?		
8.	Does the employee violet his responsibilities?		

6. Descript Evaluation Method: In this method supervisor prepares a detailed report of the abilities, efficiency and potentialities of the employees under his supervision. All the employees are evaluated on the basis of these reports.

7. Forced Choice Descriptive Method: In this method some details are collected regarding the performance of an employee on the given job. After this, some standards are fixed with the consent of evaluations. The performance of an employee is evaluated on the basis of these standards and the ability and efficiency of all the employees are evaluated on this basis.

8.6 Limitation of Job Evaluations: These are:

(i) Though many ways of applying the job evaluation technique are available, rapid changes in technology and in the supply and demand of particular skills have given rise to problems of adjustment.

(ii) Substantial differences exist between job factors and the factors emphasized in the market. These differences are wider in cases in which the average pay offered by a company is lower than that prevalent in other companies in the same industry or in the same geographical area.

(iii) A job evaluation frequently favours groups different from those which are favoured by the market. This is evident from the observations whole of Kerr and Fisher. According to them, "the jobs which tend to rate high as compared with the market are those of janitor, nurse and typist, while craft rates are relatively low. Weaker groups are better served by an evaluation plan than by the market; the former places the emphasis not on force but on enquiry".

(iv) Job factors fluctuate‘ because of changes in production technology, information system, and division of labour and such other factors. Therefore, the evaluation of a job today is made on the basis of job factors, and does not reflect the time job value in future. In other words, continuing attention and frequent evaluation of a job are essential.

(v) Higher rates of pay for some jobs at the earlier stages than other jobs or the evaluation of a job higher in the organizational hierarchy at a lower rate than another job relatively lower in the organizational hierarchy often give rise to human relations problems and lead to grievances among those holding these jobs.

8.7 KEYWORDS

Job Evaluation	Job
Job Grade	Check list
Merit Rating	Wages

8.8 QUESTIONS FOR DISCUSSIONS

1. What is meant by Job Evaluation? What are the objectives of Job Evaluation?
2. Discuss the advantages of Job Evaluation. Does job evaluation have any limitations? what are these?
3. Explain the various methods of job evaluation.
4. What is Merit rating? Discuss the different methods of merit rating.
5. Write notes on the following:
    a) Ranking method
    b) Grading method
    c) Checking list method

LESSON

9

BENEFITS AND SERVICES:

CONTENTS

9.0 Introduction

According to the two-factor theory propounded by Herzberg the factors which motivate workers to produce more are increased responsibility, advancement, growth, recognition, achievement and the work itself. Labour welfare and security benefits do not fall under any these factors. There is evidence to show that after some time these benefits, not being dependent or performance, are taken for granted by the workers.

They also benefit the employer in several ways many of which are not subject to quantification. Among these benefits are:

- More effectiveness recruitment
- Improved morale and loyalty
- Lower turnover and relations
- Good industrial relations
- Reduced influence of unions
- Enhanced public image and good will

9.1 Types of benefits

Various benefits provided to the employee may be classified on different bases. One classification may be in terms of statutory and voluntary benefits provided to employees under these two categories are discussed hereunder.

9.1.1 Statutory benefits. These benefits are mandatory provided under the provisions of various Acts as discussed below.

(i) The Factories Act, 1948: This act covers area including health, welfare, safety, working hours, leave with wages, etc. The various benefits provided under the act include: (i) No worker (adult) shall be required to work in a factory for more than 48 hours in any week (Section 51) ; (ii) The working hours shall be kept restricted to 9 hours on any day (Section 54); An adult worker shall have weekly holidays, is eligible for compensatory holidays of the same number in the same month; (v) Provision for double salary to the workers working during holidays ; and (vi) Provision for canteen employing more than 250 workers and crèches where more than 30 women employees are working.

(ii) The mines Act, 1952: Apart from provision for canteen and creches, the Mines Act, 1952 specifies that there should be provision for first-aid boxes and first-aid rooms in mines employing more than 150 workers and appointment of a welfare officer in mines employing more than 500 workers.

(iii) The plantation Labour Act, 1951: The Act makes provision for canteen in plantations employing 150 or more workers, educational arrangements in the estate for the children of workers, where there are 25 workers' children between the age of 6 and 12, and provision for umbrellas, blankets, raincoats, or other such amenities for the protection of workers from rain or cold as may be prescribed. appointment of a Welfare Officer in plantations employing 300 or more workers is also specified in the Act. Besides, workers who worked for 240 days during a calendar year are eligible for paid vacation at the rate of one day for every 20 days worked in case of adult works and at the rate of one day for every 15 days worked in case of child workers.

(iv) The Motors Transport Workers Act, 1961:

Under this Act also, provisions for canteen, rest rooms, uniform, raincoats, medical facilities, etc., are made. First-aid facilities equipped with the prescribed contents are to be provided in every transport vehicle.

(v) Employees' State Insurance Act, 1948: This Act deals comprehensively about the health to be provided to the employees working in factories. establishments running with power and employing 20 or more workers. The main benefits provided under this Act include sickness benefit for 56 days in a year, maternity benefit, disablement benefit, dependent’s benefit, medical benefit, etc...

(vi) Workmen's Compensation Act, 1923: In addition to safety and health measures, provision for the payment of compensation has also been made under this Act. The Act covers the employees whose wages are less than Rs. 500 per month. Amount of compensation depends on nature of injury and the monthly wages of employee. In case of death of the employee, his dependents are eligible for compensation.

9.1.2 Non statutory benefits (Voluntary): Voluntary benefits are determined and provided by the individual organizations at their own. These benefits may include educational facilities, transportation facilities, housing facilities, recreational facilities, consumer cooperative societies, subsidized lunch/refreshment, child care, etc. Since providing these facilities is obligatory on the part of employers. hence the level and degree of facilities provided vary across the organizations.

U.S Chamber of Commerce has classified employee benefits into five categories as follows:

1. Legally - required payments:

(i) Old age pension

(ii) Disability pension

(iii) Unemployment insurance

(iv) Worker's compensation

2. Contingent and deferred benefits

(i) pensions plan

(ii) Group life insurance

(iii) Maternity leave

3. Payment for time not worked:

(i) Vacation

(ii) Holidays

(iii) Voting Pay Allowances

4. Paid rest periods

(i) Waste-up time

(ii) Lunch periods.

5. Christmas Bonus

9.2 Insurance Benefits

Most employers also provide a number of required or voluntary insurance benefits such as worker's compensation and health insurance.

Worker's Compensation

Worker's compensation laws aim to provide sure, prompt income and medical benefit to work related accident victims or their dependents, regardless of fault. Every state has its own worker's compensation law and commission, and some run their own insurance programs. However, most require employers to carry worker's compensation insurance with private, state approved insurance companies. Neither the state not the federal government contributed any funds for worker's compensation.

How Benefits are Determined

Worker's compensation benefits can be monitory or medical. In the event of a worker's death or disablement, the person's dependents receive a cash benefit based on prior earnings – usually one – half to two – third the worker's average weekly wage, per week of employment. If the injury causes a specific loss (such as an arm), the employee may receive additional benefit based on a statutory list of losses, even though he or she may return to work. In addition to these cash benefits, employers must furnish medical, surgical, and hospital services as required for the employee

Controlling Worker's Compensation Cost

It is important to control worker's compensation claims. While it's usually the employer's insurance company that pays the claim, the cost of the employer's premiums reflect the amount of claims. In practice, there are several ways to reduce worker's compensation claims. Screen out accident - prone workers. Reduce accident – causing conditions in your facilities. And reduce the accidents and health problems that trigger claims – for instance, by instituting effective safety and health programs and complying with government safety standards.

It's also important to get injured employees back on the job as fast as possible, since workers compensation costs accumulate as long as the person is out of work. Many firms have rehabilitation programs. This include physical therapy; career counselling to guide injured employees into new, less strenuous jobs; and nursing assistance to help reintegrate recipients back into workforce.

9.2.1 The Worker's Compensation Act, 1923

This Act is the first planned step in the field of social security in India. The main objective of the Act is to ensure compensation to workers for accidents occurred during the course of employment. The main features of the Act are as follows:

Coverage: This act covers workers employed in factories, mines, plantations, mechanically propelled vehicles, construction works, railways, ships, circus and other hazardous occupations specified in schedule II of the Act. It does not apply to the Armed forces, casual workers and workers covered by the Employee's State Insurance Act. 1948.

Administration: The Act is administered by the State Government by appointing commissioners for this purpose under section 20 of the Act

Benefits: Under this Act, compensation is payable by the employer to the workman for all personal injuries caused by industrial accidents which disable him/her for more than three days. In case of death of workman, the compensation is paid to his/her dependents. The Act also specifies that in case a workman contracts any occupational disease, which is specified in its third schedule, such disease shall ordinarily be treated as an employment injury arising out of and in the course of employment. The employer is under obligation to make the payment of compensation within one month from the date on which it is due. In case of default in paying the compensation due under the Act, the commissioner may direct for recovery of the amounts of arrears with interest.

9.2.2 Employee's State Insurance Act. 1948

The main objective of this Act is to provide social insurance for workers. It is a contributory and compulsory health insurance scheme that provides medical facilities and unemployment insurance to industrial workers for the period of their illness. Following are the main features of this Act;

Coverage: The Act covers all workers (weather manual, supervisory or salaried employees) whose income do not exceed Rs. 6500/- per month and are employed in factories, other than seasonal factories which run with power and employee 20 or more workers. The state government can extent the coverage of the act with the approval of the central government.

Administration: The Act is administrated by the Employees State Insurance (ESI) Corporation, an autonomous body of 40person consisting of representatives of the Central and State Government, employers, employees, medical profession and the parliament.

Benefits: Under this Act, an insured is entitled to receive the following types of benefits:

1. Medical Benefits: An insured or a member of his or her family requiring medical help is entitled to receive medical facility free of charge in a hospital either run by the ESI corporation or by any other agency.

2. Sickness Benefit: An insured worker in case of certified sickness is entitled to receive cash payment for a maximum period of 91days in any continuous period of 1 year. The daily rate of sickness benefit is calculated as half of average daily wages. The insured worker should be under medical treatment at a dispensary or any other medical institutions maintained by the corporation.

3. Maternity Benefit: An insured woman is entitled to receive cash payment calculated at a full average wage for a period of 12 weeks of which not more than 6 weeks shall precede the expected date of her confinement.

4. Disablement Benefit: This benefit is entitled to insured worker in case of individual accidents and injury. In case of temporary disablement, the worker is paid 70% of wages during the period of disablement. In the case of permanent partial disablement, the insured individual is entitled to a cash benefit for life to be paid as a percentage of the full rate. In the case of permanent total disablement, 70% of the wages is paid as monthly pension to the worker for life.

5. Dependents' Benefit: This benefit is available to the dependents of a deceased worker due to industrial accident or injury. The rate of benefit differs depending upon the relationship between the deceased and the dependents.

9.3 Retirement benefits

A retirement plan or a pension is an arrangement by an employer to provide their employees with an income when they are no longer earning a regular income from working. Retirement plans may be set up by in a variety of ways but typically will have a form of a guaranteed payment. Often retirement plans require both the employer and employee to contribute money into a fund while employed so that they will receive benefits upon retirement. Pension plans are considered a form of delayed income.

The first contingent of baby boomers turns in the year 2011, and many reportedly won't wait till 65 to retire. This presents two challenges for employers. First, many employees, facing the inevitable aging process, are seeking (or demanding) enhanced retirement benefits. Second, we'll see that employers, facing a looming employee shortage, are taking steps to entire older workers to keep working in capacity. The major retirement benefits are the

Social Security

Most people assume that social security provides income only when they are over 62, but it actually provides three types of benefits. The familiar retirement benefits provide an income if you are retire at age 62 or thereafter and are insured under the Social Security Act. Second are survivor's or death benefits. These provide monthly payments to your dependents regardless of your age at death, again assuming you are insured under the Social Security Act. Finally there are disability payments. These provide monthly payments to employees who become totally disabled (and to their dependents) if they work and meet certain requirements. The Social Security System also administers the Medicare program, which provides a wide range of health services to people 65 or over. "Full retirement age" traditionally was 65 the usual age for retirement. However, full retirement age to collect Social Security rose gradually till 1960. It is now 67 for those born in 1960 or later.

Pension Plans

pension plans are financial programs that provide income to individuals in their retirement. About half of full-time workers participate in some type of pension plan at work. However, the actual rate of participation depends on several things. For example, older workers tend to have a higher participation rate, and employees of larger firms have participation rates as much as three times as high as those in small firms.

we can classify pension plans in three basic ways: contributory versus non-contributory; qualified versus nonqualified plans; and defined contribution versus defined benefit plans. The employee contributes to the contributory pension plan, while the employer makes all contributions to the non-contributory pension plan. Employers drive tax benefits from contributing to qualified pension plans, such as tax deductions for pension plan contribution (they are "qualified" for improved tax treatment); nonqualified pension plans get less favourable tax treatment for employees and employers.

Defined Benefits plans with defined benefits plans, employees know ahead of time the pension benefits they will receive (the benefit is "defined" or specified by amount or formula). The defined pension benefit itself is usually set by formula that it ties the pension's retirement pension to an amount equal to a percentage of the person's preretirement pay (for instance, to a fraction of an average of his or her last five years of employment), multiplied by the number of years he or she worked for the company.

Defined Contribution plans in defined contribution plans specify what contribution the employee and /or employer will make to the employee's retirement or savings fund. Here, in other words, the contribution is defined, not the pension. with a defined benefit plan the employee knows what his or her retirement benefits will be upon retirement. With a defined contribution plan, The person's pension will depend on the amounts contributed to the fund and on the retirement fund's investment earnings. Defined contribution plans prevail among employers today, because of their relative ease of administration, favorable tax treatment, and other factors. **Portability** - making it easier for employees who leave the firm prior to retirement to take their accumulated pension funds with them - is enhanced by switching from defined benefit to defined contribution plans. The former are therefore more appropriate for employees who plan to stay with the firm until retirement.

401(k) plans The most popular defined contribution plans are based on section 401 (k) of the Internal Revenue Code, and called 401(k) plans. The employee authorizes the employer to deduct a sum of money from his or her pay check before taxes, and to invest it in bundle of investments in his or her 401(k). The deduction is pre-tax, so the employee pays no tax on those set-aside dollars until after he or she retires (or removes the money from the 401(k) plan). The person can decide to deduct any amount up to legal maximum (the IRS sets as an annual dollar limit - now about $15,000). The employer arranges, usually with an investment company such as Fidelity Investments, to actually manage the 401(k) plan to make various investment options available to the company's 401(k) plan. The options typically include mutual stock funds and both funds.

Registered Retirement Savings Plans

A Registered Retirement Savings Plan or RRSP is an account that provides tax benefits for saving for retirement yet is not necessarily based on the employer/employee relationship. RRSPs can provide ways to save money for retirement and defer and reduce taxes because:

- Contributions to RRSPs, up to established limits, may be deducted from income in pre-taxed dollars.
- Income earned within the account is not taxed until money is withdrawn from the plan. RRSP accounts can be setup with as either:
- Individual RRSP

  An Individual RRSP is associated with only a single individual; only they contribute money to their RRSP.

- Spousal RRSP

The spouse of the contributor is actually the account holder. A spousal RRSP is a means of splitting income in retirement.

- Group RRSP

  An employer can arrange for employees to make contributions through a schedule of regular payroll deductions. In many organizations RRSP contributions can be based on a “matching” program. This means that the employer will put in a certain percentage or dollar amount based on the contributions the employee makes.

  The employee gets to receive the tax savings immediately at the time of deduction instead of having to wait until the end of the tax year.

Phased Retirement

Today’s work place is challenged with having up to four different generations working side by side. For most employers, designing a compensation and benefit structure that address the unique needs of each demographic group, is a complex task. Added to that is the shift in pension structures over the past few years. Some non-profit organizations provide their employees with a pension fund; however most tend to offer only contributions to an RRSP. This leads to an increasing number of employees not feeling able to retire.

It is important that organizations understand the details of their pension plan, whether it is a defined benefit or contribution or simply an RRSP program before considering design changes. For those not hindered by a design change, one option that is gaining in popularity, especially in this sector, is providing a phased retirement program for older skilled employees.

For employees:

Components of the phased program are allowing employees who might be considering retiring to delay their departure date, continue to earn a partial income that reduces the burden on their pension income, they continue to receive benefit coverage and are able to acclimate gradually by continuing to reduce their hours until they are prepared to leave.

For employers:

Employers are able to develop a timely and effective succession plan without losing critical skills or intellectual capital. Organizations benefit by being able to tap into the most experienced staff at a reduced salary, while transitioning to a new team or organizational design.

Hurdles:

Employees need to understand the impact continuing to work may have on pension or benefit programs; also to be considered is the timing of starting your phased approach. If an employee starts too soon, they might not have accumulated enough to compensate for the reduced salary.

Employers need to be sure that the phased retirement program is structured in a way that will not diminish the work of the organization or the financial position of the employee.

9.4 KEYWORDS

Benefit	Service
Insurance	Retirement
Social Security	

9.5 QUESTIONS FOR DISCUSSIONS

1. Explain the different types of benefits.
2. Describe the Insurance benefits.
3. Explain the Retirement benefits
4. Briefly explain the Employee's State Insurance Act. 1948.

LESSON

10

INDUSTRIAL RELATION AND COLLECTIVE BARGAINING

CONTENTS

10.0 Industrial Relation:

"Industrial Relation" pose one of the most delicate and complex problems to modern industrial society. With growing prosperity and rising wages, workers have achieved a higher standard of living; they have acquired education, sophistication and greater mobility. Career patterns have changed for larger section of the people have been constraint to leave their farms to become wage – earners and salary – earners in urban areas under trying conditions of work. Ignorant and drenched in poverty, vast masses of men, women and children have migrated to urban areas. The organizations in which they are employees have ceased to be individually owned and have become corporate enterprises. At the same time, however, a progressive, status – dominated, secondary group – oriented, universalistic, aspirant and sophisticated class of workers has come into being, who have their own trade unions and who have, thus, gained a bargaining power which enables them to give a tough fight to their employers to establish their rights in growing industrial society. As a result, the government has stepped in and played an important role in establishing harmonious industrial relations, partly because it has itself become an employer of millions of industrial workers, but mainly because it has enacted a vast body of legislation to ensure that the rights of industrial workers in private enterprises are suitably safe guarded. Besides, rapid changes have taken place in the techniques and methods of production. Long established jobs have disappeared and new employment opportunities have been created, which call for different patterns of experience and technical education. Labour employer relationships have, therefore, become more complex than they were in the past and have been given a sharp edge because of the widespread labour unrest. In the circumstances, a clear understanding of the factors which make for this unrest and which are likely to eliminate it would be a rewarding experience for anyone who is interested in industrial harmony.

10.0.1 Meaning of Industrial Relations

Broadly, the term 'Industrial Relations' is used to donate the collective relationship between management, employees and government in any industrial or non-industrial organization. Individual relationships of workers with their management are thus excluded from the scope of industrial relations and form part of personnel management.

10.0.2 Definition of Industrial Relations

"Industrial relations" refer to a dynamic and developing concept which is not limited to "the complex of relationship between trade unions and managements" but also refers to the "general web of relationships normally obtaining between employers and employees, a web, much more complex than the simple labour – capital conflict".

The labour dictionary defines "industrial relations" as "the relationship between employers and employees in industry". According to Dale Yoder, "industrial relationship" describes "relationship between managements and employees or among employees and their organizations that characterize or grow out of employment.

10.0.3 Nature of IR

Industrial Relations are always a mixture of cooperation and conflict. However, much cooperation may be sort as an organizational objective, some conflict will always remain. There are at least 3 reasons for this:

1. Both the groups (labour and management) develop different orientations and perceptions of their interests. They also develop generally negative image about each other.

2. There are no mutually accepted yardsticks or norms to tell to the groups how far they should go in the pursuit of their objectives. In the absence of norms both groups claim complete rationality for their demands.

3. There is no neutral field for the groups to meet on. This means that whenever the two groups meet each other for negotiations they bring with them some carry over from the past beside their inherent distress and suspicion for each other.

10.0.4 Two Dominant Aspects of Industrial Relations

There are 2 important aspects of the industrial relations scene in a modern's industrial society: (1) cooperation and (2) conflict

1. Cooperation: Modern Industrial production is based upon cooperation between labour and capital. Here labour stands for the workers who man the factories, mines and other industrial establishments or services. Capital stands for the owners or business enterprises that supply the capital and own the final products. The cooperation between the two is one of the basic requirements for the functioning of modern industries and the growth of industrialization. This needs no further elaboration as it is clear that large factories and other business establishments cannot run successfully unless, there is close cooperation between labour and capital. The very fact that the present industrial organization and the economics structure have been able to turn out a quality of goods and services unprecedented in the history of mankind are an index of extends of cooperation between the two. Cooperation is the normal feature of industrial relations.

2. Conflict: The second aspect of the system of industrial relations (IR) today is the existence of conflict. Conflict, like cooperation, is inherent in the IR setup of today. It becomes apparent when industrial disputes resulting in strikes and lockouts become frequent. The prevailing industrial unrest, the frequency of work-stoppages resulting either from strikes or lockouts and the slowing down of production are the occasional expression of the ever present and latent conflict between workers and the management.

10.0.5 Significance or Importance of IR

The significance of good IR in any country cannot be overemphasized. Good industrial relations are necessary for the following reasons:

1. To help in the *economic progress* of a country. The problem of an increase in productivity is essentially the problem of maintaining good IRs. That is why they form an important plank of the economic development plan of every civilized nation.

2. To help establishing and maintaining true industrial democracy which is a prerequisite for the establishment of a socialist society.

3. To help management both in the formulation of informed labour relations policies and in their translation into action.

4. To encourage collective bargaining as a means of self-regulation. They consider the negotiation process as an educational opportunity, a chance both to learn and to teach.

5. To help government in making loss forbidding unfair practices of unions and employers.

6. To boost the discipline and morale of workers. Maintenance of discipline ensures orderliness, effectiveness and economy in the use of resources. On the other hand, lack of discipline means waste, accidents, loss and confusion. It also means insubordination and non-co-operation.

Content of Industrial Relations

IR do not constitute a simple relationship but are a set of functional inter-dependent complexities involving historical, economic, social, psychological, demographic, technological, occupational, political, legal and other variables and call for inter-disciplinary approach to their study. IR does not function in a vacuum but are multi-dimensional in nature and they are conditioned by two sets of determinants – the institutional factors and economical factors

Institutional Factors, include such matters as state policy, labour legislation, labourers and employers' organizations and social institution (community, caste, joint family, religions), attitude towards work, system of power and status and motivation and influence, the system of industrial relations, etc. Under Economical Factors are included economic organization (socialist, capitalist, individual ownership, company ownership, government ownership), capital structure – including technology, the nature and composition of the labour force and the sources of supply and demand in the labour market. The development of IR has not been the result of any single factor or cause, but has been determined by the condition existing on the eve of the Industrial Revolution in Western Europe and the social, economic and political situations in different countries.

10.0.6 Objectives of Industrial Relations

In addition to their primary objective of bringing about good and healthy relations between employers and employees, industrial relations are designed:

i) To safeguard the interests of labour and of management by securing the highest level of mutual understanding and goodwill among all those sections in the industry which participate in the process of production

ii) To avoid industrial conflict or strife and develop harmonious relations which are essential factors in the productivity of workers and the industrial progress of a country

iii) To raise productivity to a higher level in an era of full employment by lessening the tendency to high turnover and frequent absenteeism.

iv) To eliminate, as far as possible and practicable, strikes, lockouts and gheraos by providing a reasonable wages, improved living and working conditions and fringe benefits.

v) To establish government control of such plans and units as are running at a loss or in which production has to be regulated in the public interest.

10.0.7 Conditions for good IRs

Good IRs depends on a great variety of factors. Some of the more obvious ones are listed below.

1. History of IRs: No enterprise can escape its good and bad history of IRs. A good history is marked by harmonious relationship between management and workers. A bad history by contrast is characterised by militant strikes and lockouts. Both types of history have a tendency to perpetuate themselves. Once militancy is established as a mode of operations, there is a tendency for militancy to continue. Or, once harmonious relationship is established, there is a tendency for harmony to continue

2. Economic satisfaction of workers: Psychologists recognize that human needs have a certain priority. Need number 1 is the basic survival need. Much of the man's conduct is dominated by this need. Man works because he wants to survive. This is all the more for underdeveloped countries where workers are still living under subsistence conditions. Hence, economic satisfaction of workers is another important prerequisite for good IRs.

3. Social and psychological satisfaction of workers: Identifying the social and psychological urges of workers is an important step in the direction of building good industrial relations. As has been revealed by the Hawthorne experiments a man does not live by bread only. He has several other needs beside his physical needs which could also be given to attention by the employer

4. Off-the-job conditions of workers: All though some employers may occasionally wish that they could employ only a person's skill or his brain but all that can be employed is a whole person, rather than certain separate characteristics. A person's different traits may be separately studied, but in the final analysis they are all part of the one system making up a whole man. His home life is not totally separable from his work life, and his emotional condition is not separate from his physical condition. Each affects the other. Hence for good IRs, it is not enough that the worker's factory life alone should be taken care of. His off-the-job conditions should also be improved.

5. Enlightened and responsible labour unions: The most important single condition necessary for good IR is a strong and enlightened labour movement, which may help to promote the status of labour without jeopardising the interests of management.

6. Negotiating skills and attitudes of management and workers: Both management and worker's representatives in the area of IR came from a great variety of backgrounds in terms of training, education, experience and attitudes. This varying background plays a major role in shaping the character of IRs.

7. Public policy and legislation: When government regulates employee relations, it becomes a third major force determining IRs- the first 2 being the employer and the union. The government intervention helps in three different ways (i) it helps in catching and solving problems before they become serious. Almost everyone agrees that it is better to prevent fires than to try stopping them after they start; (ii) it provides a formalized means to the workers and the employers to give emotional release to their dissatisfaction; and (iii) it acts as a check and balance upon arbitrary and capricious management action.

8. Education of workers: With rising skills and education worker's expectation in respect of rewards increase. It is a common knowledge that the industrial workers in India are generally illiterate and is mislead by outside trade union leaders who have their own acts to grind. Better worker's education can be a solution to this problem. This alone can provide workers with a proper sense of responsibility which they owe to the organization in particular and to the community in general.

9. Nature of the industry and business cycles: In those industries where the direct and indirect labour costs constitute a major proportion of the total cost, lowering down the labour costs becomes important particularly when the product is not a necessity and therefore there is little probability to pass additional cost on to the customer. Such industries cannot grant liberal increases in wages or fringe benefit to their and have IRs different from other types of industries. Business cycle also affects IRs. In general, IRs is good when there is a boom and prosperity all around. During such periods level of employment and wages rise which make workers happy. But during recession, there is a decline in employment levels and wages. This makes workers unhappy and mars good IRs

10.0.8 Cause of Poor IR

Poor IRs is the result of a number of socio-economic, political and psychological factors which are briefly discussed below.

1. Uninteresting nature of work: People want to make a life out of work rather than just a living. Work is such a dominating part of our lives that no matter how much satisfaction we have outside it; we are not living a satisfied life unless we live with satisfaction at work also. The problem of poor IR is essentially a product of large scale production which has made man subordinate to the machine. This has made him lose his sense of pleasure, pride and satisfaction from work which he used to get earlier by producing the product. This dissatisfaction of worker on the shop floor generally culminates into big strikes and lock outs.

2. Political Nature of Unions: Another major irritant to good IR is politicisation of labour unions by outside political leaders. This leads to multiple unions on the one hand and inter - union rivalry on the other.

3. Poor Wages: Too much tight or complicated wage and incentives and payment systems are also a cause of poor IRs. Wage and salary differentials between occupations also create a feeling of inequity and mar good in IRs.

4. Occupational Instability: Another important factor which sometimes affects good IRs is the spectra of change in occupation. Occupational stability makes workers feel secure on their jobs. It produces an enervating effect on them. Workers who have held a job for several years generally win confidence on that job.

5. Poor Behavioural Climate: The behavioural climate of an enterprise which is made up of its culture, traditions and methods of action maybe either favourable to the worker or unfavourable. Favourable climate is one which helps in meet his economic, social and psychological wants. It produces a good image of the enterprise in his mind. On the other hand, unfavourable climate is one which prevents him from meeting his various types of needs and produces in his mind a poor image of the enterprise. This eventually drives him to seek membership of a militant labour organization where he can give vent to his negative feelings and fight against his employer. This becomes a cause of poor IRs.

10.0.9 Suggestions to Improve Industrial Relations

1. Both management and union should develop constructive attitude towards each other.

2. All basic policies and procedures relating to IRs should be clear to everybody in the organization and to the union leaders.

3. The personnel manager should remove any distress by convincing the union of the company's integrity and his own sincerity and honesty.

4. The personnel manager should not vie with the union to gain worker's loyalty. He should not try to wean away from the union.

5. Management should encourage right kind of union leadership.

6. After the settlement is reached the agreement should be properly administrated.

10.1 COLLECTIVE BARGAINING

Collective bargaining is the process of negotiating between management and workers represented by their representatives for determining mutually agreed terms and conditions of work which protect the interest of both workers and the management.

According to Dale Yoder, "Collective bargaining is essentially a process in which employees act as a group in seeking to shape conditions and relationships in their employment".

Michael J. Jucious has defined collective bargaining as "a process by which employers, on the one hand, and representatives of employees, on the other, attempt to arrive at agreements covering the conditions under which employees will contribute and be compensated for their services".

Thus, collective bargaining can simply be defined as an agreement collectively arrived at by the representatives of the employees and the employers.

10.1.1 Objectives of collective bargaining

The basic objective of collective bargaining is to arrive at an agreement between management and the employees determining mutually beneficial terms and conditions of employment. This major objective of collective bargaining can be divided into the following sub-objectives.:

- To foster and maintain cordial and harmonious relation between the employer/management and the employees.
- To protect the interests of both the employer and the employees.
- To keep the outside, i.e., the government intervention at bay.
- To promote industrial democracy.

10.1.2 Importance of collective bargaining

The need for and importance of collective bargaining is felt due to the advantages it offers to an organization. The chief ones are as follows:

1. collective bargaining develops better understanding between the employer and the employees:

It provides a platform to the management and the employees to be at par on negotiation table. As such, while the management gains a better and deep insight into the problems and the aspirations of the employees, on the one hand, the employees do also become better informed about the organizational problems and limitations, on the other. This, in turn, develops better understanding between the two parties.

2. It promotes industrial democracy:

Both the employer and the employees who best know their problems, participate in the negotiation process. Such participation breeds the democratic process in the organization.

3. It benefits the both-employer and employees:

The negotiation arrived at is acceptable to both parties- the employer and the employees.

4. It is adjustable to the changing conditions:

A dynamic environment leads to change in employment conditions. This requires changes in organizational processes to match with the changed conditions. Among other alternatives available, collective bargaining is found as a better approach to bring changes more amicably.

5. It facilitates the speedy implementation of decisions arrived at collective negotiation:

The direct participation of both parties - the employer and the employees - in collective decision making process provides an in-built mechanism for speedy implementation of decisions arrived at collective bargaining.

10.1.3 Bargaining Process

The actual bargaining goes through a process consisting of certain stages. However, the number of stages and sequencing of these may vary from organization to organization depending on the nature of parties involved in bargaining process. According to Mondy and

Noe, the following four types of structures decide the nature of parties involved in bargaining process:

1. One company dealing with a single union.

2. Several companies dealing with a single union.

3. Several unions dealing with a single company.

4. Several companies dealing with a several unions.

Generally, a bargaining process consists of the following stages:

Pre-negotiation

This is the first stage involved in a bargaining process is also known as 'preparation for negotiation' In other words, it refers to homework for negotiation. That the pre-negotiation stage of the bargaining process is vital is duly confirmed by the fact that "up to 83 percent of the outcomes of the negotiations are greatly influenced by pre-negotiation stage.

Preparation

Preparation includes researching and formulating proposals. A collective bargaining research must take into consideration the economic factors on which union demands are based: minimum budget requirements, cost of living, productivity, company's ability to pay, industry practices etc. The result of the data analysis of these economic factors determines the content of a collective bargaining proposal.

A union engaged in collective bargaining prepares two sets of research studies. The first contains the demands of the union based on its research findings. These demands are presented to the general membership for adoption or approval, after which they become proposals that are then submitted to the management for collective bargaining purposes. The second research study is a definition of the arguments supporting the proposals of the union. This research study is submitted to the Department of Labor and Employment (DOLE) to be used as a reference material should the negotiation reach a deadlock as to require mediation or conciliation and arbitration.

Negotiation

Negotiation is the actual deliberation of proposals by the union and the management. It is composed of five stages:

1. The union submits a notice to negotiate together with its proposals to the company.

2. The company answers the notice to negotiate within ten (10) days after receipt of said notice.

3. The union's bargaining representatives and the management hold meetings and conferences to discuss the proposal.

4. If both parties agree on the proposal, a collective bargaining agreement is signed. If not, then a deadlock or a disagreement regarding certain proposals ensues between labor and management.

During a deadlock, the union may file a notice of strike while the company may file a notice of lockout to the DOLE. Both parties, however, may opt for conciliation and mediation in which government representatives through which conciliators or mediators help labour and management in settling their disagreement. If the deadlock is not resolved within thirty days, the union can go on strike while the company can lockout provided they have submitted a winning strike-vote or lockout-vote seven days prior to intended date of strike or lockout. The DOLE, on the other hand, may elevate the case to compulsory arbitration. A decision arrived at in compulsory arbitration is appeal able up to the Supreme Court.

5. The CBA is presented to the general membership for ratification. A CBA, to be considered ratified, requires a vote of not less than one-half of the total membership of the union. This procedure, however, is not applicable to agreements whose contents are results of compulsory arbitration.

Implementation

The merit of a collective bargaining agreement lies to a great extent of the implementation of its provision. Most CBA's have a term of three years. The date of effectively of a provision (e.g., wage increase) is usually specified in the agreement. How this provision is put into practice is subject to the interpretation of labor and management, a process that sometimes leads to a dispute. To accommodate the conflict, CBAs include machinery for settling grievances or disputes.

How can members help the union during the collective bargaining process?

Preparation

1. Study the significant labour laws and related legislations.

2. Assist in gathering data by administering questionnaires and interview schedules and by researching on cost of living, industry practices, etc.

3. Help collate data.

4. Be realistic in costing your demands. Consider not only your benefit but also the current position of your company.

5. Understand your union's collective bargaining proposals.

6. Help in disseminating information and in explaining your union's collective bargaining proposals to other members.

7. Participate in all collective bargaining-related meetings or activities, particularly in the approval of proposals.

Negotiation

1. Be supportive of your bargaining representatives.

2. Keep yourselves apprised on the progress of the negotiation.

3. Be present in consultation meetings called by your union during the negotiation

4. In case of a deadlock and the consequent arbitration that follows, be cooperative with the conciliators or arbitrators.

5. Let facts and realities, not emotions, dictate your actions during a strike. Consider what you will gain and what you will eventually lose in the process.

6. Be flexible. Your demands may be modified without necessarily defeating the objectives of your union.

7. Make sure that you participate in the ratification of your CBA.

8. Do not blame your bargaining representatives if the CBA does not contain all the proposals that you presented. A CBA, after all, a product of collective effort. You are equally

responsible for the agreement as much as your representatives.

Implementation

1. Study your CBA. Make sure that your union and the management agrees on a common understanding of the agreement.

2. Monitor the implementation of the CBA.

3. Abide by the provisions of the CBA.

4. Should a CBA violation occur, exhaust the grievance machinery to settle the conflict within the company.

10.2 KEYWORDS

Industrial Relations	Collective bargaining
Labour Union	Industrial Democracy

10.3 QUESTIONS FOR DISCUSSIONS

1. Define industrial relations. List out its objectives and also bring out its importance.
2. What are the causes of poor IR? Suggest measures for improving industrial relations.
3. What is meant by collective bargaining? What are its objectives?
4. Describe the need for and importance of collective bargaining.
5. Explain the bargaining process.

LESSON

11

TRADE UNIONS AND GRIEVANCE HANDLING

CONTENTS

11.0 Trade Unions:

The institution of Trade union, though comparatively recent in origin has become a powerful force by way of its direct influence in the social and economic life of industrial workers. Sydney and Beatrice Webb considered Trade Unionism to be "the extension of the principle of democracy in the sphere of industry".' Unfortunately this broad idea is weakened by causes not too far to seek; multiplicity of unions, placing political ideology before economic interests and to some extent insufficient leadership.

Since the conflict or co-operation between workers and management is greatly influenced by the nature of the workers organization and the processes that induce their structure, study of Trade Union becomes a critical topic in the industrial relations area. The organization of workers and employers on an occupational basis is one of the most significant features of modern industrial society.

A continuous association of wage earners for the purpose of maintaining or improving the condition of their working lives.

The Indian Trade Union Act of 1926 defines a trade union as “any combination whether temporary or permanent formed primarily for the purpose of regulation the relation between workmen and workmen, between employers and employers or for imposing restrictive conditions on the conduct of any trade or business and include any federation to two or more trade unions.

11.0.1 Principles Of Trade Unionism

Trade unions function on the basis of three cardinal principles. If any one of them is threatened or is in jeopardy, they would fight back. These principles are:

Unity is Strength:

This fact has been very effectively brought out by Longfellow in the Song of Hiawatha:

“All your strength is in your union.

All your danger is in your discord.

Therefore, be at peace henceforward, And, as brothers, live together”.

Equal pay for equal work or for the same job:

This principle is based on one of the nine principle included in the ILO’S Charter of Freedom of Labour, which says: ‘Men and Women should receive equal remuneration for work of equal value”.

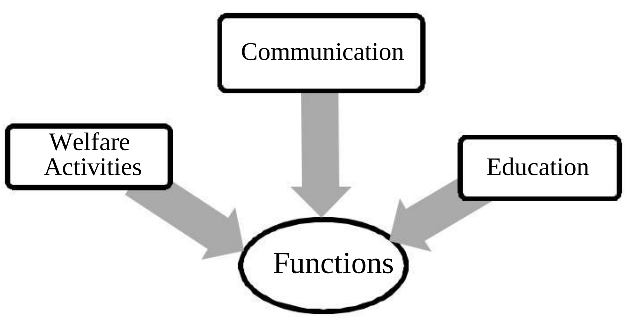
Security of Services;

This principle enjoins upon trade unions that they ensure social and economic security for their members.

11.0.2 Why do Workers Join a Trade Union:

- To get economic security: that is, they want steady employment with an adequate.
- To retrain the management from taking any action which is irrational, illogical, discriminatory or prejudicial to the interests of labour. Workers desire that the assignment of jobs, transfers, promotions, the maintenance of disciple, layoffs, retirement, rewards and punishment should be on the basis of a predetermined policy and on the basis of what is fair and just.
- To communicate their views, aims, ideas, feelings and frustrations to the management: that is , they want to have effective voice in discussions which affect their welfare;
- To secure protection from economic hazards beyond their control; for example, illness, accident, death, disability, unemployment and old age:
- To get along with their fellow workers in better way and to gain respect in the eyes of their peers;
- To get a job through the good offices of a trade union.

11.0.3 Functions Of Trade Unions:



Communication:

Many large unions publish a newsletter or a magazine. Their main aim is to clarify the unions policy or stand on certain principal issues and also to pass on information about the union and its activates. Much could be done to improve the contents and quality of such publications. There is a need to professionalize such publications by hiring specialized persons to handle the activity. If necessary, these publications could also be sold to generate additional revenue to augment union finances.

Welfare activities:

Many Unions provide a number of welfare activities to improve the quality of the workers lives. Included in this sphere are the provisions of housing, cooperative societies and in the case of TLA it has ventured into the area of organizing working or self-employed women and has even started banking activities for this purpose.

Education:

Education helps create awareness on the part of the workers in the environment around them. Many workers cannot afford formal education or given the Government too, has worker education schemers, the trade unions in some cases have cooperated and added their own contributions to tailor it to the specific requirement of the workers.

Central unions:

1. I.N.T.U.C (Ruling Congress)
2. N.L.O. (Old Congress)
3. A.I.T.U.C.(at Lenin Sarini)
4. H.M.S.
5. C.I.T.U.
6. U.T.U.C.(at Central Avenue Calcutta)
7. H.M.P. (Samyukta Socialist Party)

11.0.4 Future role of trade union:

Few events in recent times have affected the course Indian trade unionism

Communication:

Unions can pass on greater and more varied information to the workers about themselves and the organization. At present they only communicate on service conditions and related issues under the belief that workers are not interested in receiving information on any other issues. This is wrong.

Counselling:

There is growing trend of disrespect for law as a result of the sharp decline in our standard of discipline. Unions can play a very positive role in providing counseling services to employees. Cases of excessive drinking, smoking, drug addition, indebtedness, etc.

Education and Training:

A large number of workers have lost their jobs as results of VRS, retirement or closures both in the organized and the unorganized sector. These workers need skills for doing new jobs.

Welfare:

Unions can help management in developing innovative welfare schemes for employees such as workers co-operatives, workers bankers, nursery schools, etc. they can emulate the example set by several other organizations such as the Self Employed Women's Association (SEWA) of Ahmadabad,.

Family and Vocational Guidance:

Unions can help workers families in several ways. For example, they can provide guidance in respect of the education and career of workers children. They can provide conciliation services in settling family quarrels. They can help in creating jobs for the wives of workers, and so on.

Research:

Unions can play a very helpful role in generating data on various dimensions of worker's needs, aspirations, standard of living, etc. For this purpose they can lunch research projects either independently or in collaboration with academic institutions.

Team Building:

Unions can play very helpful role in building effective semi-autonomous of teams and shaping the work organization in a direction consistent with a democratic vision of the work place.

Employee Ownership:

With the employee stock ownership plans becoming increasingly popular, employees, like other stake holders, may also want to organize themselves to demand more voice of the owners. Unions can come forward to give voice to the interests of employee owners.

New Work Force:

In future, a sizable proportion of new entrants to our work force are likely to be women, Scheduled Castes and Scheduled Tribes and other minority groups. They traditionally have had trouble in getting jobs and justice.

11.1 Procedure for disciplinary action:

1. Issue of the Charge-sheet:

The principles enunciated above require that a workman is to be issued a charge-sheet calling him to submit his explanation within a specified period of time. This charge-sheet should be drafted in a clear and unambiguous language so that the workman does not have any difficulty in understanding the charges that he has to answer. Wherever possible, the relevant clause of the company's standing orders should be mentioned in the charge-sheet.

2. Suspension pending enquiry:

In a case where the charges levelled against a workman are of serious nature and it is considered by the manager that his physical; presence might endanger the safety of other workmen, or if it is apprehended that he might intimidate others or tamper with the evidence, he may be suspended. During the period of suspension pending enquiry, the workman will get subsistence allowance as per law.

3. Consideration of the explanation:

After a charge-sheet has been served on a workman within the time specified for the reply he may submit his explanation:

- Admitting the charges and requesting for mercy, or
- Denying the charge and requesting for an enquiry, or
- Not submitting any explanation at all, or
- Requesting for more time to submit explanation.

4. Notice for holding the Enquiry:

After consideration of the explanation of the charge-sheeted workman or when no reply is received within the specified time limit, the manager should issue an office order appointing an enquiry officer or an enquiry committee to hold the enquiry of the charge-sheet. The enquiry officer can be an official of the company, or even an outsider, but care should be taken to appoint only such a person as enquiry officer who is neither a witness nor is personally interested in any way in the mater for which the charge-sheet has been issued.

5. Holding of the enquiry:

The object of holding an enquiry is to find out whether the workman is guilty of the charges levelled against him in the charge-sheet, or not. In doing so, the enquiry officer given the workman a reasonable opportunity to defend himself by cross examining the witnesses/ documentary evidence/ exhibits produced against him and by examining the witnesses/ documentary evidence in his defence.

6. The Enquiry:

On the appointed date and time, fixed for the enquiry the following persons should be present apart from the enquiry officers.

- The Management Representative
- The Charge-Sheeted Workman
- Representative of the Charge-sheeted Workman
- The Procedure

11.2 GRIEVANCE HANDLING:

According to Michael J. Jucius, the term grievance means “any discontent or dissatisfaction, whether expressed or not and whether valid or not, arising of anything connected with the company that an employee thinks, believes or even feels, is unfair, unjust or inequitable"

A grievance can be defined as any discontent or dissatisfaction, with any aspect of the organization. I t can be real or imaginary, legitimate or ridiculous, stated or invoiced, written or oral. It must, however, find expression in some form or the other.

11.2.1 Causes of grievances:

Economic:

Wage fixation, wage computation, overtime, bonus, etc. Employees feel they are getting less than what they ought to get.

Work Environment:

Poor physical conditions of workplace, tight production norms, defective tools and equipment, poor quality of materials, unfair rules, lack of recognition, etc.

Supervision:

Relates to the attitudes of the supervisor towards the employee such as perceived notions of bias, favouritism, nepotism, caste affiliations, regional feelings, etc.

Work Group:

Employee is unable to adjust with his colleagues; suffers from feelings of neglect, victimisation and becomes an object of ridicule and humiliation, etc.

Work Organization:

Rigid and unfair rules, too much or too less work responsibility, lack of recognition, etc.

11.2.2 Effects of grievances:

Grievances can have several effects which are essentially adverse and counterproductive to organizational purposes. The advance effects include:

Loss of interest in work

Poor quality of production

Low productivity

Increase in wastage and cost

Increase in employee turnover

Increase in absenteeism

Increase in the incidence of accidents.

11.2.3 The discovering of grievances:

Direct Observation:

A good manager must know how his subordinates behave in ordinary circumstances. When significant changes in that behavior occur, it is sure to affect performance. Absenteeism, lateness, indifference, etc., are some of the forms in which discontent and dissatisfaction find expressing. A careful analysis of grievances rate, accident rate, requests for transfer, indiscipline, etc., may reveal general patterns that are not easily discernible in the instance.

Grievances Procedure:

The most important channel through which discontent and dissatisfaction can be communicated is through grievances procedure. A grievances procedure provides an avenue and an opportunity to give vent to employee’s grievances. The dilemma most managers face is whether and how far they should encourage or discourage grievances. If management does not induce employees to express their grievances, unions will do so. Discouraging employees from expressing grievances means ignoring grievances.

Gripe Boxes:

The gripe box is a facility to file anonymous complaints about the various causes of discontent and dissatisfaction in the organization. It is different from the suggestion scheme system that may be in vogue in a company. In this case anonymity is assured and there is no reward or punishment. The limited purpose is to let the management know what the employees feel, without fear of victimization.

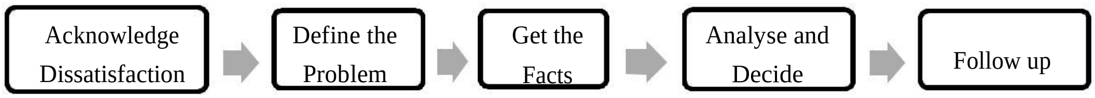
Open-door Policy:

Most organizations preach open-door policy, but do not practice it. The policy is good and democratic, but usually ineffective and at times counter-productive. Organization would do well to have a grievances procedure. If a grievances procedure exists, open-door policy becomes redundant.

Exit Interview:

Employees usually quit organizations due to dissatisfaction or better prospects elsewhere. It requires certain skills to get to know the real reasons for leaving the job. Exit interviews, if conducted effectively can provide vital information to improve personal policies and identify the weaknesses and strengths of the organizations.

11.2.4 STEPS IN GRIEVANCES HANDLING:



Acknowledge Dissatisfaction:

Managerial/Supervisory attitude to grievances is important. They should focus attention on grievances, not turn away from them. Ignorance is not bliss; it is the bane of industrial conflict. Condescending attitude on the part of supervisor and manager would aggravate the problem.

Define the Problem:

Instead of trying to deal with a vague feeling of discontent, the problem should be defined properly. Sometimes the wrong complaints are given. By effective listening, one can make sure that a true complaint is voiced.

Get the Facts:

Facts should be separated from fiction. Though grievances results in hurt feelings, the efforts should be to get the facts behind the feelings. There is need for a proper record to each grievance.

Analyses and Decide:

Decisions on each of the grievances will have a precedent effect. While no time should be lost in dealing with them, it is no excuse to be slipshod about it. Grievances settlements provide opportunities for managements to correct themselves. Union pressures may temporarily bring union leadership closer to the management, but it will surely alienate the workforce away from the management.

Follow Up:

Decision taken must be followed up earnestly. They should be promptly communicated to the employee concerned. If a decision is favourable to the employee, his immediate boss should have the privilege of communicating the same.

11.3 Managing dismissals and separation

The end result of both the terms – discharge and dismissal – is same, that is, the employee's services stand terminated. In practical usage, both terms are therefore used interchangeably. Some minor differences, however, are worth mentioning here. While dismissal is a sort of punishment against alleged misconduct, discharge is not always a punishment. When the employer examines all background factors leading to the termination of services of an employee, he may simply discharge the employee instead of dismissing him. Dismissal has a negative connotation and carries a punitive label alongside. A person who is dismissed from service may find it difficult to find alternative employment, when compared to a person who is discharged from service. In case of discharge, the errant employee may be served a reasonable, advance notice. This is not so in the case of dismissal where the services are terminated immediately. In case of dismissal, the employer can withhold the dues payable to the employee whereas in case of discharge, usually all these are settled simultaneously. Finally, before dismissing an employee, the employer has to hold disciplinary proceedings (domestic enquiry) in a proper way. In case of discharge, he may or may not go for it.

The grounds for dismissing an employee are clearly stated in Industrial Disputes Act, 1947 (as amended in 1982) and the Industrial Employment (Standing Orders) Act, 1946 – such as willful insubordination, theft, fraud, dishonesty, habitual late coming, habitual neglect of work, willful damage to property, disorderly violent behaviour, striking work in violation of rules, taking bribes, etc.

Separation

Employee separations occur when employees cease to be members of an organisation. The service agreement between the employee and the employer comes to an end and the employee decides to leave the organisation. Separations can take several forms such as:

Resignation

An employee may decide to quit an organisation voluntarily on personal or professional grounds such as getting a better job, changing careers, wanting to spend more time with family, or leisure activities. The decision could, alternatively, be traced to the employee's displeasure with the current job, pay, working conditions or colleagues. Sometimes an employee may be forced to quit the organisation compulsorily on grounds of negligence of duty, insubordination, misuse of funds, etc. The resignation in this case, unlike voluntary separation, is initiated by the employer. If the employee refuses to quit, he may have to face disciplinary action.

When employees resign or quit an organisation, there will be a certain amount of disruption to the normal flow of work. Replacing an experienced and talented person may not be easy in a short span of time. Training new recruits would take time and may even prove to be a prohibitive exercise in terms of costs. The HR Department, therefore, should examine the factors behind resignations carefully. Whenever possible, exit interviews must be conducted to find out why a person has decided to call it a day. To get at the truth behind the curtain, deportees must be encouraged to speak openly and frankly. The interviewer must ensure confidentiality of the information leaked out by the employee. The purpose of the interview must be explained clearly and the interviewer must listen to the deportee’s views, opinions, critical remarks patiently and sympathetically. Every attempt must be made to make the parting of ways more pleasant (e.g., conducting interview in a place where the employee is comfortable, giving a patient and sympathetic hearing to the employee, wishing him success after settling all the dues, etc.) There should, however, be no attempt to (a) defend the company against criticism or attacks (b) justify actions which may have annoyed the employee (c) attack the departee's views or choice of new company or job (d) convince the employee to change his mind about leaving etc.

11.4 KEYWORDS

Trade Union	Grievance Handling
Job Security	Work Environment
Gripe Boxes	Counselling

11.5 QUESTIONS FOR DISCUSSIONS

1. Explain the Principles of trade unions. Why do employees join unions?
2. What are the functions of trade unions?
3. Discuss the future role of trade union.
4. Define grievance. Identify analyse the various causes of grievances.
5. How will you discover the grievances?
6. Describe the various steps involved in grievances handling.
7. Discuss the dismissals and separation.

LESSON 12

LABOUR WELFARE

CONTENTS

12.0 Introduction

The legal provisions regarding safety cover areas such as fencing of machinery, not employing young person's near dangerous machines, using safe devices to cut off power, using good hoists and lifts, giving enough room for workers to move around safely, quality flooring, providing ventilators for pumping out fumes, gases; and precautions to be taken to prevent five accidents etc. Health promotion covers areas such as healthy living, physical fitness, smoking cessation, stress to all troubled employees.

12.1 Importance & Implications of Labour Legislations

Conventions and Recommendations have covered wide range of subjects concerning labour, for example, working conditions including hours of work, weekly rest, and holidays, wages, labour administration, employment of children and young person's including minimum age of employment, medical examination, night work, employment of women including maternity protection, night work and employment in unhealthy processes and equal pay, health, safety and welfare, social security, industrial relations including right to organize collective bargaining and conciliation, and employment and unemployment. By July 2002, India had ratified 39 out of 184 Conventions adopted by ILO Provisions of which most of the ratified Conventions have been incorporated in the labour laws of the country. Provisions of quite a number of Recommendations have, also, been embodied in labour law.

12.2 Objectives of the Labour Legislations

Labour legislation in India has sought to achieve the following objectives:

- Establishment of justice - Social, Political and Economic.
- Provision of opportunities to all workers; irrespective of caste, creed, religion, beliefs; for the development of their personality.
- Protection of weaker sections in the community.
- Maintenance of Industrial Peace.
- Creation of conditions for economic growth.
- Protection and improvement of labour standards.
- Protect workers from exploitation.
- Guarantee right of workmen to combine and form association or unions.
- Ensure right of workmen to bargain collectively for the betterment of their service conditions.
- Make state interfere as protector of social well-being than to remain an onlooker.
- Ensure human rights and human dignity.

12.3 The classification of Labour Legislations

On the basis of specific objectives, which it has sought to achieve, the labour legislations can be classified into following categories:

a) Regulative
b) Protective
c) Wage-Related
d) Social Security
e) Welfare both inside and outside the workplace

12.3.1 The regulative labour legislation

The main objective of the regulative legislation is to regulate the relations between employees and employers and to provide for methods and manners of settling industrial disputes. Such laws also regulate the relationship between the workers and their trade unions, the rights and obligations of the organizations of employers and workers as well as their mutual relationships.

The Trade Unions Act, 1926

Trade unions are primarily formed to regulate the relations between workmen and employers. The Act provides for registration of trade unions, which also includes association of employers. Upon registration, trade unions enjoy certain protection and privileges under the law. In addition, the Act also provides for imposing restrictions on the conduct of any trade or business. Registration of a trade union is not compulsory but a registered union enjoys certain rights and privileges under the Act, it is always desirable to get a trade union registered. The Act requires that at least 50 per cent of the office bearers of a union should be actually engaged or employed in the industry. A registered trade union is a body corporate with perpetual entity under a common seal. It can acquire, hold, sell or transfer any movable or immovable property and can be party to contracts. It can sue or can be sued in his own name. From the HR manager's point of view, it is essential to invite registered trade unions of the unit only for collective bargaining and also form participative forums like works committee, etc., from their nominated representative.

The Industrial Disputes Act, 1947

The Industrial Disputes Act, 1947 primarily regulates industrial relations in India. The Act provides a machinery and procedure for settlement of industrial disputes by negotiation, without resorting to strikes and lockouts. The scope of the Act extends to the whole of India for every industrial establishment carrying on any business, trade, irrespective of the number of people employed. However, the Act is not applicable for people employed in managerial or administrative capacity and for those who are employed in Army, Air Force and Navy, Police Services and Prison Services. The Act defines industrial dispute as any dispute or difference between employers and employees or between workmen and workmen, which is connected with the employment or non-employment or the terms and conditions of employment. A tentative list of disputes, covered under this Act is reproduced below:

- The propriety or legality of standing orders.
- Discharge or dismissal
- Matters pertaining to reinstatement or grant of relief for wrongful dismissal.
- Matters pertaining to withdrawal of any concession or privilege.
- Matters pertaining to strike or lockout
- Payment of wages, including periodicity and mode of payment.
- Leave and hours of work
- Holidays
- Bonus
- Retirement benefits
- Discipline
- Non-implementation of award, etc.

Industrial Employment (Standing Orders) Act, 1946

This Act requires employers to clarify conditions of employment so as to enable the workmen (employed by them) to understand the rules of conduct pertaining to working hours, holidays, attendance, leave, termination of employment, suspension or dismissal, misconduct, etc. The Act is applicable to industrial establishments, employing 100 or more workmen. Under this Act, employers are required to submit a draft of standing orders to the certifying officer for certification. Upon certification it receives the force of law and employers are required to display the text in the language of the workmen and in English prominently. Once certified, employers cannot modify the standing orders without the approval of the certifying officer. Model standing orders cover following areas:

i. Basis of classification of workman – permanent, probationers, temporary, casual, apprentices, etc.,
ii. Information on working time
iii. Information on holidays and paydays
iv. Wage rates
v. Shift work
vi. Attendance and late coming

vii. Leave
viii. Payment of wages
ix. Stoppage of work
x. Termination of employment
xi. Act of misconduct, which is liable for disciplinary action, etc.

Standing orders are guidelines for HR decisions; hence HR managers must know legal interpretation of standing orders.

12.3.2 The protective labour legislations

Under this category come those legislations whose primary purpose is to protect labour standards and to improve the working conditions. Laws laying down the minimum labour standards in the areas of hours of work, supply, employment of children and women, etc. in the factories, mines, plantations, transport, shops and other establishments are included in this category. Some of these are the following:

Factories Act, 1948

This Act is divided into twelve chapters covering 141 sections, which again are supplemented by three schedules. The first Act was enacted in 1881 to regulate working conditions in factories primarily for women and children and to provide them health and safety measures. In 1911 the new Factories Act was enacted, replacing the old one, covering also the hours of work for adults. The Act was further improvised in 1934, incorporating recommendations of the Royal Commission of Labour. The new Act of 1948 replaced the earlier one and through a series of amendments made from time to time, the Act is now more comprehensive covering all areas of working conditions of labour.

The Shops and Establishments Acts

The Act in essence a state legislation. It seeks to regulate the working conditions of workers in the unorganized sector, including shops and establishments which do not come under the Factories Act Regulations for working hours, rest intervals, overtime, holidays, termination

of service, maintenance of shops and establishments and other rights and obligations of the employer and employees are laid down.

12.3.3 Wage-related labour legislations

Legislations laying down the methods and manner of wage payment as well as the minimum wages come under this category:

The Payment of Wages Act, 1936

The Act is intended to regulate payment of wages in a particular form at regular intervals without any unauthorized deductions. It is applicable to the employees receiving wages below Rs.1,600 per month. As per the Act, employers are responsible for payment of wages to the employees duly fixing the wage periods (which in no case should exceed one month), deciding about time of payment as per the norms (which requires payment within seven days of the expiry of the wage period for establishment where less than 1,000 people are employed and in other cases within ten days of the expiry of wage period), mode of payment (in cash or by cheque or by crediting to employee's bank account with prior consent) and ensuring no unauthorized deductions. All these aspects must be known to the HR manager.

The Minimum Wages Act, 1948

The Act provides for minimum statutory wages for scheduled employment. The Act also stipulates maximum daily working hours, weekly rest and overtime. It prevails over the rates fixed under any award agreement. The Act empowers the State Government to fix minimum wages, failing which they cease the right to engage labour and run the industry. Wages, as per the Act, include all remuneration capable of being expressed in terms of money including house rent allowance. However, it excludes the value of housing accommodation, supply of light, water, medical attendance, employer's contribution to provident fund and pension fund, travelling allowances or the value of travelling concession, gratuity payable on discharge or any other payments made to defray special expenses. For HR managers it is important to consider all these aspects while designing compensation package.

The Payment of Bonus Act, 1965

The Payment of Bonus Act, 1965 imposes statutory liability on employers (covered under the Act) to pay bonus to employees according to the prescribed formula, linking the bonus with profits or productivity. Bonus is payable to every employee receiving salary or wages up to

Rs. 3,500 per month, provided the employee has worked at least for 30 days in that year, save and except those employees who have been dismissed from service for fraud, riotous or violent behaviour, or theft, misappropriation or sabotage of any property of the establishment. Such employees ceases the right to get bonus even for previous unpaid years, irrespective of the fact that they have committed such acts in the present year. Employers can deduct from the bonus any customary payment made to the employees (festival or interim bonus) earlier. Employers can also recover any financial loss caused for the misconduct of the employees.

12.3.4 Social security labour legislations

They cover those legislations, which intend to provide to the workmen, social security benefits under certain contingencies of life and work.

The Workmen's Compensation Act, 1923

Factories and establishments which are not covered under the Employees State Insurance Act, are covered under this Act to provide relief to workmen and/or their dependents in case of accidents arising out of and in the course of employment causing either death or disablement of workmen. The workmen's compensation (Amendment) Act, 2000 w.e.f. 8-12-2000 has brought all the workmen within the limit of this Act, irrespective of their nature of employment. Under the Act, the employers are under obligation to pay compensation for any accident suffered by an employee in the course of employment, failing which the Act provides for penalties. There must be some causal connection with employment to become eligible for compensation, which may not necessarily be inside the workplace. Causal relationship is established by the circumstantial evidence, which may be even in cases where workmen sustain injury while coming to work or while going to his house after completion of work.

The Employees' State Insurance Act, 1948

The principal objective of this Act is to provide to the workers medical relief, cash benefits for sickness, compensation for employment injuries (which also covers occupational diseases), pension to the dependents of deceased workers and maternity benefits to women workers. All these benefits are given from a contributory fund. Once workmen are covered under ESI Scheme, compensation under Workmen's Compensation Act for employment injuries is not payable. The Act is applicable to all factories (excluding seasonal factories) employing ten or more (when manufacturing process is carried out using power).

For factories carrying out the manufacturing process without the aid of power, the staid number is 20 or more persons. The scope of the Act covers every employee, including those engaged as casual or by a contractor, provided they do not receive wages not exceeding Rs.6,500 per month. Apprentices engaged under the Apprentices Act are not eligible for ESI benefits. The Act requires registration of eligible factories and establishments within a prescribed time limit. Similarly entitled employees are also required to be insured in a prescribed manner under the Act. Since the nature of insurance is contributory, employers are required to pay @ 4.75 per cent and employees are required to contribute @ 1.75 per cent of the wages. However such employees who are drawing less than Rs.40 as daily wages are exempted from the requirement of contribution. The Act provides benefits at prescribed rate and imposes penalty for violation up to 5 years imprisonment and fine up to Rs. 25,000.

The Employees PF and Miscellaneous Provisions Act, 1952

The Act provides for compulsory contributory fund for social security of the employees and their dependents (in case of death). It extends to every factory, establishment employing 20 or more persons. The Central Government, however, by notification, brings any establishment under the purview of the Act even in cases where such establishments employ less than 20 persons. However, cooperative societies employing less than 50 persons and working without the aid of power, newly set up establishments (for initial 3 years), and State/Central Government establishments (where they have their own schemes) are immune from the provisions of this Act. The Central Government has framed three schemes under the Act, i.e. Employees' Provident Fund Scheme, 1952 (for provident funds), Employees' Family Pension Scheme, 1971 for providing family pension and life assurance benefit, which been merged with, Employees' Pension Schemes, 1995 and the employees' Deposit Linked Insurance Scheme, 1976. The Act requires employers to contribute amount @ 12 per cent of the Wages, D.A. etc. (10% in case of BIFR referred establishments or establishments employing less than 20 persons or any establishments in the jute, beedi, brick, coir or gaur gum industry) and ensure similar deduction from employees and deposit the same together with administrative charges and required returns/attachments to the regional provident fund office or to their own private provident fund scheme (approved by the Provident Fund Commissioner).

The Maternity Benefit Act, 1961

This provides maternity benefits to women employees. It sets out that a woman may avail 3 months leave with full salary before or after the birth of her child.

Payment of Gratuity Act, 1972

This Act is also a social security measure to provide retirement benefit to the workmen, who have rendered long and unblemished service to the employer. Employees are entitled to receive gratuity under the Act, provided they have rendered continuous 5 years' service or more at the rate of 15 days wages for each completed year, subject to a maximum of Rs.3,50,000. The gratuity may be wholly or partly forfeited by the employer if termination of services of an employee is due to his riotous or disorderly conduct or any other act of violence or any offence, including moral turpitude committed in the course of his employment.

12.3.5 Welfare labour legislations

Legislations coming under this category aim at promoting the general welfare of the workers and improving their living conditions. Though, in a sense, all labour-laws can be said to be promoting the welfare of the workers and improving their living conditions and though many of the protective labour laws also contain chapters on labour welfare; the laws coming under this category have the specific aim of providing for improvements in the living conditions of workers. They also carry the term "Welfare" in their titles.

- Limestone and Dolomite Mines Labour Welfare Fund Act, 1972.
- The Mica Mines Welfare Fund Act, 1946.
- The Iron Ore Mines, Manganese Ore Mines and Chrome Ore Mines Labour Welfare Fund Act, 1976**.**
- The Cine Workers Welfare Fund Act, 198.
- In addition, some state governments have also enacted legislations for welfare funds.
- Beedi Workers Welfare Fund Act, 1976.

12.4 Miscellaneous labour legislations

Besides the above, there are other kinds of labour laws, which are very important. Some of these are:

- The Contract Labour (Regulation and Abolition) Act, 1970
- Child Labour (Prohibition and Regulation) Act, 1986
- Building and other construction workers (Regulation of Employment and Conditions of Service) Act, 1996

- Apprentices Act, 1961
- Emigration Act, 1983
- Employment Exchange (Compulsory Notification of Vacancies) Act, 1959
- Inter State Migrant Workmen (Regulation of Employment and Condition of Service) Act, 1979
- Sales Promotion Employees (Condition of Service) Act, 1976
- Working Journalists and other Newspapers Employees (Condition of Service and Miscellaneous Provision) Act, 1955.

12.5 State labour laws

General

An important feature of almost all labour laws is the existence of employer-employee nexus. Besides, each labour law has its provisions in terms of coverage, based mainly on the number of employees, salary levels and so on. The definition of expressions used in different labour laws is not necessarily uniform. All these have resulted in considerable amount of litigation, leading to a vast amount of industrial jurisprudence.

Another important point to note is that while all the labour laws, excepting Shops and Establishment Acts, are enacted by Parliament, quite a few of them are implemented, both by the Central Government and the State Governments (including Union Territories); the jurisdiction being determined by the definition of the term ‘appropriate government’ in the relevant statute. It is also relevant to point out that some of the Parliamentary laws are implemented exclusively by the State Governments, for example Trade Unions Act, 1926; Workmen’s Compensation Act, 1923; Plantation Labour Act, 1951; Working Journalists Act 1955; Factories Act 1948 and so on.

12.6 KEYWORDS

Labour welfare	Labour Legislations
Social security	labour laws

12.7 QUESTIONS FOR DISCUSSIONS

1. Explain the Importance and Implications of Labour Legislations.

2. Give the main objectives of Labour Legislation?

3. Classify Labour Legislation in detail.

4. Give a brief description about regulative labour legislation.

5. Write short notes on

   a) Miscellaneous labour legislations

   b) State labour laws

LESSON

13

EMPLOYEE HEALTH AND SAFETY

CONTENTS

13.0 Introduction

Since large number of employees spend great deal of their time in work place, their work environment is not always good for their healthy life. Stress, Strains, Mental and Psychological Conditions, Poor working conditions, Long hours of work, Poor ventilation, Insanitation, Malnutrition etc spoil their health. Efficiency in work place is possible only when an employee is healthy on the other hand industry exposes workers to certain hazards which affect his health. The symptoms of bad health are high rate of absenteeism and turnover, industrial discontent and indiscipline, poor performance and low productivity. Modern industry is characterized by complicated mechanisms, intricate job requirements, and fast moving production lines. One of the important consequences of all this is increased dangers to human life, through accidents. To avoid this safety programmes like industrial health programmes are introduced, both for employers and employees benefit.

13.1 Meaning and definition of health

The W.H.O has defined health as "a state of complete physical, mental and social well-being and not merely the absence of disease or infirmity."

Industrial health refers to a system of public health and preventive medicine which is applicable to industrial concerns.

According to the joint I.L.O/W.H.O Committee on Organizational Health, industrial health is:

i) The prevention and maintenance of physical, mental and social well-being of workers in all occupations

ii) prevention among workers of ill-health caused by the working conditions

iii) Protection of workers in their employment from risks resulting from factors adverse to health,

iv) Placing and maintenance of the worker in an occupational environment adapted to his physical and psychological equipment.

13.2 Physical health and mental health

Physical health implies prevention of disease or health conservation and prevention of occupational disease. Health is the outcome of the interaction between the individual and his environment. Health not only depends on the employee but also on the environment. Efficiency in work is possible when the worker is healthy physically and mentally.

Industries exposes employees to certain hazards which he would not meet elsewhere and which may affect his health. Physical and mental healths both are essential for the satisfaction and improved morale, discipline, performance and productivity of the employees.

In India, the Royal Commission on Labour (1931), the Labour Investigation Committee (1946), the Health Survey and Development committee (1943), the Labour Welfare Committee (1969) all emphasized upon the "creation and maintenance of a healthy environment as possible, in the homes of the people as well as in all places where they congregate for work, amusement or recreation are essential".

13.3 Safety measures

Safety measures deals with prevention of accidents and with minimizing the resulting loss and damage to persons and property. Five basic principles must govern the safety programme of an organization. They are:

1. Factors resulting to accidents have to be traced out, analyzed and eliminated.

2. Identify potential hazards; provide effective safety facilities and equipment take prompt remedial action.

3. The top management must continuously monitor the safety performance.

4. Management and supervision must be fully accountable for safety performance in the work place.

5. All employees should be given thorough training in safe methods of work and should receive continuing education and guidance on eliminating safety hazards and on prevention of accidents.

There are three E's of safety to prevent accidents, namely, engineering, education and enforcement of safety rules.

13.4 Statutory Provisions for safety in India The Factories Act contain specific provision for the safety of workers.

1. When any part of the machinery is in motion, it is obligatory to fence the machinery.

2. Any examination, adjustment of any part of the machinery shall be carried out by trained male worker wearing tight fitting clothing.

3. No adolescent shall be allowed to work on any machinery which poses danger.

4. Suitable devices for cutting off power in an emergency shall be provided

5. Prohibition of employing women and children near cotton-openers.

6. Precautions against dangerous fumes, use of portable electric lights. Explosive or inflammable gas or dust, fire etc.

13.5 Stress Management

Stress is a state of mind that shows certain biochemical reactions in the human body and is projected by a sense of anxiety, tension, depression, frustration and irritation. Such reactions are caused when the demands of the environmental forces or internal forces are not met by the resources available to the person. Situations produce stress in the form of bio-chemical, functional and structural changes in the human organism. These situations could be fear, pain, fatigue, emotional arousal, humiliation, frustration, lack of concentration, blood pressure, drugs, loss of loved one, non-occurrence of an expected event and even unexpected successes that require a change in the operational style. High level stress damages the physical and psychological well-being of a person and extremely low levels of stress are equally undesirable for they cause boredom, and result in lack of stimulation, innovation and challenges. Thus moderate level of stress is necessary for higher level of performance.

13.5.1 Meaning and Definition of Stress

The term "Stress" refers to the body‘s physical, mental, and chemical reactions to circumstances that confuse, endanger, frighten or irritate the individual.

i. According to Hans Selye Stress is defined "as the nonspecific response of the body to any demand" .

ii. Stress is a discrepancy between an employee‘s perceived state and desired state, when such a discrepancy is considered important by the employee. Stress influences two behaviors - (1) the employee‘s psychological and physical well-being and (2) the employee‘s efforts to cope with the stress by preventing or reducing it.

iii. S.P. Robbins, "Stress" is a dynamic condition in which an individual is confronted with an opportunity, constraint or demand related to what he or she desires and for which the outcome is perceived to be both uncertain and important.

13.5.2 Sources of Stress

There are two sources of stress namely organizational sources and personal sources.

A) Organizational Sources

The extent and ratio of stress that people experience in job place are influenced by the following factors:

i. Nature of job

The nature of job itself can determine the type and degree of stress that can be induced. Some jobs lead to more stress-related responses than others. For example job of a police officer, or air traffic controller are often considered to be low- stress jobs. In general high stress occupations are those in which the employees have little control over their operations, work under time constraints and have major responsibilities for human or financial resources. Persons working under adverse working conditions such as temperature extremes, pollution, uncomfortable lighting and ventilation and loud noise are also vulnerable to high stress. According to a study, some of the high stress jobs are foreman, manager, inspector, waitress or waiter and clinical laboratory technician. On the contrary low stress jobs are college professor, personnel worker, craft worker, farm labourer etc.

ii. Role Ambiguity

Role is the set of activities associated with certain position in the organization. When there is lot of uncertainty regarding job definitions or job expectations, then people experience role ambiguity. Role ambiguity is high in managerial jobs where responsibilities are more and role definitions and task specifications are not clear.

Role ambiguity produce psychological strain and dissatisfaction, lead to under-utilization of human resources and leads to feeling of futility on how to cope with the organizational environment.

iii. Role Conflict

Role conflict occurs when two or more persons have different and sometimes opposing expectations of a given individual. Role conflicts occur when contradictory demands are at the same time placed before an employee. For example, a building contractor may ask a carpenter to something which is different to what the city building code is, thus causing a role conflict. Similarly a father may know that his son has committed a crime but does not inform the police.

iv. Responsibilities assigned to employees

Any type of responsibility can be a burden on an employee. Holding a person responsible for anything going wrong can create stress and it can be more if the manager has a limited degree of control over his subordinates.

v. Lack of Participation

When the employees are allowed to participate in the decision making process of the organization, the employee‘s develop high morale, work more efficiently and feel that they have control over the work environment thereby reducing the extent of role conflict and role ambiguity which are the causes of stress.

vi. Interpersonal Relations

The efficiency, performance and effectiveness of an organization are mapped by the degree of relations that the people enjoy in the work place. Harmonious, cordial and congenial relations result in peace. When the interpersonal relations are poor there is stress, tension and anxiety. Under such crisis full situation the superior and subordinate relations keep deteriorating.

B. Personal sources

i. Job concern

Job variables can become stressors when they become sources of concern, anxiety and frustration to an individual. Lack of job security, prospect of losing a job with family depending on the individual, job recession, low status of job, lack of career progress are all factors resulting into stress.

ii. Relocation

Transfers or promotions resulting into change of place geographically, disturbs the routine daily life of individual causing stress. Fear of working in a new place, unpredictability of the new work environment, anxiety due to fear of how to create new relations, getting away from spouse, children, relatives or looking for new dwelling, school for children in new place can be the result of uncertainty and a cause of stress.

iii. Change of life structure

Structure of life and process of living has many facets like socio-cultural factors like religion, race, education, family. As a person grow older responsibilities also grow up, and therefore stress develops. The extent of stress is also determined by the ability to cope with stress.

13.5.3 Coping with Stress

A. Organizational Strategies

1. Preventive Management: Preventive management can be conducted by surveys and employee/group interviews. Managers can identify potential problems of serious stressors and take steps to reduce them

2. Maintaining a productive Culture: Maintenance of positive organizational environment and satisfied employees sets the right direction.

3. Management by Objectives: A management by objectives or similar performance appraisal technique that identify employee goals, roles and responsibilities and strengthen communication can reduce stress by eliminating uncertainty in critical aspects of employee‘s jobs

4. Controlling the Physical Environment: Reducing stress in the physical environment requires that management undertake one or two different strategies. First by reducing noise, better control of temperature, second by protecting employees by improved safety equipment.

B. Personal Strategies

1. Meditation: Transcendental meditation gives mental and physical relaxation. Meditation reduces anxiety and improves work performance and gives job satisfaction.

2. Exercise: One of the least expensive and effective stress reduction strategy is exercise like jogging, sports, fitness classes, cycling, swimming etc. This improves mental and physical health.

3. Entertainment: Watching a favourite movie or listening to music can release stress

4. Removing the cause of Stress: sometimes one can easily check the cause of stress, for example, a confrontational supervisor, difficult support staff, no possibility for advancement etc. Thus the key is to reduce or lessen the cause.

5. Seeking Counselling: Stress is a common psychological problem. Counsellors can offer helpful insights and stress-reduction techniques that may remove the problem.

13.6 Employee Welfare

Employee welfare depends on overcoming personal crisis, family problems and work place problems. Removal of these problems leads to healthy and more productive years of service to the employees.

Organizations try number of approaches to address rising problems of the employees. One such approach is the establishment of wellness programs. Wellness is defined as a freely chosen lifestyle aimed at achieving and maintaining an individual‘s good health.

Employee welfare programs can bring behavioural changes in employees. More broader and comprehensive approaches are adopted by organizations to solve problems of employees. Job security, Voluntary participation, Accessibility, Insurance coverage can boost the morale and efficiency of the employees.

13.7 HRD AUDIT:

- HRD audit refers to the measurement of the effectiveness of the human resource management’s mission, objectives, strategies, policies, procedures, programmes and activities.
- HRD audit also refers to the determination of what should or should not be done in the future as a result of such measurement.

13.7.1 OBJECTIVES OF HRD AUDIT:

- To review the whole system of management programmes in which a management develops, allocates and supervises human resources in an organization with a view of determining the effectiveness of these programmes.
- To seek explanations and information, that is, to get answers to such questions as,
- To evaluate the extent to which functional managers have implemented the policies which have already been initiated?
- To evaluate the personnel staff and employees.

13.7.2 NEED FOR HRD AUDIT:

- The number of employees
- Organizational structure
- Communication and Feedback
- Location and Dispension
- Status of an industrial Relations Manager
- Administrative Style.

13.7.3 AREAS OF HRD AUDIT:

- Mission statement relating to HRM
- Objectives, goals and Strategies of HRM
- Accomplishments of HRM
- Programmes of HRM including the detailed practices and procedures.

13.8 KEYWORDS

Employee health	Safety measures
Stress	Employee welfare

13.9 QUESTIONS FOR DISCUSSIONS

1. Define: Health
2. Give the importance of industrial health. Explain how safety measures can help in reducing industrial accidents.
3. What do you understand by stress?
4. Write short notes on employee welfare.

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