LOVELY PROFESSIONAL UNIVERSITY

HUMAN RESOURCE MANAGEMENT

Edited By
Dr. Pretty Bhalla

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info@excelbooks.com/projects@excelbooks.com
internationalalliance@excelbooks.com
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for
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Phagwara

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SYLLABUS

Human Resource Management

Objectives: To provide a framework for understanding the HR policies and their impact on employees. To cover the entire range of HR functions and the strategic role of HRM in business.

HUMAN RESOURCE MANAGEMENT

Sr. No.	Description
1.	Introduction to Human Resource Management, Evolution of HRM, Objectives and Functions, HRM Policies, HR as a source of competitive advantage, Strategic HRM, e- HRM.
2.	Human Resource Planning – HRP Process, Human Resource Information System (HRIS), Job analysis, job design & redesign, job carving, de – jobbing.
3.	Recruitment & Selection: sources of recruitment, e – recruitment, alternatives to recruitment, Process of selection, Modern selection tools, Types of interviews, Induction / on boarding, Placement.
4.	Training and Development – Concept and Need, T & D Process, Training need Identification, Methods of Training, Designing T&D Programme, Outsourcing training. Executive development programme. Evaluation of training & developmental programmes.
5.	Performance management system: Its components, Essentials of effective Performance management system, Methods and techniques of Performance Appraisal, Potential appraisal.
6.	Compensation Management: components of Employee remuneration, Devising a remuneration plan, Job evaluation, Paying a diverse workforce: cafeteria types pay plans, Performance based pay: Individual & Team incentives. Modern methods of gain sharing.
7.	Human resource Development: Concept, scope, need & objectives. HRD framework: Techniques, outcomes. Career planning and development, Quality of Work Life , Employee empowerment participation in management, Employee retention: Factors leading to turnover , employee retention strategies.
8.	Industrial Relations: Dunlop's Model, Evolution Trade unions, causes of industrial dispute, Dispute Resolution mechanism, grievance handling, collective bargaining Employee Health and Safety Management: the statutory & voluntary measures, Social security measures.
9.	Global HRM: Global staffing strategies, Managing a diverse workforce, Pre-departure training, expatriate repatriation, role of HRM in Mergers & acquisitions across the globe.

Notes

Unit 1: Understanding the Nature and Scope of Human Resource Management

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Objectives

Introduction

1.1 Human Resource Management

1.1.1 Definitions

1.2 HRM Functions

1.3 Objectives of Human Resource Management

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1.6 Principles of HRM

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1.8 Significance of Human Resource Management

1.9 Summary

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1.11 Review Questions

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Objectives

After studying this unit, you will be able to:

- Define HRM functions
- Discuss objectives of HRM
- State the relevance of Principles
- Explain the concept of Personnel Policies
- Learn Evolution of HRM

Introduction

HRM is concerned with managing the people resources of an organization. In fact, managing human resources is the most crucial and challenging task that management has to perform, crucial because it is the key to sustainability in the present competitive world and challenging because no two individuals are same (they have different set of needs, ambitions, aspirations, mental make-up, backgrounds. Can you recall more differences!!). Now imagine the task of the human resource manager who has to satisfy not only the different set of needs of its people but also meet the overall organizational objective.

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It is necessary to recall what management is before studying Human Resource Management. Management has been defined by Mary Parker Follett as, "the art of getting things done through people". Management has been further defined as, "…..that field of human behaviour in which managers plan, organize, staff, direct and control human, physical and financial resources in an organized effort, in order to achieve desired individual and group activities with optimum efficiency and effectiveness." The important resources that have to be managed by the organization include: human, finance, operations and information. Out of these, human resource management is the only resource that is living part of the organization. It is this living part which vibrates positive energy and leads to the planning, organizing, controlling, coordinating and directing of the rest of the resources within the organization. It is this sub-system which will ultimately lead to the overall growth of the organization. Thus, human resource is a crucial sub-system in the process of management.

1.1 Human Resource Management

HRM is important for all the managers because failing to manage human resource leads to following problems:

1. Hire the wrong person for the job
2. Experience high turnover
3. Have job misfits
4. Waste time with useless interviews
5. Lead to grievances amongst employees and even employees unrest
6. Allow a lack of training to undermine department's effectiveness
7. Commit any unfair labour practices
8. Get into legal issues related to labour laws.

Remember, one can do everything else right as manager – lay brilliant plans, draw clear organization charts, set up modern assembly lines, and use sophisticated accounting controls – but still fail as a manager by hiring the wrong people or by not motivating subordinates, for instance. On the other hand, many managers – presidents, generals, governors, supervisors – have been successful even with inadequate plans, organizations, or controls. They were successful because they had the quality of developing their people.

Human Resource Management is a process of bringing people and organization together so that the goals of each are met. It is that part of the management process which is concerned with the management of human resource in an organization. It tries to secure the best from people by winning their whole hearted co-operation.

It may be defined as the art of processing, developing and maintaining competent workforce to achieve the goals of an organization in an effective and efficient manner.

It is concerned with the most effective use of people to achieve organizational and individual goals.

Human Resource Management is the process of managing the vibrating human resource in an organization, so that the employee and employer will be able to achieve their respective objectives. In fact, human resource management is the most important asset for an organization. The quality of human resource will determine its fate.

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1.1.1 Definitions

According to M L Cuming, "Human Resource Management is concerned with obtaining the best possible staff for an organization and having got them looking after them, so that they want to stay and give their best to their jobs."

Dale Yoder defines Human Resource Management as that part of the phase of management dealing effectively with control and use of manpower as distinguished from other source of power.

According to F. E. L. Brech, Human Resource Management is that part of management progress which is primarily concerned with the human constituents of an organization.

Edison defines, Human Resource Management as the science of human engineering.

According to Leon C. Megginson, the term human resource can be thought of as, "the total knowledge, skill, creative abilities, talents and aptitudes of an Organization's workforce, as well as the values, attitudes and beliefs of the individuals involved."

RM is a progressive field: We can pave back its evolution from administration to personnel management and now to human resource management. The scope of each of these fields is now discussed:

1. ***Administration:*** In early days of establishment of various fields of management, a department called administration was made. The objective of this department was to hire, monitor, supervise and compensate the workforce for the organization and also to monitor the overall operation.

   Later on with the growth of industrialization and advent of more systematic and scientific management, a natural offshoot of administration in the name of personnel management was formed, which later on gained importance and became a full-fledged and distinct field of management.

2. ***Personnel Management:*** As defined by the Institute of Personnel Management in the U.K. and also adopted by Indian Institute of Personnel Management:

   "Personnel Management is the responsibility of all those who manage people as well as being a description of the work of those who are employed as specialists. It is that part of management which is concerned with people at work and with the relationships within an enterprise. It applies not only to industry and commerce but to all fields of employment".

3. ***Human Resource Management:*** With rising competition and globalization, it was realized that the only way to maintain a superior position or rather, even remain in competition is to have such resources that are distinct from competitors and the only means to maintain that distinctiveness is through attracting and retaining the right human resource in the organization. Hence, the field of human resource management evolved from personnel management. The differences between the two are more on philosophical changes than on the functions. On the one hand, personnel management has the philosophy of maintaining human resources in the organization, whereas HRM has a philosophy of developing its human resources and considers human resources as the most important resource of the organization.

1.2 HRM Functions

All managers are, in a sense, HR managers, since they all get involved in activities like recruiting, interviewing, selecting, and training. Yet most firms also have a human resource department

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with their own top manager. How are the duties of this HR manager and his or her staff related to "line" managers' human resource duties?

HR managers have both line and staff functions. Let us first discuss who are line and staff managers:

Line Managers are authorized to direct the work of subordinates-they're always someone's boss. In addition, line managers are in charge of accomplishing the organization's basic goals.

HR managers are generally line managers of their own department, they have their own hierarchy of jobs like V.P. (HR), Senior Manager (Recruitment), Senior Manager (Training), etc.

Staff Managers, on the other hand, are authorized to assist and advise line managers in accomplishing these basic goals. HR managers are generally staff managers in areas like recruiting, hiring, and compensation.

For example, one major company outlines its line supervisors' responsibilities for effective human resource management under the following general headings:

1. Placing the right person on the right job.
2. Starting new employees in the organization (orientation).
3. Training employees for jobs that are new to them.
4. Improving the job performance of each person in the department.
5. Gaining creative cooperation and developing smooth working relationships with the department.
6. Directing subordinates about their duties and responsibilities.
7. Developing the abilities of each person in the department.
8. Creating and maintaining department morale.

Whereas the staff responsibilities for the same organization include:

1. Preparing and conducting an effective performance management system.
2. Administering the compensation management system of the organization.
3. Preparing career plans for all employees.
4. Recruitment, selection, training and development and grievance handling at various levels and departments in the organization.
5. In small organisations, line managers may carry out all these personnel duties unassisted. But as the organization grows, they need the assistance, specialized knowledge, and advice of a separate human resource staff.

The human resource department provides this specialized assistance. In doing so, the HR manager carries out three distinct functions:

1. ***A Line Function:*** The HR manager directs the activities of the people in his or her own department and in related service areas. In other words, he or she exerts line authority within the HR department.
2. ***A Coordinative Function:*** HR managers also coordinate personnel activities, a duty often referred to as functional control. Here, the HR manager and department act as the right arm of the top executive to ensure that line managers are implementing the firm's HR objectives, policies, and procedures (for example, adhering to its sexual harassment policies).

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3. ***Staff (service) Functions:*** Assisting and advising line managers is the main function of the HR managers' job. For example, HR assists in the hiring, training, evaluating, rewarding, counseling, promoting, and firing of employees. It also administers the various benefit programmes (health and accident insurance, retirement, vacation, and so on). It helps line managers comply with equal employment and occupational safety laws, and plays an important role in handling grievances and labour relations. It carries out an innovator role, by providing "up-to-date information on current trends and new methods of solving problems-such as today's interest in instituting six-sigma quality programs and creating "learning organizations". And it plays an employee advocacy role: it helps define how management should be treating employees, makes sure employees can contest unfair practices, and represents the employees' interests within the framework of its main obligation to senior management. In most firms today, HR also plays a strategic role, by helping the CEO craft and implements the firm's strategy.

Did u know? **What is meant by competitive advantage?**

It is an ability of an organization to perform activities exceptionally well (availing profitable opportunities and thereby maximizing returns on investment) and gaining an edge over rivals when competing.

1.3 Objectives of Human Resource Management

1. Advising management on the human resource policies required to ensure that the organization has a highly motivated and performing workforce, has people equipped to cope with change and meet its legal employment obligations.
2. Attracting, hiring, rewarding, maintaining and developing the human resource of the organization.
3. Handling crisis and difficult human relations situations to ensure that they do not get in the way of the organization achieving its objectives.
4. Providing a communication link between the work force and organisation's management.
5. Acting as a custodian of organizational standards and values in the management of human resources.

1.4 Nature and Scope of Human Resource Management

1. ***It is the most important sub-system of management:*** Human resource is an indispensable element in an enterprise. Labour is a must in every organization. Management is concerned with achieving the objectives of business through people. It makes Human Resource Management a part of management. Human Resource Management applies to all principles of management also, so it is called sub-system of management.
2. ***Human Resource Management is related to managing the human beings working in an organization:*** Human Resource Management is related to selection and appointment of workers and employees. It is concerned with training, organizing, controlling and other welfare amenities of employees.
3. ***HRM has a pervasive function:*** Every management function at every level of management has to be performed by subordinate employees. Every functional area whether production, marketing or finance requires employees. It makes the Human Resource Management pervasive.

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4. ***HRM has a Wide Scope:*** Human Resource Management can be applied to wide range of activities in the organization such as selection, recruitment, training, development, remuneration. Thus, it has wide scope in all the levels, departments and hierarchies of an organization.

5. ***HRM involves co-ordination and co-operation:*** Human Resource Management aims at establishing harmonious relationship within the organization. It aims to develop relations on the basis of mutual trust and confidence.

6. ***HRM aims at employee satisfaction:*** Human Resource Management offers maximum satisfaction to employees and extracts their maximum contribution towards the organization.

7. ***HRM aims at effective leadership and motivation:*** Human Resource Management leads and directs the energies of workers and offers solutions to their problems. It motivates and encourages employees to their best services and contribution to the enterprise.

1.5 Personnel Policies and Principles

The personnel policies and procedures distinguish in nature. It is very important to first understand how policy and procedure are different from one another.

Table 1.1: Policy Vs Procedure

Sl. No.	Policy	Procedure
1.	Plan of action	Action guideline
2.	It is flexible because it gives area of discretion to manager e.g., leave policy	It prescribes the exact sequence of activities without any scope of variation
3.	More important at high level	More important at low level
4.	Views organization in totality so that uniformity is maintained	Standards are prescribed
5.	More specific	Method of carrying out a policy
6.	More stable – it removes uncertainty and creates a climate of security for the employee	These are not very stable in nature
7.	More flexible	Procedure cannot be changed unless policies change

Table 1.2: Personnel Policies and Strategy

Sl. No.	Policy	Strategy
1.	Guidelines to thinking and action of those who make decisions	It is concerned with direction in which human and physical resources are deployed
2.	It is repetitive in nature	Made in partial ignorance of the environment
3.	De legation of authority is downward	It cannot be delegated

Example: The personnel policy of Tata Steel, as contained in the Statement of Objectives, is given below. The company tries to take care of its employees:

- by a realistic and generous understanding and acceptance of their needs and rights and by having an enlightened awareness of the social problems of the industry;

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- by providing adequate wages, good working conditions, job security, an effective machinery for redressal of grievances and suitable opportunities for promotion and self-development through in-company and external programmes;
- by treating them as individuals, giving them a sense of self-respect and better understanding of their role in the organisation and satisfying their urge for self-expression through a closer association with the management;
- by creating a sense of belonging through human and purposeful activities as an integral part of human relations ensuring their willing cooperation and loyalty.

Self Assessment

State whether the following statements are true or false:

1. Competent employees will remain competent forever.
2. Economic resources, by definition, are scarce.
3. Getting and keeping good people is critical to the success of every organisation.
4. People are a source of competitive advantage when they improve the efficiency or effectiveness of the company.
5. Human Resource Management is not an end in itself.
6. The term 'workforce' means people working at lower levels only.
7. Human Resource is an open system within an organisation but organisations themselves are closed.
8. HRM policies are an amalgamation of ideas, concepts, principles and practices drawn from a number of fields.

Task Take example of one company you are familiar with, which is not considering international human resource management and health and safety measures for getting the potential of their employees.

Notes Policies, as useful instructional devices, offer many advantages to the personnel working at various levels. These are:

Delegation: They help managers operating at different levels to act with confidence without the need for consulting superiors every time.

Uniformity: They increase the chances of different people at different levels of the organisation making similar choices, when independently facing similar situations. They make the actions of organisational members more consistent.

Better control: As personnel policies specify the relationship shared between the organisation, management and its employees, they allow members to work towards achievement of the objectives of the organisation without friction/conflict, paving the way for better control.

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Standards of efficiency: Policies can also serve as standards in the execution of work. They enable the management to see if they have been translated into action by various groups in the organisation or not. In the light of actual performance, existing policies may be subjected to amendment/refinement.

Confidence: Policies make the employees aware of where they stand in the organisation and create confidence in them while confronting routine and recurring problems. They reduce chances of misinterpretation, misrepresentation and friction.

Speedy decisions: Policies can speed up decision making by providing a blanket framework within which personnel decisions can be made. They summarise past experience.

Coordinating devices: Personnel policies help in achieving coordination. If organisational members are guided by the same policies, they can predict more accurately the actions and decisions of others. They ensure a steady course of action and prevent unwarranted deviations from planned operations.

In the absence of a policy, similar questions must be considered time after time. Lack of a policy means that the organisation has established no continuing position. Despite their usefulness, personnel policies are not always easy to formulate and implement.

1.6 Principles of HRM

The word principle means, the fundamental truth or law as basis of reasoning or actions. Human resource management is a very extensive area of operation, there should be certain principles or laws through which they can be governed. These principles are laid down with an objective that it proves as a guide for all types of organizations.

Characteristics of Principles

The characteristics of these principles should be that they are universally applicable and are easy to be followed in any type of organization. The HR principles are:

1. A fundamental or universal truth.
2. Generally applicable to originations.
3. It guides managers in formulating policies, programs and procedures. For example, principles of fair remuneration, principles of scientific selection of workers.
4. It is applicable at all levels of the organization.
5. It is dynamic in nature and leads to employee motivation and satisfaction.

Notes **Strategic Human Resource Management**

If a firm's competitiveness depends on its employees, then the business function responsible for acquiring, training, appraising and compensating those employees has to play a bigger role in the firm's success. The notion of employees as competitive advantage has therefore led to new field of study known as strategic human resource management, "the linking of HRM with strategic goals and objectives in order to improve business performance and develop organizational cultures that foster innovation and flexibility." Ideally, HR and top management together craft the company's business strategy. That strategy then provides the framework that guides the design of specific HR activities such as recruiting

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and training. This should produce employee competencies and behaviours that in turn should help the business implement its business strategy and realize its goals. HR strategies are the courses of action HR uses to help the company achieve its strategic aims.

1.7 Evolution of HRM

The historical evolution of HR can be drawn into six stages:

Stage I : Pre-Industrial Era (1400-1700 AD)

Stage II: Industrial Revolution and Factory System (1700-1900 AD)

Stage III: Scientific Management, Welfare Work and Industrial Psychology (1900-1935 AD)

Stage IV: Golden Age of Industrial Relations and Personnel Management Maintenance Function (1935-1970)

Stage V: Control of Labour Tradition (1970-1990)

Stage VI: Professional Tradition (1990- till date)

Early Phase

Though it is said that Human Resource Management as a discipline is of recent growth, it has had its origin dating back to 1800 BC.

1. For example, the minimum wage rate and incentive wage plans are included in the Babylonian Code of Hammurabi around 1800 BC.
2. The Chinese, as early as 1650 BC, had originated the principle of division of labour and they understood labour turnover even in 400 BC.
3. Kautilya in India (in his book Arthasastra) made reference to various concepts like job analysis, selection procedures, executive development, incentive system and performance appraisal.

Stage I: Pre-Industrial ERA (1400-1700 AD)

Beginning around 1400 AD and continuing until 1700 AD. This period is marked by an absence of any formal Human Resource Management function within the organization. Several dramatic changes occurred during this first stage that represent seeds from which modern Human Resource Management later grew.

First, there was cessation of feudalism, release of labour from land and beginning of free employment relationship on which modern labour markets are based.

Second, there was a shift from subsistence agriculture to a commercial mixed economy, the rise of urban economy, a diffusion economic control and distribution of wealth and income.

Third, there was a spectacular growth of towns and villages along with a middle class that included skilled craftsmen and merchants who were the forerunners of factory owners.

Stage II: Industrial Revolution and Factory System (1700-1900 AD)

The Industrial relations began in 18th century in the UK, in 19th century in the USA and in the second half of 20th century in India. It was made possible by the replacement of human effort and skill by the work of machines. One of the contributions of industrial relations was the

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development of the 'factory' system. Factories greatly expanded production and created a new class of workers and managers. It brought about division of work. It necessitated supervising large number of workers. With the advent of factory system, personnel practices became autocratic, based on Commodity concept of Labour. Labour was purchased at terms designed to maximize the employer's profit. Consequently, there was a total neglect of "Human Factor"; the focus was upon materials, market and production.

Stage III: Scientific Management, Welfare Work and Industrial Psychology (1900-1935 AD)

Scientific Management and Welfare Work represent two separate and concurrent movements that began in the 19th century and along with contribution from Industrial Psychology, merged around the time of World War I to form the field of Human Resource Management.

Scientific management represents an effort to deal with labour and management inefficiencies through re-organisation of production methods and rationalization of work.

Welfare work is defined as anything done for comfort and improvement, intellectual or social for the employees over and above wages paid, which is not the necessity of industry, not required by law. It represents efforts to deal with labour problems by improving workers' conditions.

Industrial psychology represented the application of psychological principles towards increasing the efficiency of industrial workers.

Fredrick William Taylor's Scientific Management can be summed up as:

1. Science, not the rule of thumb
2. Harmony, not discord
3. Co-operation, not individualism
4. Maximum output, in place of restricted output.

Contribution of Scientific Management to Human Resource Management

1. Taylor's proposal for functional management called attention to the need for separate Human Resource functions in organization.
2. Taylor demonstrated the feasibility of job analysis as a basis for employee selection, training, job evaluation and compensation.
3. Taylor demonstrated that work and jobs can be systematically studied, analysed, redesigned or improved upon.
4. He stressed the importance of proper selection procedure and training methods.
5. Taylor advanced the idea of differential pay on the basis of productivity.
6. He highlighted the need of workers to be won over and led by management.

Industrial Psychology

From scientific management, industrial psychology evolved. The objective of industrial psychology was to increase human efficiency by focusing on the maximum well-being of the workers and decreasing the physiological and psychological costs of work. Hugo, Munsterberg and William Gilbreth, contemporary psychologist sought to integrate psychology

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with Scientific Management by incorporating individuality in the selection, study and motivation of employees.

Major Areas of Welfare Work

Efforts were made in 19th and early 20th centuries to improve the working conditions of the factory workers. The welfare work movement became widespread during this period. Welfare work, like Scientific Management, was an attempt at a more systematic approach to labour problems. It has been defined as anything done for the comfort and improvement, intellectual or social, of the employees over and above wages paid, which is not the necessity of industry, not required by law. The primary purpose of welfare work included:

1. Averting industrial conflict and unionization
2. The promotion of good management and worker relations
3. The efforts to increase workers' productivity and reduce turnover

Around 1900 AD, some industries in the US hired welfare secretaries to administer welfare programs.

Welfare measures included:

1. Enable workers to have a richer and more satisfactory life.
2. Raise the standard of living of the workers.
3. Absorb the shocks injected by industrialization and urbanization on workers.
4. Promote sense of belonging among workers, prevents absenteeism, labour turnover, strike, etc.
5. Prevent social evils like drinking, gambling, prostitution, etc.

Major Developments during this Stage

1881-1891 Factories Act of 1881 and 1891 was passed showing concern for the worker's welfare. These acts were limited to working hours of women and children.

1919 All India Trade Union Congress (AITUC) was formed.

International Labour Organisation was established as an autonomous organ of the League of Nations in 1919. It has its headquarters at International Labour Office in Geneva, Switzerland. The main objectives of social justice include:

(a) It adopted an International Labour Convention and recommended to protect the worker's claims in the event of the insolvency of their employer.

(b) It elaborated resolutions on the role of enterprises in employment growth, employment policy as a component of overall development and the rights of migrant workers.

1931 In order to improve the conditions of workers, the Royal Commission on Labour (J H Whitley Commission) recommended to abolish Jobber System, appoint labour officers and introduce Works Committees. Later Section 3(1) of Industrial Dispute Act, 1947 has provided for Works Committee and Section 49 of the Factories Act, 1948 made a provision for the appointment of Labour Welfare Officers in all the units with worker strength of 500 or more. These provisions are already implemented.

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Stage IV: Golden Age of Industrial Relation and Personnel Management Maintenance Function (1935-1970)

After the World War I, there was great depression. Following the depression, there was an increased need for the practice of Human Resource Management as a result of a growth in unions and collective bargaining. At this time, there was a shift in emphasis towards the Industrial Relation Function of Human Resource Management.

During the period from 1945 to 1970, the primary focus of the employment relationship was on industrial relations and this human resource management function rose in prominence. The pro-union legislation was followed by World War II, which created an extraordinary demand for labour, resulted in unprecedented union prestige and fuelled a phenomenal growth in union membership.

The industrial relation side of human resource management experienced its golden age between 1948 and 1958. The general focus of human resource management was on industrial relations because the primary need of many organizations was to operate in collective bargaining framework of labour relations.

Major Changes during the Period

1. The first step was the enactment of Industrial Disputes Act, 1947, which not only provides for the establishment of permanent machinery for the settlement of industrial dispute but also makes these awards binding and legally enforceable.
2. Another development was setting up of Indian Labour Conference- a tripartite body to look into industrial relation problems in India. It was constituted with the objective of establishing co-operative between government, employers and trade unions.
3. Another important feature was change in attitude of government towards labour and their problems. Many labour laws were enacted to protect the interests of industrial workers during 1947 to 1956. These laws cover many issues concerning labour such as seniority, wage rates, paid holidays, disciplinary matters, social security, etc.
4. In 1957, the emphasis shifted from legal enactments to voluntary arrangements. In fact, the period between 1957-1965 can be regarded as an attempt to move away from legalism to voluntarism, which had dominated the industrial relations in India- through Works Committees/Joint Management Councils (JMC), recognition of unions, grievance procedures for workers, workers participation schemes, etc.
5. Subsequent to this period, many political and international events affected the course of industrial relations. Between 1962 and 1971, India fought three wars, one with China and two with Pakistan. In 1966, National Commission of Labour (NCL) was appointed by the government to look into the matters. Some of the recommendations are in various stages of implementation namely; relating to workers' training, induction and education, working conditions, social security, labour administration, etc.

At present, at the plant level, Indian industrial relations are dominated by legalists. Many of these laws reflect the government's socialistic orientation. On the other hand, the government has also made efforts, in addition to management and union attempts in several cases to promote a bipartite collective bargaining situation.

Stage V: Control of Labour Tradition (1970-1990)

The institution of the trade union, which is a product of capitalist industrialization, emerged in Britain and other developed countries in the West in the 19th century, basically to protect

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against the injustice and exploitation meted out to workers by the owners of Capital during the course of industrialization. Labour movement in many countries started its own political parties and engaged in struggle at both the political and economic fronts. Gradually, over the years, the labour class got integrated into the larger society with the acceptance of their demands by the employers, first for collective bargaining and then for worker's participation in management. This led to their rise to prominence and power in industry and society in the 20th century. But trade unions witnessed significant loss of membership during the 1980s and 1990s. Various reasons for the loss of control of labour tradition could be analyzed as follows:

1. Trade union developed not under the leadership of workers but under the leadership of outsiders that is social workers and nationalist leaders. It was led by political leaders. Moreover, the political leadership was internally divided on ideological lines.
2. Governments increasingly took upon themselves the wage-welfare functions of trade unions for which it passed a plethora of labour legislations, protecting jobs of workers and also providing for various welfare measures. This, however, further weakened trade unions and impeded the growth of the system of collective bargaining in the industry. In fact, even though India has probably the largest number of labour laws in the world, it does not have a central law that provides for the recognition of trade unions.
3. There has been significant change in the social composition of the labour force. A new generation of workers has emerged in their industries since the mid 50s or so, who are largely from upper castes and who are also young, educated and urban in origin. To them, a trade union constitutes not a movement, but an agency which has to provide them services in return for their subscription and political support. They leave a union when it is unable to provide them benefits and join those who promise to give them these benefits. Consequently, inter-union rivalry is high and the recognized unions particularly face difficulty in retaining the support of workers on a continuing basis.
4. In fact, rising unemployment and underemployment and increasing price have hit the working class hard. Such a situation not only makes the workers primarily interested in questions of job security, pay and other material rewards that is to strive for consumption, which is conspicuous by its nature. This, in turn, makes them more individualistic.
5. The majority of Indian organizations are small and medium-sized and consequent size of trade unions in these enterprises has to be small. The political fragmentation of the union movement also contributes to its small size. This small size of unions also accounts for their poor financial strength.
6. The nature of linkage between unions at different levels and political parties varies a great deal from complete 'ownership' of unions by particular to allowing of different degrees of autonomy to unions by parties like congress party.

However, despite various weaknesses, unions in India often enjoyed considerable power at both the national and bargaining levels, especially till the early 1970s or so, because of their linkage with political parties and the support they got from the governments in power.

Reasons for the Failure

1. Development under outside leadership.
2. Government took upon itself Wage-Welfare function and passed number of labour laws which weakened the trade unions.
3. Significant changes in social composition of labour force took place.
4. Rising unemployment and increasing price made unions more individualistic.

Notes

5. Most Indian organizations being small and medium sized, small size of trade union, poor performance and poor financial strength further weakened the trade union.

6. Nature of linkage between union and political parties varies, allowing different degree of autonomy to union by the parties.

Stage VI: Professional Tradition (1990- till Date)

With the passage of time, personnel management has become mature and professionalized. Professional management is that management where decision-making rests with professional managers, where there has been a divorce between capital and control and where owners of business are functionless owners.

Specialized formal education: It requires advanced, specialized formal education and training. Besides, they should also have specialized in some discipline of management (like production, finance, marketing, personnel, etc.)

At this stage, personnel management became a professional field of management.

Academic qualification of Personnel Manager: An occupation in order to be called as a profession should possess advanced specialized formal education and training.

1. Qualification varies from organization to organization and from one state to another state of a country. It has undergone several changes from time to time. The list of qualification includes Post Graduate degree or diploma in Social Science, Sociology, Social Work, Personnel Management and Industrial Relation, Labour Welfare, Labour Laws, MBA with specialization in Human Resource Management and Industrial Relations.

2. There is no specific educational qualification prescribed for the post of Personnel Management in India. Technical managers without any experience or qualification are posted as Personnel Managers in public sector organizations like Indian railways, BHEL, SAIL. There has been increased importance to acquire knowledge or degree for the post of Human Resource manager.

Following are the characteristics of professional institution:

1. ***Professional bodies:*** A profession is organized as a body with its own experts. The professionals have developed a number of administrative societies, associations and institutions, which have a large membership of those who have qualified in personnel affairs. The National Institute of Personnel Management, the Indian Labour Economics Society, All India Management Association, International Personnel Management Association and American Society of Personnel Administration are some of such bodies.

2. Members of the profession must maintain at all times an attitude towards their work and society, be interested, in continued acquisition of skills and knowledge, have a sense of trusteeship, individual initiative and a right to expert and received financial recognition.

3. ***Code of Ethics:*** Various professions like Medicine, Accountancy have ethical codes. But the personnel profession does not have such ethical codes.

It cannot, therefore, be concluded, from the above analysis, that personnel management in India completely possesses the characteristics to be called as a profession. The situation may change in the years ahead, where organization requirements for professionally qualified people might increase.

Notes

Self Assessment

Multiple Choice Questions:

9 . The ratio of an organisation's output to its inputs.

(i) efficiency (ii) performance

(iii) productivity (iv) objectivity

10. The process of bringing people and organisations together so that the goals of each are met.

(i) career planning (ii) employee welfare

(iii) human resource management (iv) training

1.8 Significance of Human Resource Management

The significance of human resource management can be discussed at three levels:

1. ***As an instrument for growth to an organization:*** The survival and growth of the organization depends largely on the competence and its effective management. Human Resource Management is viewed as a dynamic life giving element in any organization. Without HRM, the other resources of production, that is, materials, machinery and money can never become output. Human resource management makes workers efficient and motivated through training, supervision and inspiring leadership.

2. ***As a liaison between the employee and employer:*** The human resource management is the link between the people and management. It tries to maintain the balance between the available jobs and the job seekers according to their need and organizational requirement. It helps the organization in effective utilization of human resources and removal of wastes. Its significance can also be determined by the elimination of wastages and providing a healthy and conducive environment for employee growth.

3. ***As a professional field:*** Human Resource Management has moved to a specialist function. It realizes business strategy through people. The professionalisation of human resource management is gaining momentum. It is no longer considered to be a line function. It incorporates teamwork. The realization of employee goals is the sole responsibility, as a specialist function. Its focus has moved from employee management to employee development. The skills development and individual capacity utilization are the challenges faced by the human resource managers in the current scenario.

Self Assessment

Fill in the blanks:

11. The survival and growth of the organization depends largely on the ..... and its .....

12. Human Resource Management is viewed as a ..... life giving element in any organization.

13. The human resource management is the ..... between the people and management

14. The professionalisation of human resource management is gaining..... .

15. The skills development and individual capacity utilization are the ..... faced by the human resource managers in the current scenario.

Notes

Case Study

Role Play

Do this role play, writing the dialogues both for the Manager and for the Graduate. The focal theme is "PRAISE AND DEVELOP".

Brief for the Manager

You are the manager of a design department, whose task is to plan, organise and control layout and equipment changes in the manufacturing division of the company. One of your staff, a graduate aged 25, has just completed a project to install a new layout of conveyors, sorters and packing machines at the end of a line, producing small plastic bottles. This has been highly successful. The manager of the line and the staff working on it are all pleased with it and prefer it to the original layout.

Now is the time to talk to your young graduate, show how pleased you are with this project and try to discover which areas are ones in which further help, training and development of skills are required.

Brief for the Graduate

You have been working for one year in this design department, whose task is to plan, organise and control layout and equipment changes in the manufacturing division of the company. You have just completed a project to install a new layout of conveyors, sorters and packing machines at the end of a line, producing small plastic bottles. This has been highly successful. The manager of the line and the staff working on it are all pleased with it and prefer it to the original layout.

Your boss has asked to see you. You hope he is as pleased as you are with the outcome of this project. If you get the chance, you would like to become involved in an automation and computerisation project next. You have heard that the main line producing the shrink wrapped 6-pack of half-litre bottles is due to be automated further later this year. You would like to do that. The most difficult issue during this last project was negotiating with several different companies for the purchase of the conveyor equipment; their salesmen were fairly aggressive and you found it difficult to deal with them.

Start the role play now.

1.9 Summary

- HRM is defined as the art of procuring, developing and maintaining competent workforce to achieve the goals of an organisation in an effective and efficient manner.
- HRM is responsible for the people dimension of the organisation. It is a pervasive force, action-oriented, individually-oriented, development-oriented, future-focused, and integrative in nature and is a comprehensive function.
- HRM policies are guides to actions. They serve as roadmaps for managers on a number of issues such as recruitment, selection and promotion. They cover almost all functions of personnel management. HRM policies have relation with other fields also.

Notes

1.10 Keywords

Competitive Advantage: It is an ability of an organization to perform activities exceptionally well (availing profitable opportunities and thereby maximizing returns on investment) and gaining an edge over rivals when competing.

HRM: A process of bringing people and organisations together so that the goals of each one is met, effectively and efficiently.

HRM Policies: A set of proposals and actions that act as a reference point for managers in their dealings with employees.

Line Managers: They are authorized to direct the work of subordinates-they're always someone's boss.

Management: The process of efficiently achieving the objectives of the organisation with and through people.

Personnel Management: It is that part of management which is concerned with people at work and with the relationships within an enterprise. It applies not only to industry and commerce but to all fields of employment.

Principles: The word principle means, the fundamental truth or law as basis of reasoning or actions.

Productivity: The ratio of an organization's outputs to its inputs.

Staff Managers: They are authorized to assist and advise line managers in accomplishing these basic goals.

Strategic Human Resource Management: The linking of HRM with strategic goals and objectives in order to improve business performance and develop organizational cultures that foster innovation and flexibility

1.11 Review Questions

1. Define the term HRM. Discuss its objective, nature and scope.
2. In this era of free economy, what should be the objectives of HRM?
3. Are people always an organisations most valuable assets? Why or why not?
4. Identify the typical features of human resource management in today's competitive world.
5. What are the different types of HRM policies?
6. In your opinion, whether increase in global workforce affect the formulation of HRM policies?
7. What are the different fields do you think are related with HRM policies?
8. Critically evaluate HRM as a disciplinary study.
9. What do you think is the biggest challenge in front of an HR manager and why?
10. HRM is an interdisciplinary activity. Discuss with examples.

Notes

Answers: Self Assessment

1.	F	2.	T
3.	T	4.	T
5.	F	6.	F
7.	F	8.	T
9.	(iii)	10.	(iii)
11.	Competence, effective management	12.	dynamic
13.	link	14.	momentum
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1.12 Further Readings

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Online links

www.hrmguide.net

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Unit 2: Human Resource Planning

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2.4 Significance of Human Resource Planning

2.5 Requisites for Successful HRP

2.6 Rightsizing the Enterprise

2.7 Summary

2.8 Keywords

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Objectives

After studying this unit, you will be able to:

- Define Human Resource Planning
- Discuss need for Human Resource Planning
- State the HRP Process
- Explain the significance of Human Resource Planning
- Learn Requisites for Successful HRP
- Understand Rightsizing the Enterprise

Introduction

Human resource planning is the term used to describe how companies ensure that their staff is the right staff to carry out the jobs. Sub topics include planning for staff retention, planning for candidate search training and skills analysis and much more.

Human Resource Planning is 'the process by which management ensures that it has the right personnel who are capable of completing those tasks that help the organization reach its objectives.'

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It is a process that anticipates and maps out the consequences of business strategy on an organization's human resources. This is reflected in planning of skill and competence needs as well as total headcounts.

The role of the human resource function is two-fold:

1. To participate in the decision process by providing information and opinion on each option, including:
   (a) redundancy or recruitment costs
   (b) consequences on morale
   (c) redeployment/outplacement opportunities
   (d) availability of skilled staff within the organization
   (e) availability of suitable people in the job market
   (f) time constraints
   (g) development/training needs/schedules
   (h) management requirements.

   This forms part of the information collected from the organization as a whole.
2. ***People as numbers:*** The manpower planning approach which addresses questions such as:
   (a) How many staff do we have/need?
   (b) How are they distributed?
   (c) What is the age profile?
   (d) How many will leave in each of the next five years?
   (e) How many will be required in one, five, ten years?
3. ***Forecasting methods:*** Human resource planners have a choice of techniques open to them, including: extrapolation (of past trends); projected production/sales; employee analysis; scenario building.
4. ***Employee turnover:*** Turnover covers the whole input-output process from recruitment to dismissal or retirement and takes the consequences of promotion and transfer into account.
5. ***'Soft' planning:*** HRM implies that planning has to go beyond the 'numbers game' into the softer areas of employee attitudes, behaviour and commitment. These aspects are critical to HR development, performance assessment and the management of change.

2.1 Human Resource Planning

Human resource or manpower planning is, "the process by which a management determines how an organization should move from its current manpower position to its desired manpower position. Through planning, a management strives to have the right number and the right kinds of people at the right places, at the right time to do things, which results in both the organization and individual receiving the maximum long-range benefits.

Stainer has defined human resource or manpower planning as, "Strategy for the acquisition, utilization, improvement and preservation of an enterprise's human resources. It relates to establishing job specification or the quantitative requirements of job determining the number of personnel required and developing sources of manpower".

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Coleman has defined human resource or manpower planning as, "the process of determination of manpower requirements and means of meeting those requirements in order to carry out the integrated plan of the organization".

According to ***Wickstrom***, human resource planning consists of the following activities:

1. Forecasting future manpower requirements, either in terms of mathematical projections of trends in the economic environment and development in industry, based upon the specific future plans of a company;
2. Making an inventory of the present manpower resources and assessing the extent to which these resources are employed optimally;
3. Anticipating manpower problems of projecting present resources into future and comparing them with forecast of requirements to determine their adequacy, both quantitatively and qualitatively;
4. Planning the necessary programmes of requirement, selection, training, development, utilization, transfer, promotion, motivation and compensation to ensure future manpower requirements are properly met.

2.2 Need for Human Resource Planning

Human resource planning is practically useful at different levels, as stated by Narayanrao. According to him;

1. ***At the national level:*** It is generally done by the government and covers items like population projections, programme of economic development, educational facilities, occupational distribution and growth, industrial and geographical mobility of personnel.
2. ***At the sector level:*** It may be done by the government – central or state – and may cover manpower needs of agricultural, industrial and service sector.
3. ***At the industry level:*** It may cover manpower forecast for the specific industries, such a cement, engineering, heavy industries, consumer goods and public utility industries, etc.
4. ***At the level of individual unit:*** It may relate to its manpower needs for various departments and for various types of personnels.

Human resource planning is deemed necessary for all organizations for one or the other of the following reasons:

1. HR planning is needed to identify areas of surplus personnel or areas in which there is shortage of personnel.
2. To meet the challenges of a new and changing technology and new techniques of production, existing employees need to be trained or new people to be brought to the organization.
3. To carry on its work, each organization needs personnel with necessary qualifications, skills, knowledge, work experience and aptitude for work. These are provided through effective manpower planning.
4. Human resource planning is necessary for meeting frequent labour turnover which is unavoidable.
5. In order to meet the demands for expansion programmes (which are necessary for organisation's growth), these call for larger requirement of human resources in the organization.

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Notes ***Accuracy:*** Projecting manpower needs over a period of time is a risky one. It's not possible to track the current and future trends correctly and convert the same into meaningful action guidelines. Factors such as absenteeism, labour turnover, seasonal trends in demand, competitive pressures, technological changes and a host of other factors may turn the best of manpower plans into fashionable, decorative pieces.

Support: Planning is generally undertaken to improve overall efficiency. In the name of cost cutting, this may ultimately help management weed out unwanted labour at various levels. The few efficient ones that survive such frequent onslaughts complain about increased workload. Support from management is equally missing on more than one occasion. They are unwilling to commit funds for building an appropriate human resource information system. The time and effort involved - with no tangible, immediate gains – often force them to look the 'other way'.

Numbers game: HRP, in the final analysis, may suffer due to an excessive focus on the quantitative aspects. The quality side of the coin (consisting of employee motivation, morale, career prospects, training avenues, etc.) may be discounted thoroughly.

2.3 HRP Process

The process of human resource planning is one of the most crucial, complex and continuing managerial function. This process has gained importance in India with the increase in size of the enterprises, complex manufacturing process, and adoption of professional management techniques. It is a multi-step process.

2.3.1 Steps in HR Planning

1. ***Investigation:*** It is the primary stage of HRP in any organisation. In this stage, organisations try to develop their awareness about the detailed manpower scenario with a holistic view, looking at their current manpower. A SWOT analysis can reveal a better picture with due consideration of the external environment, performance and productivity trends, working practices, operational and strategic plans. Scientific homework, at this stage itself can help to identify present and future skill gaps. For a better result, SWOT analysis can proceed a cause-effect diagram (fish-bone diagram), which is simple to comprehend. While doing external manpower review, macro level issues need to be understood with due cognizance to the relevant literatures like Annual Economic Survey, Year Book on Indian Labour, Survey of Indian Industries, ILO International Year Book on Labour, various reports of Planning Commission on manpower, etc. Internal manpower review has to be done with enterprise-wide current operational data, like; marketing, finance, performance data, current employment practices and methods, etc. Also internal manpower review is done with a futuristic view with due cognizance to strategic plans and objectives.

2. ***Forecasting:*** After adequate investigation, in the next phase of HRP process, analysis of demand and supply of manpower is done. There are different models of demand forecasting. Manpower supply analysis is done considering both internal and external supply. While doing internal supply analysis, career planning and development, training and development and succession plan aspects are considered along with corporate policies and procedures. For example, 'promotion from within' as a corporate policy may or may not exist in a particular organisation. Where it exists, it has to be understood for which levels it is applicable, is it a time-scale (seniority) promotion or promotion on merit, is there any policy on this, etc. Interestingly promotional decision is a prerogative of

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management, hence an employee, prima facie cannot contest such a decision of management in a court of law, unless otherwise he or she can prove that such a decision has prejudiced his or her interest. The onus of proving this lies with the employee concerned. Many organisations have their documented promotion policy, to address to the problem of personal bias in promotional decision. External supply analysis is done considering macro-level issues to understand their availability. Since current employment practice is to employ people for a given time period, employment status also needs to be assessed in terms of availability. Demand forecasting helps in identifying requirements of manpower for various positions at different points of time. What should be the status of employment (permanent, temporary, part-time contract labour, sub-contracting, etc.) will depend to some extent also on the nature of position. While in abroad, they have the flexibility to hire for all positions from employee leasing companies on assignment basis, in our country the scope of such engagement is limited to some specific jobs only. Moreover, people are by nature sensitized for contractual employment terms. This practice however, is slowly catching up and since it is a total transition of attitude, it will take some time to settle down. May be in 5-10 years time, job mobility will increase and people of the new-age will consider it normal.

HR planning requires that we gather data on the organizational goals objectives. One should understand where the organization wants to go and how it wants to get to that point. The needs of the employees are derived from the corporate objectives of the organization. They stem from shorter and medium-term objectives and their conversion into action budgets.

3. ***Inventory:*** After knowing what human resources are required in the organization, the next step is to take stock of the current employees in the organization. The HR inventory should not only relate to data concerning numbers, ages, and locations, but also an analysis of individuals and skills. Skills inventory provides valid information on professional and technical skills and other qualifications provided in the firm. It reveals what skills are immediately available when compared to the forecasted HR requirements.

Did u know? Markov analysis: This technique uses historical rates of promotions, transfer and turnover to estimate future availabilities in the workforce. Based on past probabilities, one can estimate the number of employees who will be in various positions with the organization in future.

4. ***Audit:*** We do not live in a static world and our HR resources can transform dramatically. HR inventory calls for collection of data, the HR audit requires systematic examination and analysis of this data. The audit looks at what had occurred in the past and at present in terms of labour turnover, age and sex groupings, training costs and absence. Based on this information, one can then be able to predict what will happen to HR in the future, in the organization.

5. ***HR Resource Plan:*** Here, we look at career planning and HR plans. People are the greatest assets in any organization. The organization is at liberty to develop its staff at full pace in the way ideally suited to their individual capacities. The main reason is that the organization's objectives should be aligned as near as possible, or matched, in order to give optimum scope for the developing potential of its employees. Therefore, career planning may also be referred to as HR planning or succession planning.

6. ***Actioning of Plan:*** There are three fundamentals necessary for this step:

   (i) Know where you are going.

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(ii) There must be acceptance and backing from top management for the planning.

(iii) There must be knowledge of the available resources (i.e.) financial, physical and human (management and technical).

Once in action, the HR plans become corporate plans. Having been made and concurred with top management, the plans become a part of the company's long-range plan. Failure to achieve the HR plans due to cost, or lack of knowledge, may be a serious constraint on the long-range plan.

7. ***Utilization:*** In this final stage of HRP process, success is measured in terms of achievement trend, both quantitatively and qualitatively. While quantitative achievement is visible from productivity trend, manpower cost, etc., qualitative achievement is a subjective appraisal on achievement of organisational objectives. Reflection of qualitative achievement can also be studied in the context of prevailing industrial relations, level of motivation and morale, grievance pattern, etc.

2.3.2 Strategic Human Resource Planning

Human resources planning is defined as the process for identifying an organisation's current and future human resource requirements, developing and implementing plans to meet these requirements and monitoring their overall effectiveness.

Human resources planning should serve as a link between human resources management and the overall strategic plan of an organization. Aging worker populations in most western countries and growing demands for qualified workers in developing economies have underscored the importance of effective Human Resources Planning.

1. ***Employment:*** HRP is affected by the employment situation in the country i.e. in countries where there is greater unemployment; there may be more pressure on the company, from government to appoint more people. Similarly some company may force shortage of skilled labour and they may have to appoint people from other countries.

2. ***Technical changes in the society:*** Technology changes at a very fast speed and new people having the required knowledge are required for the company. In some cases, company may retain existing employees and teach them the new technology and in some cases, the company has to remove existing people and appoint new.

3. ***Organizational changes:*** Changes take place within the organization from time to time i.e. the company diversify into new products or close down business in some areas, etc. in such cases the HRP process i.e. appointing or removing people will change according to situation.

Implementation Stages

The following implementation stages are suggested for mid to large organizations implementing competencies in support of Strategic Human Resources Planning.

Short-term Human Resource Planning

Stage 1

1. Establish a Competency Architecture and Competency Dictionary that will support Strategic Human Resource Planning.

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2. For each group to be profiled, define the roles and career streams to help identify current and future human resources needs.
3. Determine how competencies will be integrated with the existing HR Planning process and systems (e.g., Human Resource Information Management systems; other computer-based tools, for example forecasting models).

Stage 2

1. Build or revamp HR Planning tools, templates and processes to incorporate elements as determined in Stage 1.
2. Train managers and/or facilitate corporate HR Planning process.
3. Continuously monitor and improve processes, tools and systems to support HR Planning.

Mid to large Organizations

Stage 1

1. Identify the infrastructure and system requirements to support full implementation (e.g., Human Resources Information Management System; other on-line software tools needed to support various CBM applications).
2. Develop the competency profiles.
3. Implement the competency profiles in a staged-way to demonstrate benefits and create buy-in (e.g., as soon as profiles for a group are developed, implement quickly within a low-risk high-benefit planned application for the group).
4. Communicate success stories as competency profiles are implemented.

Stage 2

1. Develop, revise/update competency profiles to meet changing demands.
2. Monitor and evaluate applications to ensure that they are meeting organizational needs, and adjust programs/plans, as needed, to meet evolving needs.

Notes ***Supply forecasting*** measures the number of people likely to be available from within and outside the organization, after making allowance for absenteeism, internal movements, promotion, changes in hours and other conditions of work.

Supply analysis covers:

1 Existing human supply

2. Internal source of supply

3. External source of supply

Existing Employees

Analysis of existing employees is greatly facilitated by HR audits. The audits of non-managers are called ***skills inventories*** and those of management are called ***management inventories***.

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Internal Supply

The techniques used for this purpose are:

1. ***Potential Losses and Potential Gains:*** They can be of four different types:

Permanent Total,	Permanent Partial,	Temporary Total,	Temporary Partial
Lay off Retrenchment Dismissal Voluntary Quits	New hires Promotions in Transfer in Demotion in Acquiring new skills Knowledge	Department Or Sub-unit Present Human Resource Demotion out Transfer out	Promotion out Deputation out Absenteeism Loss of some skills, capability, etc. due to ill health or accident Loss of values, aptitude, etc. due to change in the attitude of existing employees towards job, department and organization

2. ***Turnover Rate:*** Turnover is defined as the number of people leaving the organization in a given period of time, usually one year. The turnover rate can be expressed by a number of different formulas. These involve such terms as accessions, addition to payroll, separations, quits, discharges, retirement, deaths, replacements, one accession plus one separation and average workforce, number at the beginning of the period plus number at the end of the month divided by 2. If our workforce averages 1000 employees this month, during which time there were 50 accessions and 58 separations, the accessions rate is 5%, the separation rate is 5.8%, and the replacement rate is 0.8%.

$$\text{Turnover Rate} = \frac{\text{Number of separations during one year}}{\text{Average number of employees during the year}}$$

For example: If in a year, 30 out of an average force of 150 skilled fitters of a company left (20% turnover) and this trend continued, then the company will have to recruit 110 fitters during the following year, in order to increase and hold the labour force at 200 in that year (50 extra fitters, plus 40 to replace the 20% separation of the average 200 fitters employed, plus 20 percent to replace separation of the 90 recruits)

3. ***Conditions of work and absenteeism:*** Changes in condition of work such as normal weekly working hours, overtime policies, length and timings of holidays, retirement policy for employees part-timers and shift systems need to be taken care properly.

On the other hand, absenteeism is the title given to a condition that exists when a person fails to come to work.

Absenteeism is understood as unauthorized absence from work. Stated differently, it amounts to absenteeism when an employee is scheduled to work but fails to report for duty.

$$\text{Absenteeism} = \frac{\text{Number of persons – days lost}}{\text{Average number of persons} \times \text{number of working days}}$$

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Absenteeism reduces the number of employees available for work. If absenteeism rate is 4 percent, only 96 out of 100 people are available for work.

4. ***Productivity level:*** Any change in productivity would affect the number of persons required per unit of output. Increase in productivity will reduce the requirement and decrease in it would have the opposite effect.

   For example: The average sales per person in a year amounts to ₹ 5,00,000. Reviews of changes in productivity levels reveal that sales per person have been increasing at the rate of 10% per year. If the next year's projected sales are ₹ 5,00,000, there would be no need for 100 sales persons (₹ 5,00,00,000 divided by ₹ 5,00,000), but rather for only 91 sales persons since we expect an increase of ₹ 5,50,000 in productivity per person.

5. ***Movement among Jobs:*** Some jobs are sources of personnel for other jobs. For example, secretaries may be obtained by promotion of typists & branch managers are obtained from a pool of section managers.

   For example: We anticipate a need for five new branch managers seven years from now, more than five potential branch managers should have entered the company this year, assuming that seven years are the average development time. Obviously, some will quit before the seven years are up and others may not qualify for promotion.

External Supply

External sources are important for specific reason:

1. New blood and new experience will be available.
2. Organization needs to replenish lost personnel.
3. Organization growth and diversification create the needs to use external sources to obtain additional number and type of employees.

Sources of external supply vary from industry to industry, organization to organization. Some companies find good sources from colleges and university, consultants, competitors or unsolicited application.

2.3.3 Factors Influencing Human Resource Management

There are many factors that would affect human resource management. However, the main four are considered to be:

1. ***Political Climate:*** The political climate can have a great affect on any business and subsequent business departments such as human resource management. If the government decides on spending cuts or increasing taxes on businesses then this will dramatically affect the running of the business. Department budgets may have to be trimmed or the department may even have to be completely scrapped.

2. ***Economic Climate:*** The economic climate can be closely associated with the political climate. However, it also includes how the banks are coping and if they are willing to lend to businesses. Again if the banks are cautious and so do not lend and in fact try and get their money back quicker, it can spell disaster for a business. This in turn, will mean big changes for how human resources in a company would be run.

3. ***Company Strategies:*** Companies will also have plans and strategies on how best to move forward. These will of course, largely be determined by the two previous factors mentioned.

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Whatever the company choose to do, will definitely affect how the human resource management will perform.

4. ***Technological Developments:*** Technological developments will greatly affect how human resource management departments conduct their business. Instead of having to bring staff in for physical meetings, they can now do video-calling, send emails or even SMS text messages.

The external environment consists of those factors which affect an organisation's human resources from outside the organisation. Each of these external factors separately or in combination can influence the HR function of any organisation. The job of a HR manager is to balance the demands and expectations of the external groups with the internal requirements and achieve the assigned goals in an efficient and effective manner. Likewise, the internal environment also affects the job of a HR manager. The functional areas, structural changes, specific cultural issues peculiar to a unit, HR systems, corporate policies and a lot of other factors influence the way the HR function is carried out. The HR manager has to work closely with these constituent parts, understand the internal dynamics properly and devise ways and means to survive and progress. In addition to these, the personnel man has to grapple with the problem of workforce diversity. Let us examine these issues in detail.

Globalization

The world is shrinking in all major respects. People, goods, capital and information are moving around the globe like never before with faster communication, transportation and financial flow, the barriers between nations have disappeared and the world is becoming a borderless market. In the 21st century, global companies seem to virtually dance all over the place. They are not constrained by national borders. Most corporations cover lot of ground while trying to exploit an opportunity in any part of the globe now. McDonald's sells hamburgers in China. Coca Cola has over 80 percent of its sales outside of its home market. Nestle has 50 per cent, Proctor and Gamble 65 per cent and Avon 60 per cent. They source and coordinate resources and activities in the most suitable areas, to offer cost-effective products and services to customers all over the globe.

Mergers & Acquisitions

Global corporations often use the mergers and acquisitions route for various purposes: (a) to incorporate new technologies, (b) to enter new markets and gain market share, (c) to improve their market standing and stay at the top. In recent times, such marriages between known and unknown entities are taking place quite routinely. As a result, we have M&A activity picking up in sectors like pharmaceuticals, health care, telecom, software, steel, aluminum, power, energy, etc.

Downsizing

Downsizing is a way of life in organizations today. It's proving to be an intercontinental nuisance. Although intended to produce positive results, downsizing does more harm than good to workforce. The aftermath of downsizing is a wounded workforce that is stressed, demotivated and shattered beyond belief. Here is an opportunity for HR to play a key leadership role and take a constructive approach before, during and after the downsizing initiative aimed at improving sentiments and bring everything back to normalcy.

Impact of Technology

Technology, undoubtedly, has changed the way machines are positioned, tools are handled, data being processed, products that are manufactured and services that are offered. How about

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its impact on people? Here the impacts are quite dramatic, especially ever since computers have started invading factory space. Some experts predict that in the future technology has the lethal power to displace employees in all industries, especially those in the low-skilled category. For example voice recognition is helping to replace telephone operators; the demand for postal workers has been reduced severely by address-reading devices, and cash-dispensing machines can do 10 times more transactions in a day than bank tellers, so tellers can be reduced in number or even eliminated entirely in the future. For example, American Express has an expert system that performs the credit analysis formerly done by college graduate financial analysts. In the medical field, expert systems can diagnose some illnesses as well as doctors can, and robots capable of performing certain operations are starting to be used

TQM

Quality has become the most important word in the corporate sectors. Companies have realized the importance of investing in processes that contribute to better quality and customer relationships. The term 'quality' refers to a sense of appreciation that something is better than something else. It means doing things right the first time, rather than making and correcting mistakes. According to Edward Deming, TQM is a way of creating an organisational culture committed to the continuous improvement of skills, teamwork, processes, product and service quality and customer satisfaction. TQM is anchored to organisational culture because successful TQM is deeply embedded in virtually every aspect of organisational life.

TQM is built around four main ideas: Do it right the first time, be customer centred, make continuous improvement a way of life and build teamwork and empowerment.

Benchmarking

Benchmarking is the first requirement to effective TQM. It is comparatively new to Indian companies. The essence of benchmarking is the striving to be the best of the best in one's area of operations. It is a continuous process of measuring products, services and practices against the toughest competitors or industry leaders with the aim of mutual improvement:

1. Benchmarking is a continuous process. It is not a one-shot deal because industry practices change constantly. Complacency may be suicidal.
2. Benchmarking implies measurement of the gap between the practices of two companies so as to uncover significant differences.
3. Benchmarking can be applied to products, services, practices, processes and methods.

Thus, benchmarking is a systematic investigation, a fruitful learning experience which ensures that the best of industry practices are uncovered, analyzed, adopted and implemented.

Reengineering

The term reengineering (referring to radical, quantum change in an organization) comes from the historical process of taking apart an electronics product and designing a better version. Michael Hammer coined the term for organizations. When he found companies using computers simply to automate outdated processes, rather than finding fundamentally better ways of doing things, he realized the same principles could be used in business as well. Actually, reengineering takes place when more than 70 per cent of the work processes in an organization are evaluated and altered. It demands organizational members to rethink what work should be done, how it is to be done and how best to implement these decisions. The focus is on simplifying the operations and making them more efficient and more customer-focused.

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Outsourcing and Off shoring

Outsourcing is the force behind the virtual organization movement. Outsourcing is simply obtaining work previously done by employees inside the company from sources outside the company. If someone has specialized in an activity-which is not strategically critical to our business and is able to do that cost-effectively, it is better to get it from outside. One get benefited in the form of excellent quality, reliable supply and rock bottom price. One can also focus exclusively on doing what you are good at (the so called mission critical activities)-thereby enhancing your own competitive advantage. For example, Dell outsources the manufacture of its computers. It concentrates all its efforts on enhancing its Web-based direct sales capability and does not dilute its energies on other aspects of the game. Companies such as Nike and Reebok have succeeded by focusing on their core strengths in design and marketing and contracting all their footwear manufacturing to outside suppliers.

Outsourcing is changing the way HR departments operate as well. Technology makes it easy to outsource HR activities to specialist service providers, by allowing service providers real time internet based access to the employer's human resource information database. Payroll, benefits, applicant testing and screening, carrying out reference checks, exit interviews, employee training, etc., are some of the popular human resource tasks that are being outsourced currently. Companies are outsourcing more HR activities nowadays because the transactional functions could be turned over to a service provider – with a process and technology expertise – and the core company can concentrate its efforts on strategic acquisition, motivation and retention of talent which by all means is critical to business success.

Off shoring (also known as global sourcing) refers to the movement of jobs overseas. For example, in an age of cheap telecommunications, almost any job-professional or blue collar-can be performed in India for a fraction of U.S. wages. MNCs are forced to indulge in this kind of 'labour arbitrage' and remain ahead of competition. Cost reduction is the overwhelming motivation for doing so.

Workforce Diversity

Diversity may be defined as the situation that arises when employees differ from each other in terms of age, gender, ethnicity, education, etc. The term 'diversity' as we use the term in 21st century is far more than skin, colour and gender. It refers to multifarious differences including religious affiliation, age, disability status, sexual orientation, economic class, educational background, and life style in addition to gender, race, ethnicity and nationality.

Diversity can turn out to be a big liability in the hands of a manager who is not sensitive to the needs, concerns and expectations of a diversified work group. It can pose lot of problems when a particular section of employees feel neglected or bypassed. The perceived inequity might reside only in the brains of some who might have been pushed to a corner on grounds of poor performance.

Work Life Balance

This is the age of hectic schedules, high pressure work assignments and deadly targets. You have to race against time to get noticed and be in the reckoning. Otherwise you will be hanged to death with a tag around your neck: " *poor performer*". The 21st century has changed the lives of executives, more or less, permanently. They seem to have been thrown out of gear completely, especially their private lives, -thanks to factors such as the intense competitive environment, the invasion of information technology and the race to- be- the- first and be- the- best type of performance culture work life balance before things take an ugly turn, there is an urgent need to

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strike rapport between an executive's career and ambition on one hand, and pleasure, leisure, family and spiritual development on the other hand. The 50-70 hour work weeks have become common these days (it's simply not sufficient to work, you need to work hard and work smart to get ahead of others) and executives are burning their candle of energies too soon. To deliver results, you are forced to run that extra mile very fast -sacrificing family, kids, relationships, friends, community work, leisure, pleasure and everything that brings meaning, happiness and fulfillment to life. In the case of dual career couples - which is a common phenomenon in 21st century-matters turn very nasty because they are reduced to what is popularly known as 'weekend parents'. Working at odd hours, putting in extra labour without looking at the clock would convert even normal human beings into workaholics-people who suffer from 'hurry sickness', live without friends, who never care for relaxation and never bother to visit parks and museums.

Heart ailments, cardiovascular problems, sleep disorders, depression, jumpiness, irritability, insecurity, poor concentration and even nervous breakdowns are common among the victims who are not able to strike a fine balance between work pressures and personal and family issues.

A time will come when they lose emotional balance, get irritated over petty issues, indulge in verbal abuse and when stress begins to work on their nerves they begin to destroy their personal lives through excessive smoking, drinking, gambling, etc.

Caselet

Steel Plant Industry

A company is engaged in producing different types of equipment for use in a steel plant. The company has two different assembly lines to produce a particular equipment. The processing time for each of the assembly line is regarded as a random variable and is described by the following distributions:

Process time (minutes)	Assembly - 1	Assembly - 2
10	0.10	0.20
11	0.15	0.40
12	0.40	0.20
13	0.25	0.15
14	0.10	0.05

Using the following random numbers, generate data on the process time for 15 units of the item and compute the expected process time for the product. For the purpose, read the numbers vertically taking the first two digits for the process time on Assembly A1, and the last two digits for processing time on Assembly A2.

4134	8343	3602	7505	7428
7476	1183	9445	0089	3424
4943	1915	5415	0880	9309

Consider there is skill interchangeability, i.e., same workers can be interchangeably used in both the assembly lines. If the company requires to produce 500 units in a day, what would be the manpower requirement in a 8 hour working day with 20 per cent fatigue allowance. Show your computation also in terms of man-hours and man-days basis.

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Task Assume you have to develop an HR plan for a new-generation private sector bank having branches in major towns in India: What specific external factors would be important for you to consider. Why?

2.3.4 HRIS (Human Resource Information System)

The Human Resource Information System (HRIS) is a software or online solution for the data entry, data tracking, and data information needs of the Human Resources, payroll, management, and accounting functions within a business. Normally packaged as a data base, hundreds of companies sell some form of HRIS and every HRIS has different capabilities. Pick your HRIS carefully based on the capabilities you need in your company.

Typically, the better Human Resource Information Systems (HRIS) provide overall:

1. Management of all employee information.
2. Reporting and analysis of employee information.
3. Company-related documents such as employee handbooks, emergency evacuation procedures, and safety guidelines.
4. Benefits administration including enrollment, status changes, and personal information updating.
5. Complete integration with payroll and other company financial software and accounting systems.
6. Applicant tracking and resume management.

The HRIS that most effectively serves companies tracks:

1. attendance and PTO use,
2. pay raises and history,
3. pay grades and positions held,
4. performance development plans,
5. training received,
6. disciplinary action received,
7. personal employee information, and occasionally,
8. management and key employee succession plans,
9. high potential employee identification, and
10. applicant tracking, interviewing, and selection.

An effective HRIS provides information on just about anything the company needs to track and analyze about employees, former employees, and applicants. Your company will need to select a Human Resources Information System and customize it to meet your needs.

With an appropriate HRIS, Human Resources staff enables employees to do their own benefits updates and address changes, thus freeing HR staff for more strategic functions. Additionally, data necessary for employee management, knowledge development, career growth and development, and equal treatment is facilitated. Finally, managers can access the information they need to legally, ethically, and effectively support the success of their reporting employees.

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The Human Resource Information System (HRIS) is a method by which an organization collects, analyses and reports information about people and jobs. It applies to information needs at macro and micro levels. HRIS is basically a data base system that offers important information about employees in a central and accessible location. When such information is needed, the data can be retrieved and used to facilitate human resource planning decisions.

Need of HRIS

Costly Exercise

Personnel records, when kept manually, do not offer up-to-date information at short notice. It is difficult to make entries on forms and returns continuously and keep pace with ongoing changes on a daily basis. The clerical work involved is quite labour-intensive and costly.

Inaccurate

The manual transfer of data from one record to another may increase the chances of errors. Entries may be made twice, data may be transferred to wrong documents - leading to confusion.

Fragmentation

Information is not available at a central, easily accessible place since records are kept at separate locations, handled by different persons in different departments.

Difficult to Analyze

The manual analysis of data is time-consuming and quite often not readily available for decision-making purposes. When the organisation grows in size, the manual systems fail to offer reliable, accurate data at short notice. (IGNOU study material)

Computerized HRIS is designed to achieve the following objectives:

1. To offer an adequate, comprehensive and ongoing information system about people and jobs.
2. To supply up-to-date information at a reasonable cost.
3. To offer data security and personal privacy. Data security is a technical problem that can be dealt with in several ways, including passwords and elaborate codes. In the information age, personal privacy is both an ethical and moral issue.

Setting up HRIS

HRIS requires consistent support and continued blessings of top management. Employees at various levels must extend their cooperation fully. The basic purpose of ensuring quality information should always be kept in mind, otherwise the famous GIGO (garbage in/garbage out) principle will be in operation at work. An organisation, which wants to set up HRIS, should:

1. ***Plan:*** The information needs of an organisation should be spelt out initially. This involves a detailed study of the activities carried out internally, work patterns and relationships, constraints affecting the system, etc.
2. ***Design:*** At this stage, the system analyst examines the flow of information, identifies gaps and outlines steps needed to organise the flow of information in an economical and effective manner.

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3. ***Implement:*** This step involves setting up of HRIS, taking the organisational needs into account. Adequate training is arranged for employees so that they can learn to handle the system comfortably. Facilities are upgraded; procedures are also streamlined with a view to integrate HRIS with various organisational components.

4. ***Evaluate:*** It involves measuring the contributions of the system and identifying the gaps and undertaking remedial steps to ensure its smooth operation. The system is continually evaluated in the light of changes within and outside the organisation.

Benefits of HRIS

Following are the benefits of having HRIS:

1. HRIS can process, store and retrieve enormous quantities of data in an economical way.
2. The records can be updated quickly.
3. There is improved accuracy.
4. HRIS can greatly reduce fragmentation and duplication of data.
5. Information can be readily manipulated, merged and disaggregated in response to special and complex demands and presented promptly.

Self Assessment

Multiple Choice Questions:

1. The basis for human resource planning is:
   - (i) the economic trends
   - (ii) demand for employees
   - (iii) strategic plans of the firm
   - (iv) budgets
   - (v) supply of employees.
2. Workforce factors that influence demand include:
   - (i) expansion moves
   - (ii) terminations
   - (iii) strategic plans
   - (iv) sales projections
   - (v) organisational design.
3. The first factor in deciding the supply of labour is:
   - (i) developing staffing tables
   - (ii) issuing advertisements
   - (iii) preparing replacement charts
   - (iv) analysing labour markets
   - (v) auditing present employees.

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4. Techniques of estimating demand for human resources:
   (i) mere approximations.
   (ii) are rarely done
   (iii) involve HR audits
   (iv) can be very accurate
   (v) employ skills inventories.

2.4 Significance of Human Resource Planning

HR planning involves gathering of information, making objectives, and making decisions to enable the organization achieve its objectives. When HR planning is applied properly in the field of HR Management, it would help address the following questions:

1. How many staff does the organization have?
2. What type of employees, as far as skills and abilities are concerned, does the company have?
3. How should the organization best utilize the available resources?
4. How can the company keep its employees?

HR planning makes the organization move and succeed in the 21st century that we are in. Human resources practitioners who prepare the HR planning programme would assist the organization to manage its staff strategically.

The programme does not assist the organization alone, but will also facilitate the career planning of the employees and assist them to achieve the objectives as well. This augments motivation and the organization would become a good place to work. HR planning forms an important part of management information system.

HR has enormous tasks - keeping pace with all the changes and ensuring that the right people are available to the organization at the right time. It is changes in the composition of the workforce that force managers to pay attention to HR planning. The changes in composition of workforce not only influence the appointment of staff, but also the methods of selection, training, compensation and motivation. It becomes very critical when organizations merge, plants are relocated, and activities are scaled down due to financial problems.

2.5 Requisites for Successful HRP

1. ***Organization Culture:*** Organization's culture is an important determinant to the formulation of HR policies. Organizational attitudes towards policies span the spectrum. On one end of the scale are the companies that have a policy for everything. Banking is a lot like that. U.S. banks are still (despite banking deregulation efforts during the 1980s) highly regulated entities and policies are needed to control all aspects of operations. At the other end of the spectrum are the companies that have only a few policies (only those required by the laws that are relevant to that company). Most companies fall somewhere in between these two extremes. The manager writing any policy needs to understand where on the spectrum the company falls and how the policy can be made to fit the organization's culture to enhance compliance.
2. ***Support from Employees:*** Enhancing compliance to policies also begins with staff participation. One lesson learnt by the vast number of organizations that have gone

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through process reengineering is that new policies are more readily adopted and followed by the staff when the staff has had some significant role in their development. Present these sections as drafts and solicit feedback and then incorporate revisions into the sections and you will maximize the chance of compliance to your policy. Employees and managers at all levels will be most likely to support a policy that makes sense, is easy to follow, and minimizes interference with getting the job done. The best way to get such a policy is to have all affected parties involved in the development process. Not allowing participation at the policy creation stage is a frequent downfall of implementation and compliance.

Support can also be enhanced if the policy's impact on the company is clearly explained; the impact that will be most meaningful to managers is the financial loss that can result from failing to implement the policy. The ideal situation is when management and staff can see how a particular policy helps promote the achievement of organizational objectives and mission.

3. ***The Role of Procedures and Forms:*** Many people confuse procedure with policy. A policy is a predetermined course of action established as a guide towards accepted objectives and strategies of the organization. It is at a much higher level than a procedure. Procedures are methods - they are ways of carrying out a policy. Forms may be part of a procedure; in other words, to carry out a procedure, it may be necessary to complete one or more forms. For example, your organization may have a policy that every employee who is terminated or who decides to leave the organization participates in an exit interview. Procedures can be developed on how that interview should be conducted, while a form or checklist can help assure and document that a particular exit interview was carried out according to policies and procedures.

   The connection of policy-to-procedure-to-form raises another important point: policy development needs to be coordinated with procedures and forms management. New policies or revisions to old policies may spawn new procedures. New procedures may require revision of old forms or the creation of new ones.

4. ***Clarity, Conciseness, and Coherence:*** HR policies should follow the 3C principle: clarity, conciseness, and coherence. Clarity is extremely important.

   Clear writing is understandable and easy to read. If your writing has clarity, your reader will immediately grasp your meaning; he or she will not have to stop and figure out meaning. HR policies should be clear and direct. Care should be taken to remove the unnecessary words. Delete redundancies, needless phrases, overblown phrases, and clichés. For HR policy to be clear and for subsequent procedures to be exact, each and every policy that you write should contain accurate and complete information expressed concisely. Coherence is about good logic, linking sentences, and discernible threads of thought. Coherent writing will lead the reader through your policy manual. It lets you give a guided tour of your policy model.

5. ***Training:*** Training employees in the area of policy is very important. Making the policy manual available to staff is a starting point but it is not enough. To help staff to fully understand policies, they may need to see and hear a presentation - an interactive experience that goes beyond the document, e-mail.

Self Assessment

State whether the following statements are true or false:

5. Human resource forecasts can be very accurate.
6. Small scale units benefit less than large scale undertakings from human resource planning.

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7. The basis for human resource planning is the supply of employees.
8. The role of demographics in estimating employee supply is easy to predict.
9. The first step in determining supply is placing advertisements in newspapers.
10. Strategic plans become operational through budgets.
11. Only relevant labour markets should be analysed to estimate supply.
12. Planners have little flexibility in dealing with short term shortages of employees.

2.6 Rightsizing the Enterprise

Today's modern organisations have technologically advance infrastructure and IT functions. It consumes vast resources with complex processes, relationships and agreements. Within most enterprises, they have the ability to grow in size, complexity and cost as the business expands, but struggle to transform or resize when conditions change or the business changes.

Caution Rightsizing is about how to make those changes, to reorder the important and changing priorities of complex business delivery and get the most from limited resources. Often there are barriers to change, which come from practices, processes and existing or embedded culture.

To alleviate some of the anxiety caused by downsizing, the outsourcing/out-tasking industry moves on from traditional approach and developed a new concept called rightsizing. Many times, while performing an on-premises evaluation, the outsourcing provider found that the numbers of support personnel were at the same levels as they were when the total company population used to be much higher. To make a logical manpower recommendation to a management committee reviewing outsourcing or out-tasking, outsource providers started to use 'rightsizing' as the term that best described the proposed reduction in support personnel numbers. This concept is gaining increasing acceptance among transforming organisation. The benefit of outsourcing, out-tasking, and rightsizing is allowing an enterprise to do what it does best or to return to its core competency.

There are three steps in the rightsizing:

Phase 1: to identify potential candidates for change

Phase 2: to assess cost and making plan for Changes

Phase 3: to implement and appraise the Solutions.

Planning and Forecasting

The basic purpose of human resource planning 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. Requirement of manpower has to be forecasted. For this purpose there are several forecasting techniques like experts forecast, trend analysis, some mathematical models, etc.

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

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

2. ***Work load Analysis:*** The need for manpower is also determined on the basis of workload analysis, wherein the company tries to calculate the number of persons required for various jobs with reference to a planned output.

   While determining manpower requirements through work load analysis, commercial banks may have to take the following factors into consideration: (i) the number of transactions to be handled by an employee; (ii) the amount of deposits and advances per employee; (iii) special requirements in respect of managing extension counters, currency chests, mobile branches, etc.; (iv) future expansion plans of the bank concerned.

3. ***Job Analysis:*** Job analysis helps in finding out the abilities or skills required to do the jobs efficiently. A detailed study of jobs is usually made to identify the qualifications and experience required for them. Job analysis includes two things: Job description and job specification.

Self Assessment

Fill in the blanks:

13. The basic purpose of human resource planning is to have an accurate estimate of the number of employees required, with ..... to meet organisational objectives.

14. ..... helps in finding out the abilities or skills required to do the jobs efficiently.

15. Job analysis includes two things: Job description and ..... .

Case Study

HR Plan for Trading Assistants

Magnum Financial Services Ltd. (MFSL) is a large financial services company with over 4000 employees scattered all over India in their twelve branches. In view of the ups and downs in the stock market, which affect the demand for and supply of qualified finance graduates, from time to time, in different cities, it has been decided sometime back to centralise manpower planning activities at the corporate head quarters, viz., New Delhi itself.

The company has trading terminals spread over the whole of India. In addition to collecting fixed deposits from corporate houses and general public, it has also been managing funds from high net worth individuals. It has plans to launch a number of mutual fund products for which approval has come from Securities Exchange Board of India. It has considerable reputation in the market as a merchant banker and as a money changing agent.

Hiring people with requisite skills, especially after the introduction of the online trading mechanism, is proving to be a tough job. The stock indices have been galloping day by day, thanks to the dramatic growth rates reported by information technology companies in recent months. Looking at the increasing number of trading centres that are opening in various parts of the country, the company wanted to hire twenty five trading assistants by

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offering competitive salaries. While assessing manpower needs at various locations, the following things are generally taken into account:

Manpower Needs

1. Details of previous selections in each centre
2. Current employee strength in each centre
3. Sanctioned posts for each centre
4. Number of vacancies, likely to arise due to competition, unforeseen events, expansion, etc.
5. Surplus, if any, from other centres.
6. Over and above the next vacancies that are likely to arise in each centre, two additional posts have been earmarked so as to serve as a 'cushion' to absorb sudden fluctuations. The actual details about trading assistants in various centres were:

Details of Employees and Posts

1.	Number of people with 2 years' experience	:	94
2.	Number eligible for promotion to next grade	:	28
3.	Number of vacancies on hand	:	25
4.	Number on rolls	:	142
5.	Anticipated needs to be filled up owing to market conditions	:	24 ('two' in each centre)
6.	'Reserve' to be kept over and above sanctioned posts	:	5
7.	Total requirements over a period of 12 months	:	54

In the first batch, it was planned to hire 25 people having one year's exposure to online market operations, in the ₹ 5000 -8500 grade. The chief HR manager arrived at Mumbai to coordinate the recruitment activity. The Mumbai office got the fax message from headquarters on Monday advocating caution and restraint while hiring trading assistants. Around 150 short listed graduates have been called for the interview on that day.

Questions

1. Prepare a comprehensive human resource plan for each centre of MFSL.
2. Looking at the scenario, what should the chief HR manager do?
3. Is it advisable to decentralise the hiring process, so as to avoid problems of the nature mentioned above? Why? Why not?

2.7 Summary

- Human resources planning is defined as the process for identifying an organisation's current and future human resource requirements, developing and implementing plans to meet these requirements and monitoring their overall effectiveness.
- HR Planning is essentially the process of getting the right number of qualified people into the right job at the right time so that an organisation can meet its objectives.
- Organisations use HRP as a means of achieving greater effectiveness.

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- The HR Planning process, should be tuned to organizational objectives and strategies.
- It includes forecasting the demand for employees, preparing manpower inventory, determining manpower gaps and formulating HR plans.
- While developing HR Plans, managers should scan the external environment carefully to identify the effects of economic, social, competitive and governmental influences.
- Rightsizing is about reordering the important and changing priorities of complex business. It refers to the transformation or changing of vast resources, technological, physical, manpower, and complex process, with the change in the business strategies and polices.
- There are many factors that would affect human resource management. However, the main four are considered to be: Political Climate, Economic Climate, Company Strategies and Technological developments.
- HRIS is a computerised system that assists in the processing of HRM information. It supplies up-to-date information about people and jobs in an organisation at a reasonable cost.
- HRIS offers a wide range of HR uses, the most basic being the automation of payroll and benefit activities.
- HRIS can be set up through a four step process: identifying the needs of a firm, organising flow of information, implementing the plan and evaluating the whole exercise to find gaps and to rectify things in time.

2.8 Keywords

Audit: The audit looks at what had occurred in the past and at present in terms of labour turnover, age and sex groupings, training costs and absence.

Benchmarking: Measuring the performance of processes within your organisation, comparing these performance levels with the best in class companies and where deficiencies exist, using the information on the best practices too improve your organisation's own business processes (Kehoe).

Diversity: The situation that arises when employees differ from each other in terms of age, gender, ethnicity, education, etc.

Forecasting: It is the process of identifying expected future conditions based on information from the past and present.

Globalization: The tendency of organizations to extend their sales, ownership and/or manufacturing to new markets.

Human Resource Information System: An integrated system designed to provide information used in HR decision-making.

Human Resource Planning: The process of getting the right number of qualified people into the right job at the right time, so that an organisation can meet its objectives.

Inventory: Stock taking of the current employees in the organization.

Investigation: It is the primary stage of HRP in any organisation. In this stage, organisations try to develop their awareness about the detailed manpower scenario with a holistic view, looking at their current manpower.

Reengineering: Radical, quantum change in an organization.

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Rightsizing: Rightsizing is about reordering the important and changing priorities of complex business.

SWOT Analysis: It examines the Strengths and Weaknesses of the organization internally and opportunities and threats externally.

Technology: Refers to how an organization transforms its inputs into outputs.

TQM: A way of creating an organizational culture committed to the continuous improvement of skills, teamwork, processes, product and service quality and customer satisfaction.

$$\text{Turnover Rate} = \frac{\text{Number of separations during one year}}{\text{Average number of employees during the year}}$$

Turnover Rate: Turnover is defined as the number of people leaving the organization in a given period of time, usually one year. The turnover rate can be expressed by a number of different formulas.

Utilization: In this final stage of HRP process, success is measured in terms of achievement trend, both quantitatively and qualitatively.

2.9 Review Questions

1. What is Human resource planning?
2. What is the need of having HRP?
3. Write down the HRP process stages.
4. Explain the reasons for the growing interest in HRP in recent years.
5. Outline the steps involved in the Human Resource Planning process, if you have to do HRP.
6. Define Strategic HRP.
7. What are the factors which effects HRM?
8. What is meant by diversity, and what are the major reasons that have made it a challenge for today's organizations?
9. Define HRIS. Explain its objectives and functions.
10. How will you design and develop a human resource information system in an industrial organization?
11. Take an example of an IT firm and show the importance of HRP there.
12. Suppose you are going to HR plan, what objectives would you consider?
13. How can you say that the role of the human resource function is two-fold?
14. How will you make differences between planning and forecasting?
15. What is the significance of rightsizing the enterprise?

Answers: Self Assessment

1.	(iii)	2.	(ii)
3.	(v)	4.	(i)

Notes

5.	F	6.	T
7.	F	8.	T
9.	F	10.	T
11.	T	12.	T
13.	matching skill requirements	14.	Job analysis
15.	job specification		

2.10 Further Readings

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http://workforceonline.com

http://www.glue.umt.edu/vernita/

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Unit 3: Job Analysis

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Objectives

After studying this unit, you will be able to:

- Discuss various Job terminologies
- Describe Importance of Job Analysis
- State the relevance of Steps in Job Analysis
- Explain the Techniques of Job Analysis
- Understand Job description and Job Specifications

Introduction

Developing an organization structure results in jobs which have to be staffed. "Work" is an organisation's basic function. The 'primary activities' may relate to three categories—Data, People and Things. Data includes synthesizing, coordinating, analyzing, compiling, computing and comparing activities. People relate to monitoring, negotiating, instructing, supervising, diverting, persuading and taking instructions. Things are concerned with setting up, precision working, operating-controlling, driving-operating, manipulating and handling.

Notes

3.1 Concept of Job

A job may be defined as a "collection or aggregation of tasks, duties and responsibilities which as a whole, is regarded as a regular assignment to individual employees." In other words, total work is divided and grouped into packages; we call it a job. Each job has a definite title based upon standardized trade specifications within a job. A position is a "collection of tasks and responsibilities regularly assigned to one person"; while a job is a "group of positions, which involve essentially the same duties, responsibilities, skill and knowledge." A position consists of a particular set of duties assigned to an individual.

3.1.1 Job Terminology

1. ***Task:*** An identifiable work activity carried out for a specific purpose. For example, typing a letter.
2. ***Duty:*** Several tasks which are related by some sequence of events. For example, pick up, sort out and deliver incoming mail.
3. ***Position:*** A collection of tasks and duties which are performed by one person. For example, the PA to Principal receives visitors, takes dictation, operates computer, answers queries, attends to complaints and helps students.
4. ***Job:*** A group of positions similar in their significant duties such as technical assistant, computer programmers.

3.2 Meaning of Job Analysis

A job consists of a group of tasks that must be performed for an organisation to achieve its goals. A task is an identifiable work activity carried out for a specific purpose, for example, typing a letter. A duty is a larger work segment consisting of several tasks (which are related by some sequence of events) that are performed by an individual, for example, pick up, sort out and deliver incoming mail. Job responsibilities are obligations to perform certain tasks and duties.

Job analysis is a formal and detailed examination of jobs. It is a systematic investigation of the tasks, duties and responsibilities necessary to do a job.

Job Analysis is a process to identify and determine in detail the particular job duties and requirements and the relative importance of these duties for a given job. Job Analysis is a process where judgements are made about data collected on a job.

The Job, not the person, an important concept of Job Analysis is that the analysis is conducted of the Job, not the person. While Job Analysis data may be collected from incumbents through interviews or questionnaires, the product of the analysis is a description or specifications of the job, not a description of the person.

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

Traditionally, jobs are defined in a rigid way-along prescribed lines. The job incumbents are expected to carry out work by strictly adhering to a set of rules and regulations. The job is designed to be immutable and unchanging irrespective of the various incumbents who carry out work at different points of time. In the traditional view, thus, there is a straightforward assumption that jobs exist and they need to be scrupulously looked after to obtain results.

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According to Modern View, in a fast changing environment, "jobs are nothing but rigid solutions to an elastic problem". An organisation is not a structure of unchanging jobs. It is, in fact, made up of constantly changing activities and projects. In reality, jobs are not static. Technological advances and competitive pressures may often force an organization to put more emphasis on characteristics of successful performance rather than on standard job duties, tasks, etc. The same job, moreover, might be handled differently at different times of the year. The job is what the incumbent makes of it. Job titles also need to be designed carefully. In the modern world, the fewer the job titles, the better. Because of certain inherent premium value, they carry lot of meaning. If everyone has the same title with no status walls and rank divisions, then there will be fewer territorial fights between job holders. Jobs, to be useful, ought to move in sync with changing times. They are expected to be flexible and adaptable.

Job Analysis is the process of studying and collecting information relating to the operations and responsibility of a specific job. The immediate products of this analysis are job description and job specifications.

Job analysis is a systematic approach to defining the job role, description, requirements, responsibilities, evaluation, etc. It helps in finding out required level of education, skills, knowledge, training, etc. for the job position. It also depicts the job worth i.e., measurable effectiveness of the job and contribution of job to the organization. Thus, it effectively contributes to setting up the compensation package for the job position. Job analysis is a process to identify and determine in detail the particular job duties and requirements and the relative importance of these duties for a given job. It is a process where judgments are made about data collected on a job.

Did u know? **Management Position Description Questionnaire (MPDQ)**

MPDQ is a standardised instrument designed specifically for use in analysing managerial jobs. The 274 item questionnaire contains 15 sections. It would take 2 ½ hours to complete the questionnaire. In most cases the respondents are asked to state how important each item is to the position.

3.2.1 Importance of Job Analysis

Job analysis helps in analyzing the resources and establishing the strategies to accomplish the business goals and strategic objectives. It forms the basis for demand-supply analysis, recruitments, compensation management, and training need assessment and performance appraisal.

1. ***Organization and Manpower Planning:*** It is useful in organizational planning. It assesses the human needs in the organization.
2. ***Recruitment and Selection:*** After assessing the manpower requirement in the organization, it provides the realistic basis for recruitment, selection, training, development, placement, transfer and promotion.
3. ***Wages and Salary Administration:*** Job analysis is used as a foundation for job evaluation, which further helps in compensation management of the workers.
4. ***Job Reengineering:*** It can be further divided into: (a) Industrial engineering activity which is concerned with operational analysis, motion study, work simplification, reducing unit labour cost, establishing standard performance and communicating it with the employees. (b) Human engineering activity which takes into consideration human capabilities, both

Notes

physical and psychological and prepares the ground for complex operations of increased efficiency and better productivity.

5. ***Employee Training and Management Development:*** Job analyses provide information to the management of training and development programmes. It helps in determining the content and subject matter of training courses.

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

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

3.2.2 Steps in Job Analysis

Step 1: Collection of Background Information: The information can be reviewed from the background information such as organization charts, which tells us how the job in question relates to the other jobs and where they fit in an organization the structure; class specification, which describes the general requirements of class of job to which the job under analysis belongs; job description, which provides a starting point from which to build the revised job description.

Step 2: Selection of Representative Position to be Analysed: Since the analysis of job is time consuming, flow representative positions should be analysed.

Step 3: Collection of Job Analysis Data: Job data on features of the job, required employee qualifications and requirements should be collected from the employees who actually perform a job.

Step 4: Developing a Job Description: The information collected is to be developed in the form of a job description. This is written statement that describes the main features of the job, as well the qualifications/activities which the job holder must possess.

Step 5: Developing a Job Specification: The last step is to convert Job Description into Job Specifications i.e., to specifically mention what personal qualities, traits, skills and background is necessary for getting the job done.

Notes **Techniques for Job Analysis**

The skills and abilities necessary for successful performance and the responsibilities inherent in the job can be obtained through such methods or approaches:

1. ***Personal Observation:*** Direct observation is especially useful in jobs that consist primarily of observable physical ability, like the jobs of draftsman, mechanic, spinner or weaver. A trained observer observes a worker, recording what the worker does, how the work is done, and how long it takes. There are two types of observation:

   (a) Continuous observation involves observing a job over a given period of time.

   (b) Sampling involves observing several incumbents over random, relatively short periods of time. Observation is a simple and frequently used method of job analysis.

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2. ***Questionnaires:*** Properly drafted questionnaires are sent out to job-holders for completion and are returned to supervisors. The information received is often unorganized and incoherent. The idea in issuing questionnaire is to elicit the necessary information from job holders so that any error may first be discussed with the employee and after due corrections, may be submitted to the job analyst. There are two types of questionnaires: The structured questionnaire uses a standardized list of work activities, called a task inventory, that job incumbents or supervisors may identify as related to the job. In addition, the respondent may also identify additional information such as how much time is spent on the task, the amount of supervision required, and/or the expertise required. The open-ended questionnaire asks the job incumbent to describe the work in his or her own words.
3. ***Maintenance of Log Records:*** The employee maintains a daily records of duties he performs, marking the time at which each task is started and finished. It is a time-consuming process and moreover it does not give desirable information on supervisor relationship, the equipment used and working conditions.
4. ***Personal Interviews:*** May be held by the analysts with the employee and answer to relevant questions may be recorded. The method is time-consuming and costly. A trained job analyst interviews a job incumbent, usually utilizing a standardized format. Sometimes more than one worker are interviewed, and the results are aggregated. Another variation is the group interview, where several incumbents are interviewed.
5. ***Critical Incident:*** Behaviorally based critical incidents are used to describe work, and a job analyst determines the degree of each behavior that is present or absent in the job.
6. ***Diary:*** The job incumbent records activities and tasks in a log or diary as they are performed.
7. ***Checklist:*** A worker or supervisor checks items on a standardized task inventory that apply to the job. Checklists may be custom-made or purchased from an outside vendor.
8. ***Technical Conference:*** Several experts (often called "subject matter experts") on the job collaborate to provide information about the work performed. A job analyst facilitates the process and prepares the job description based on the consensus of the technical experts.

3.2.3 What Aspects of a Job are Analyzed?

Job analysis should collect information on the following areas:

1. ***Duties and Tasks:*** The basic unit of a job is the performance of specific tasks and duties. Information to be collected about these items may include: frequency, duration, effort, skill, complexity, equipment, standards, etc.
2. ***Environment:*** This may have a significant impact on the physical requirements to be able to perform a job. The work environment may include unpleasant conditions such as offensive odours and temperature extremes. There may also be definite risks to the incumbent such as noxious fumes, radioactive substances, hostile and aggressive people, and dangerous explosives.
3. ***Tools and Equipment:*** Some duties and tasks are performed using specific equipment and tools. Equipment may include protective clothing. These items need to be specified in a Job Analysis.

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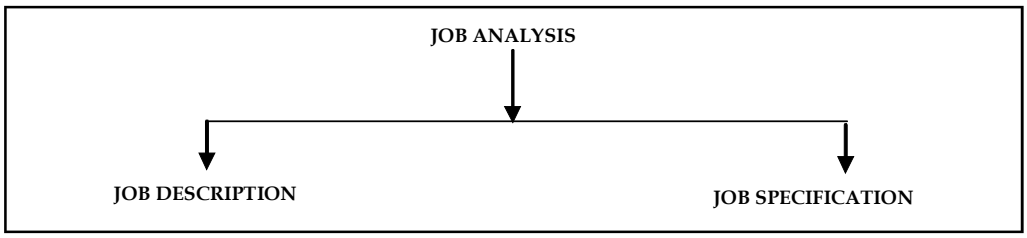
4. ***Relationships:*** Supervision given and received. Relationships with internal or external people.

5. ***Requirements:*** The knowledge, skills, and abilities (KSAs) required to perform the job. While an incumbent may have higher KSAs than those required for the job, a Job Analysis typically only states the minimum requirements to perform the job.

Job Analysis can be classified into two broad categories: Job Description and Job Specification.



3.3 Job Description

Job description contains details of reporting relationships (to whom the job holder reports and who reports to the job holder), a statement of the overall purpose of the job and the list of the main tasks, activities or duties (whichever term is used) that the job holder has to carry out.

It is basically descriptive in nature and contains a statement of job analysis. It provides both organizational information (location in structure, authority) and functional information (nature of work). It defines the scope of job activities, major duties and responsibilities and major position of the job in the organization.

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

Job description describes the "job" and not the "job holder".

3.3.1 Uses of Job Description

1. It helps in the development of job specifications, which are useful in planning, recruitment, and training and in hiring people with required skills.
2. It is useful in providing orientation to new employees towards their basic responsibilities and duties.
3. It is useful in developing performance standard.
4. It can be used for job evaluation, wage and salary administration techniques.

According to Zerga, who analyzed 401 articles on job description about 30 years ago, a job description helps us in:

1. Job grading and classification
2. Transfer and promotion
3. Adjustments of grievances
4. Defining and outlining promotional steps

Notes

5. Investigating accidents
6. Maintaining, operating and adjusting machinery
7. Time and motion studies
8. Defining the limits of authority
9. Studies of health and fatigue
10. Providing hiring specifications
11. Providing performance indicators.

3.3.2 Components of Job Description

1. ***Job Identification or Organizational Position:*** Which includes the job title, alternative title, department, division, plant and code number of the job. The job title identifies the job properly. The department, division indicates the name of the department whether it is maintenance or mechanical. The location gives the name of the place.
2. ***Job Summary:*** It serves two important purposes. First, it provides a short definition to various job duties and responsibilities where job title is not adequate. Secondly, it gives a "quick capsule explanation" of the contents of the job.
3. ***Job Duties and Responsibilities:*** It is regarded as the heart of the job. It tells us what needs to be done? How should it be done? Why should it be done? It is a comprehensive list of job duties and responsibilities.
4. ***Relation to Other Jobs:*** This helps to locate the job in the organization by indicating the job immediately below or above it in the job hierarchy. It also gives an idea of the vertical relationship in the organization.
5. ***Supervision:*** Under this, it gives the span of control, that is, the number of people to be supervised along with their job title. It also tells us the extents of supervision involved-general, intermediate or close supervision.
6. ***Machine, Tools and Equipment:*** These define each major type or trade name of the machines and tools and the raw materials used.
7. ***Working Conditions:*** Tells us about the environment in which the job holder must work. These include temperature, odour, fumes, light, ventilation moisture and such other conditions inside the organization.
8. ***Hazards:*** It gives us the nature of risks to life and their probability of occurrence.

3.3.3 Limitations of Job Description

1. Job descriptions are not the perfect reflections of the job. The objective of job description is to differentiate it from other jobs and assign its limits. The executives tend to carry work patterns with them into their new jobs, thus modifying the job drastically.
2. Jobs tend to be dynamic, not static and a job description can quickly get outdated. Therefore, jobs should be constantly revised and kept up-to-date.

Both supervisors and subordinates should and use job description, otherwise job evaluation and job performance review would seem to be unfair.

Notes

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

Self Assessment

Multiple Choice Questions:

1. Which of the following is not offered in a job analysis?
   (i) worker attributes
   (ii) performance appraisals
   (iii) working conditions
   (iv) job specifications
   (v) job description.
2. The advantage of employing various methods of job analysis is:
   (i) cost
   (ii) complexity
   (iii) accuracy
   (iv) time
   (v) participation by job incumbents and managers.
3. Job descriptions should be reviewed by:
   (i) supervisors
   (ii) job incumbents
   (iii) human resource department
   (iv) none of the above
   (v) all of the above.
4. A job analysis questionnaire should include all but the following:
   (i) job evaluation
   (ii) performance standards
   (iii) job duties
   (iv) job status
   (v) working conditions.

3.4 Job Specifications

Job specification tells what kind of person to recruit and for what qualities that person should be tested. Job specification translates the job description into terms of the human qualifications which are required for a successful performance of a job. They guide in hiring and job evaluation.

Notes

Job specifications are developed with the co-operation of the personnel department and various supervisors in the whole organization. The personnel department coordinates the writing of job description and job specification and secures agreement on the qualifications required.

Job specification relates to:

1. ***Physical Characteristics:*** which include health, strengths, endurance, age-range, body size, height, weight, vision, voice, poise eye, hand and foot coordination, motor coordination and colour discrimination.
2. ***Psychological Characteristics:*** which include such qualities as manual dexterity, mechanical aptitude, ingenuity, judgments, resourcefulness, analytical ability, mental concentration and alertness.
3. ***Personal Characteristics:*** such as personal appearance, good and pleasing manners, emotional stability, aggressiveness or submissiveness, extroversion or introversion, leadership, initiative, drive, skill in dealing with others, unusual sensory qualities of sight, smell, hearing, adaptability, conversational ability, etc.
4. ***Responsibilities:*** which include supervision of others, responsibility for production, process and equipment, responsibility for safety of others, responsibility for generating confidence and trust, responsibility for preventing monetary loss.
5. ***Other Features of Demographic Nature:*** which are age, sex, education, and experience and language ability.

The items to be included in job specification vary according to the nature of an organization and the use to which they are put. However, items like age, sex, experience, skill, education and personality are invariably included in job specification.

Self Assessment

State whether the following statements are true or false:

5. Supervisors should not be involved in job analysis.
6. Feedback is highly discouraging.
7. Job descriptions are little more than a list of tasks.
8. Jobs are the means of accomplishing organisational objectives.
9. Job analysis is an informal examination of jobs.
10. Job analysis helps in forecasting human resource requirements.
11. Job specification tells what kind of person to recruit and for what qualities that person should be tested.
12. Manual dexterity, mechanical aptitude, ingenuity, judgments, resourcefulness, analytical ability, mental concentration and alertness all are examples of physical characteristics.
13. Health, strength and age-range are all belongs to psychological features.
14. Job specifications are developed with the co-operation of the personnel department and various supervisors in the whole organization.
15. Job descriptions are the perfect reflections of the job.

Notes

Case Study

Job Description of an Assistant

Based on his view of what is happening in Fortune Financial Services Limited (FFSL), Robin Singh, the Branch Manager of Delhi office, concluded that one of the first things he had to attend involved developing job descriptions for his online trading assistants.

The daily turnover of the FFSL's Branch in the Connaught Circus area has been going up steadily in recent times, thanks to the stock market boom. In Jan 2003, it had reached an all-time high of ₹ 10 crore. To encash the opportunities presented by the boom, FFSL had recruited 5 additional assistants - all young graduates with over two years' experience in stock operations - taking the total number of trading assistants to 12. Two supervisors had also been appointed about six months back to oversee trading arrangements and back-office operations. The branch allows trading in stocks belonging to Bombay Stock Exchange and National Stock Exchange. Each assistant had to look after the requirements of more than 50 clients on a daily basis.

In recent times, FFSL faced a number of problems on settlement days, especially when there is a sustained rise or fall in stock prices. The major ones included the following:

1. Clients exceeded their limits with active cooperation from trading assistants/ supervisors
2. Clients issued cheques which bounced back later on
3. Delivery slips not handed over in case of dematerialised stocks
4. Clients simply disappeared for a while, whenever they took a long position in a particular scrip - only to surface when the price is up.

Robin Singh brought these problems to the notice of management and suggested the following steps:

1. Clearly define the roles and responsibilities of trading assistants and supervisors
2. Assess the net worth of a client carefully before enrolling him as a member: set trading limits clearly and circulate these to assistants daily
3. On the settlement day, ask the clients to pay or square up.
4. Collect amounts from clients on a daily basis whenever they exceeded limits
5. Make the entire group responsible, whenever the assistants allowed clients to exceed limits.

Questions

1. What should be the format and final form of the trading assistant's job description?
2. Is it advisable to specify rules and regulations in the body of the job description or should these be kept separately?
3. How would you have conducted the job analysis in the above case?

Notes

3.5 Summary

- Jobs are important to individuals as well as organisations. They are subject to change. Job Analysis is a systematic investigation of the tasks , duties and responsibilities necessary to do a job. Job analysis information is useful for a variety, of organization purposes ranging from human resource planning to career counselling.
- The end products of job analysis are (a) Job descriptions, a written statement of what the job holder does, and (b) job specifications, which list the knowledge, stills and abilities (KSAs) required to perform a job satisfactorily.

3.6 Keywords

Duty: Several tasks which are related by some sequence of events. For example: pick up, sort out and deliver incoming mail.

Human Engineering Activity: It takes into consideration human capabilities, both physical and psychological and prepares the ground for complex operations of increased efficiency and better productivity.

Industrial Engineering Activity: It is concerned with operational analysis, motion study, work simplification, reducing unit labour cost, establishing standard performance and communicating it with the employees.

Job: A group of positions similar in their significant duties such as technical assistant, computer programmers.

Job Analysis: The process of gathering information about a job.

Job Classification: The grouping of jobs on some basis such as the nature of work done or the level of pay. For example, skilled, semiskilled and unskilled; Grade I, II and III officers in a Bank.

Job Reengineering: It is the sum total of Industrial engineering activity and Human engineering activity.

Job Specification: Job specification tells what kind of person to recruit and for what qualities that person should be tested.

Position: A collection of tasks and duties which are performed by one person. For example, the PA to Principal receives visitors, takes dictation, operates computer, answers queries, attends to complaints and helps students.

Reengineering: Rethinking and redesigning work in a radical way to improve cost, service and speed.

Task: An identifiable work activity carried out for a specific purpose. For example: typing a letter.

3.7 Review Questions

1. What is job analysis? Describe the techniques used for analysing jobs.
2. What is job description? Describe its features. How would you prepare a job description? Explain through an example.

Notes

3. Distinguish between job description and job specification. What precautions should be taken while preparing them?
4. Construct a form for a sample job description. Why is a job description necessary before developing a job specification?
5. Describe the process involved in conducting a job analysis.
6. Describe three methods of analysing jobs, including some advantages and disadvantages of each method.
7. Why is job analysis the foundation of many other HR activities?
8. Why is a competency-based job analysis more difficult to conduct than the traditional task-based approach?
9. Explain how you would carry out a job analysis in a company that had never had job descriptions.
10. Place yourself in the position of being the head of a service department. How might formally written job requirements help you manage your work unit?
11. 'Although systematic in nature, a job description is still at best a subjective result of a job analysis." Why or why not? Discuss.
12. If you have to do job analysis, which steps do you follow in doing so?
13. Are job descriptions really necessary? What would happen if a company decided not to use any job descriptions at all?
14. Jobs and the nature of work itself are dramatically changing in our information-based, global economy. How will the emerging patterns of work affect the nature of organizational participation, the nature of our jobs and the process we employ to conduct job analyses in the future?
15. One of the common reasons advanced for not conducting job analyses is the substantial cost that can be associated with such an undertaking. Present a more balanced perspective by identifying both the various benefits of conducting job analyses and the incremental costs that may occur if the process is not instigated.

Answers: Self Assessment

1.	(ii)	2.	(iii)
3.	(v)	4.	(i)
5 .	T	6.	F
7.	F	8.	T
9.	F	10.	T
11.	T	12.	F
13.	F	14.	T
15.	F		

3.8 Further Readings

Notes

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Online link

www.jobdescription.com

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Unit 4: Job Design

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4.7 Job Enrichment

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4.7.2 Steps in Job Enrichment

4.8 Providing Intrinsic Motivation

4.8.1 The Significance of Intrinsic Motivation

4.9 Summary

4.10 Keywords

4.11 Review Questions

4.12 Further Readings

Objectives

After studying this unit, you will be able to:

- Define the term job design
- Discuss job design process
- State the relevance of methods of job design
- Explain the concept of job rotation
- Elaborate on job enrichment Job Specifications

Introduction

The logical step to job analysis is job design. Job design has been a concern for managers for many years, but it was Frederick Taylor, in 1911, who proposed the scientific design of a job. Through time and motion studies, it was expected that productivity would increase. There was little regard for the human element other than to make sure that it was adequately controlled and supervised. More recently, organisations are discovering there is often a high price today in the form of absenteeism, turnover, apathy, poor work quality, or even sabotage, when the human element is not considered.

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The current trend is to redesign jobs to improve worker satisfaction and productivity. There are, however, no easy solutions to redesigning jobs because there are too many variables: the worker, the nature of the work, the organisation climate, and the manager's styles.

4.1 Definition of Job Design

Job design is defined as the process of deciding on the content of a job in terms of its duties and responsibilities; on the methods to be used in carrying out the job, in terms of techniques, systems and procedures and on the relationships that should exist between the job holder and his superiors, subordinates and colleagues.

It integrates work content (tasks, functions, relationships), the rewards (extrinsic and intrinsic) and the qualification required (skills, knowledge, abilities) for each job in away that meets the needs of employees and the organization.

Two important goals of job design are:

1. To meet the organizational requirements such as higher productivity, operational efficiency, quality of product/service.
2. To satisfy the needs of the individual employees like interests, challenge, achievement or accomplishment.

4.2 Job Design Process

Job design process has to start from what activity needs to be done in order to achieve organizational goals. It requires the use of techniques like work-study, process planning, organizational methods and organizational analysis.

4.3 Job Design Methods

Job design motivates the employees for higher efficiency, productivity and generates job satisfaction. Specification should be introduced in job design so that the needs of the employees for accomplishment, recognition, psychological growth can be satisfied. Personnel departments such as Job simplification, job rotation, job enlargement and job enrichment.

4.4 Job Simplification

Job simplification is a design method whereby jobs are divided into smaller components and subsequently assigned to workers as whole jobs. Simplification of work requires that jobs be broken down into their smallest units and then analysed. Each resulting sub-unit typically consists of relatively few operations. These subunits are then assigned to the workers as their total job.

Many fast food restaurants such as McDonald's, Burger King and Nirula's use simplification because employees can learn tasks rapidly; short work cycles allow task performance with little or no mental effort and low-skilled and low-paid employees can be hired and trained easily.

On the negative side, job simplification results in workers experiencing boredom, frustration, alienation, lack of motivation and low job satisfaction. This, in turn, leads to lower productivity and increased cost. Most current competitive challenges demand a committed and involved workforce that is able to make decisions and experiment with new ways of doing things. Many people seek jobs that allow greater discretion and offer more of a challenge. In other words,

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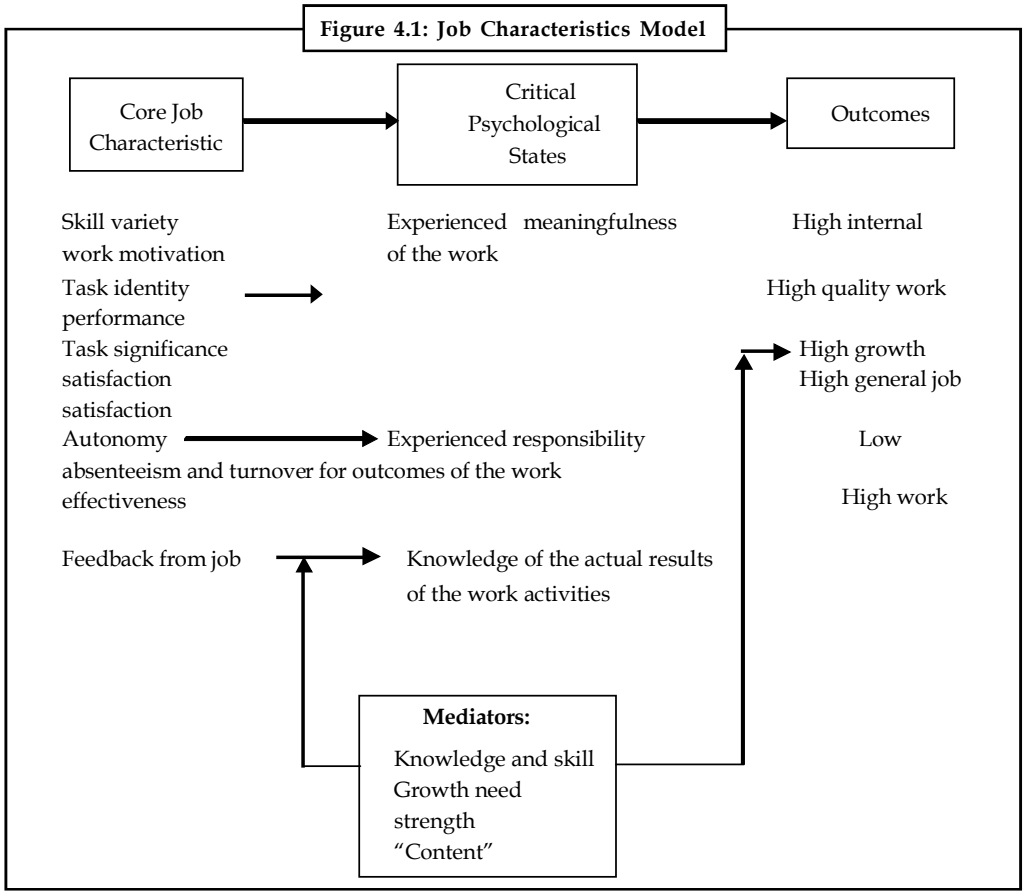
designing jobs with employee needs in mind requires a totally different approach, known as job enrichment i.e., changing job specifications to broaden and add challenge to the tasks required.

Figure 4.1: Job Characteristics Model



Source: J Richard Hackman & Greg R Oldham

4.5 Job Rotation

It implies movement of employees from job to job. Jobs remain unchanged. With job rotation, a given employee performs different jobs but more or less jobs of the same nature.

On the positive side, it may be said that job rotation is likely to increase intrinsic reward potential of a job because of different skills and abilities needed to perform it. The organization also benefits because workers become competent in several jobs, rather than only one. Knowing a variety of job improves the workers' self-image, provides personal growth, and makes the worker more valuable to the organisation.

On the negative side, it may be stated that job rotation may not have much impact on employee enthusiasm and efficiency. According to Herzberg, job rotation is merely "substituting one zero for another zero". Employees feel alienated when they are rotated from one job to another.

4.6 Job Enlargement

It involves expanding the number of task or duties assigned to a given job. It is opposite of work simplification. Adding more tasks or duties to a job does not mean that new skills and abilities are needed to perform. Enlarged job requires longer training period because there are more tasks to be learned.

Notes

There is horizontal expansion. It is "adding zero to zero". The employees generally resist it. It is said to contribute to employee motivation, however no valid claims have been made so far. Job enlargement programmes would be successful only if workers are more satisfied with jobs which have a longer scope.

4.7 Job Enrichment

Although not much is heard of it nowadays, the job enrichment movement of the 1960s, which was largely designed and inspired by the research and writings of Frederick Herzberg, has had a considerable influence on the job design.

The aim of job enrichment is to maximize the interest and challenge of work by providing employees with jobs having the following characteristics:

1. They are complete piece of work in the sense that the workers can identify a series of tasks or activities that end in a recognizable and definable product or service.
2. They provide employees with as much variety, decision-making responsibility and control as possible in carrying out the work.
3. They provide direct and quick feedback through the work itself on how well the employees are doing their jobs.

It seeks to improve both task efficiency and human satisfaction by giving more challenging and responsible work and opportunity for individual advancement and growth. An enriched job will have more responsibility and autonomy (vertical enrichment), more variety of tasks (horizontal enrichment) and more growth opportunities.

On the positive side, it leads to increased motivation, performance, satisfaction, job involvement and reduced absenteeism.

Secondly, it meets certain psychological needs of the job holders.

Self Assessment

Multiple Choice Questions:

1. Employees with ..... need for achievement desire challenging jobs over which they have control.
   - (i) low
   - (ii) medium
   - (iii) high
   - (v) no
2. Which statement about job satisfaction is most correct?
   - (i) It causes performance
   - (ii) It can affect turnover
   - (iii) It cannot be measured
   - (iv) It does not affect absenteeism
3. Giving employees more tasks to perform at the same time is called job:
   - (i) enrichment

Notes

(ii) rotation

(iii) enlargement

(iv) revitalisation

4. The job characteristics model is mostly concerned with:

   (i) enrichment

   (ii) rotation

   (iii) enlargement

   (iv) revitalisation

5. Job security would fall under which of the following needs:

   (i) safety

   (ii) social

   (iii) ego

   (iv) self-actualisation

4.7.1 Techniques of Job Enrichment

1. Increasing the responsibility of the activity.
2. Providing wider scope, more sequence and increased pace of the work.
3. Providing the freedom of work by minimizing controls when the employees are clearly accountable for attaining defined goals.
4. Giving a natural unit of work either to an employee or group of employees.
5. Allowing the employees to set their own standards or targets.
6. Introducing new, difficult, creative tasks to the employees.
7. Encouraging employee participation in planning, innovations and creations.

4.7.2 Steps in Job Enrichment

1. Selecting those jobs which permit close relation between motivation and job performance.
2. Introducing on a pilot scheme basis.
3. Starting with the assumption that these jobs can be changed.
4. Brainstorming a list of changes that may enrich the jobs.
5. Concentrating on motivational factors such as achievement, responsibility, self-control.
6. Trying to change the content of the job rather than changing the employees from their jobs.
7. Providing adequate training, guidance, encouragement and the help.
8. Introducing with care as job enrichment programmes may be resisted by employees.
9. Preparing the specific programmes for each project and ensure the control information to monitor the performance.

Self Assessment

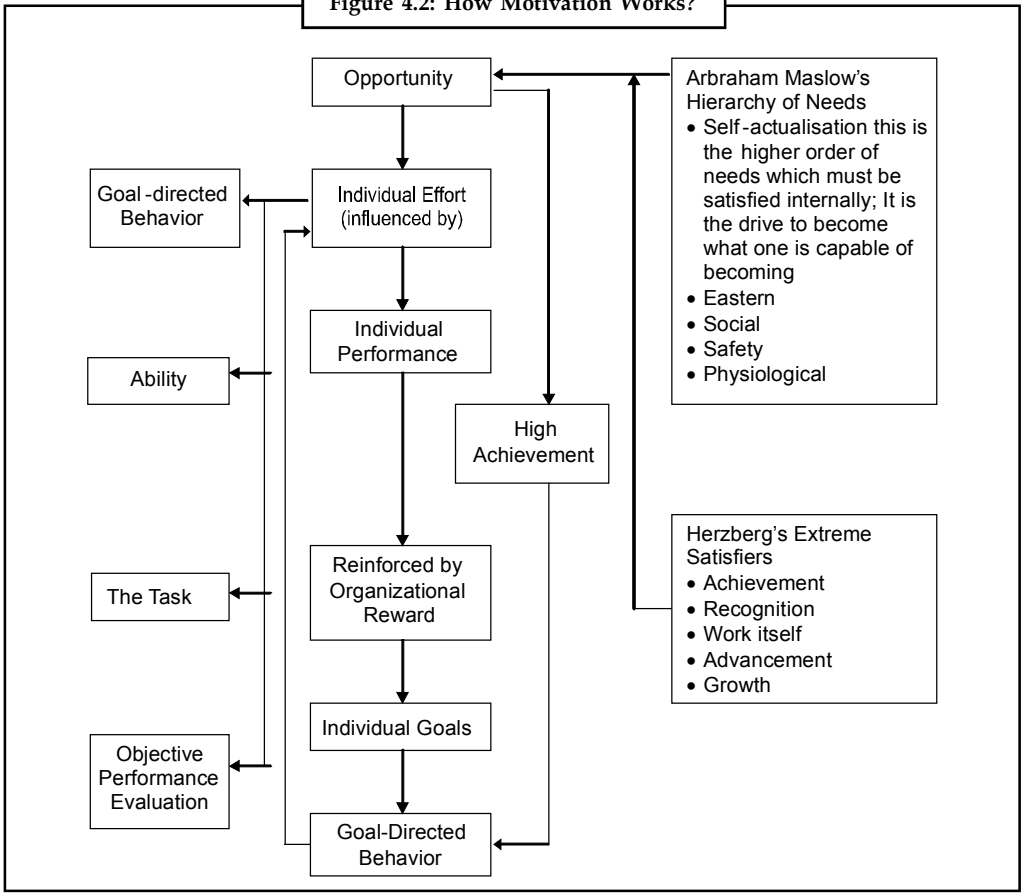
Notes

Fill in the blanks:

6. The logical step to job analysis is ..... .
7. ....., in 1911, proposed the scientific design of a job.
8. The current trend is to redesign jobs to improve ..... and ..... .
9. ..... should be introduced in job design so that the needs of the employees for accomplishment, recognition, psychological growth can be satisfied.
10. The aim of job enrichment is to ..... the interest and challenge of work by providing employees with jobs.

4.8 Providing Intrinsic Motivation

Figure 4.2: How Motivation Works?



Notes **Fitting Jobs with People**

The main of any organization is to design jobs in the organization around the strengths of the people and their capabilities. But if someone comes along with different skills and

Contd...

Notes

aptitude who can make better contribution by being given the opportunity to use them, then the "ideal" job design must be abandoned.

The argument that fitting jobs to people rather than people to jobs will enhance their ability to perform better. It may well be that when jobs are built around people's capabilities, it will be easier to develop their roles in new directions by simply getting them to use the same skills in different situations. They will not have to learn the new job from scratch.

The capacity to adapt quickly will be further enhanced if a policy of continuous development is adopted which enables people to grow their talents in their present roles, thus preparing them for new roles.

4.8.1 The Significance of Intrinsic Motivation

Intrinsic motivation is defined as the self-regulated factors which influence people to behave in particular ways or to move in certain directions. Intrinsic motivation can be increased by the work itself, which provides rewards that are directly under the control of the worker. This is related to the fundamental concept that people are motivated when they are provided with the means to achieve their goals. Money is a great motivating factor, as it is an essential method of satisfying these needs. Intrinsic motivation tends to have a deeper and long-term effect because it is not imposed from outside.

The following characteristics are required in jobs if they are to provide intrinsic motivation:

1. ***Integration:*** The job should be integrated in terms of planning, execution and control.
2. ***Autonomy:*** As high a degree of autonomy as possible should be given to the workers or the terms of setting goals, exercising discretion, responsibility and self-control.
3. ***Task Significance:*** The workers or team must believe that the task they carry out is significant and worth doing.
4. ***Use and Development of Abilities:*** Workers should believe that the job will enable them to use and develop their abilities. The work should fit what they are and are capable of becoming.
5. ***Variety:*** The more variety in the tasks carried out, the better.
6. ***Feedback:*** Workers should be able to get feedback on their performance and development needs. People should be in a position in which they can monitor and evaluate their own performance against targets and standards that they have been involved in setting.

Self Assessment

Match the term below with its appropriate definition

11.	Job satisfaction	(a)	Interventions that restructure the work, the work group and the relationship between workers and the way the tasks are performed.
12.	Job design	(b)	Adding more responsibilities, autonomy and control over a job.
13.	Job rotation	(c)	Favourableness or unfavourableness with which employees view their work.
14.	Job enrichment	(d)	Adding more tasks to a job to increase the job cycle.
15.	Job enlargement	(e)	The process of moving employees from one job to another to week allow them more variety in their jobs and provide the opportunity to learn new skills.

Notes

Case Study

Goodearth Financial Services

Goodearth Financial Services Limited, has grown considerably during the last 5 years. Mr Jashpal Bhatti started the company with two employees and business for ₹ 6,00,000 in gross sales. The company now employs 200 people and is expected to have business for ₹ 6,00,00,000 this year. During the early years, it was always clear what was expected from each employee. Everyone knew how to do everything and was often called upon to do exactly that. This is no longer true and it is apparent to Mr Jashpal Bhatti that each employee must be given a clear set of general guidelines as to what duties the employee must perform.

A number of new players are now in financial services who are the arch competitors for Mr Bhatti's company. The service-mix for Goodearth also has significantly changed to keep pace with the changing customers' expectation. The company, therefore, had to change its operation strategy.

In addition, it is becoming increasingly difficult to hire employees without having a clear understanding of exactly what the individual will be doing. Applicants seem reluctant to join the firm without some information about their probable job profile and it is difficult to know exactly what skills, the prospective applicants should have without knowing in some detail what they will be doing.

Mr Jashpal Bhatti decided to write job descriptions and job specifications for his employees. It is his belief that such documents will clear any misunderstandings among employees regarding responsibilities, help to organise better the work that must be done, inform prospective employees about their probable job duties, orient new employees and help to make better selection decisions.

You have been retained by Mr Bhatti to determine whose responsibility it will be to gather the data and write the descriptions and specifications, how the data will be gathered (observation, questionnaire or interview) and how detailed descriptions and specifications should be.

Mr Bhatti is currently considering these job analysis issues but has a number of questions about how each will affect the final results.

Questions

1. What recommendations would you make to him regarding the most appropriate individuals and methods to be used for data collection?
2. What approach to the design of jobs should be considered by you and why?
3. Keeping in mind the recent trends in financial services companies, design the job of different hierarchical levels for at least four operational areas with supporting background information, like; job analysis, job description, etc.

4.9 Summary

- Job design has been a concern for managers for many years. The current trend is to redesign jobs to improve worker satisfaction and productivity. Some of the approaches to redesign the jobs are: job enlargement theory, job enrichment theory and job characteristic theory.

Notes

4.10 Keywords

Autonomy: The extent of individual freedom and discretion in the work and its scheduling.

Intrinsic Motivation: Intrinsic motivation is defined as the self-regulated factors which influence people to behave in particular ways or to move in certain directions.

Job Design: Job design is defined as the process of deciding on the content of a job in terms of its duties and responsibilities; on the methods to be used in carrying out the job, in terms of techniques, systems and procedures and on the relationships that should exist between the job holder and his superiors, subordinates and colleagues.

Job Design Process: This has to start from what activity needs to be done in order to achieve organizational goals.

Job Enlargement: It involves expanding the number of task or duties assigned to a given job. It is opposite of work simplification.

Job Enrichment: The aim of job enrichment is to maximize the interest and challenge of work by providing employees with jobs having the following characteristics.

Job Rotation: Implies movement of employees from job to job. Jobs remain unchanged. With job rotation, a given employee performs different jobs but more or less jobs of the same nature.

Job Satisfaction: Favourableness or unfavourableness with which employees view their work.

Job Simplification: Job simplification is a design method whereby jobs are divided into smaller components and subsequently assigned to workers as whole jobs.

Motivation: It is a process of stimulating people to action to accomplish desired results.

4.11 Review Questions

1. What is meant by job design? Discuss its need and importance.
2. Explain the following terms briefly:
   (a) Job simplification
   (b) Job rotation
3. Define 'motivation'. Bring out the importance of motivation in modern organisations.
4. Explain, How to motivate employees?
5. How to enrich a job effectively?
6. Outline the merits and demerits of Job Enrichment briefly.
7. Why is the design of work an important issue for a manager to be concerned about?
8. What is Scientific Management and why it has been so influential in designing job?
9. Explain job enrichment and job enlargement with the help of appropriate example.
10. What is meant by autonomy?
11. "If you want to know whether an employee is satisfied with his job, just ask him!" Do you agree or disagree? Discuss.
12. "Employees should have jobs that give them autonomy and diversity". Develop an argument in favour of this statement. Then build an argument against this statement.

Notes

13. How does technology influence job design?
14. What are the keys to designing motivating jobs?
15. Why do you think it is so difficult for managers to empower their employees?

Answers: Self Assessment

1.	(iii)	2.	(iii)
3.	(iii)	4 .	(i)
5.	(i)	6.	job design
7.	Frederick Taylor	8.	worker satisfaction, productivity
9.	Specification	10.	maximize
11.	c	12.	a
13.	e	14.	b
15.	d		

4.12 Further Readings

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http://en.wikipedia.org/wiki/Job_enlargement

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Unit 5: Recruiting HR

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Objectives

After studying this unit, you will be able to:

- Define the term recruitment
- Discuss nature and purpose of recruitment
- State the Factors and Process of recruitment
- Explain the Evaluation and Control process in recruitment
- Understand the concept of effective recruiting

Introduction

The human resources are the most important assets of an organisation. The success or failure of an organisation is largely dependent on the calibre of the people working therein. Without positive and creative contributions from people, organisations cannot progress and prosper. In order to achieve the goals or perform the activities of an organisation, therefore, we need to recruit people with requisite skills, qualifications and experience. While doing so, we have to keep the present as well as the future requirements of the organisation in mind.

Organisations have to recruit people with requisite skills, qualifications and experience, if they have to survive and flourish in a highly competitive environment. While doing so, they have to be sensitive to economic, social, political and legal factors within a country. To be effective, they need to tap all available sources of supply, both internal and external. Internal promotions and transfers boost the morale of people who have served the firm loyally for a number of years. External sources, too, need to be explored regularly to bring qualified people with lots of ideas into a firm.

5.1 Definition

Recruitment is defined as, process to discover the source of manpower to meet the requirement of staffing scheduled and to employ effective measures for attracting that manpower in adequate number to facilitate effective selection of an efficient workforce.

Edwin B Flippo defined recruitment as,"the process of searching for prospective employee and stimulating them to apply for jobs in the organization."

5.2 Nature

Recruitment involves the following features:

1. Recruitment is first step of appointment.
2. It is a continuous process.
3. It is a process of identifying sources of human force, attracting and motivating them to apply for the jobs in organisations.
4. It is development man power or to be works at last stage.
5. It is a positive process.
6. It fulfills needs, both present and the future.

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5.3 Purpose

1. Finding out and developing the source here required number and kind of employees are/ will be available.
2. Developing suitable techniques to attract the desirable candidate.
3. Employing the technique to attract the employees.
4 Stimulating as many candidate as possible and asking them to apply for jobs irrespective of number of candidate required in order to increase the selection ratio (i.e., number of application per one job vacancy) due to lower yield ratio.

5.3.1 Role Profiles for Recruitment Purposes

Role profiles, define the overall purpose of the role, its reporting relationships and key result areas. They may also include the list of competencies required. They may be technical (skills and knowledge required to do a specific job) and behavioural competencies attached to the role. The profile also includes the terms and conditions (pay, benefits, hours of work, mobility, traveling, transfers, training, development and career opportunities). Recruitment role provides the basis for person specification.

5.3.2 Person Specifications

A person specification also known as recruitment, job or personnel specification is the essential element on which the selection procedure is based. It is the sum total of education, training, experience, qualification a person has to perform the job assigned to him.

When the job requirement have been specified, they should be categories under suitable heads. The basic categories include qualification, technical and behavioural competencies (as given in the figure below for the HR Officer).

Table 5.1: Person Specification for HR Officer

1. Technical Competencies: • **Essential** - job analysis - inputting data to computers - carrying out complex paper work - interviewing techniques • **Desirable** - conducting training sessions - job evaluation - counseling techniques
2. Behavioural competencies: • Communication skills, both written and oral • Focus on achieving results • Able to handle change and adaptable • Interpersonal skills to achieve desired results • Creativity and innovation in problem solving • Emotional stability • Empathy
3. Qualification/Experience • Postgraduate in Human Resource Management with 5 years of relevant experience

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There are also number of traditional schemes. The most popular include seven-point plan developed by Alec Rodgers in 1952 and five-point grading system developed by Munro Fraser in 1954. These give certain headings under which attributes of an ideal candidate can be classified.

Seven Point Plan

1. ***Physical make up:*** Health, physique, appearance, bearing and speech
2. ***Attainments:*** Education, qualifications, experience
3. ***General intelligence:*** Fundamental intellectual capacity
4. ***Special aptitudes:*** Mechanical, manual dexterity, facility in use of words or figures
5. ***Interest:*** Social, intellectual, physically active, constructional
6. ***Disposition:*** Acceptability, influence over others, steadiness, dependability, self-reliance
7. ***Circumstances:*** Domestic circumstances, occupations of family.

Five-fold Grading System

1. ***Impact on others:*** Physical make-up, appearance, speech and manner
2. ***Acquired knowledge or qualification:*** Education, vocational training, work experience
3. ***Innate abilities:*** Natural quickness of comprehension and aptitude for learning
4. ***Motivation:*** The kind of goals set by the individual, his or her consistency and determination in following them up, and success in achieving them
5. ***Adjustment:*** Emotional stability, ability to stand up stress and ability to get on with people.

The choice of the system depends on the individual requirement. The seven-point plan has longer pedigree whereas the five-point system is simpler to understand and use. Both provide framework for interviewing, but larger organizations are using the competency-based approach.

Notes **Competency based Approach**

A competence based approach means that the competencies defined for a role are generally used as the framework for selection process. According to Taylor (2002); "A competency based approach is person-based rather than job-based. The essential point in this approach is that there is analysis of people and not of job.

According to Roberts (1997), "The benefits of taking competencies approach is that people can identify and isolate the key characteristics which would be used as the basis for selection, and that those characteristics will be described in terms which both can understand and agree……The competencies therefore become a fundamental part of the selection process."

A competencies based approach can help to identify the selection technique, such as assessment center or psychological testing which are likely to give better result in the selection procedure. It also provides valuable information for the structured interview, where the sequences of the question can be generated in such an order so as to maximize the test of competency from the interviewee.

Contd...

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The advantages of competency based approach according to Tim Payne (1998);

1. Improve accuracy in assessing people's suitability and potential for different jobs.
2. Brings about a closer match between person's skill, interest and demand for the job.
3. The help interviewers on making judgment on characteristics which are not required by the job.
4. They can be used structure the range of assessment techniques such as assessment centers, simulation techniques, behavioural anchored techniques.

Principles of Competency based Approach

1. Competencies need to be relevant to the job.
2. The recruitment process must be related to the competencies (i.e. advertisement, short-listing and interview process).
3. Careful consideration needs to be given to the planning of questions and scoring process, to ensure that all candidates are given the opportunity to demonstrate their competencies.
4. Hypothetical questions must be avoided.
5. Interviewing should require the candidate to evidence their possession of the competencies by giving an example of how they used their experience to deal with a issue.

5.3.3 Attracting Candidates

Attracting candidates is primarily a matter of identifying, evaluating and using the most appropriate sources of applicants. However, where suitable sources of recruitment are not there, then the analysis of factors contributing to the recruitment in an organization need to be analysed.

Factors

S. No.	Internal Factors	S. No.	External Factors
1.	Company's pay package	1.	Socio-economic factors
2.	Quality of Work Life	2.	Supply and demand factors
3.	Organisational culture	3.	Employment rate
4.	Career planning & growth	4.	Labour market condition
5.	Company's size	5.	Political, Legal & Govt. factors
6.	Company's products/services	6.	Information System
7.	Company's growth rate		
8.	Role of trade union		
9.	Cost of recruitment		
10.	Company's name & fame		

Self Assessment

Notes

Multiple Choice Questions:

1. The best way of recruiting is always
   (i) walk-ins
   (ii) advertisements
   (iii) search firms
   (iv) variable
   (v) referrals
2. The most common constraints on recruiting include all but
   (i) image of a firm
   (ii) budgetary support
   (iii) interviewing
   (iv) organisational policies
   (v) government policies
3. The primary source of information for recruiting is
   (i) managerial interviews
   (ii) testing
   (iii) recruiters themselves
   (iv) interviews with applicants
   (v) job analysis
4. A good source of hiring technical staff would be
   (i) private search firm
   (ii) vocational school
   (iii) employment exchange
   (iv) professional association
   (v) rival firms

5.4 Recruitment Process

The major steps of the recruitment process are stated hereunder:

1. ***Job Design:*** The job design is the most important part of the recruitment process. The job design is a phase about design of the job profile and a clear agreement between the line manager and the HRM Function. The Job Design is about the agreement about the profile of the ideal job candidate and the agreement about the skills and competencies, which are essential. The information gathered can be used during other steps of the recruitment process to speed it up.

Notes

2. ***Opening Job Position:*** The Opening of the Job Position is generally the job of the HR Recruiter. Skilled and experienced HR Recruiter should decide about the right mix of the recruitment sources to find the best candidates for the job position. This is another key step in the recruitment process.

3. ***Collecting and Presenting Job Resumes:*** The next step is collecting of job resumes and their preselection. This step in the recruitment process is very important today as many organization lose a lot of time in this step. Today, the organization cannot wait with the preselection of the job resumes. Generally, this should be the last step done purely by the HRM Function.

4. ***Job Interviews:*** The job interviews are the main step in the recruitment process, which should be clearly designed and agreed between HRM and the line management. The job interview should discover the job candidate, who meets the requirements and fits best the corporate culture and the department.

5. ***Job Offer:*** The job offer is the last step of the recruitment process, which is done by the HRM Function, it finalizes all the other steps and the winner of the job interviews gets the offer from the organization to join.

5.5 Recruitment Techniques

Recruitment techniques are the means or media by which management contacts prospective employees or provide necessary information or exchange ideas or stimulate them to apply for jobs. Recruitment techniques are:

Internal Methods: They are for recruiting internal candidate. These include methods like:

1. Promotion & Transfers
2. Job Posting
3. Employee Referrals

Direct Methods: These include sending traveling recruiters to educational and professional institutions and employees' contacts with public.

- Campus Recruitment

5.5.1 Indirect Methods

1. ***Advertisement:*** Advertising is the most common method of attracting candidates. Consideration should be given to other sources of recruitment such as agency or selection consultant. The objective of using advertisement should be to:

   (a) *Attract attention:* It must compete for the interest of potential candidates with other employers.

   (b) *Create and maintain interest:* It has to communicate in an attractive and interesting way and give needful information about terms and conditions of employment and qualification required.

   (c) *Stimulate action:* The massage will be effective only if it encourages for prompt replies from the eligible employees.

2. Newspaper Ads
3. Television & Radio Ads

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5.5.2 E-Recruitment

The term e-recruitment means using Information Technology (IT) to speed up or enhance parts of the recruitment process. It ranges from the applicant interface for advertising vacancies and making job applications, to the back office processes, which allow a liaison between human resources (HR) and line managers to set up a talent pool or database of potential recruits.

Used correctly e-recruitment can:

- enhance the applicant experience
- communicate the employer's image and culture better
- make the recruitment process faster, more accountable and standardised
- increase the diversity of applicants
- provide better management information on applicants
- find the right candidate for the job.

According to one survey, internet postings result in nearly ten times as many hires as newspaper advertisements.

In terms of HRM, the internet has radically changed the recruitment function from the organisational and job seekers' perspective. Conventional methods of recruitment processes are readily acknowledged as being time-consuming with high costs and limited geographic reach. However, recruitment through World Wide Web (WWW) provides global coverage and easiness. Likewise, the speedy integration of the internet into recruitment processes is primarily recognised due to the internet's unrivalled communications capabilities, which enable recruiters for written communications through e-mails, blogs and job portals.

Advantages of e-recruitment

1. E-recruitment can produce cashable savings, such as reduced advertising spend or postage costs and non-cashable productivity gains as HR staff are freed up to carry out higher value tasks.
2. E-recruitment is part of a wider move in HR away from transactional activities, which are increasingly automated or outsourced, towards strategic activities supporting organizational goals. This is a major goal of the Local Government Workforce Strategy.
3. Beyond the online job ad: The full benefits of e-recruitment are often realised when it is part of an end-to-end process. Examples of this include allowing line managers to view applications online and seamless transfer of candidate information to employee records. While this may be in part an IT procurement issue, careful measurement of costs and employee time can provide quantifiable efficiency gains.
4. Greater use of e-recruitment can also help combat longer-term recruitment issues through the use of talent pools and better management information about applicants and new hires.
5. Applicant Tracking Systems (ATS) have also been used extensively by employers all over the world now to attract, gather, screen, compile and manage thousands of applications forwarded by job seekers. A well known ATS is recruitsoff.com which collects applications from job seekers, evaluates and ranks the applicants and finally matches the qualified with specific job openings-like any other placement agency. Many online recruitment companies are using testing and assessment on the internet to target so called passive

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applicants, who have put their CVs and resumes online, but are not actively looking for a job. The market today is flooded with solutions for e-recruitment making in difficult to decide and choose the best suitable option. The employers are basically looking for solution providers who offer:

(i) Online test delivery with minimal manual efforts.

(ii) High quality assessment content for various IT technologies.

(iii) Time simulated testing environment.

(iv) Comprehensive organization wide reports.

(v) Deliver questions in different order to each candidate by creating randomized tests.

(vi) Option to conduct on-premise tests in the controlled environment and off-premise tests over the Internet for remotely located candidates.

As someone rightly pointed out "Recruitment is not hiring the best among those knocking at your door; rather it's a quest to enroll the right candidate in your human capital, transcending all barriers with the help of latest technology."

5.5.3 Third Party Methods

1. ***Private Employment Search Firms:*** Like Arthur Anderson, Noble & Hewitt, ABC Consultants, SB Billimoria, Ferguson Associates.
2. ***Websites:*** There are three main types of recruitment sites:
   (a) *Job sites:* These are operated by specialized firms and can contain thousands of vacancies. Companies pay to have their jobs listed on the sites, which are usually not linked to the agency.
   (b) *Agency sites:* are run by special recruitment agencies. Candidates register online but may be expected to discuss their details in person before their details are forwarded to the employer.
   (c) *Media sites:* which may simply contain a copy of an advertisement appearing in the press, but may include an external description of the vacancy and the company and provide a link to the company's website.
3. Employments Exchanges
4. Outsourcing recruitments
5. Gate Hiring & Contractors
6. Unsolicited Applicants/Walk-ins

5.6 Alternatives to Recruitment

Over-time: Short-term fluctuation can be solved through overtime.

Subcontracting: To meet the sudden increase in demand for its product & services, sometimes the firm go for sub-contacting, i.e. by allowing an outside agency to undertake part of work to mutual advantage.

Temporary Employees: Employees are hired for a limited time to perform a specific job. They are useful in meeting short-term demand of human resource.

Notes

Employee Leasing: Hiring permanent employees of another company who possess certain specialized skills on lease basis to meet short-term requirements- although not popular in India.

5.7 Evaluation and Control

It includes:

1. Return rate of applications sent out
2. Number of suitable candidates for selection
3. Retention & performance of the candidate selected
4. Cost of the recruitment process
5. Time lapsed data
6. Comments on image projected.

5.8 Evaluation of Recruitment Methods

It includes:

1. Number of initial enquiries received which resulted in completed application forms.
2. Number of candidates at various stages of the recruitment & selection process, especially short listed.
3. Number of candidates recruited.
4. Number of candidates retained in the organisation after six months.

Self Assessment

State whether the following statements are true or false:

5. The recruiting process begins with human resource planning and concludes with evaluation of recruiting efforts.
6. Recruitment is a mere vacancy-filling function.
7. Employment exchanges are important sources of clerical and managerial personnel.
8. If a job opening to be filled is very attractive, most prospective candidates may turn indifferent and do not even apply.
9. In practice, recruitment methods seem to vary according to job level and skill.
10. The basic purpose of recruiting is to develop a group of potentially qualified people.
11. Government politics often come in the way of recruiting people.
12. Modern employees look for a satisfying career in place of 'just a job'.
13. A search firm is a government agency that maintains a computerised list of qualified applicants.
14. Hiring costs could go up substantially when a firm hires candidates from within.
15. Temporary Employees are those Employees who are hired for a limited time to perform a specific job.

Notes

5.9 Effective Recruiting

In any business, its success depends on possessing the right people team to observe that everything gets done properly. The future of any enterprise lay in the hands of its manpower. Wrong selection of the people can consume a measurable portion of the company's profits and can even lead to the closure of the business. So a conscious effort must be taken to ensure the recruitment of the right candidate to the job in hand.

Recruitment must be a speedy, but cautious process. A wrong move can have disastrous impact on the undertaking. A few measures can be taken to reduce the negative impact. They are:

5.9.1 Brand Image Creation

A company that enjoys a good brand image will never have to take immense effort to find people. People will always be willing to work in a company that enjoys goodwill. Positive working relationship between the employees and the management, good monetary and non-monetary returns, greater chances for career growth through training programmes, all can lure people to a company. Moreover, the stories by the existing employees have a bigger impact on the brand image.

5.9.2 Stating clear Definition of Employee Requirements

Analyse the task which calls for new recruits to know the people requirement. The educational qualification, work experience, if any, number of people required, role in the organization and the team, job specification are all dependent on the job analysis. A wrong step can have a negative impact on the company's image as well as its profitability.

5.9.3 Applications Receiving Sources

The employer has the option of using external or internal options to select the right candidate. External sources are the company website, print media, placement consultants, and internet. Large companies, enjoying brand value, can call for applicants by placing a requirement need in its website. Another option open is the print media which however, has a limited geographical reach. Job sites on the internet like Naukri, Monster, etc., are faster and can reach people all over the world. Placement consultants, on the other hand, reduce the headache of going through the invitation process to a great extent. Another way of luring candidates is by providing incentives to the employees on successful reference. Reimbursement of traveling expenses incurred on commuting for the selection process, if any, must be informed before hand. Many companies like Larsen and Toubro, ICICI reimburse the high cost incurred on commuting which has a positive effect on the prospective candidate.

Internal recruitment includes searching within the organization for prospective candidates. Companies like Wipro call for applicants within the organization through "wings within", an intranet site, inviting applications from existing employees who long for a change of work within the organisation. Small companies can select appropriate candidates by keeping close look at employees showing good prospects.

5.9.4 Screening of Applications

The next step is the screening of applications and selecting those which matches the job profile. Software can reduce the time spent on selecting resumes of people with the key requirements. If the prospective candidate applied through a placement consultant, one can be sure of his competency as the candidates will have gone through a screening process before being sent by the agency.

Notes

5.9.5 Selection Process

Blueprint of the entire selection process can reduce confusions. Companies may conduct tests to have an insight on the technical knowledge, communication skill, and the general aptitude of the candidate. This might be followed by a group discussion which gives a clear idea on the interpersonal skills, leadership qualities and presentation skills of the candidate.

The next step is interview. The interviewer must be given the proper training on how to recruit the right person. The questions to be asked must be decided in advance. The interview must give answers to the key skills of the interviewee, his professional and personal background, factors of interest in the new company and job, the reasons for quitting the previous employer, if any, his mobility depending on job requirements, and other vital information. The interviewer must be ready with the answers to the job-in-hand, monetary and non-monetary benefits allotted, his position in the managerial hierarchy, growth prospects, etc.

5.9.6 Maintain a Candidate Pool

Maintaining a list of applied candidates updating the reasons for the rejection for a particular post can help in quick retrieval of suitable candidates in case of emergency.

Time is a crucial factor in the competitive world. A well drafted system of recruitment backed by properly trained staff can aid in the quick recruitment of people with excellent skills that can be utilized to improve productivity.

5.10 Recruitment Policy

It is derived from the company's personnel policy of the same organisation.

Following factors should be considered in formulating recruitment policy:

1. Government policies
2. Personnel policies of other competing organisation
3. Organisation's personnel policies
4. Recruitment sources
5. Recruitment needs
6. Recruitment costs
7. Selection criteria & preferences.

5.10.1 Prerequisites of a Good Recruitment Policy

1. It should be in conformity with its general personnel policies.
2. It should be flexible enough to meet the changing needs of an organization.
3. It should be so designed as to ensure employment opportunities for its employees on a long-term basis so that the goals of the organization should be achievable; and it should develop the potentialities of employees.
4. It should match the qualities of employees with the requirements of the work for which they are employed.
5. It should highlight the necessity of establishing job analysis.

Notes

5.11 Internal and External Sources

First consideration should be give to the internal candidates, where there are no suitable candidates available within the organization, then external sources of recruitment should be considered. Source of recruitment tells us, "Where are suitable candidates available in required number? Techniques tell us- "How they can be informed about the availability of job and organization".

Sources of recruitment include:

5.11.1 Internal Sources

These include personnel already on the payroll of an organization, that is, its present working force. Whenever any vacancy occurs, somebody from within the organization is upgraded, transferred, promoted or sometimes demoted.

1. ***Present Permanent Employees:*** Organisation consider the candidate from this source to higher level due to firstly availability of most suitable candidate for jobs relatively or equally to the external sources, secondly, to meet the trade union demands, thirdly to the policy of organisation to motivate the present employees.
2. ***Present Temporary or Causal Employees:*** Organisation use this source to fill position of lower level.
3. ***Retrenched or Retired employees:*** Dependent of Deceased, Disabled, retired and Present Employee.

Merit

1. It improves the morale of employees, for they are assured of the fact that they would be preferred over outsiders when vacancies occur.
2. The employer is in a better position to evaluate those presently employed than outside candidates.
3. It promotes loyalty among the employees, for it gives them a sense of job security and opportunities for advancement.
4. They are tried people and can be relied upon.
5. It is less costly than going outside to recruit.

Demerits

1. It often leads to inbreeding and discourages new blood from entering an organization.
2. There are possibilities that internal sources may "dry up", and it may be difficult to find the requisite personnel from within an organization.
3. As promotion is based on seniority, the danger is that really capable hands may not be chosen.

5.11.2 External Sources

External sources includes source outside the organization. They usually include:

1. New entrants to the labour force i.e. young mostly inexperienced potential employees—the college students.

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2. The unemployed—with a wide range of skills and abilities.
3. Retired experienced persons such as mechanics, machinists, welders, accountants.
4. Others not in the labour force, such as married women and persons from minority groups.

Other source include:

1. Campus Recruitment
2. Private Employment Agencies/Consultant
3. Public Employment Exchanges
4. Professional Associations
5. Data Banks
6. Casual Applicants
7. Similar Organisations
8. Trade Unions

Merits

1. External sources provide the requite type of personnel for an organization, having skill, training and education up to the required standard.
2. Since persons are recruited from a large market, the best selection can be made without.

Task If you were responsible for hiring someone for your job, which recruitment sources would you use? Why? Which recruitment sources would you avoid? Why?

Case Study

Which is More Important – Recruiting or Retaining?

Uptron Electronics Limited, is a pioneering and internationally reputed firm in the Electronics industry. It is one of the largest firms in the country. It attracted employees from internationally reputed institutes and industries by offering high salaries, perks, etc. It has advertised for the position of an Electronics Engineer recently. Nearly 150 candidates applied for the job. Mr. Sashidhar, an Electronics Engineering Graduate from Indian Institute of Technology with 5 years working experience in a medium-sized electronics firm, was selected from among the 130 candidates who took tests and interview. The interview board recommended an enhancement in his salary by ₹ 5,000 more than his present salary at his request. Mr Sashidhar was very happy to achieve this and he was congratulated by a number of people including his previous employer for his brilliant interview performance, and wished him good luck.

Mr Sashidhar joined Uptron Electronics Ltd., on 21st January, 2002, with great enthusiasm. He also found his job to be quite comfortable and a challenging one and he felt it was highly prestigious to work with this company during the formative years of his career. He found his superiors as well as subordinates to be friendly and cooperative. But this climate did not live long. After one year of his service, he slowly learnt about a number of

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unpleasant stories about the company, management, the superior-subordinate relations, rate of employee turnover, especially at higher level. But he decided to stay on as he had promised several things to the management in the interview. He wanted to please and change the attitude of management through his diligent performance, firm commitment and dedication. He started maximising his contributions and the management got the impression that Mr Sashidhar had settled down and will remain in the company.

After some time, the superiors started riding rough-shod over Mr Sashidhar. He was overloaded with multifarious jobs. His freedom in deciding and executing was cut down. He was ill-treated on a number of occasions before his subordinates. His colleagues also started assigning their responsibilities to Mr Sashidhar. Consequently there were imbalances in his family life, social life and organisational life. But he seemed to be calm and contented. Management felt that Mr Sashidhar had the potential to bear with many more organisational responsibilities.

So the General Manager was quite surprised to see the resignation letter of Mr Shashidhar along with a cheque equivalent to a month's salary one fine morning on 18th January, 2004. The General Manager failed to convince Mr Sashidhar to withdraw his resignation. The General Manager relieved him on 25th January, 2004. The General Manager wanted to appoint a committee to go into the matter immediately, but dropped the idea later.

Questions

1. What prevented the General Manager from appointing a committee?
2. What is wrong with the recruitment policy of the company?
3. Why did Mr Sashidhar's resignation surprise the General Manager?

5.12 Summary

- Recruitment is the process of locating and encouraging potential applicants to apply for existing or anticipated job openings. Certain influences restrain (the freedom of) managers while choosing a recruiting source such as: image of the company, attractiveness of the job, internal policies, budgetary support, government policies, etc.
- Recruitment is influenced by a variety of environmental factors - economic, social, technological, political, legal, etc. The sources of recruitment may be broadly divided into two categories: internal sources and external sources. Both have their own merits and demerits

5.13 Keywords

A Competence based Approach: It means that the competencies defined for a role are generally used as the framework for selection process.

Agency sites: These are run by special recruitment agencies. Candidates register online but may be expected to discuss their details in person before their details are forwarded to the employer.

Attracting Candidates: This is primarily a matter of identifying, evaluating and using the most appropriate sources of applicants.

Employee Leasing: Hiring permanent employees of another company who possess certain specialized skills on lease basis to meet short-term requirements- although not popular in India.

Job Design: The Job Design is about the agreement about the profile of the ideal job candidate and the agreement about the skills and competencies, which are essential.

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Job Sites: These are operated by specialized firms and can contain thousands of vacancies. Companies pay to have their jobs listed on the sites, which are usually not linked to the agency.

Media Sites: Sites which may simply contain a copy of an advertisement appearing in the press, but may include an external description of the vacancy and the company and provide a link to the company's website.

Person Specification: A person specification also known as recruitment, job or personnel specification is the essential element on which the selection procedure is based. It is the sum total of education, training, experience, qualification a person has to perform the job assigned to him.

Recruitment: The discovering of potential applicants for actual or anticipated organisational vacancies.

Recruitment Techniques: Recruitment techniques are the means or media by which management contacts prospective employees or provide necessary information or exchange ideas or stimulate them to apply for jobs.

Temporary Employees: Employees are hired for a limited time to perform a specific job. They are useful in meeting short-term demand of human resource.

5.14 Review Questions

1. What steps can be involved in hiring human resources in an organisation?
2. What are the various sources of recruitment? How can an organisation evaluate the worth of these sources?
3. For recruiting diverse workforce, what criteria do you suggest to adopt?
4. What would be the process of forecasting the manpower in a financial institution?
5. How would you help a firm that wants to improve its campus hiring efforts?
6. Outline the legal, economic, social and political considerations in recruitment.
7. List the most important merits and demerits of various sources of recruitment.
8. What factors influence the degree to which a firm will engage in recruiting?
9 What specific factors will restrain managers' freedom to recruit and select a candidate of their choice?
10. Discuss what key recruiting issues should be looked into by HR executives at a mid-sized bank with locations in several cities. Give examples and be specific.
11. What should be considered in evaluating the recruiting efforts of a big departmental store with over 30 branches in key metropolitan cities all over a country?

Answers: Self Assessment

1.	(iv)	2.	(iii)
3.	(v)	4.	(ii)
5.	T	6.	F
7.	F	8.	F
9.	T	10.	T

Notes

11. T
12. T
13. F
14. F
15. T

5.15 Further Readings

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Unit 6: Selection, Induction and Placement

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Objectives

After studying this unit, you will be able to:

- Define the term Selection, Induction and Placement
- Differentiate between Recruitment and Selection
- Explain the Selection Process
- Describe the Concept of Employee Induction
- Discuss the Requisites & Problems of Placement

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Introduction

Selection process leads to creation of a contractual relation between employer and the employee.

6.1 Definition

It is a process of differentiating between applicants in order to identify (& hire) those with a greater likelihood of success in a job.

It involves steps leading to employment of persons who possess the ability and qualifications to perform the jobs which have fallen vacant in the organization.

It is basically a matching process, that is finding "FIT" between person and job.

6.1.1 Differences between Recruitment and Selection

1. Recruitment means searching for sources of labour and stimulating people to apply for job, whereas selection means selection of right kind of people for various jobs.
2. Recruitment is a positive process whereas selection is a negative process.
3. It creates a large pool of applicants whereas selection leads to screening of unsuitable candidate.
4. Recruitment is a simple process, it involves contracting the various sources of labour whereas selection is a complex and a time consuming process. The candidate have to clear a number of hurdles before they are selected for a job.

6.2 Selection Process: Steps in Selection Procedure

6.2.1 Preliminary Interview or Screening

When large number of applicants are available, the preliminary interview is desirable for both the company and the applicant. The main objective of such interview is to screen out undesirable/ unqualified candidate at the very outset. Care should be taken to ensure that the "weeding out" process does not lead to the elimination of desirable workers. Six items have been suggested as knock-out factors in the preliminary screening programme of sales executives. They include:

1. Instability of residence
2. Failure in business within two years
3. Divorce or separation within two years
4. Excessive personal indebtedness
5. Too high a standard of living
6. Unexplained gap in the employment record.

This is also known as courtesy interview.

6.2.2 Application Form

It is traditional & widely accepted for serving information from the prospective candidate. Many companies formulate their own style of application form depending upon the requirement

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of information based on the size of the company, nature of business activity, type & level of job. They also formulate different application form for different job at level. It includes following items:

1. ***Biographical Data:*** It includes name, present and permanent address, gender, date of birth, marital status, nationality, height, weight and number of dependents. They provide information regarding applicants socio-economic background, family status & its impact on employee's behavior. This information can be used by the management to know the suitability of the candidate.
2. ***Educational Attainments:*** Education (subjects offered and grades secured) training acquired in special fields & knowledge gained from professional/technical institute or evening classes or through correspondence courses.
3. ***Work Experience:*** Previous experience, number of job held, nature of duties & responsibilities, duration of various assignments, reason for leaving the previous employer.
4. ***Salary:*** Demanded & other benefits expected.
5. ***Personal Items:*** Association membership, personal likes & dislikes, hobbies.
6. ***References:*** Name & address of previous employer & references.

Key Issues in Designing the Application Form

The questions included in an application form should be such as are valid & necessary. Superfluous questions should be avoided. They should not by their wording or nature encourage dishonest answers. In brief, an application form should be complete to relieve the interviewer of the burden of recording considerate factual data.

From the analysis of the above, four type of information should be gathered from the application form:

First, one can make judgments on substantive matters such as 'does the applicant have education and experience to do the job?'

Second, one can draw conclusions about the applicants previous progress and growth.

Third, one can draw conclusions about the applicants stability based on his previous work record.

Fourth, one may be able to use the data in the application to predict which candidate will succeed on the job and which would not.

Evaluation of Application Form

Clinical Method: It takes the help of psychology. A properly designed form can provide clues to a person's leadership ability, emotional stability, assertiveness, writing ability, attitude towards his superiors' etc.

Weighted Method: Certain points or weights are given to the answer given by the applicants in the application form. Generally, the items that have a strong relationship to job performance are given high scores. The total score of each applicant is obtained by summing the weights of the individual item responses. The resulting scores are then used in the selection decision. It is best used for jobs where there are large number of workers such as sales & technical jobs & particularly for jobs having high turnover rate. There are several problems associated with Weighted Application Blank. The cost of developing Weighted Application Blank could be prohibitive if they have several operating levels with unique features.

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Usefulness of Application Form

1. It introduces the candidate in formal way.
2. It can serve as a basis to initiate a dialogue in the interview.
3. It helps the company to have a cross comparison of applicants, the company can screen & reject candidate if they fail to meet the eligibility criteria at his stage itself.

6.2.3 Employment Test

They are used to get information about the candidate, which are not available from application blank or interview. They help in matching the characteristics of individuals with the vacant job so as to employ right type of personnel.

Following type of test are used:

1. Intelligence test
2. Achievements tests
3. Aptitude test
4. Personality test
5. Assessment centre
6. Graphology tests
7. Polygraph tests
8. Integrity tests

Intelligence Tests: It is a mental ability tests. They measure learning ability, ability to understand instructions and make judgment. They measure several abilities such as memory, vocabulary, verbal fluency, numerical ability, perception. Such tests are used in competitive examinations at entry level management positions in Banking, Insurance and other Financial Service sectors. They include tests like Stanford-Binet, Binet-Simon, etc.

Achievement Tests: are designed to measure what the applicant can do on the job currently. Example, Typing test shows typing proficiency, a short hand test measures the persons ability to take dictation. They are also known as work sampling tests, wherein job applicant's ability to do small portion of the job is tested. They involve:

1. Motor-involving physical manipulation of things
2. Verbal

Aptitude Test: Measures an individual's potential to learn certain skills-clerical, mechanical, mathematical. These tests indicate whether an individual has ability to learn a given job quickly and efficiently.

Personality Test: measure an individual's personality factors and relationship between personality factors and actual job criteria. The personality aspects which are evaluated are as follows – motivation, emotional balance, self confidence, interpersonal behaviour. Some of the tests are: Minnesota Multiphase Personality Inventory (MMPI), California Psychological Inventory, Manifest Anxiety Scale.

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It includes such statements:

I am a special agent of God	True	False
I am fascinated by fire	True	False
I believe, I am being followed	True	False
I daydream very little	True	False

Notes **Types of Projective Interest Preference (PIP)**

There are three types of PIP Tests:

1. ***Projective Test:*** They expect candidate to interpret problems or situation based on their own motives, attitudes and values. Thematic Appreciation Test is one of such a kind, where a picture is shown to the candidate.
2. ***Interest Tests:*** People are most likely to be successful in jobs they like. Compare the interest of candidate with the interest of successful people in a specific job.
3. ***Preference Tests:*** These test shows how people differ in their preferences for achievement, meaningfulness, discretion etc., in their jobs.

Assessment centre: is an extended work sample. It uses groups and individual exercise. A batch of applicants is assessed by team of 6 to 8 trained assessors.

Example:

1. ***Siemens India:*** It uses extensive psychometric instruments to evaluate short-listed candidates. The company uses occupational personality questionnaire to understand the candidate's personal attributes and occupational testing to measure competencies.
2. ***LG Electronics India:*** LG Electronics uses 3 psychometric tests to measure a person's ability as a team player, to check personality types and to ascertain a person's responsiveness and assertiveness.
3. ***Arthur Anderson:*** While evaluating candidates, the company conducts critical behavioural interviewing which evaluates the suitability of the candidate for the position, largely based on his past experience and credentials.

Techniques

1. In baskets: is an accumulation of reports, memos and letters.
2. Group Discussions: to judge interpersonal skills, acceptance by the group, leadership and individual influence.
3. Business games
4. Individual Presentation.
5. Structured Interview.

Graphology Tests: Analysis of lines, loops, hooks, strokes, curves in a person's handwriting to assess the person's personality and emotional make up.

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Polygraph Tests: Also known as lie diction test, records physical changes in body such respiration, blood pressure and perspiration on a moving roll of paper while answering series of questions. Suitable for government agencies for filling security, police, fire and health positions.

Issues: Is it possible to prove that the responses recorded by the polygraph occur only because a lie has been told? What about those situations in which person lies without guilt (pathological liar) or lies believing the response to be true.

Integrity Tests: To measure employee's honesty to predict those who are more likely to steal from an employer. Such questions are generally asked.

Do you carry office stationery back to your home for occasional use?

Do you mark attendance for your colleagues also?

Have you ever told a lie?

Did u know? **What are Projective tests?**

These tests expect the candidates to interpret problems or situations based on their own motives, attitudes, values, etc. Many personality tests are projective in nature. A picture is presented to the person taking the test who is then asked to interpret or react to it. Since the pictures are clouded, the person's interpretation must come from inside - and thus get projected.

6.2.4 Standards for Selection Tests

1. ***Reliability:*** Test scores should not vary widely under repeated conditions.
   (a) *Test-retest reliability:* techniques giving same results when repeated on the same person.
   (b) *Inner-rater reliability:* giving same results, when used by two or more different rates.
   (c) *Intra rater reliability:* technique which gives the same results, when repeatedly used by the same rater to rate the same behaviour or attitudes at different times.
2. ***Validity:*** is the extent to which an instrument measures what it intends to measure. Example typing speed.
   (a) ***Content validity:*** is the degree to which the content of the test represent the actual work situation. Example, Typing test has high content validity for typist.
   (b) ***Construct validity:*** is the degree to which specific trait is related to successful job performance. Example, Honesty would be important for bank cashier.
3. Qualified people
4. Preparation
5. Suitability

6.2.5 Employment Interview

It is the oral examination of candidates for employment. In this step the interviewer matches the information obtained about the candidate through various means to the job requirements and to the information obtained through his own observations during the interview.

It gives opportunity to recruiter to:

1. To ask questions that are not covered in the tests.

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2. To make judgments on the candidates enthusiasm and intelligence.
3. To assess facial expressions, appearance, nervousness.
4. To give the facts to the candidate regarding the company policies, programmes and promote goodwill of the company.

The coverage of the interview may include:

1. Experience and education
2. Previous employment
3. Gaps in employment history
4. Information on health, financial & domestic matters
5. Marital status
6. Likes & dislikes
7. Expected level of achievement
8. Extracurricular activities.

Self Assessment

Multiple Choice Questions:

1. The most reliable and valid tests are generally
   (i) polygraph tests
   (ii) attitude tests
   (iii) intelligence tests
   (iv) personality tests
   (v) performance tests.
2. Interviewing mistakes include all but
   (i) halo effects
   (ii) personal bias
   (iii) leniency
   (iv) realising that foreign nationals may have different customs
   (v) talking too much.
3. The most reliable type of interview is
   (i) behavioural
   (ii) stress
   (iii) structured
   (iv) situational
   (v) panel.

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6.3 Types of Interviews

1. Appraisal interview- where superior and subordinate sit together after the performance appraisal to discuss the subordinate's rating and possible remedial actions.
2. Selection interview.
3. Exit interview.

6.3.1 Types of Selection Interview

1. ***Non-directive Interview:*** In this, the recruiter ask questions as they come to mind. There is no specific format. The question can take any direction.
2. ***Patterned Interview:*** The employees follows a predetermined sequence of questions. Questions regarding his technical competence, personality traits, attitudes, motivation etc.
3. ***Structural Interview:*** They are fixed job related questions presented to each applicants. They are asked for specific job.
4. ***Panel Interview:*** In this type of interview the candidate is interviewed by a group of panelists representing the various stakeholders in the hiring process. Within this format there are several approaches to conducting the interview. Example formats include:

   (i) *Presentation format:* The candidate is given a generic topic and asked to make a presentation to the panel. Often used in academic or sales-related interviews.

   (ii) *Role format:* Each panelist is tasked with asking questions related to a specific role of the position. For example one panelist may ask technical questions, another may ask management questions, another may ask customer service related questions, etc.

   (iii) *Skeet shoot format:* The candidate is given questions from a series of panelists in rapid succession to test his or her ability to handle stress filled situations.

   Thus, in a typical panel interview, the applicant meets with three to five interviewers who take turns asking questions. After the interview, the interviewers pool their observations to arrive at a consensus about the suitability of the applicant. The panel members can ask new and incisive questions based on their expertise and experience and elicit deeper and more meaningful responses from candidates. Such an interview could also limit the impact of the personal biases of any individual interviewer. On the negative side, as an applicant, a panel interview may make you feel more stressed than usual.
5. ***Stress Interview:*** It is an interview in which the applicant is made uncomfortable by a series of often rude, annoying or embarrassing question to test the applicants confidence level and ability to stand erect in difficult situation is put to test.

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

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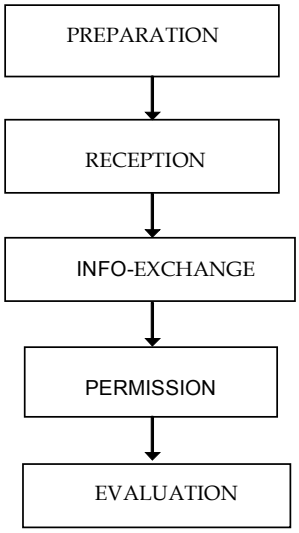
6.4 Steps in Interview Process

It is an act. Interviewees must be treated properly so as to leave a good impression about the company.

Figure 6.1: Steps in Interview Process



Did u know? Gate hiring (where job seekers, generally blue collar employees, present themselves at the factory gate and offer their services on a daily basis), hiring through contractors.

Caution **Take Extra Care for Arising of Interview Mistakes**

1. Favour applicants who share his own attitudes.
2. Not asking right question and not getting relevant responses.
3. May be influenced by 'cultural noise'- responses the applicant believes are socially acceptable rather than facts.
4. May allow themselves to be unduly influenced by associating a particular personality trait with a persons origin or cultural background, stereotyping.
5. May allow the ratings to be influenced by his own likes or dislikes (bias).
6. Poorly dressed candidate is not intelligent, attractive females are good for public dealings etc. 'Halo effect'- athlete make good sales people.
7. Candidate order error.
8. Have been under pressure to hire at short notice.
9. Have been influenced by the behaviour (his body language) his or her dress (especially in case of a female candidate) and other physical factors that are not job related.

Notes

It is not a foolproof method of selection. It may suffer from drawbacks:

1. It is an expensive device.
2. It can only test the personality of the candidate & not his skills & ability for the job.
3. It depends on the personal judgment of the interviewer & it may not be always be correct.
4. The interviewer may not be in the position to extract maximum information from the candidate.

6.4.1 Checking References

An applicant may be asked to in the application blank to supply two types of references:

1. Character references
2. Experiences references

Limitation to this method is that it lacks standardization and objectivity. It is rare to get correct opinion about the candidate, even after giving the assurance that the information supplied will be kept confidential.

6.4.2 Medical Examination

A proper medical examination will ensure higher standard of health and physical fitness of the employee and will reduce the rate of accident, labour turnover & absenteeism.

The advantages of medical examination are:

1. It serves to ascertain the applicants physical Capabilities to meet the job requirement.
2. It serves to protect the organisation against the unwarranted claims under workmen compensation laws or against law suits for damages.
3. It helps to prevent communicable diseases entering the organisation.

6.4.3 Job Offer

It is made through a letter of appointment. It contains a date by which the appointee must report on duty. Decency demands that he rejected applicants be informed about their non-selection.

6.4.4 Evaluation of the Selection Programme

Analysis of the Program

1. Is the selection programme consistent with the HRM theory and practice?
2. Have well defined selection policies and procedures been developed?
3. Are the employment policies consistent with the public policies?

How adequately are the programme and its procedures communicated to all those involved in and are affected by it?

How well is the programme implemented?

Notes

Feedback

1. How many persons have rejected the company?
2. What is the image created in the minds of university and institute?

Analysis of Results

1. How well do those hired on job perform the job?
2. What percentage of those who apply are hired?
3. What portion of employee turnover can be attributed to faulty selection?
4. What contribution does each of the selection tools make on the programme?

Self Assessment

State whether the following statements are true or false:

4. Reliability is the accuracy of a test in predicting performance.
5. Interviews are one of the most reliable selection devices.
6. Testing is used most frequently for lower level employees.
7. The most reliable type of interview is structured.
8. Questions that elicit yes or no answers provide the interviewer with more clarity.
9. Ultimately, selection decisions are based on job performance issues.

Caselet

"You call this Selection Interview!"

Suresh Kumar was production manager for Singer Industries Limited, a Noida based electrical appliances company near Delhi. Suresh had to approve the hiring of new supervisors in the plant. The HR manager performed the initial screening.

On Friday afternoon, Suresh got a call from Anil Dhavan, Singer's HR Director. 'Suresh' Anil said, "I have just talked to a young engineering graduate from a regional engineering college who may be just who you're looking for to fill that supervisor job you asked me about. He has some good work experience in a multinational firm located in Pune, but at a lower salary level. He wants to come over to Noida where his parents live." Suresh replied, "Well, Anilji, I would take care of the boy". Anil continued, "He is here right now in my office, I am sending him to you, if you are free." Suresh hesitated a moment before replying, "Great Sir, I am certainly busy today but I can't afford to displease you either. Sir, Please send him immediately."

A moment later, Ranga Rao, the new applicant arrived at Suresh's office and introduced himself. "Come on in Rao", said Suresh. "I'll be right with you after I make a few urgent phone calls." Fifteen minutes later, Suresh finished the calls and began interviewing Rao. Suresh was quite impressed. The merit certificates, the best suggestion award from previous multinational firm and Rao's quick responses revealed the candidate's potential. Meanwhile, Suresh's door opened and a supervisor yelled, "we have a small problem on line number 5 and need your help."

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"Sure", Suresh replied, "Excuse me a minute, Rao." Fifteen minutes later, Suresh returned and the dialogue continued for another few minutes before a series of phone calls again interrupted him.

The same pattern of interruption continued for the next forty minutes. Rao looked at the watch embarrassedly and said, "I am sorry, Suresh, I have to go now. I have to catch the train to Pune at 9 P.M."

"Sure thing, Rao," Suresh said as the phone rang again. "Call me after a week."

Questions

1. What specific policies might a company follow to avoid interviews like this one?
2. Explain why Suresh and not Anil should make the selection decision.
3. Is it a good policy to pick up candidates through 'employee referral method'? Why? or Why not? Explain keeping the case in the background.

6.5 Employee Induction

After selection of employees, the first step is to orient them to organisational life. Induction or orientation programme of an organisation is a process to guide and counsel the employees to familiarise them with the job and the organisation. This process helps an organisation to clarify the terms and conditions of employment, specific job requirements and also to inculcate confidence in the minds of the new entrants.

Example: Induction Training in India

1. ***Aptech:*** The company takes its new entrants through a structured induction training programme. The one-day programme includes a briefing on the company's market position, the business it is in, its functioning style, its organisational structure and its HR policies. The entrants are also familiarised with what others do, before being deputed to their own departments. A six-month behavioural training is also offered in team building, self-development, customer-sensitivity etc. Finally, the recruits are put through an appraisal process to gauge fitment and progress.
2. ***Maruti Udyog:*** The company customizes its initiation programmes to suit the profile of the new recruit. For engineers, the programme is offered in four parts: (i) familiarise with various functions and meet division heads (ii) work on shop floor (iii) work at various other departments (iv) work finally in departments for about two months, where they will eventually work.
3. ***Standard Chartered Bank:*** The management trainees are picked from premium B-schools and undergo induction training for about 6 months. During this period, the trainees spend time in the various divisions of the bank to get a holistic view of the bank's operations, and get a chance to meet each of the bank's business heads. A two-day session dedicated to team-building is also conducted thereafter. After taking charge of the job, the new recruits have to attend a review session about the job itself.

6.5.1 Objectives

General objectives of such a programme normally are:

1. To introduce new employees with the organisational environment, exposing them to the mission, history and traditions of the organisation, its achievements and future challenges, its personnel policy and expectations from the new employees.

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2. To create a positive attitude in the minds of the new employees.
3. To create proper awareness in the new employees, enabling them to understand the business of the organisation.
4. To provide opportunity to interact with other fellow employees and also with other managerial employees of the organisation.

Did u know? **What is Employee Onboarding?**

It is a systematic and comprehensive approach to orienting a new employee to help them get "on board." There are two high-level goals of the onboarding process: To make new employees feel welcome and comfortable in their new surroundings. To minimize the time before new employees are productive members of their new workgroup.

A good induction programme should contain the following areas which are conveniently distributed under organisation's point of view and employee's point of view.

Organization's Point of View

1. History, mission, objectives and philosophy of the organisation.
2. Its product, production process, operations involved, state of technology.
3. Its past achievements, present status and future growth plan.
4. Structure of the organisation and the functions of different departments.
5. Delegation of authority and decision-making process.
6. Personnel policies, other miscellaneous policies, practices and regulations.
7. Job descriptions and responsibilities.
8. Expectations from new employees.

Employee's Point of View

1. Job responsibilities.
2. Office procedures.
3. Grievance handling procedures.
4. Salary and perks.
5. Service rules governing hours of work, overtime.
6. Rules covering probation, confirmation, promotion opportunities, transfer, etc.
7. Retirement and superannuation benefits.
8. Employee services and welfare activities.
9. Employee's participation in small group activities, question schemes.
10. Performance evaluation.

6.5.2 Steps in Induction Programme

An induction programme essentially involves the following steps:

1. ***General Orientation:*** It includes guided tours in different departments of an organisation, introduction with fellow employees, supervisors and executives, information about the

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organisations' mission, philosophy, achievements and future plans, etc. Some organisations have their printed manuals, which they give to their new employees to orient them with their induction training programmes for a week or so. The purpose of such general orientation programme is to build a sense of pride in the minds of the new employees and also to create an interest in them about the organisation.

2. ***Specific Orientation:*** This is intended to help new employees to get acclimatised with their new work environment. The supervisor or the departmental boss of the employee takes him to his place of work and imparts vocational guidance for his particular nature of work. He is also told about the technology, environment and other facilities available in the organisation, prevailing practices and customs and specific expectations from an employee. For executives and managerial employees, targets and key result areas for each of them are given to make them aware of what organisation expects from them.

3. ***Follow-up Orientation:*** This orientation is conducted sometime after the initial induction of an employee, i.e. preferably within a period of six months or so. The purpose of such orientation is to give guidance and counsel to the employees to ensure that they are reasonably satisfied and gradually settling in the organisation.

Task Prepare and give a short presentation titled, "How to orient new employees ?"

6.6 Placement

After the initial programme is over, an employee is put to a specific job, for which he has been selected. Most of the organizations put new employees on probation for a specified period after which they are confirmed or made permanent, provided they match the organisational requirements. The personnel department periodically reviews the progress of such employees getting feedbacks on their performance from their controlling authority. Some organisations have also a system to extend the probationary period, if the employees fail to match to the organizational expectations. Such placement is known as 'differential placement'.

Placement is defined as assigning employees jobs for which they have been identified as suitable based on the selection techniques. But such definition would be meaningless, if a particular employee is recruited against a particular vacancy. Generally, the question of placement arises when a group of trainees are recruited. Organisations, to identify the true potentiality of an employee, in such cases, make provision for short-term placement, during which phase, employees are allowed to work on different jobs, through a systematic job rotation programme. However, at a later stage, permanent placement is effected matching the employees' competence, knowledge, skill and job interest.

6.7 Induction and Placement: Requisites & Problems

Common use of higher technology, increased level of knowledge and skills of the new job entrants, production restructuring and flexibility coupled with perceptive change about human resource, which is now considered as most important resource of an organisation, have now transformed labour as an item for competitive sale and purchase. However, despite the problem of unemployment in India, there still exists dearth of knowledge and skilled workers and so also executives and managers. The recent economic liberalization programme of the Government of India has now paved the way for entry of multinationals and foreign companies. Market globalisation has further intensified the competition. Development of total quality management philosophy, inter alia, is also demanding sea change in product and service-mix of an organisation. All these together have now increased the scope for job mobility for employees with knowledge and skills of appropriate type and degree.

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Unfortunately, retaining employees after recruitment and selection is an utterly neglected area in Indian corporate sector. Many organisations spend several lakhs of rupees in terms of job advertisement, conducting tests and interviews, hiring the services of consultants and psychologists, etc., for selecting a managerial employee. A weak induction programme, without adequate emphasis on building confidence and sense of belongingness in the minds of the new employees, results in quick separation, so also wastage of colossal sum of money for the organisation. Such experience is quite common in public sector units. Very recently a leading Tata organisation has lost few hundreds of their young engineers and professionals, who left en masse to join elsewhere.

Some organizations, on the contrary, do not review the progress of the new employees, who become permanent automatically after completion of their probationary tenure, despite they being unproductive. Thus, a good induction and placement programme needs to ensure employees' retention by keeping their motivation high, while at the same time, getting rid of the unproductive employees within the organisations.

Self Assessment

State whether the following statements are true or false:

10. Orientation has a long-term benefit to the organisation.
11. Most organisations put new recruits on probation for a given period of time.
12. Good orientation programmes still require follow up.
13. One of the most significant concerns with outsourcing employees is the chance of misplaced loyalty.
14. Employee outsourcing refers to the shifting from traditional employee-employer relationship.
15. Retaining employees after recruitment and selection is an utterly neglected area in Indian corporate sector.

Case Study

Mental Block

Mr Vachani is a Quality Controller for four divisions in a family-owned manufacturing organisation in which functional heads enjoy a large measure of autonomy. Mr. Bose is the Production Superintendent of one of the four divisions of the company. By and large, both these senior executives, who report to the General Manager (Works) get along well as colleagues though they have their usual differences and disagreements over issues concerning quality.

One day Mr. Bose stormed into Mr. Vachani's office and shouted. "Your Senior Inspector, Mr. Sundaram, has misbehaved with me and I will not tolerate it. You must take immediate action against him." Mr. Vachani asked Mr. Bose to cool down and explain exactly what had happened. Narrating the incident, Mr. Bose said that in the morning he had observed one of his workmen carrying out a out-of-routine job. On being asked to explain why this was so, the workman said that he was working on the job as per the advice of Mr. Sundaram. On returning to his office, he called Mr. Sundaram, to make enquiries on the matter. The latter did not respond at first, but on being sent for once again, appeared before him. On being asked why he had assigned the out-of-routine job to a workman, Mr. Sundaram,

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did not give a satisfactory answer. He was told not to confuse his workmen. But Mr. Sundaram reacted by making rude remarks and misbehaving.

Mr Vachani listened patiently to Mr. Bose and advised him not to be agitated, adding that he (Mr. Vachani) would talk to Mr. Sundaram about the matter. On Mr. Bose's attempts to again tell Mr. Vachani as to what he wanted to be done, the latter said he would himself decide the best course of action, though of course, Mr. Bose was free to take any alternative action he felt necessary.

After some time Mr. Sundaram came to see Mr. Vachani in his office. The latter did not indicate that he was aware of the incident with Mr. Bose. After discussing various matters, Mr. Sundaram told Mr. Vachani. "Today, I had a fight with Bose" and proceeded to narrate the whole matter. His account of the meeting with Mr. Bose was " I went to Bose's office a little after I was called in. He asked me harshly to explain why I did not respond immediately on being sent for, I replied politely that I was busy in some work, and I did not want to disturb him. When Mr. Bose continued to press the issue I told him to discuss with Mr. Vachani whether I am required to respond immediately to his calls even if some work suffers in the process. About the out-of-routine job, I tried to explain that this became necessary in view of the important inspection on Monday (about which Mr. Bose was also aware) and that I had taken the initiative in the interest of work. Anyway, Mr. Bose told me rudely not to instruct his men directly and to get out. This infuriated me and I told Mr. Bose angrily that it was he who had called me. He then used some foul language and as a result hot words were exchanged, so much so that I felt like hitting him." Mr. Sundaram further added the he was nowhere at fault and that Mr. Bose's behaviour, specially in asking him to 'get out', really provoked him. He said though he always gave Mr. Bose due regard as a senior, the latter had no right to be as rude and insulting as he was.

It needs to be mentioned here that Mr. Sundaram has been working to the entire satisfaction of Mr. Vachani and at times carried out his own liaison with Mr. Bose and his department, whenever he was required to do so. After thinking over the incident for a few minutes, Mr. Vachani advised Mr. Sundaram to go to Mr. Bose sometime and talk to him reminding him (Mr. Bose) politely about the usage of strong words like 'get out', etc., and admitting that he had lost his temper. In this way he felt that Mr. Bose would not take offence to what Sundaram had said. After some persuasion, Sundaram agreed to do so and went back. About an hour later, Mr. Vachani received a call from Mr. Sundaram saying that he had information that Mr. Bose reported the matter to the Personnel Manager, and as such there was no need for him now to talk to Mr. Bose as suggested by Mr Vachani and that he would rather let the matter be decided otherwise since he in any case was not at fault.

Questions

1. Was Mr. Vachani's suggestions to Mr. Sundaram to talk out the matter with Mr. Bose correct in the circumstances?
2. Should he not have told Mr. Sundaram that his interpretation of the incident varied from that of Mr. Bose?
3. Was Mr. Bose justified in reporting the incident to the Personnel Manager soon after he had appraised Mr. Vachani of the same?
4. What action, if any, should the Personnel Manager take in this regard?
5. If Mr. Bose is found to be guilty of implicating Mr. Sundaram without any substantial reason, what remedy do you think the Personnel Manager should suggest to avoid recurrence of such incidents in future?

Notes

6.8 Summary

- Selection is the process of choosing individuals who have relevant qualifications to fill jobs in an organisation. The primary purpose of selection activities is to predict which job applicant will be successful if hired.
- Selection tests include intelligence and aptitude tests, achievement tests, assessment centres and general psychological or personality tests. The value of tests should not be discounted, since they are objective and offer a broader sampling of behaviour.
- The interview is an important source of information about job applicants. Several types of interviews are used, depending on the nature and importance of the position to be filled within an organisation. Interviews can be conducted by a single individual or by a panel of interviewers who are generally trained for the purpose. The training helps interviewers to be more objective and not get carried away by biases and errors of various kinds.
- Placement is the actual posting of an employee to a specific job. It involves assigning a specific rank and responsibility to an employee. Placement is an important human resource activity.
- Orientation or induction is the task of introducing the new employees to the organisation and its policies, procedures and rules.
- Induction is important as it serves the purpose of removing fears, creating a good impression and acts as a valuable source of information.

6.9 Keywords

Assessment Centre: It is a standardised form of employee appraisal that uses multiple assessment exercises such as 'in basket', games, role play, etc., and multiple raters.

Halo Error: This error occurs when one aspect of the subordinate's performance affects the rater's evaluation of other performance dimensions.

Induction: Introduction of a person to the job and the organisation.

Interview: It is the oral examination of candidates for employment.

Panel Interview: An interview during the course of which several interviewers take turns in interviewing the candidate.

Placement: Actual posting of an employee to a specific job - with rank and responsibilities attached to it.

Realistic Job Preview: It is a process of providing a job applicant with an accurate picture of the job.

Reliability: The ability of a selection tool to measure an attribute consistently.

Selection: The process of picking individuals who have relevant qualifications to fill jobs in an organisation.

Stereotyping: Attributing characteristics to individuals based on their inclusion or membership in a particular group.

Structured Interview: Interview that uses a set of standardised questions that are clearly job related, asked of all job applicants.

Test: A test is a standardised, objective measure of a sample of behaviour.

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Validity: The relationship between scores on a selection tool and a relevant criterion such as job performance.

6.10 Review Questions

1. Explain in brief the various selection techniques in general. Outline those selection techniques which are popularly used in India.
2. What is testing in selection? Explain its validity and reliability in the selection process.
3. What types of tests do you adopt for selecting mechanical engineers in a large tool making industry?
4. As jobs become more team oriented, assessment centres will be used more often for management jobs. Do you agree or disagree?
5. If you were interviewing a promising candidate but he seemed nervous, what actions might you consider to calm the candidate?
6. "The most efficient solution to the problem of interview validity is to do away with the interview and substitute paper and pencil measures." Do you agree or disagree? Explain.
7. "Even though interviews are not reliable, they are heavily used." Discuss why this selection device still rates very highly when it is known that it is unreliable.
8. Orientation is required when the selection policy is defective. When employees are selected properly, they do not need to be oriented. Do you agree or disagree? Why?
9. Explain the terms 'placement' and 'induction'. Outline their objectives.
10. What are the components of an employee induction programme? Why it is important in an organization?

Answers: Self Assessment

1.	(v)	2.	(iv)
3.	(iii)	4.	F
5.	T	6.	T
7.	T	8.	F
9.	T	10.	F
11.	T	12.	T
13.	T	14.	T
15.	T		

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Notes

Unit 7: Training, Development and Career Management

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Objectives

After studying this unit, you will be able to:

- Define the terms training, development and career
- Discuss Inputs in training and development
- Discuss various gaps in training
- Explain training process and career development
- Understand career development

Introduction

Training improves, changes, and moulds the employee's knowledge, skill, behaviour and aptitude and attitude towards the requirement of the job and the organization. After an employee is selected, placed and introduced in an organization, he/she must be provided with training facilities in order to adjust him/her to the job.

7.1 Definitions

According to Flippo, training is the act of increasing the knowledge and skills of an employee for doing a particular job.

Training may be defined as a planned programme designed to improve performance and bring about measurable changes in knowledge, skills, attitude and social behaviour of employees. Training is concerned with imparting and developing specific skills for a particular purpose. Training is the process of learning a sequence of programmed behaviour. The behaviour being programmed, is relevant to a specific phenomena, that is a job. Training is the process of increasing the skills of an employee for doing a particular Job.

7.1.1 Characteristics of Training

1. Increases knowledge and skills for doing the job.
2. Bridges the gap between jobs needs and employee skills, knowledge and behaviour.
3. Job-oriented process, vocational in nature.
4. Short-term activity designed essentially for operatives.

7.1.2 Difference between Training and Development

Training often has been referred to as teaching specific skills and behaviour. It is usually reserved for people who have to be brought up to performing level in some specific skills. The skills are almost always behavioural as distinct from conceptual or intellectual.

Development: It refers broadly to the nature and direction of change induced in employees, particularly managerial personnel, through the process of training and education.

Development is considered to be more general than training and it is aimed towards management people. Usually the intent of development is to provide knowledge and understanding that will enable people to carry out non-technical organisational functions more effectively, such as problem-solving, decision-making and relating to people.

Training is a short-term process utilizing a systematic and organized procedure by which non-managerial personnel learn technical knowledge and skills for a definite purpose.

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Development is a long-term educational process utilizing a systematic and organized procedure by which managerial personnel learn conceptual and theoretical knowledge for general purposes.

Thus, training is meant for operatives and development is meant for managers. Training tries to improve a specific skill relating to a job, whereas development aims at improving the total personality of an individual. Training is a one shot-deal whereas development is an ongoing, continuous process. Training is a result of outside motivation, whereas development is mostly a result of internal motivation. Training seeks to meet the current requirement of the job, whereas development seeks to meet the future needs of the individual and job. Thus training is a reactive process, whereas development is a proactive process.

7.1.3 Difference between Training and Education

Education is wider in scope and more general in purpose. Training is the act of increasing the knowledge and skills of an employee while doing the job. It is job-oriented. Education is the process of increasing the general knowledge and understanding of the employee. It is person-oriented, theory-based knowledge whose main purpose is to improve the conceptual learning.

7.1.4 Types and Methods of Training

Types of Training

There are many approaches to training. We focus here on the types of training that are commonly employed in present-day organisations.

1. ***Skills Training:*** This type of training is most common in organisations. The process here is fairly simple. The need for training in basic skills (such as reading, writing, computing, speaking, listening, problem solving, managing oneself, knowing how to learn, working as part of a team, leading others) is identified through assessment. Specific training objectives are set and training content is developed to meet those objectives. Several methods are available for imparting these basic skills in modern organisations.

2. ***Refresher Training:*** Rapid changes in technology may force companies to go in for this kind of training. By organising short-term courses which incorporate the latest developments in a particular field, the company may keep its employees up-to-date and ready to take on emerging challenges. It is conducted at regular intervals by taking the help of outside consultants who specialise in a particular descriptive.

3. ***Cross-functional Training:*** Cross-functional Training involves training employees to perform operations in areas other than their assigned job. There are many approaches to cross functional training. Job rotation can be used to provide a manager in one functional area with a broader perspective than he would otherwise have. Departments can exchange personnel for a certain period so that each employee understands how other departments are functioning. High performing workers can act as peer trainers and help employees develop skills in another area of operation.

4. ***Team Training:*** Team training generally covers two areas: content tasks and group processes. Content tasks specify the team's goals such as cost control and problem solving. Group processes reflect the way members function as a team - for example how they interact with each other, how they sort out differences, how they participate etc. Companies are investing heavy amounts, nowadays, in training new employees to listen to each other and to cooperate. They are using outdoor experiential training techniques to develop teamwork and team spirit among their employees (such as scaling a mountain, preparing recipes for colleagues at a restaurant, sailing through uncharted waters, crossing a jungle, etc.).

Notes

5. ***Creativity Training:*** In creativity training, trainers often focus on three things :

   (a) *Breaking away:* In order to break away from restrictions, the trainee is expected to (i) identify the dominant ideas influencing his own thinking, (ii) define the boundaries within which he is working, (iii) bring the assumptions out into the open and challenge everything

   (b) *Generate new ideas:* To generate new ideas, the trainee should open up his mind; look at the problem from all possible angles and list as many alternative approaches as possible. The trainee should allow his mind to wander over alternatives freely, expose himself to new influences (people, articles, books, situations), switch over from one perspective to another, arrange cross fertilization of ideas with other people and use analogies to spark off ideas.

   (c) *Delaying judgement:* To promote creative thinking, the trainee should not try to kill off ideas too quickly; they should be held back until he is able to generate as many ideas as possible. He should allow ideas to grow a little. Brainstorming (getting a large number of ideas from a group of people in a short time) often helps in generating as many ideas as possible without pausing to evaluate them. It helps in releasing ideas, overcoming inhibitions, cross fertilizing ideas and getting away from patterned thinking.

   Companies like Mudra Communications, Titan Industries, Wipro encourage their employees to think unconventionally, break the rules, take risks, go out of the box and devise unexpected solutions.

6. ***Diversity Training:*** Diversity training considers all of the diverse dimensions in the workplace – race, gender, age, disabilities, lifestyles, culture, education, ideas and backgrounds – while designing a training programme. It aims to create better cross-cultural sensitivity with the aim of fostering more harmonious and fruitful working relationships among a firm's employees. The programme covers two things: (i) awareness building, which helps employees appreciate the key benefits of diversity, and (ii) skill building, which offers the knowledge, skills and abilities required for working with people having varied backgrounds.

7. ***Literacy Training:*** Inability to write, speak and work well with others could often come in the way of discharging duties, especially at the lower levels. Workers, in such situations, may fail to understand safety messages, appreciate the importance of sticking to rules, and commit avoidable mistakes. Functional illiteracy (low skill level in a particular content area) may be a serious impediment to a firm's productivity and competitiveness. Functional literacy programmes focus on the basic skills required to perform a job adequately and capitalize on most workers' motivation to get help in a particular area. Tutorial programmes, home assignments, reading and writing exercises, simple mathematical tests, etc., are generally used in all company in-house programmes meant to improve the literacy levels of employees with weak reading, writing or arithmetic skills.

8. ***Orientation Training:*** In orientation training, new hires get a first hand view of what the company stands for, how the work is carried out and how to get along with colleagues. In short, 'they learn the ropes', the specific ways of doing things in a proper manner. When a new employee is from a different country and culture, this initial training is especially important in helping new employees adjust.

Methods of Training

Training methods are usually classified by the location of instruction. On the job training is provided when the workers are taught relevant knowledge, skills and abilities at the actual

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workplace; off-the-job training, on the other hand, requires that trainees learn at a location other than the real workspot. Some of the widely used training methods are listed below.

On-the-Job Training Methods

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

   (i) *Present Overview:* The trainee receives an overview of the job, its purpose and its desired outcomes, with a clear focus on the relevance of training.

   (ii) *Demonstrate and Show the way:* The trainer demonstrates the job in order to give the employee a model to copy. The trainer shows a right way to handle the job.

   (iii) *Copy and Handle the Job independently:* Next, the employee is permitted to copy the trainer's way. Demonstrations by the trainer and practice by the trainee are repeated until the trainee masters the right way to handle the job.

   (iv) *Follow-up:* In this step, the trainer checks the trainee's job frequently after the training programme is over to prevent bad work habits from developing.

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

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

   Mentoring in India is based on the time-honoured guru-shishya relationship where the guru would do everything to develop the personality of the shishya, offering emotional support, and guidance. When young people are bombarded with conflicting viewpoints - about how things should go - from a series of advisors, they may find it difficult to get ahead with confidence. Mentoring can succeed if (i) there is genuine support and commitment from top management, (ii) mentors take up their job seriously and transfer ideas, skills and experiences in a systematic way, and (iii) mentees believe in the whole process and carry out things in an appropriate manner.

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

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

   Job Rotation allows the manger to operate in diverse roles and understand the different issues that crop up. If someone is aspiring to be a corporate leader, then he or she must have this type of training. A recent study indicated that the single most significant factor that leads to leader's achievement was the variety of experiences in different departments, business units, cities, and countries.

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

6. ***Committee Assignments:*** In this method, trainees are asked to solve an actual organisational problem. The trainees have to work together and offer solution to the problem. Assigning talented employees to important committees can give these employees a broadening experience and can help them to understand the personalities, issues and processes governing the organisation. It helps them to develop team spirit and work unitedly

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toward common goals. However, managers should very well understand that committee assignments could become notorious time wasting activities.

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

Off-the-Job Training Methods

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

1. ***Vestibule Training:*** In this method, actual work conditions are simulated in a class room. Material, files and equipment - those that are used in actual job performance are also used in the training. This type of training is commonly used for training personnel for clerical and semi-skilled jobs. The duration of this training ranges from a few days to a few weeks. Theory can be related to practice in this method.
2. ***Role Playing:*** It is defined as a method of human interaction that involves realistic behaviour in imaginary situations. This method of training involves action, doing and practice. The participants play the role of certain characters, such as the production manager, mechanical engineer, superintendents, maintenance engineers, quality control inspectors, foreman, workers and the like. This method is mostly used for developing interpersonal interactions and relations.
3. ***Lecture Method:*** The lecture is a traditional and direct method of instruction. The instructor organises the material and gives it to a group of trainees in the form of a talk. To be effective, the lecture must motivate and create interest among the trainees. An advantage of lecture method is that it is direct and can be used for a large group of trainees. Thus, costs and time involved are reduced. The major limitation of the lecture method is that it does not provide for transfer of training effectively.
4. ***Conference/discussion Approach:*** In this method, the trainer delivers a lecture and involves the trainee in a discussion so that his doubts about the job get clarified. When big organisations use this method, the trainer uses audio-visual aids such as blackboards, mock-ups and slides; in some cases the lectures are videotaped or audio taped. Even the trainee's presentation can be taped for self-confrontation and self-assessment. The conference is, thus, a group-centered approach where there is a clarification of ideas, communication of procedures and standards to the trainees. Those individuals who have a general educational background and whatever specific skills are required - such as typing, shorthand, office equipment operation, filing, indexing, recording, etc. - may be provided with specific instructions to handle their respective jobs.
5. ***Programmed Instruction:*** This method has become popular in recent years. The subject-matter to be learned is presented in a series of carefully planned sequential units. These units are arranged from simple to more complex levels of instruction. The trainee goes through these units by answering questions or filling the blanks. This method is, thus, expensive and time-consuming.

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6. ***E-learning:*** It allows trainees to improve their skills and knowledge at their own comfortable pace. The trainee participates actively and is able to upgrade skills in a time-bound manner. Of course, e-training requires top management support, uninterrupted internet access, investments in establishing learning portals and is not suitable for imparting behavioural skills to trainees. Technology barriers like bandwidth will restrict and hamper the effectiveness of e-learning. Learning effectiveness might never match the level of classroom for a long time.

7. ***Behaviourally Experienced Training:*** Some training programmes focus on emotional and behavioural learning. Here employees can learn about behaviour by role playing in which the role players attempt to act their part in respect of a case, as they would behave in a real-life situation. Business games, cases, incidents, group discussions and short assignments are also used in behaviourally-experienced learning methods. Sensitivity training or laboratory training is an example of a method used for emotional learning. The focus of experiential methods is on achieving, through group processes, a better understanding of oneself and others. These are discussed elaborately in the section covering Executive Development Programmes.

7.2 Objective of Training and Development

1. To Increase Efficiency
2. To Increase Morale of Employees
3. To Establish Better Human Relations
4. To Reduce Supervision
5. To Increase Organizational Viability and Flexibility.

7.3 Need for Training

1. Newly recruited employees require training so as to perform their tasks effectively. Instruction, guidance, coaching help them to handle jobs competently without any wastage.
2. Training is necessary to prepare existing employees for higher-level jobs (promotion).
3. Existing employees require refresher training so as to keep abreast of the latest development in the job operations.
4. Training is necessary when one moves from one job to another (transfer).
5. Training is necessary to make employee mobile and versatile. They can be placed on various jobs depending on organisational needs.
6. Training is needed to bridge the gap between what the employee has and what the job demands.

Notes **Training Needs Assessment**

Training needs are identified by following types of analysis:

1. ***Organizational Analysis:*** It involves a study of the entire organization in terms of its objectives, its resources, the utilization of these resources, in order to achieve stated objectives and its interaction pattern with environment.

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2. ***Task or Role Analysis:*** The focus here is on the roles played by an individual and the training needed to perform such roles. Questionnaires, interview reports, tests and observation are generally used to collect job related information from time to time. After collecting the information, an appropriate training programme may be designed.

3. ***Manpower Analysis:*** There are three issues to be resolved through manpower analysis. First, we try to find whether performance is satisfactory and training is required. Second, whether the employee is capable of being trained and the specific area in which the training is needed. Finally, we need to state weather poor performance. On the job need to be replaced by those who can do the job.

7.4 Importance of Training

7.4.1 To the Organization

1. Gets more effective in decision-making and problem-solving.
2. Improve the morale of the workforce.
3. Helps people identify the organizational goal.
4. Aids in developing leadership skills, motivation, loyalty and better attitude.
5. Aids in improving productivity and quality of work.
6. Aids in understanding and carrying out organizational policies.
7. Aids in organizational development.
8. Creates an appropriate climate for growth and communication.
9. Helps employees adjust to change.

7.4.2 To the Employees

1. Increases job satisfaction and recognition.
2. Moves a person towards personal goals while improving interactive skills.
3. Helps in eliminating fear of attempting new tasks.
4. Provides the trainee an avenue for growth.
5. Through training and development, motivational variables of recognition, achievement, growth, responsibility and advancement are internalized and operationalised.
6. Provides information for improving leadership, communication skills and attitudes.
7. Helps to handle stress, tension, frustration and conflict.

7.4.3 For Personnel and Human Relation

1. Improve inter-personnel skills
2. Improves morale
3. Builds cohesiveness in groups
4. Makes the organization a better place to work and live
5. Provides information on other governmental laws and administrative policies.

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Table 7.1: Benefits of Training

Benefits to the Business	Benefits to the Employee
Trained people can work more efficiently	It makes an employee more useful to the firm.
They use machines, tools materials in a proper way. Wastage is thus eliminated to a large extent.	It makes employees more efficient and effective. They produce more with minimum effort.
There are fewer accidents.	It enables employees to secure promotion easily. They can realize their career goals comfortably.
They show superior performance.	They can handle jobs with confidence. They are more satisfied on their jobs. Their morale would be high.
It makes employees more loyal to an organisation. They will be less inclined to leave the unit where there are growth opportunities.	It can enable employees to cope with organisational, social and technological change. Effective training is an invaluable investment in the human resource of an organisation.

Did u know? **What is Training Quintet?**

The training quintet consists of senior managers, line managers, training manager including training needs identification and analysis.

Self Assessment

Multiple Choice Questions:

1. Training objectives should be expressed in
   - (i) Employee behaviours
   - (ii) Management desires
   - (iii) Needs assessment
   - (iv) Subjective judgement
   - (v) Employee reactions.
2. Training evaluation criteria include all but
   - (i) Reactions
   - (ii) Learning
   - (iii) Behaviour
   - (iv) Relevance
   - (v) Results
3. Technological obsolescence of engineers can be easily prevented by
   - (i) Behaviour modelling
   - (ii) Lectures
   - (iii) Coaching

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(iv) Laboratory training

(v) On-the-job training.

7.5 Inputs in Training and Development

Inputs in training and development programme are those which enable the participants to gain skills, learn theoretical concepts and help acquire vision to look into the distant future. The inputs of training and development are as follows:

Skills: Training is imparting skills to the employees. A worker needs skills to operate machines, and use other equipments with least damage and scrap. This is basic skills without which the operator will not function.

There is also a need of motor skills or psychomotor skills as they are refer to performance of specific physical activities. These skills involve learning to move various parts of their body in response to certain external and internal stimuli. Employees particularly like supervisors and executives, need interpersonal skills mostly know as people skills. These skills helps a person understand oneself and others better and act accordingly. Examples of interpersonal skills include listening. Persuading and showing an understanding of others feelings.

Education: The purpose of education is to teach theoretical concepts and develop a sense of reasoning and judgment. That any training and development programme must contain an element of education is well understood by the HR specialist. Education is more important for managers and executives than for lower-cadre workers.

Development: Another component of a training and development programme is development which is less skill-oriented but stress on knowledge. Knowledge about business environment, management principles and techniques, human relations, specific industry analysis and the like is useful for better management of a company.

Development programme should help an employee to be a self-starter, build sense of commitment, motivation, which should again helps him being self generating. It should make their performance result oriented and help them in being more efficient and effective. It should also help in making the employee sensitive towards the environment that is his work place and outside. This programme should keep the employee aware of him i.e. his potentials and his limitations. Help him see himself as others see him and accept his self image as a prelude to change. It helps teach an individual to communicate without filters, to see and feel points of view different from their own. Also helps them understand the powers in their hands and thereby develop leadership styles which inspire and motivate others.

Ethics: There is a need for imparting greater ethical orientation to a training and development programme. There is no denial of the fact that ethics are largely ignored in businesses. They are less seen and talked about in the personnel function this does not mean that the HR manager is absolved if the responsibility. If the production, finance or marketing personnel indulge in unethical practices the fault rest on the HR manager. It is his/her duty to enlighten all the employees in the organization about the need for ethical behavior.

Attitudinal Changes: Attitudinal represents feelings and beliefs an individual towards others. Attitudes affect motivation, satisfaction and job commitment. Negative attitudes needs to be converted into positive attitudes. Changing negative attitudes is difficult because:

1. Employees refuse to change
2. They have prior commitments and
3. Information needed to change attitudes may not be sufficient.

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Attitude must be changed so that the employee feels committed to the organization and give better performance.

Decision Making and Problem Solving Skills: Decision making and problem solving skill focus on methods and techniques for making organizational decision and solve work related problems. Learning related to decision-making and problem solving skills seeks to improve trainee's abilities to define and structure problems, collect and analysis information, generate alternatives. Training of this type is typically provided to potential managers, supervisors and professionals.

7.6 Gaps in Training

The training gap is the difference between the job skills your people actually have at this moment, and the skills they need now and in the near future to keep your company competitive in its marketplace.

Gaps in training can be measured by training need assessment. Following are prerequisites:

1. ***Reliable:*** A Training Needs Assessment that delivers trusted, internally consistent results – with measured reliability printed on every report.
2. ***Valid:*** A Training Needs Assessment of your organization's skills, not a list of generic skills, or broad skills that apply to all jobs.
3. ***Focused on Priorities:*** A Training Needs Assessment that reports the most important skills and the most important gaps that must be closed.

Self Assessment

State whether the following statements are true or false:

4. A little training is a dangerous thing.
5. The methods and processes of training should not be related directly to the needs.
6. Well-trained employees need less guidance and control.
7. Learning is a transformation that occurs within a short period of time.
8. Development is a long-term educational process.
9. Trained employees are a liability to an organisation.
10. Transfer of executives from one location to another is called job rotation.
11. Training objectives should be set in terms of changes needed in behaviour and performance.

7.7 Training Process and Career Development

7.7.1 Career Planning

Career planning is the process by which one selects career goals and the path to these goals. The major focus of career planning is on assisting the employees achieve a better match between personal goals and the opportunities that are realistically available in the organisation. Career programmes should not concentrate only on career growth opportunities. Practically speaking, there may not be enough high level positions to make upward mobility a reality for a large number of employees. Hence, career-planning efforts need to pinpoint and highlight those areas that offer psychological success instead of vertical growth.

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Career planning is not an event or end in itself, but a continuous process of developing human resources for achieving optimum results. It must, however, be noted that individual and organisational careers are not separate and distinct. A person who is not able to translate his career plan into action within the organisation may probably quit the job, if he has a choice. Organisations, therefore, should help employees in career planning so that both can satisfy each other's needs.

7.7.2 Need for Career Planning

Every employee has a desire to grow and scale new heights in his workplace continuously. If there are enough opportunities, he can pursue his career goals and exploit his potential fully. He feels highly motivated when the organisation shows him a clear path as to how he can meet his personal ambitions while trying to realise corporate goals. Unfortunately, as pointed out by John Leach, organisations do not pay adequate attention to this aspect in actual practice for a variety of reasons. The demands of employees are not matched with organisational needs, no effort is made to show how the employees can grow within certain limits, what happens to an employee five years down the line if he does well, whether the organisation is trying to offer mere jobs or long-lasting careers, etc. When recognition does not come in time for meritorious performance and a certain amount of confusion prevails in the minds of employees whether they are 'in' with a chance to grow or not, they look for greener pastures outside. Key executives leave in frustration and the organisation suffers badly when turnover figures rise. Any recruitment effort made in panic to fill the vacancies is not going to be effective. So, the absence of a career plan is going to make a big difference to both the employees and the organisation. Employees do not get right breaks at a right time; their morale will be low and they are always on their toes trying to find escape routes.

Organisations are not going to benefit from high employee turnover. New employees mean additional selection and training costs. Bridging the gaps through short-term replacements is not going to pay in terms of productivity. Organisations, therefore, try to put their career plans in place and educate employees about the opportunities that exist internally for talented people. Without such a progressive outlook, organisations cannot prosper.

7.7.3 Objectives

Career planning seeks to meet the following objectives:

1. Attract and retain talent by offering careers, not jobs.
2. Use human resources effectively and achieve greater productivity.
3. Reduce employee turnover.
4. Improve employee morale and motivation.
5. Meet the immediate and future human resource needs of the organisation on a timely basis.

Did u know? ***Career anchors:*** They are distinct patterns of self-perceived talents, attitudes, motives and values that guide and stabilise a person's career after several years of real-world experience and feedback.

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7.7.4 Process of Career Planning

The career planning process involves the following steps:

1. ***Identifying Individual Needs and Aspirations:*** Most individuals do not have a clear cut idea about their career aspirations, anchors and goals. The human resource professionals must, therefore, help an employee by providing as much information as possible showing what kind of work would suit the employee most, taking his skills, experience, and aptitude into account.
2. ***Analysing Career Opportunities:*** Once career needs and aspirations of employees are known, the organisation has to provide career paths for each position. Career paths show career progression possibilities clearly. They indicate the various positions that one could hold over a period of time, if one is able to perform well.
3. ***Aligning Needs and Opportunities:*** After employees have identified their needs and have realised the existence of career opportunities the remaining problem is one of alignment. This process consists of two steps: first, identify the potential of employees and second, undertake career development programmes with a view to align employee needs and organisational opportunities.
4. ***Action Plans and Periodic Review:*** The matching process would uncover gaps. These need to be bridged through individual career development efforts and organisation supported efforts from time to time. After initiating these steps, it is necessary to review the whole thing every now and then.

7.8 Succession Planning

The absence of a succession plan can seriously hamper the growth prospects of an organisation. Imagine the disastrous consequences when there is a sudden vacuum at the top level. There is no one to steer the ship. Critical plans needing immediate action get postponed. The organisation remains headless and directionless for a while. Suitable candidates may not be available internally, as no one has been groomed in the past, keeping such an eventuality in mind. Bringing in outsiders may mitigate the crisis temporarily but the long-term impact is bound to be negative. Internal forces may start a rebellion and create tug-of-war situations with frustrating regularity.

Succession planning is: "The process of ensuring a suitable supply of successors for current and future senior or key jobs arising from business strategy, so that the careers of individuals can be planned and managed to optimise the organisations' needs and the individuals' aspirations."

The purpose of succession planning is to identify and develop people to replace current jobholders in key positions. Through succession planning, companies assure a steady flow of internal talent to fill important vacancies. Succession planning encourages 'hiring from within' and creates a healthy environment where employees have careers and not merely jobs. It helps in identifying human resource shortages and skill shortages before openings occur. Thereafter, it becomes easy to groom qualified candidates for future vacancies. The organisation is thus assured of continuity of operations and better-qualified incumbents.

Preparing a schedule for succession is critical to the success of a company, especially at the top level. When the baton changes over a period of time, disruption and dislocation are minimised. Indeed, when a new CEO is meant to consolidate on past successes, a slow shift is ideal. If qualified candidates are not available within the company, outsiders can be considered readily for possible openings. Complete dependence on succession from within or from outside is not desirable. Internal candidates require a 'pat on the back' when they do well. External candidates are needed for injecting flesh blood into the company.

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7.8.1 Replacement Charts

A succession plan is a plan for identifying who is currently in post and who is available and qualified to take over in the event of retirement, voluntary retirement, dismissal or sickness. A typical succession chart shows details of key executives and brief references to their possible successors.

The replacement chart is a visual representation of who will replace whom if there is a job opening. The replacement summary indicates likely replacements for each job and shows their relative strengths and weaknesses. This can be prepared in a detailed way so as to facilitate the easy selection of a candidate in case of future vacancies.

7.8.2 Career Planning vs Succession Planning

The terms 'career planning' and 'succession planning' are not synonymous, but they are similar. Succession planning is generally needed for key positions at higher levels, while career planning covers executives at all levels including high skilled employees and operatives. Career planning, by its very nature, includes succession planning. The career paths for executives are identified. How people can grow vertically is also indicated. In case of a vacancy arising at any level, the career plan is well supported by a succession chart. Both are thus complementary and interdependent.

7.9 Steps in Career Development System

Career development consists of the personal actions one undertakes to achieve a career plan. Career development looks at the long-term career effectiveness of employees. The actions for career development may be initiated by the individual himself or by the organisation. Career progress and development is largely the outcome of actions on the part of an individual. Some of the important steps that could help an individual cross the hurdles on the way 'up' may include:

1. ***Performance:*** Career progress rests largely on performance. If the performance is sub-standard, even modest career goals can't be achieved.
2. ***Exposure:*** Career development comes through exposure, which implies becoming known by those who decide promotions, transfers and other career opportunities. You must undertake actions that would attract the attention of those who matter most in an organisation.
3. ***Networking:*** Networking implies professional and personal contacts that would help in striking good deals outside (e.g., lucrative job offers, business deals, etc.). For years men have used private clubs, professional associations, old-boy networks, etc., to gain exposure and achieve their career ambitions.
4. ***Leveraging:*** Resigning to further one's career with another employer is known as leveraging. When the opportunity is irresistible, the only option left is to resign from the current position and take up the new job (opportunity in terms of better pay, new title, a new learning experience, etc.). However, jumping too jobs frequently (job-hopping) may not be a good career strategy in the long run.
5. ***Loyalty to Career:*** Professionals and recent college graduates generally jump jobs frequently when they start their career. They do not think that career-long dedication to the same organisation may not help them further their career ambitions. To overcome this problem, companies such as Infosys, NIIT, WIPRO (all information technology companies where

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the turnover ratios are generally high) have come out with lucrative, innovative compensation packages in addition to employee stock option plans for those who remain with the company for a specified period.

6. ***Mentors and Sponsors:*** A mentor is, generally speaking, an older person in a managerial role offering informal career advice to a junior employee. Mentors take junior employees as their protégés and offer advice and guidance on how to survive and get ahead in the organisation. They act as role models. A sponsor, on the other hand, is someone in the organisation who can create career development opportunities.

7. ***Key Subordinates:*** Qualified and knowledgeable subordinates, often extend invaluable help that enables their bosses to come up in life. When the bosses cross the bridge, they take the key subordinates also along with them. In his own self interest, the subordinate must try to find that winning horse on which he can bet.

8. ***Expand Ability:*** Employees who are career conscious must prepare themselves for future opportunities that may come their way internally or externally by taking a series of proactive steps (e.g., attending a training programme, acquiring a degree, updating skills in an area, etc.).

Task People in India generally follow a careerist strategy focus on career advancement through political machinations rather than excellent performance such as (a) favour doing (b) becoming a yes man (c) flattery, etc. In your opinion, in what other ways might employees try to influence their superior's opinions of them? How can managers tell when an employee is sincere. What criteria should be used before promoting an employee?

7.10 Training Process

Training is most effective when it is planned, implemented and evaluated in a systematic way. Unplanned, uncoordinated and haphazard training efforts greatly reduce the learning that can be expected. A training process includes the following steps:

7.10.1 Identification of Objectives

The first thing is to identify the business objectives. This step provides the direction for which way organisation has to move. Thus, the business plan shows the activities to be carried out to achieve the said objectives.

7.10.2 Determining Training Needs

Training efforts must aim at meeting the requirements of the organisation (long-term) and the individual employees (short-term). Training needs can be identified through the following types of analysis.

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

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

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

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

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

2. ***Task or Role Analysis:*** This is a detailed examination of a job, its components, its various operations and conditions under which it has to be performed. The focus here is on the roles played by an individual and the training needed to perform such roles. After collecting the information, an appropriate training programme may be designed, paying attention to (i) performance standards required of employees, (ii) the tasks they have to discharge, (iii) the methods they will employ on the job, and (iv) how they have learned such methods, etc.

3. ***Person Analysis:*** Here the focus is on the individual in a given job. There are three issues to be resolved through manpower analysis. First, we try to find out whether performance is satisfactory and training is required. Second, whether the employee is capable of being trained and the specific areas in which training is needed. Finally, we need to state whether poor performers (who can improve with requisite training inputs) on the job need to be replaced by those who can do the job.

7.10.3 Identify Training Objectives

Once training needs are identified, objectives should be set to begin meeting these needs.

7.10.4 Determining Content and Schedule of Training

According to the nature of the training, contents and schedule of training are specified. Generally, training cover two aspects: technical and behavioural. As per requirement of the training participants, facilities, instructors and aids are decided on.

7.10.5 Coordination of Training Programme

Very often HR department coordinates the training programme. It involves preparing the list of participants, schedules, programmes, etc. and arranging faculty and support services like refreshment, training aids and documentation of programmes.

7.10.6 Evaluating the Training Programme

It is for knowing whether training programme has been able to achieve its objectives. Various methods of evaluation can be used to determine the effectiveness of training.

Companies nowadays, are designing career programmes with a view to increase employee productivity, prevent job "burn out" and obsolescence, and improve the quality of employees' work lives. Thanks to the LPG era (liberalisation, privatisation and globalisation) individuals, too, are expected to develop new and better personal skills of self-assessment and career planning

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to be in the race, especially since companies do not have the resources to completely plan individuals' careers. Effective career planning should become an inescapable fact of organisational life because it helps companies meet internal staffing requirements and reduce turnover while it helps employees meet their needs for challenge and achievement of career goals.

Did u know? Diversity training considers all of the diverse dimensions in the workplace – race, gender, age, disabilities, lifestyles, culture, education, ideas and backgrounds – while designing a training programme. It aims to create better cross-cultural sensitivity with the aim of fostering more harmonious and fruitful working relationships among a firm's employees.

Self Assessment

Multiple Choice Questions:

12. Career progress largely depends on
    - (i) international exposure
    - (ii) performance
    - (iii) experience
    - (iv) mentoring
    - (v) qualifications.
13. Career planning is the responsibility of
    - (i) government
    - (ii) the HR department
    - (iii) the sponsor
    - (iv) the employer
    - (v) career counsellors.
14. Information for career planning in a company
    - (i) is available through the HRIS
    - (ii) can be had form line manages
    - (iii) can be obtained from staff assistants
    - (iv) is often not available
    - (v) is best obtained from fortune-tellers.
15. An example of a career development ability would be
    - (i) scaling a mountain
    - (ii) planning a vacation
    - (iii) working hard
    - (iv) discussion with the boss
    - (v) getting another degree.

Notes

Notes **Knowledge Management and Learning Organisation**

Today we come across two most commonly used terms like; Knowledge Management and Learning Organisation. These two terms are intertwined with Training and Development Function. Hence a brief discussion on these two terms will benefit the reader to update themselves with the changing need of HR professionals.

Knowledge is reinforced through learning. Learning is a process of acquiring new skills or knowledge, which results to a new behaviour. Learning can take place through multiple ways. But for organisations best way to promote learning is by exposure to new experiences. Knowledge is the ability and wisdom to use the learned experiences for achievement of individual and organisational objectives. Knowledge management, therefore, is the process of systematically and actively managing and leveraging the store of knowledge in an organisation. From organization point of view, thus Knowledge Management is a concept in which an enterprise gathers, organizes, shares, and analyses its knowledge in terms of resources, documents, and periodically retires the old knowledge. Today, both knowledge and information are the main inputs of HR. This justifies that the Knowledge Management efforts should be lead by the HR department. It perhaps even prompted many organizations to rename their HR function as knowledge management function.

Learning organization is defined as an organisation that learns and encourages learning among its people. It promotes exchange of information between employees hence creating a more knowledgeable workforce. This produces a very flexible organisation where people will accept and adapt to new ideas and changes through a shared vision. To create a learning organization following steps are necessary:

Awareness

To start with organisations must appreciate that learning is necessary at all levels and not just limited to managerial level. This apart, need for change also has to be accepted first as the only way to survive. Such awareness at organization level can only be created once organization believe in emulating the examples of success stories of those who have leapfrogged their growth truly developing the learning organization culture.

Environment

Creating a learning environment requires to share with all members of the organization a comprehensive picture of the whole organisation and its goals by creating a flatter (organic) structure which encourages innovations. The flatter structure promotes transparency of information between members of organisation and thereby develops a more informed workforce.

Leadership

Leaders are enabler for an organization to gain competitive advantage. A leader sells the concept and encourages learning to help both the individual and organisation in learning. It is the leader's responsibility to help moulding the individual views of team members. It requires management to provide commitment for long-term learning with resource support.

Empowerment

Real testing tool for learning is the degree of empowerment. Empowerment requires involving workers in decision-making. Empowerment makes workers more responsible

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for their actions; without letting loose the managerial involvement. Managers still need to encourage, enthuse and co-ordinate the workers. Empowerment must be allowed at all levels so that members can learn from each other simultaneously.

Learning

Learning systems also need to replicate real-life situation through series of simulation games. This facilitates learning from mistakes to make the future learning more effective Learning environment need to be open, flexible and motivating. To facilitate continuous learning some organizations also make extensive use of electronic media like e-learning, duly providing a track to measure the learning progresses. But its acceptance largely depends on workers urge to learn. This can be ensured linking learning with various incentive packages and HR decisions.

To implement a learning organisation philosophy in an organization, we require an overall strategy with clear, well defined goals. Once goals and overall strategy are identified, specific action plans are required to implement the same. There are three generic strategies to develop a learning organization. Peter Senge also focused on certain initiatives required at organization level to implement learning organization philosophy. Three strategies, however, are as under:

1. ***Accidental:*** For many organisations implementing learning organisation philosophy is more accidental than preconceived. In the process of achieving business goals quite often unknowingly they develop a framework, which fit the learning organisation philosophy. Therefore, even remaining unaware, organizations can emulate the learning philosophy to gain competitive advantage.
2. ***Subversive:*** Subversive strategy encapsulate the dissidence by exploiting ideas and techniques of people working in the organization. It requires open endorsement of the learning organisation ideal, so that people can express their ideas.
3. ***Declared:*** The third option is the declared approach. It requires clear promotion of the principles of learning organizations, as part of the organizational ethos and are manifested openly in all organizational initiatives.

Learning Organisations Work at following Aims:

Development of People: A Learning Organisation facilitates learning which improves the personal skills and qualities of members of organisation. Members just not get benefited from their own but also from sharing of experience of others.

Greater Motivation: Because of participation of people to improve their own skills, values and work, they become more matured about their role and feel motivated to contribute their best. Opportunities for innovation and creativity, free thinking develop their self and make them feel satisfied in their job roles.

Workforce become Flexible: Learning organisation makes workers more flexible. Workers can move freely within the organisation in between jobs and thereby develop their capability to cope rapidly with a changing environment, to survive in competition.

Workers become More Creative: People get more opportunities to be creative in a learning organisation. They can try out new ideas without bothering about mistakes. They get recognised about their creative contributions which makes room for new ideas to flourish.

Improvement in Social Interaction: Learning improves social interaction and develops interpersonal communication skills. This encourages teamwork which as a result makes organization to work better.

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Teams and Groups work better: Learning Organisation develops high performing teams. They learn, grow and develop and perform efficiently for the organisation to deliver better results.

Knowledge sharing: "Openness Creates Trust." In a learning environment, information and knowledge being flows around freely, intra and inter team sharing of knowledge also develops mutual trust and makes an high performing organization.

Interdependency: A culture of interdependency in organization increases awareness of its members and improves relations between them at a personal level. By knowing each other about their roles, needs and tasks, members can learn how to manage their time better and plan their work more efficiently. With the increased spate of learning, however, such dependency decreases and members can get on their own, plan their job better without relying on others.

These apart, a learning organization can facilitate breaking down of traditional communication barriers, improves customer relations, develops the knowledge resources, fosters innovation and creativity, hedges against risk in decision making, etc.

Case Study

Remedial Training

Amandeep Sharma has been employed for nine months in the accounts section of a large Publishing company in New Delhi. You have been his supervisor for the past three months. Recently you have been asked by the management to find out the contributions of each employee in the Accounts Section and monitor carefully whether they are meeting the standards set by you.

A few days back you have completed your formal investigation and with the exception of Amandeep, all seem to be meeting the targets set by you. Along with numerous errors, Amandeep's work is characterised by low performance - often he does 20 per cent less than the other clerks in the department.

As you look into Amandeep's performance review sheets again, you begin to wonder whether some sort of remedial training is needed for people like him.

Questions

1. As Amandeep's supervisor, can you find out whether the poor performance is due to poor training or to some other cause?
2. If you find Amandeep has been inadequately trained, how do you go about introducing a remedial training programme?
3. If he has been with the company six months, what kind of remedial programme would be best?
4. Should you supervise him more closely? Can you do this without making it obvious to him and his co-workers?
5. Should you discuss the situation with Amandeep?

Notes

7.11 Summary

- Training is a planned programme designed to improve performance and to bring about measurable changes in knowledge, skills, attitude and social behaviour of employees.
- The various types of training include: skills training, refresher training, cross functional training, team training, creativity training, diversity training, and literacy training.
- Formal training methods include (i) on-the-job training covering job instruction training, coaching, mentoring, job rotation, apprenticeship training, committee assignments and (ii) off-the-job training includes lectures, conferences, simulation exercises and programmed instruction.
- ***Training can be evaluated at five levels:*** reaction, learning, behaviour, organisation and results. Career planning is the process by which one selects career goals and the path to these goals. Career planning is not a sure bet, but without it, employees are seldom ready for the career opportunities that arise.
- Career development is a lifelong process of understanding your career preferences; identifying, obtaining and developing appropriate skills and training for that career and continually evaluating your career preferences and skills over your working life to find whether they continue to meet your needs and those of the organisation.
- Succession planning though a neglected area in the pre-liberalisation period, is carried out in a systematic way in most professionally-managed companies in India now.
- Succession planning focuses on creating and stocking pools of candidates with high leadership potential. Career development could occur at the individual or the organisational level. Individuals can push up their careers through performance, exposure, networking, leveraging, etc.

7.12 Keywords

Career: A sequence of positions held by a person during the course of a lifetime.

Career Development Workshop: A training programme designed to assist employees in managing their careers.

Career Path: The sequential pattern of jobs that comprises one's career.

Career Planning and Development: A conscious process through which a person becomes aware of personal career-related attributes and the lifelong series of stages that contribute to his or her career fulfillment.

Career Stages: An individual's career moves through five stages; exploration, establishment, mid-career, late career and decline.

Counselling: The discussion of an employee's problem with a view to help the employee cope with it.

Development: Broadening an individual's knowledge, skills and abilities for future responsibilities.

Education: Conceptual learning that improves understanding of a subject/theme.

Job Instruction Training: Training received directly on the job.

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Job Rotation: Moving a trainee from job to job so as to provide cross training.

Leveraging: It refers to resigning to further one's career with another employer.

Mentor: A person who is higher up the organisation and who can provide career advice and support to a less senior employee.

On-the-job Training: Any training technique that involves allowing the person to learn the job by actually performing it on the job.

Role Playing: A development technique requiring the trainee to assume a role in a given situation and act out behaviours associated with that role.

Training: A planned programme designed to improve performance and bring about measurable changes in knowledge, skills, attitude and social behaviour of employees.

Vestibule Training: A training method involving the creation of training facilities separate from the regular production area but with the same equipment.

7.13 Review Questions

1. What do you mean by 'training'? Distinguish between training and development with the help of some examples.
2. Explain the various methods of training.
3. Write short notes on: Types of training
4. "Training programmes are helpful to avoid personnel obsolescence". Discuss.
5. Suppose that you are the manager of an accounts receivable unit in a large company. You are switching to a new system of billing and record keeping and need to train you supervisors and thirty two employees in the new procedures. What training method(s) would you use? Why?
6. You are training someone to use a new accounting software package in a medium-sized firm. What training method(s) would you use? Why?
7. How would you identify the training needs of a group of sales employees of a large public sector insurance company facing stiff competition from private sector insurance companies in recent times?
8. Explain whether and how the effectiveness of training programmes can be evaluated.
9. Suppose you are assigned to develop a career planning and development programme in a large organisation with a diverse workforce. What unique concerns might you have because of this diversity?
10. What type of information would you seek from the HR department to help you develop your individual career plan if you were just starting with a large multinational corporation?
11. List the pay offs and limitations of career planning. Also indicate how career planning efforts could be initiated in a successful way?
12. Give some reasons for the trend toward increased emphasis on career development programmes.
13. Succession planning is emerging as an alternative approach in light of future business needs and challenges. Comment.

Notes

Answers: Self Assessment

1.	(iv)	2.	(i)
3.	(ii)	4.	T
5.	F	6.	T
7.	F	8.	T
9.	F	10.	F
11.	T	12.	(ii)
13.	(iv)	14.	(i)
15.	(v)		

7.14 Further Readings

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Unit 8: Performance Management System

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Objectives

After studying this unit, you will be able to:

- Define the term Performance appraisal
- Discuss objectives of PA
- State the relevance of performance appraisal process
- Discuss the challenges in performance appraisal
- Analyze the significance of performance management system

Introduction

All organisations use performance appraisal for various purposes. The main issue hovers around the question of what criteria should be used to appraise performance. Given that all appraisals involve judgements which are not always fair, organisations use multifarious techniques and tools to measure performances as objectively as possible. Besides a good technique, successful performance appraisal requires a consistent approach; clear standards and measures and bias free ratings. A critical part of the evaluation process is the preparation of the rater. Raters must be trained on the system being used and it's purpose to ensure consistency and accuracy. Finally, if the employees' performance is to improve, they must be provided feedback on their performance and advice on how to make improvements.

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8.1 Performance Appraisal

8.1.1 Meaning and Definition

It is the systematic evaluation of the individual with respect to his or her performance on the job and his or her potential for development.

Performance Appraisal is a formal structured system of measuring and evaluating an employee's job related behaviors and outcomes to discover how & why the employee is presently performing on the job and how the employee can perform more effectively in the future so that the employee, organization and society all benefit.

8.1.2 Objectives of PA

1. ***Compensation Decision:*** It can serve as a basis for pay raises. This approach to compensation is at the heart of the idea that raises should be given for merit rather than for seniority.
2. ***Promotion Decision:*** It can serve as a guide for job change or promotion.
3. ***Training and Development Programme:*** PA can inform employees about their progress and tell them what skills they need to develop to become eligible for pay raises or promotions or both.
4. ***Feedback:*** It can tell an employee what he can do to improve his present performance and go up the organizational ladder.
5. ***Personal Development:*** It can help reveal the causes of good and poor employee performance.

Self Assessment

Multiple Choice Questions:

1. The basis for performance standards is
   - (i) Managers
   - (ii) HR plans
   - (iii) Employees
   - (iv) Compensation plans
   - (v) Job analysis.
2. Performance appraisals serve as building blocks of
   - (i) Recruiting
   - (ii) Career planning
   - (iii) Manpower planning
   - (iv) Selecting
   - (v) Job analysis.

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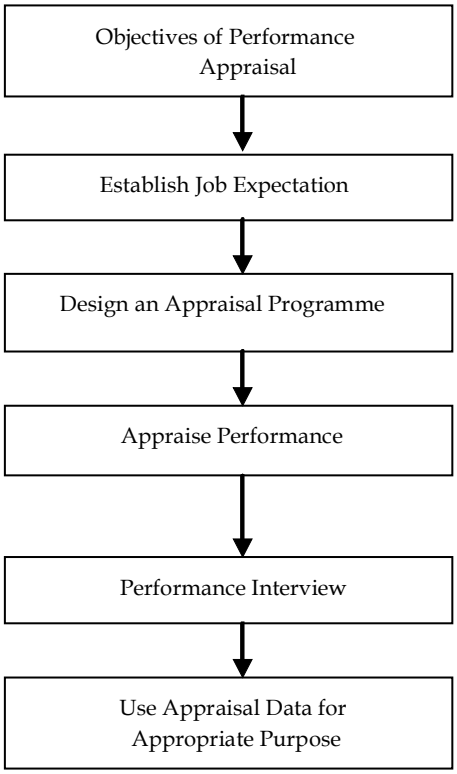
8.2 Performance Appraisal Process

Figure 8.1: Performance Appraisal Process



8.3 Methods of Performance Appraisal

8.3.1 Past-oriented Scale

1. ***Rating Scale:*** The typical rating scale system consists of several numerical scales, each representing a job-related performance criterion such as dependability, initiative, output, attendance, attitude, cooperation etc., each scale ranges from excellent to poor.. the number of points attached to the scale may be linked to salary increase, whereby so many points equal a rise of some percentage.

   Nearly all type of job can be evaluated and large number of employees can be evaluated in a very short time. Disadvantage includes the rater's biases to influence evaluation. Furthermore, numerical scoring gives an illusion of precision that is really unfounded.

2. ***Checklists:*** Under this method, a checklist of statements on statements on the traits of the employee and his or her job is prepared in two columns i.e., 'YES' column and 'NO' column. All that the rater is to do is to tick the 'YES' if the answer is positive and tick 'NO' if the answer is 'NO'. The HR dept. gives point for every "YES' when points are allotted the technique becomes a weighted checklist.

   The advantages are economy, ease of administration, limited training of rater & standardization. The disadvantage includes improper weights by the HR department.

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3. ***Forced choice Method:*** The rater is given a series of statement about the employee these are arranged in the blocks of two or more, and the rater indicates which statement is most or least descriptive of the employee. For example,

   (a) Learns fast----------works hard.

   (b) Absent often----------others usually tardy.

   The HR department does actual assessment. The advantage is the absence of personal bias in rating. Disadvantage is that the statement may not be properly framed.

4. ***Critical Incident Method:*** It focuses on certain critical behaviours of an employee that make all the difference between effective and non-effective performance of a job. Such incidents are recorded by the superiors as and when they occur.

   One of the advantages of this is that the evaluation is based on actual job-behaviour. It also increases the chance that the subordinate will improve because they learn more precisely what is expected of them. As an disadvantage, negative incidents are generally more noticeable than positive ones.

5. ***Behaviorally Anchored Rating Scales:*** In this the scale 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 describes an employee's performance. BARS the following feature:

   (a) Areas of performance to be evaluated are identified and defined by the people who will use the scales.

   (b) The scales are anchored by description of actual job behavior that supervisors agree, represent specific level of performance.

   (c) All dimensions of performance to be evaluated are based on observable behaviours and are relevant to the job being evaluated since BARS are tailored made.

   (d) Since the raters who will actually use the scale are actively involved in the development process, they are more likely to be committed to the final product.

   Unfortunately, this also suffers from distortions inherent in most rating techniques.

6. ***Field Review Method:*** This is an appraisal by someone outside the assessee's own dept., usually someone from corporate office or HR dept. Two disadvantage of this are:

   (a) An outsider is not familiar with conditions in an employee's work environment.

   (b) He does not have an opportunity to observe employee behaviour of performance over a period of time.

7. ***Performance Test:*** With a limited number of jobs, employee assessment may be based upon a test of knowledge and skills. The test may be paper & pencil or an actual demonstration of skills the test must be reliable & validated to be useful. Practically it may suffer if the costs of test development or administration are high.

8. ***Annual Confidential Report:*** ACR is mostly used in government deptts example ITI, military organizations, etc., it has 14 items namely - attendance, self-expression, ability to work with others, leadership, initiative, technical ability, ability to reason, name, to a few. Twelve of these are filled on a four-point grade scale (excellent, good, fair, poor). Justification is required for outstanding or poor rating. Overall rating on a five-point scale was separately given (Outstanding, Very good, Good, Average, Poor). Recommendation for performance was also given.

Notes

This system is highly secret and confidential. Ratings are easily manipulated because the evaluation was linked to promotion.

9. ***Cost Accounting Approach:*** This method evaluates performance from the monetary returns the employee yields to his or her organization. Performance of the employee is evaluated based on the established relationship between the cost and the benefit.

10. ***Comparative Evaluation Approach:*** These are a collection of different methods that compare one worker's performance with that of his/her co-workers. They are useful in deciding merit-pay increases, promotions and organizational rewards. The usual comparative forms are ranking method and the paired comparison method.

Self Assessment

State whether the following statements are true or false:

3. Subjective measures in performance appraisal are most desirable.
4. Performance appraisals can reduce bias.
5. Assessment centre technique is costly and time-consuming.
6. A key aspect of performance management is Performance measurement.
7. Employees should not be involved in performance planning.

8.3.2 Future-oriented Appraisal

Management by Objective

It was Peter F Drucker gave the concept of MBO way back in 1954 when his *The Practice of Management* was first published. There are four steps:

In some organizations, superior and subordinates work together to establish goals. These goals can then by used to evaluate employee performance.

It 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.

The actual level of goal attainment is compared with the goals agreed upon. This step helps determine possible training needs.

It involves establishing new goals and possibly, new strategies for goals not previously attained. The process is repeated.

The disadvantage is that it is not applicable to all jobs in all organizations. Jobs with little or no flexibility, such as assembly-line work, are not compatible with MBO.

Psychological Appraisal

The appraisal normally consists of in-depth interviews, psychological tests, discussions with supervisors and a review of other evaluations. The psychologist then writes about employee's intellectual, emotional, motivational and other- related characteristics that suggest individual potential and may predict future performance. Since the quality of the appraisal depends largely on the skills of the psychologists, some employees object to this type of evaluation, especially if cross-cultural differences exists.

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Assessment Centers

This method of appraising was first applied in German Army in 1930. In fact it is a system or organization, where assessment of several individuals is done by various experts using various techniques. These techniques include in-basket, role-playing, case studies, and simulation exercise, transactional analysis.

In this individual are brought together to spend two or three days working on an individual or group assignment similar to the ones they would be handling when promoted. Observers rank the performance of each and every participant in order of merit. All assesses get an equal opportunity to show their talents and capabilities and secure promotion based on merit.

360-degree Feedback

Where multiple raters are involved in evaluating performance, the technique is called 360-degree appraisal. The 360- degree technique is understood as systematic collection of performance data on an individual or group, derived from a number of stakeholders- include immediate supervisors, team members, customers, peers, and self.

For one's development, multi-source feedback is highly useful. It enables an employee to compare his or her perceptions about self with perceptions of others. The technique is particularly helpful in assessing soft skills possessed by employees. By design, the 360-degree appraisal is effective in identifying and measuring interpersonal skills, customer satisfaction, and team-building skills.

It has number of drawbacks. Receiving feedback from on performance from multiple sources can be intimidating. It is essential that the organization create a non-threatening environment by emphasizing the positive impact of the technique on an employee's performance and development. It takes a long time on selecting the rater, designing questionnaires and analyzing the data.

Notes **Performance Interview and Feedback**

The post appraisal interviews are an essential part of the performance appraisal system. It gives the opportunity to employee to explain his views about the ratings, standard, rating methods, internal and external causes of low level of performance. It serves to meet the following objectives:

1. To let employee know where they stand.
2. To help employees do a better job by clarifying what is expected of them.
3. To plan opportunities for development and growth.
4. To strengthen the superior-subordinate working relationship by developing a mutual agreement of goals.
5. To provide an opportunity for employees to express themselves on performance-related issues.

Feedback Defined

It implies two things:

1. ***Job-performance:*** Whether 'X' is capable in performing the specific task assigned.
2. ***Work-related behavior:*** The way 'X'.

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The appraiser and appraisee need to follow certain things while receiving & giving feedback:

1. ***Adequate preparation:*** The appraisal should be a continuous one formal meeting should take place on a fortnightly, monthly or quarterly basis. Such meetings must be conducted in an atmosphere of mutual trust, understanding & friendship. The hierarchical boundaries should be ignored.
2. ***Describe behaviour:*** It involves certain question such as:
   (a) What happened?
   (b) Where & when did it occur?
   (c) Who was involved?
   (d) How did it affect others?

Certain precautions need to be observed while describing a behavior:

1. Acts not attitude
2. Future-oriented
3. Goal-oriented
4. Listen to the recipient
5. Descriptive and not evaluative
6. Data based feedback
7. Suggestive
8. Reinforcement
9. Continuous
10. Need based and solicited.

8.4 Performance Management System

Performance management system is a process for setting goals and monitoring progress toward achieving those goals. It is just like other system where achieved results are continually measured and compared with the desired goals or outputs. Any discrepancy or gap is recognised and fed back into changing the inputs of the process, so as to achieve the desired goals.

Simply put, performance management includes activities to ensure that goals are consistently being met in an effective and efficient manner. Performance management focus on performance of the organization, a department, processes to build a product or service, employees, etc. Performance management system has become crucial for the organisations. Organizations exist to perform. If people do not perform organizations don't survive. If people perform at their peak level organization can compete and create waves.

Performance management systems if properly designed and implemented can change the course of growth and pace of impact of organizations. Performance management system is a recent phenomenon in this dynamic business world. In the past organizations as well as the HR function have wasted a lot of time by wrongly focusing on performance appraisals rather than performance management.

Notes

The performance management system comprises of:

1. Identifying and stating the parameters of performance
2. Setting performance standards
3. Planning in participation with employees
4. Identifying competencies and competency gaps that contribute/hinder to performance
5. Planning performance development activities.

Task You are heading a 250-member medium-sized company that has just had a fantastic year. Everyone pulled together and worked hard to give a big boost to company profits. Unfortunately, due to rise in input costs, you are forced to offer only a 3 per cent rise in salaries across the board. At appraisal time, how would you communicate praise for a job well done coupled with your limited ability to reward such outstanding performance? Now assume you can afford to hand out some handsome bonuses or raises. What would be the best way to evaluate employees when everyone has done exceptional Recognizing and promoting performance culture.

8.5 Problems and Challenges in Performance Appraisal

8.5.1 Problems with Performance Appraisal

The problems inherent in performance appraisal may be listed thus (Teel; Gioia and Sims)

1. ***Judgement Errors:*** People commit mistakes while evaluating people and their performance. Biases and judgement errors of various kinds may spoil the show. Bias here refers to distortion of a measurement. These are of various types:

   (i) *First impressions (primacy effect):* The appraiser's first impression of a candidate may colour his evaluation of all subsequent behaviour. In the case of negative primacy effect, the employee may seem to do nothing right; in the case of a positive primacy effect, the employee can do no wrong (Harris, p.192).

   (ii) *Halo:* The Halo error occurs when one aspect of the subordinate's performance affects the rater's evaluation of other performance dimensions. If a worker has few absences, his supervisor might give the worker a high rating in all other areas of work. Similarly, an employee might be rated high on performance simply because he has a good dress sense and comes to office punctually!

   (iii) *Horn effect:* The rater's bias is in the other direction, where one negative quality of the employee is being rated harshly. For example, the ratee rarely smiles, so he cannot get along with people!

   (iv) *Leniency:* Depending on rater's own mental make-up at the time of appraisal, raters may be rated very strictly or very leniently. Appraisers generally find evaluating others difficult, especially where negative ratings have to be given. A professor might hesitate to fail a candidate when all other students have cleared the examination. The leniency error can render an appraisal system ineffective. If everyone is to be rated high, the system has not done anything to differentiate among employees.

Notes

(v) *Central tendency:* An alternative to the leniency effect is the central tendency, which occurs when appraisers rate all employees as average performers. For example, a professor, with a view to play it safe, might give a class grades nearly equal to B, regardless of the differences in individual performance.

(vi) *Stereotyping:* Stereotyping is a mental picture that an individual holds about a person because of that person's sex, age, religion, caste, etc. By generalising behaviour on the basis of such blurred images, the rater grossly overestimates or underestimates a person's performance. For example, employees from rural areas might be rated poorly by raters having a sophisticated urban background, if they view rural background negatively.

(vii) *Recency effect:* In this case, the rater gives greater weightage to recent occurrences than earlier performance. For example, an excellent performance that may be six or seven months old is conveniently forgotten while giving a poor rating to an employee's performance which is not so good in recent weeks. Alternatively, the appraisal process may suffer due to a 'spill over effect' which takes place when past performance influences present ratings.

2. ***Poor Appraisal Forms:*** The appraisal process might also be influenced by the following factors relating to the forms that are used by raters:

   (i) The rating scale may be quite vague and unclear.

   (ii) The rating form may ignore important aspects of job performance.

   (iii) The rating form may contain additional, irrelevant performance dimensions.

   (iv) The forms may be too long and complex.

3. ***Lack of Rater Preparedness:*** The raters may not be adequately trained to carry out performance management activities. This becomes a serious limitation when the technical competence of a ratee is going to be evaluated by a rater who has limited functional specialisation in that area. The raters may not have sufficient time to carry out appraisals systematically and conduct thorough feedback sessions. Sometimes the raters may not be competent to do the evaluations owing to a poor self-image and lack of self-confidence. They may also get confused when the objectives of appraisal are somewhat vague and unclear.

Did u know? **Why Performance Appraisals Fail?: Top 10 Reasons**

1. Manager lacks information concerning an employee's actual performance.
2. Standards to evaluate an employee's performance are not clear.
3. Manager does not take appraisal seriously.
4. Manager is not prepared for the appraisal review with the employee.
5. Manager is not honest/sincere during the evaluation.
6. Manager lacks appraisal skills.
7. Employee does not receive ongoing performance feedback.
8. Insufficient resources offered to reward performance.
9. There is ineffective discussion of employee development.
10. Manager uses unclear/ambiguous language in the evaluation process.

Notes

4. ***Ineffective Organisational Policies and Practices:*** If the sincere appraisal effort put in by a rater is not suitably rewarded, the motivation to do the job thoroughly finishes off. Sometimes, low ratings given by raters are viewed negatively by management – as a sign of failure on the part of rater or as an indication of employee discontent. So, most employees receive satisfactory ratings, despite poor performance. Normally, the rater's immediate supervisor must approve the ratings. However, in actual practice, this does not happen. As a result, the rater 'goes off the hook' and causes considerable damage to the rating process.

8.5.2 Challenges

In present day organisations, the twin principles of motivating employees are common at all levels: acknowledge unique contributions and alleviate personal concerns that impact professional performance. To get the best out of people, the CEOs should:

- Create a culture of excellence that motivates employees at all levels.
- Match organisational objectives with individual aspirations.
- Equip people with requisite skills to discharge their duties well.
- Clear growth paths for talented employees.
- Provide new challenges to rejuvenate flattening corners.
- Empower employees to take decisions without fear of failing.
- Encourage teamwork and team spirit and open communication.

Self Assessment

Fill in the blanks:

8. The ..... error occurs when one aspect of the subordinate's performance affects the rater's evaluation of other performance dimensions.
9. In present day organisations, the ..... principles of motivating employees are common at all levels.
10. In ..... effect the rater gives greater weightage to recent occurrences than earlier performance.
11. The rating form ..... ignore important aspects of job performance.
12. The rating scale may be quite vague and ..... .
13. The raters may not have sufficient time to carry out ..... systematically and conduct thorough feedback sessions.
14. ..... is a mental picture that an individual holds about a person because of that person's sex, age, religion, caste, etc.
15. ..... includes activities to ensure that goals are consistently being met in an effective and efficient manner.

Notes

Case Study

Policies and Performance Appraisal

Kalyani Electronics Corporation Ltd, recently diversified its activities and started producing computers. It employed personnel at the lower level and middle level. It has received several applications for the post of Commercial Manager – Computer Division. It could not decide upon the suitability of the candidate to the position, but did find that Mr. Prakash is more qualified for the position than other candidates. The Corporation has created a new post below the cadre of General Manager i.e., Joint General Manager and asked Mr. Prakash to join the Corporation as Joint General Manager. Mr. Prakash agreed to it viewing that he will be considered for General Manager's position based on his performance. Mr. Anand, the Deputy General Manager of the Corporation and one of the candidates for General Manager's position was annoyed with the management's practice. But, he wanted to show his performance record to the management at the next appraisal meeting. The management of the Corporation asked Mr. Sastry, General Manager of Televisions Division to be the General Manager in-charge of Computer Division for some time, until a new General Manager is appointed. Mr. Sastry wanted to switch over to Computer Division in view of the prospects, prestige and recognition of the position among the top management of the Corporation. He viewed this assignment as a chance to prove his performance.

The Corporation has the system of appraisal of the superior's performance by the subordinates. The performance of the Deputy General Manager, Joint General Manager and General Manager has to be appraised by the same group of the subordinates. Mr. Anand and Mr. Sastry know very well about the system and its operation, whereas Mr. Prakash is a stranger to the system as well as its modus operandi. Mr. Sastry and Mr. Anand were competing with each other in convincing their subordinates about their performance and used all sorts of techniques for pleasing them like promising them a wage hike, transfers to the job of their interest, promotion, etc. However, these two officers functioned in collaboration with a view to pull down Mr. Prakash. They openly told their subordinates that a stranger should not occupy the 'chair'. They created several groups among employees like pro-Anand's group, pro-Sastry's group, Anti-Prakash and Sastry group, Anti-Anand and Prakash group.

Mr. Prakash has been watching the proceedings calmly and keeping the top management in touch with all these developments. However, Mr. Prakash has been quite work-conscious and top management found his performance under such a political atmosphere to be satisfactory. Prakash's pleasing manners and way of maintaining human relations with different levels of employees did, however, prevent the emergence of an anti-Prakash wave in the company. But in view of the political atmosphere within the company, there is no strong pro-Prakash's group either.

Management administered the performance appraisal technique and the subordinates appraised the performance of all these three managers. In the end, surprisingly, the workers assigned the following overall scores. Prakash: 560 points, Sastry: 420 points; and Anand: 260 points.

Questions

1. How do you evaluate the worker's appraisal in this case?
2. Do you suggest any techniques to avert politics creeping into the process of performance appraisal by subordinates? Or do you suggest the measure of dispensing with such appraisal systems?

Notes

8.6 Summary

- Performance management system is a process for setting goals and monitoring progress toward achieving those goals. It is just like other system where achieved results are continually measured and compared with the desired goals or outputs.
- Planning means setting performance expectations and goals for groups and individuals to channel their efforts toward achieving organizational objectives. Performance appraised systems are designed to improve performance, they broadly cover three areas: define performance, facilitate performance and encourage performance. The post appraisal interview is an essential part of the performance appraisal system. It also gives the opportunity to the employee to explain his views about the ratings, standards, rating methods, internal and external causes for low level of performance.

8.7 Keywords

Assessment Centre: It is an appraisal technique that relies on multiple types of evaluation and multiple raters.

Behaviourally Anchored Ratios Scale: It is an absolute assessment technique wherein critical incidents are identified and a range of performance possibilities (from poor to good) are described for each dimension.

Central Tendency: The reluctance to use the extremes of a rating scale and to thereby fail to adequately differentiate employees being rated.

Checklist: Performance appraisal tool that uses a lot of statements or words that are checked by raters.

Contrast Error: Tendency to rate people relative to other people rather than to performance standards.

Halo Effect: Bias which occurs when the rater's personal opinion of a specific trait of employee influences the rater's overall assessment of performance.

Performance Appraisal: A systematic and objective way of evaluating both work related behaviour and potential of employees.

Performance Management System: It is a process for setting goals and monitoring progress toward achieving those goals.

Planning: Planning means setting performance expectations and goals for groups and individuals to channel their efforts toward achieving organizational objectives.

Rater Bias: Error that occurs when a rater's values or prejudices distort the rating.

Rating Scale: A method which requires the rater to provide a subjective performance evaluation along a scale from low to high.

8.8 Review Questions

1. "Some of the so-called modern industries still follow traditional techniques of performance appraisal". Do you agree? If yes, defend your argument with reasoning.
2. Think of a time when someone gave you counselling in an inappropriate manner. Given what you read in this chapter, how could you have reacted to improve the usefulness of the feedback?

Notes

3. "Performance appraisal is not merely for appraisal but is for accomplishment and improvement of performance". Discuss.
4. Discuss the appropriateness of performance management system in present time.
5. Being an HR manager how would you develop a performance plan.
6. Describe in detail the process of performance appraisal.
7. Discuss the merits and demerits of critical incident technique and graphic rating scales.
8. Why does current thinking indicate that appraisal for training should be conducted separately from appraisal for promotion?
9. To what extent can appraisal problems be minimised through computerisation and by taking adequate precautions?
10. Explain the post appraisal interview problem between the superior and the subordinate.
11. Evaluate the significance of performance appraisal in an educational institution. How would you make it more effective?
12. "Performance appraisal is not merely for appraisal but is for accomplishment and improvement of performance". Discuss.
13. Distinguish performance appraisal from potential appraisal.
14. What are the three methods of appraisal? Which method would you prefer as an employee? As a manager? Why?

Answers: Self Assessment

1.	(iii)	2.	(ii)
3.	T	4.	F
5.	T	6.	T
7.	F	8.	Halo
9.	twin	10.	Regency
11.	may	12.	unclear
13.	appraisals	14.	Stereotyping
15.	Performance management		

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Notes

Unit 9: Job Evaluation

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Objectives

After studying this unit, you will be able to:

- Define the term Job evaluation
- Discuss objectives of job evaluation
- State the principles of job evaluation programme
- Explain the Process of job evaluation
- Analyze the methods of job evaluation

Introduction

Job evaluation is the output provided by job analysis. Job analysis describes the duties of a job, authority relationships, skills, required, conditions of work and additional relevant information. Job evaluation, on the other hand, uses the information in job analysis to evaluate each job-valuing its components and ascertaining relative job worth. It involves a formal and systematic comparison of jobs in order to determine the worth of one job relative to another, so that the wage or salary can be fixed. So it is a process by which jobs in an organization are appraised.

ILO defines job evaluation as an attempt to determine and compare 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.

Kimball and Kimball define 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".

Notes

Job evaluation is the process of analyzing and assessing the various jobs systematically to ascertain their relative worth in an organization. Jobs are evaluated on the basis of their content and are placed in the order of importance. Inn this way, a job hierarchy is established in the organization, the purpose being fixation of satisfactory wage differential among various jobs. It is the job that is ranked and not the holders.

It is the quantitative measurement of relative job worth for the purpose of establishing consistent wage rate differential by objective means. 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.

Did u know? The major purpose of job evaluation is to establish internal equity between various jobs.

9.1 Objectives of Job Evaluation

The main aim of majority of systems of job evaluation is to establish, the relative values of different jobs in a given plant or machinery that is, it aims at determining the relative worth of a job. Various objectives of Job Evaluation can be summarized as:

1. To provide a standard procedure for determining the relative worth of each job in a plant.
2. To secure and maintain complete, accurate and impersonal description of each distinct job or occupation in the entire plant.
3. To ensure that like wages are paid to all qualified employees for advancement and transfer.
4. To promote a fair and accurate consideration of all employees for advancement and transfer.
5. To provide factual basis for consideration of wage rates for similar jobs in a community and in an industry.
6. To provide information for work organization, employees selection, placement, training and numerous other similar problems.
7. To determine the rate of pay for each job that is fair and equitable with relation to other jobs in the plant, community or industry.

9.2 Principles of Job Evaluation Programme

According to Kress, these principles are:

1. Rate the job and not the man.
2. The elements selected for rating purposes should be rated on explainable in terms and as few in number as will cover the requisites for every job without any overlapping.
3. The elements should be clearly defined and properly selected.
4. Foreman should participate in the rating of jobs in their own departments.
5. Maximum co-operation can be obtained from employees when they themselves have an opportunity to discuss job rating.
6. Too many occupational wages should not be established. It would be unwise to adopt an occupational wages for each total of point values.

Notes

9.3 Advantages of Job Evaluation

An ILO publication claims the following advantages for job evaluation:

1. In case of new jobs, the method often facilities fitting them into the existing wage structure.
2. Job evaluation is a logical and it may help in removing inequalities in existing wage structures and in maintaining sound and consistent wage differentials in a plant or industry.
3. The method helps in improving grievances arising out of relative wages and it improves labour-management relations and workers' morale.
4. 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.
5. The method may lead to greater uniformity in wage rates, thus simplifying wage administration.
6. The information collected in the process of job description and analysis may also be used for the improvement of selection, transfer and promotion procedures on the basis of comparative job requirement.
7. Such information also reveals that workers are engaged in jobs requiring less skill and other qualities than they possess, thereby pointing to the possibility of a making efficient use of the plant's labour.

Self Assessment

Fill in the blanks:

1. Job evaluation is the output provided by ..... .
2. ..... describes the duties of a job, authority relationships, skills, required, conditions of work and additional relevant information.
3. Job evaluation uses the ..... in job analysis to evaluate each job- valuing its components and ascertaining relative job worth.
4. The information collected in the process of job description and analysis may also be used for the improvement of selection, transfer and promotion procedures on the basis of ..... .
5. Too many occupational wages ..... be established.

Notes **Limitations of Job Evaluation**

1. 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. These need to be probed.
2. Substantial differences exist between job factors and the factors emphasized in the market.
3. A job evaluation frequently favours groups different from those which are favoured by the market.

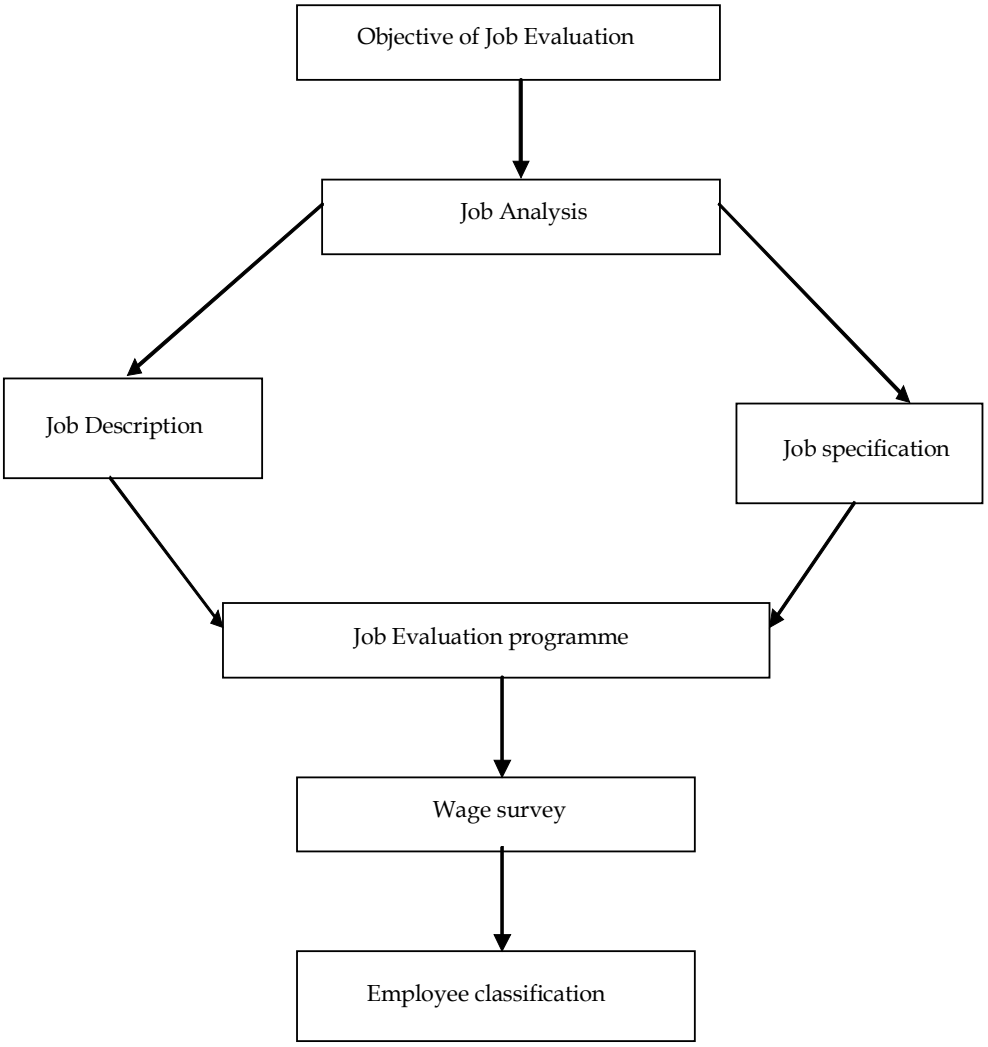
Contd...

Notes

4. Job factors fluctuate because of changes in production technology, information systems and division of labour and such other factors. In other words, continuing attention and frequent evaluation of a job are essential.
5. Job evaluation takes a long time to install, requires specialised technical personnel, and may be costly.
6. When job evaluation is done for the first time in the organization, it creates doubts and fear in the minds of the people who are being evaluated. It may disrupt the existing social and psychological relationship.
7. When job evaluation results in substantial changes in the existing wage structure, the possibility of implementing these changes in a relatively short period may be restricted by the financial limits within which the firm has to operate.

9.4 Job Evaluation Process

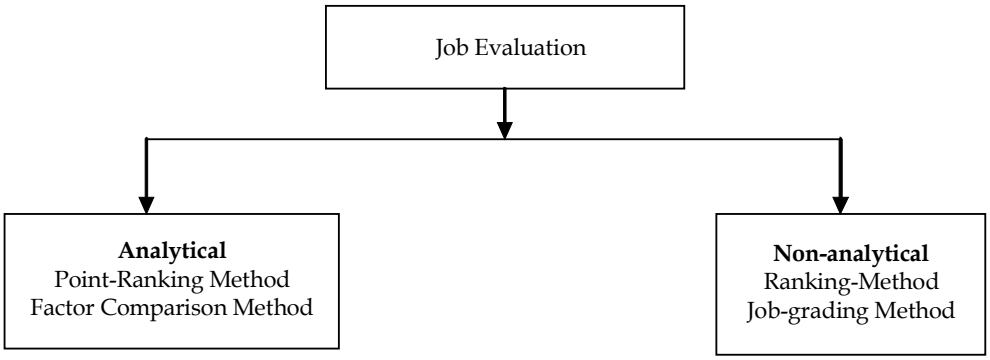
Figure 9.1: Job Evaluation Process



Notes

9.5 Methods of Job Evaluation

Figure 9.2: Methods of Job Evaluation



9.5.1 Non-analytical Methods

This method make no use of detailed job factors. Each job is treated as a whole in determining its relative ranking.

1. ***Ranking Method:*** The evaluation committee assesses the worth of each job on the basis of its title or on its contents, if the latter is available. Each job is compared with others and its place is determined. Under this method, all jobs are arranged or ranked in the order, each successive job being higher or lower than the previous one in the sequence.

   Generally speaking, the following five steps:

   Preparation of job description: Particularly when the ranking of jobs is done by different individuals and there is disagreement among them.

   Selection of Raters: jobs may be usually ranked by department or in "cluster" (that is, factory workers, clerical workers, etc). This removes need for directly comparing factory jobs and clerical jobs. Most organizations use a committee of raters.

   Selection of rates and key jobs: Usually, a series of key jobs or benchmark jobs (10 to 20 jobs, which include all major departments and functions) are first rated, then the other jobs are roughly compared with these keys jobs to establish a rough rating.

   Ranking of all jobs: each job is then compared in detail with other similar jobs to establish its exact rank in the scale. These jobs are then ranked from 'lowest to highest' or from 'highest to lowest' are ranked first and then the next highest and next lowest and so forth until all the cards have been ranked.

   Preparation of job classification from the rating: The total ranking is divided into an appropriate number of groups or classifications, usually 8 to 12. All the jobs within a single group or classification receive the same wage or range of rates.

   The ranking system of job evaluation usually measures each job in comparison with other jobs in terms of the relative importance of the following five factors:

   (a) Supervision and leadership of subordinates.

   (b) Co-operation with associates outside the line of authority.

   (c) Probability and consequences of errors.

Notes

(d) Minimum experience requirement.

(e) Minimum education required.

Merits:

(a) The system is simple and easily understood and easy to explain to employees (or trade union). Therefore, it is suitable for small organizations with clearly defined jobs.

(b) It is far less expensive to put into effect than other systems and requires little effort for maintenance.

(c) It requires less time, less effort, unless it is carried to a detailed point used by company.

Demerits:

(a) As there is no standard for an analysis of the whole job position, different bases of comparison between rates occur. The process is initially based on judgment and therefore, tends to be influenced by a variety of personal biases.

(b) Specific job requirements (such as skill, effort and responsibility) are not normally analysed separately. Often a rater's judgment is strongly influenced by present wage rates.

(c) The system merely produces a job order and does not indicate to what extent it is more important than the one below it. It only gives us its rank or tells us that it is higher or more difficult than another; but it does not indicate how much higher or more difficult.

(d) The job evaluation may be subjective as the jobs are not broken into factors. It is hard to measure whole jobs.

2. ***Job Classification or Job-grading Method:*** It is based on job as a whole. Under this method, number of grades is first decided upon, and the factors corresponding to these grades are then determined. Job grades are arranged in the order of their importance in the form of schedule. Each succeeding grade reflects higher level of skill and responsibility, with less and less supervision.

Mechanism: The following five steps are generally involved:

(a) The preparation of job description, which gives us basic job information, usually derived from a job analysis.

(b) The preparation of grade description, so that different levels or grades of the job may be identified. Each grade level must be distinct from the grade level adjacent to it, at the same time; it should represent a typical step in a continuous way and not a big jump or gap. After establishing the grade level, each job is assigned to an appropriate grade level on the basis of the complexity of duties, non-supervisory responsibilities and supervisory responsibilities.

(c) *Selection of grade and key jobs:* About 10 to 20 jobs are selected, which include all the major departments and functions and cover all the grades.

(d) *Grading the key jobs:* Key job are assigned to an appropriate grade level and their relationship to each other studied.

(e) *Classification of all jobs:* Jobs are classified by grade definitions. All the jobs in the same grade receive the same wage or range of rates. For example, menials may be put into one class ; clerks in another; junior officers in a higher class and the top executive in the top class.

Notes

Merits:

(a) This method is simple to operate and understand, for it does not take much time or require technical help.

(b) The use of fully described job classes meets the need for employing systematic criteria in ordering jobs to their importance. Since many workers think of jobs in, or related to, clusters or groups, this method makes it easier for them to understand rankings.

(c) The grouping of jobs into classification makes pay determination problems administratively easier to handle. Pay grades are determined for, and assigned to, all the job classification.

(d) It is used in important government services and operates efficiently, but it is rarely used in an industry.

(e) The advantages of that method are that it is simple & inexpensive.

(f) The organizations where number of jobs is small, this method yields satisfactory results.

Demerits:

(a) Job-grade are vague and not quantified.

(b) Difficulty in convincing employees about the inclusion of a job in a particular grade more job classification need to prepared because same scheduled cannot be used for all types of jobs.

(c) The system is rather rigid and unsuitable for a large organization or for very varied work.

(d) It is difficult to know how much of a job's rank is influenced by the man on the job.

(e) It is relatively difficult to write a grade description. The system becomes difficult to operate as the number of jobs increase.

(f) Since no detailed analysis of a job is done, the judgment in respect of a whole range of jobs may produce an incorrect classification.

9.5.2 Analytical Method

Point Ranking Method

The system starts with the collection of job factors, construction of degree for each factor and assignment of points to each degree. Different factors are selected for different jobs, with accompanying difference in degrees and points.

Mechanism: This system requires a detailed examination of the jobs. The following steps are followed:

Step 1: Select job factors or characteristics.

Step 2: Construct a scale or yardstick of values for each job factor.

Step 3: Evaluate all jobs in terms of the yardsticks.

Step 4: Design the wage structure.

Step 5: Adjust and operate the wage structure.

Notes

Selection of the Job Factors

In contrast to the ranking and grading method, which considers job as a whole, the point ranking method is more analytical in approach and deals with job components and factors. In general, there are four job factors in use:

1. Skill
2. Responsibility
3. Effort
4. Working conditions

The number of factors in use vary from organization to organization and from industry to industry. These four factors are further divided into number of sub-factors.

The advantages are:

1. The worth of a job is determined on the basis of factors and not by considering the job as a whole.
2. The procedure adopted is systematic and can be easily be explained to the employees.
3. The method is simple to understand and easy to administer.

The two defects include, firstly employee may disagree with the points allotted and the factors selected. Secondly, serious doubts are raised to the range of points allotted and matching them with grades.

Factor Comparison Method

In this method five factors namely – mental requirement, skill requirements, physical exertion, responsibility and job conditions. These factors are assumed to be constant for all jobs. Each factor is ranked individually with other jobs. For example, all jobs are compared with mental requirement and the followed by skill requirement and so on. Then total points values are assigned to each factor. The worth of a job is then obtained by adding together all the points.

An advantage is that jobs of unlike nature as manual, clerical and supervisory may be evaluated with the same set of factors. But the method is complicated and expensive.

Task A company has asked you to design a job evaluation system. How would you go about this task?

9.6 Criticisms for Job Evaluation

1. It encourages employees to focus on advancement when there is limited scope for enhancement as a result of downsizing.
2. It encourages an internal focus instead of a customer-oriented focus.
3. Salaries can be easily be fixed by adopting going rates, which can be easily ascertained through wages.

Notes

Self Assessment

State whether the following statements are true or false:

6. Key jobs are those most numerous in the firm.
7. Wage surveys determine wages in relevant labour markets.
8. External equity is determined through job analysis.
9. Compensable factors are part of the ranking method of job evaluation.
10. The point system is applicable only to key jobs.
11. Job evaluation is usually carried out by a single individual.
12. The strength of the factor comparison method lies in its simplicity.
13. Job evaluations are based on job analysis information.
14. Job classification is not a very precise job evaluation method.
15. Flat rates for each job make merit raises difficult.

Notes **Computerised Job Evaluation**

Quantitative job evaluation methods – such as the point or factor comparison plans - consume lot of time. Striking balance between compensable factors and the job's relative worth is also a tedious process. Determining each job's point values also would prove to be quite taxing. To overcome these difficulties, companies now a days use structured questionnaires (such as position analysis questionnaire or a task oriented questionnaire) -----containing information on time spent, importance of various tasks, number of people reporting to a position-holder, pries of benchmark jobs, etc.---that are amenable for further statistical analysis. Standard computer programmes ensure a fair pricing-taking all relevant factors that have an impact on the job-in a mechanical manner. (Fredric Crandall)

Case Study

Should Job Evaluation Plan be General or Specific?

Mr. Pratap Singh, Personnel Manager of the Indian Oxygen Ltd, prepared a job evaluation plan after a thorough study of all the jobs in the company, in similar organisations and job evaluation plans in various other companies. Mr. Singh and his colleagues in the Personnel Department concluded that a general job evaluation plan will meet the requirements of the company and satisfy the needs of the employees. Mr. Singh has submitted the plan (given below) to the General Manager of the company. The plan was sent to the recognised trade unions and to all the line managers of the company. The trade union leaders readily accepted the plan, whilst all the line managers totally rejected the plan.

The plan prepared by Mr. Singh and his colleagues is as follows:

	Job Requirements	Points Range
1.	Education	

Contd...

Notes

	Up to graduation	0-10
	Beyond graduation	11-20
2.	Training	
	Technical	0-30
	Commercial	0-20
	Apprenticeship (two points per year)	0-10
3.	Previous Experience	
	Technical (4 points per year of experience)	0-40
	Commercial (3 points per one year)	0-30
4.	Nature of work (depending on the complexity of work)	
	Low, Medium and High	0-15
5.	Dexterity (considering unusual speed, deftness, close-coordination of eyes and muscles)	
	Low, Medium and High	0-10
6.	Observation (depending upon the alertness)	
	Low, Medium and High	0-20
7.	Executive ability (depending upon ability to secure cooperation)	
	Low, Medium, High, Very High	0-60
8.	Analytical ability (depending upon obtaining and interpreting relevant data)	
	Low, Medium, High, Very High)	0-40
9.	Development (depending upon job requirements and facilities offered by the organisation)	
	Low, Medium, High	0-30

Questions

1. Why did the trade unions accept the plan?
2. Why the line managers reject the plan?
3. What changes do you suggest that would make the plan acceptable to the line managers also?

9.7 Summary

- Job evaluation is the systematic process of determining the relative worth of jobs in order to establish which jobs should be paid more than others within the organisation. Job evaluation helps to establish internal equity between various jobs.
- The four basic approaches to job evaluation are: the ranking method, the classification method, the factor comparison method, and the point method.

Notes

- The job ranking method arranges jobs in numerical order on the basis of the importance of the job's duties and responsibilities to the organisation.
- The job classification system slots jobs into preestablished grades. Higher-rated grades demand more responsibilities, tougher working conditions and varied job duties.
- The point system of job evaluation uses a point scheme based upon the compensable job factors of skill, effort, responsibility and working conditions. The more compensable factors a job possesses, the more points are assigned to it. Jobs with higher accumulated points are considered more valuable to the organisation.
- The factor comparison system evaluates jobs on a factor-by-factor basis against important jobs within an organisation.

9.8 Keywords

Classification Method: A method of job evaluation that concentrates on creating certain common job grades based on skills, knowledge and abilities.

Factor Comparison Method: A method of job evaluation where job factors are compared to determine the worth of a job.

Job Analysis: The systematic collection, evaluation and organisation of information about jobs.

Job Evaluation: A systematic way of assessing the relative worth of a job.

Job Grading Method: Under this method, number of grades is first decided upon, and the factors corresponding to these grades are then determined. Job grades are arranged in the order of their importance in the form of schedule.

Performance Appraisal: A formal process in an organisation whereby each employee is evaluated to find how he is performing.

Point Method: A method of job evaluation where jobs are classified on identification criteria and the degree to which these criteria exist on the job.

Ranking Method: A method of job evaluation which ranks employees from highest to lowest.

9.9 Review Questions

1. What is job evaluation? Explain the objectives of job evaluation. How do you prepare the ground for evaluating jobs?
2. What are the conventional and non-conventional techniques of job evaluation? What type of technique would you adopt to evaluate the jobs of Engineer (Maintenance), Engineer (Marketing) and Chief Engineer in a large machine tools industry?
3. What are the quantitative and non-quantitative techniques of job evaluation? Which type of technique do you adopt to evaluate the job of Officer (Agriculture), Officer (Large Industry), Officer (Small Scale Industry), Economic Officer and General Officer, in a large commercial bank?
4. "Job evaluation does not usually price jobs." Discuss.
5. Explain the advantages and limitations of job evaluation as a basis for fixing and revising wages and salaries.
6. Explain different techniques of job evaluation. What are the advantages and disadvantages of each technique?

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7. How can a job evaluation programme be made more effective?
8. Discuss the utility of job evaluation. Briefly explain the various methods of job evaluation.
9. Define and differentiate between job analysis and job evaluation. Explain the organisational context when you would undertake one or the other.
10. Explain the procedure involved in the evaluation of a job.
11. Job evaluation determines the worth of job and not that of the job-holder. Comment.
12. Considering all methods, why is the point method the most widely used for job evaluation?
13. You have been named compensation manager for a hospital. How would you establish a key system?
14. Describe the use of job evaluations in practice. Why is there such a difference between theory and practice?
15. Explain how jobs that are internally and externally equitable in pay may harm an organisation's ability to compete globally.
16. Should the job evaluation depend on an appraisal of the job-holder's performance? Why? Why not?

Answers: Self Assessment

1.	job analysis	2.	Job analysis
3.	Information	4.	comparative job requirement
5.	should not	6.	F
7.	T	8.	F
9.	F	10.	F
11.	F	12.	F
13.	T	14.	T
15.	T		

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Unit 10: Compensation and Benefits

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Objectives

After studying this unit, you will be able to:

- Define the terms compensation and benefits
- Discuss the components and importance of compensation and benefits
- Understand various factors influencing employee remuneration
- Explain the concept of establishing strategic pay plans
- Describe employee benefits and services

Notes

Introduction

Compensation is what the employees receive in exchange for their contribution to the organisation. Generally, employees offer their services for three types of rewards. Pay refers to basic wages and salaries normally receive. Compensations forms such as bonus, commission and profit sharing plans are incentives designed to encourage the employees to produce the results beyond the normal expectation. Benefit such as insurance, medical, recreational, retirement etc represent a more indirect type of compensation. So the term compensation is a comprehensive one including the pay, incentives, benefits offered by employees for hiring the services of employees.

10.1 Objective of Compensation Planning

1. Internal equity: to ensure the more difficult jobs are paid more.
2. External equity: to ensure that jobs are fairly compensated in comparison to similar jobs in the labour market.
3. Individual equity: to pay equal for equal job.
4. Attract talent.
5. Retain talent.
6. Control cost.
7. Comply with legal rules.
8. Ease of operation.

10.2 Components

10.2.1 Wages

In India, different Acts include items under wages, though all the Acts include basic wage and dearness allowance under the term wages. Under the Workmen's Compensation Act, 1923, "wages for leave period, holiday pay, overtime pay, bonus form part of wages."

Under the Payment of Wages Act, 1936, Section 2(vi), "any award of settlement and production bonus, if paid, constitutes wages."

Under the Payment of Wages Act, 1948, "retrenchment compensation, payment in lieu of notice and gratuity payable on discharge constitute wages."

However, the following types of remuneration, if paid, do not amount to wages under any of the Acts:

1. Bonus or other payments under a profit-sharing scheme which do not form a part of contract of employment.
2. Value of any house accommodation, supply of light, water, medical attendance traveling allowance, or payment in lieu thereof or any other concession.
3. Any sum paid to defray special expenses entailed by the nature of the employment of a workman.
4. Any contribution to pension, provident fund, or a scheme of social security and social insurance benefits.

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5. Any other amenity or service excluded from the computation of wages by general or special order of an appropriate governmental authority.

The term 'Allowances' includes amounts paid in addition to wages over a period oil time including holiday pay, overtime pay, bonus, social security benefit, etc. The wage structure in India may be examined broadly under the following heads:

Basic Wage

The base rate is the amount of pay (the fixed salary or wage) that constitutes the rate for the job. It may be varied according to the grade of the job or, for shop floor workers, the level of skill required.

While deciding the basic wage the following criteria may be considered: (i) Skill needs of the job; (ii) Experience needed; (iii) Difficulty of work: mental as well as physical; (iv) Training needed; (v) Responsibilities involved; (vi) Hazardous nature of job.

Base pay will be influenced by internal and external relativities. The internal relativities may be measured by some form of job evaluation. External relativities are assessed by tracking market rates. Alternatively, levels of pay may be agreed through collective bargaining with trade unions or by reaching individual agreements.

Base pay may be expressed as an annual, weekly or hourly rate. This is sometimes referred to as a time rate system of payment. Allowances as described later may be added to base pay. The rate may be adjusted to reflect increases in the cost of living or market rates by the organization unilaterally or by agreement with a trade union.

10.2.2 Allowances

Allowances are paid in addition to basic pay for special circumstances (living in London) or features of employment (working unsocial hours). They may be determined unilaterally by the organization but they are often the subject of negotiation.

Dearness Allowance (DA)

It is the allowance paid to employees in order to enable them to face the increasing dearness of essential commodities. It serves as a cushion, a sort of insurance against increase in price levels of commodities. Instead of increasing wages every I there is a rise in price levels, DA is paid to neutralize the effects of inflation; when prices go down, DA can always be cut down to size.

DA is linked in India to three factors: the index factor, the time factor and the point factor.

Other Allowances

The other main types of allowances are:

1. ***Location Allowances:*** London and large town allowances to compensate for higher costs of living.
2. ***Overtime Payments:*** Most manual workers are eligible for paid overtime as well as many staff employees up to management level. Higher-paid staff may receive time off in lieu if they work longer hours. Typically, organizations that make overtime payments give time and a half as an overtime premium from Monday to Saturday, with double time paid on Sundays and statutory holidays. Some firms also pay double time from around noon on Saturday. Work on major statutory holidays such as Christmas Day and Good Friday often attracts higher overtime premia.

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3. ***Shift payments*** are made at rates which usually vary according to the shift arrangement.

   A premium of, say, one-third of basic pay may be given to people working nights, while those on an early or late day shift may receive less - say, one-fifth of basic pay.

4. ***Working conditions allowances*** may be paid where the work is unpleasant.

5. ***Subsistence allowances*** may be paid for accommodation and meals when working away from home.

6. ***Stand-by and call-out allowances*** may be made to those who have to be available to come in to work when required.

Notes **Job Evaluation**

Job evaluation is a systematic process for defining the relative worth or size of jobs within an organization in order to establish internal relativities and provide the basis for designing an equitable grade structure, grading jobs in the structure and managing relativities. It does not determine the level of pay directly. Job evaluation can be analytical or non-analytical. It is based on the analysis of jobs or roles which leads to the production of job descriptions or role profiles.

Market Rate Analysis

Market rate analysis is the process of identifying the rates of pay in the labour market for comparable jobs to inform decisions on levels of pay within the organization. A policy decision may be made on how internal rates of pay should compare with external rates - an organization's market stance.

Grade and Pay Structures

Jobs may be placed in a graded structure according to their relative size. In such a structure pay is influenced by market rates and the pay ranges attached to grades provide scope for pay progression based on performance, competence, contribution or service. Alternatively, a 'spot rate' structure may be used for all or some jobs in which no provision is made for pay progression in a job.

Contingent Pay

Additional financial rewards may be provided that are related to performance, competence, contribution, skill or experience. These are referred to as 'contingent pay'.

Contingent payments may be added to base pay, that is, 'consolidated'. If such payments are not consolidated (that is, paid as cash bonuses) they are described as 'variable pay'.

Employee Benefits

Employee benefits include pensions, sick pay, insurance cover, company cars and a number of other 'perks'. They comprise elements of remuneration additional to the various forms of cash pay and also include provisions for employees that are not strictly remuneration, such as annual holidays.

Self Assessment

State whether the following statements are true or false:

1. External equity is determined through job analysis.
2. An example of indirect compensation is 'pensions'.

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3. Pay levels are determined by combining job evaluation results with survey wage rates.
4. Jobs with similar value are combined into pay ranges.
5. The predominant approach to employee compensation in India is still the skill-based system.
6. Pay secrecy does not give freedom to mangers in compensation management.
7. Fringe benefits, nowadays, are the most insignificant components of compensation.
8. Subjective evaluations are a problem with merit pay systems.

10.3 Importance

1. ***Job Satisfaction:*** An employees would be happy with their jobs and would love to work for an organization motive, if they get fair rewards in exchange of their services.
2. ***Motivation:*** We all have different kinds of needs. Some of us want money so they work for the company which gives them higher pay. Some value achievement more than money, they would associate themselves with firms which offer greater chances of promotion, learning and development. A compensation plan that hits workers' needs is more likely to motivate them to act in the desired way.
3. ***Low Absenteeism:*** Why would anyone want to skip the day and watch not-so-favorite TV program at home, if they enjoy the office environment and are happy with their salaries and get what they need and want?
4. ***Peace of Mind:*** Offering of several types of insurances to your workers relieves them from certain fears. As a result they work with relaxed mind.
5. ***Increases self-confidence:*** Every human being wants his/her efforts to get acknowledgment. Employees gain more and more confidence in them and in their abilities if they receive just rewards. As a result, their performance level shoot up.

10.4 Factors Influencing Employee Remuneration

1. ***Job needs:*** Simple, routine tasks that can be done by many people with minimal skills receive relatively low pay. On the other hand, complex, challenging tasks that can be done by few people with high skill levels generally receive high pay.
2. ***Ability to pay:*** High profit levels enable companies to pay higher wages. This partly explains why computer software industry pays better salaries than commodity based industries (steel, cement, aluminum, etc.). Likewise multinational companies also pay relatively high salaries due to their earnings power.
3. ***Cost of living:*** Inflation reduces the purchasing power of employees. To overcome this, unions and workers prefer to link wages to the cost of living index. When the index rises due to rising prices, wages follow suit.
4. ***Prevailing wage rates:*** Prevailing wage rates in competing firms within an industry are taken into account while fixing wages. A company that does not pay comparable wages may find it difficult to attract and retain talent.
5. ***Unions:*** Highly unionized sectors generally have higher wages because well organized unions can exert presence on management and obtain all sorts of benefits and concessions to workers.

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6. ***Productivity:*** This is the current trend in most private sector companies when workers' wages are linked to their productivity levels. If your job performance is good, you get good wages.
7. ***State regulation:*** The legal stipulations in respect of minimum wages, bonus, clearness allowance, allowances, etc., determine the wage structure in an industry.

10.5 Establishing Strategic Pay Plans

Strategic pay plans refers to the policies and decisions on how organisations give compensation to its employees that may satisfy employee as well as achieve organisational goals and objectives.

Objectives of Strategic Pay Plans

The objectives of strategic pay plans can be as follows:

1. ***Equity:***

   Internal equity: This ensures that more difficult jobs are paid more.

   External equity: This ensures that jobs are fairly compensated in comparison to similar jobs in the labour market.

   Individual equity: It ensures equal pay for equal work, i.e., each individual's pay is fair in comparison to others doing the same/similar jobs.
2. ***Attract talent:*** Compensation needs to be high enough to attract talented people. Since many firms compete to hire the services of competent people, the salaries offered must be high enough to motivate them to apply.
3. ***Retain talent:*** If compensation levels fall below the expectations of employees or are not competitive, employees may quit in frustration.
4. ***Ensure equity:*** Pay should equal the worth of a job. Similar jobs should get similar pay. Likewise, more qualified people should get better wages.
5. ***New and desired behaviour:*** Pay should reward loyalty, commitment, experience, risks taking, initiative and other desired behaviours. Where the company fails to reward such behaviours, employees may go in search of greener pastures outside.
6. ***Control costs:*** The cost of hiring people should not be too high. Effective compensation management ensures that workers are neither overpaid nor underpaid.
7. ***Comply with legal rules:*** Compensation programmes must invariably satisfy governmental rules regarding minimum wages, bonus, allowances, benefits, etc.
8. ***Ease of operation:*** The compensation management system should be easy to understand and operate. Then only will it promote understanding regarding pay-related matters between employees, unions and managers.

Did u know? **What is Wage Board?**

This is one of the important institutions set up by the Government of India for fixation and revision of wages. Separate wage boards are set up for separate industries. Wage Boards are not governed by any legislation but are appointed on an ad hoc basis by the Government.

Notes

Pay Plans – Strategic Decisions

Strategic pay plans involve the following four areas:

1. ***Pay level decision:*** It considers whether organisation have a lead, lag or match policy. Pay decisions significantly impact performance, skill development, work related attitudes and workforce compensation. It also determines whether or not employee is willing to continue the job in the organisation.
2. ***Differential Pay Decision:*** Differential pay decisions may have two approaches. The first is based on the seniority. Compensating on seniority has been a traditional approach. The other one is related to the merit of employee. Under this approach, employee get compensation according to their performance irrespective of their length of service. But differential pay decision requires a prudent choice between two approaches so that the organisation achieves its goals and objectives effectively. In practice organisation combines these two approaches for getting the desired results.
3. ***Pay Structure Decision:*** It refers to the differences between levels of the organisational hierarchy. If there are large differences then employees may focus on engaging in networking and integration that make them move to the higher levels. This practice ignores the effective job performance. But, if the differential is not enough employees may not be motivated towards promotion and higher pay, which again hampers their effective performance.
4. ***Administration Decision:*** It is related to determining on means and measures to provide benefits to its employees. These decisions also influence employee behaviour. If pay decisions are based on performance, skill and merit employees will be motivated to do better and enhance their skills and education. If decisions are subjective then integration and networking will supersede job performance.

Task Infotech Enterprises Ltd. has 4,000 employees and wishes to develop a compensation policy in all its divisions [(i) Engineering design services, (ii) Geographical Information Systems, and (iii) Software Development and Services] to correspond to its dynamic business strategy. The company wishes to employ a high quality workforce capable of responding to a competitive business environment. Suggest different compensation objectives to match Infotech's business goals.

Employees Stock Option

Employee stock ownership plans originated in the US in the early 90s. Such plans have not gained popularity in India. However, in 1988, the government allowed stock options to software professionals, recognising the importance of retaining talent within the country.

Under employee stock option plan, the eligible employees are allotted company's shares below the market price. The eligibility criteria may include length of service, contribution to the department/division where the employee works, etc. The company may even permit employees to pay the price of the stock allotted to them in installments or even advance money to be recovered from their salary every month. The stock option empowers the employee to participate in the growth of the company as a part owner. It also helps the company to retain talented employees and make them more committed to the job.

Wipro's ESOP has made employees rupee millionaires.

Notes

Self Assessment

Fill in the blanks:

9. Every human being wants his/her efforts to get ..... .
10. Employees gain more and more confidence in them and in their abilities if they receive just rewards. As a result, their performance level ..... .
11. Under employee stock option plan, the eligible employees are allotted company's shares ..... the market price.
12. ..... refers to the differences between levels of the organisational hierarchy.
13. Differential pay decisions may have two approaches. The first is based on the ..... Compensating on seniority has been a traditional approach. The other one is related to the ..... of employee.
14. The cost of hiring people should not be too ..... .
15. Effective compensation management ensures that workers are ..... overpaid ..... underpaid.

10.6 Pay for Performance

Knowledge-based organisations these days follow a performance-based payment plan offering awards to employees for cost saving suggestions, bonuses for perfect attendance or merit pay based on supervisory appraisals. The objective of performance pay is to develop a productive efficient and effective organisation which enhance employees motivation and effectiveness. Performance pay is based on employees performance on the job. It is believed that this approach attracts and retains better talents.

A growing number of companies in recent times have established compensation programmed for employees that offer additional compensation based on individual, group and organisational performance. The logic behind this move is understandable. Organisations want every individual to think of performance in the same way as the organisation. You have to compete, get ahead, deliver results and fight for the wining slot almost on a daily basis. In such a scenario, the employer-employee relationship assumes a mercenary dimension, bulldozing poor performers at every stage. The organisation becomes cold and transactional rather then warm and relationship oriented. It affects workforce camaraderie, and undoubtedly kills the morale of a large majority of employees who lag behind in the race. The single-minded focus on performance of course, helps the organisation in weeding out the dead wood and remain highly competitive.

However, Most organisations, however, still pay their employees based on the number of hours of work per week coupled with certain benefits for serving the company loyally for a particular period.

Example: 3 M's encouragement of innovation through this route, has paid off in what has become a legend in the field of product development (one of its chemists developed the immensely popular product 'Post-it' when 3M gave time for the employee and announced a handsome bonus for the final result.

Designing performance based pay involves rewarding employees as per their performance or results achieved or contribution to organisation's overall performance either as an individual employee or as part of the group. It shifts focus from compensation models based on job worth and employee skills. It cannot be tailor made as it depends on variety of factors like; nature of

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business, nature of technology, attitude of unions and HR strategies of the organisation. It has the potentiality to reduce labour costs while sustaining motivation of employees and competitiveness of the organisation. Before introducing performance related pay it is important to study the likely impact on employees motivation and create performance oriented culture in the organisation. It involves developing a proactive attitude through dissemination of proper information, consultation, communication and training and development of employees.

10.6.1 Competency based Pay

Competencies as defined by the experts are those demonstrable characteristics of the person, including knowledge, skills, and behaviors, that excellent performers exhibit more consistently and more effectively than average performers.

Precisely, a competency is an underlying characteristic of a person or organisation which enables to deliver performance in a given job, role or a situation. Competencies can be broadly classified into three categories, namely:

1. ***Organizational competencies*** are unique factors (outstanding customer service, excellent product development capabilities, superb innovation processes, flexibility in manufacturing processes, etc.) that make an organisation competitive; some of the examples for organizational competencies include Sony-miniaturization, Phillips-optical media, Honda-engines, and Intel-microchip.
2. ***Job related competencies*** are those that are required to carry out an assigned operation in an effective way. These are specific to a job and vary from job to job.
3. ***Personal competencies*** are basically behavioural competencies-in addition to job related skills and knowledge-such as taking risk and initiative, delivering results, showing commitment and adaptability when required.

Competency based Pay plan is a reward plan that pays for the employee's range, depth, and types of skills and knowledge, rather than for the job title that he or she holds. Employees get paid for what they bring to the job (including their personality traits, attitudes, motives, etc.) and what they are capable of doing – if not immediately – in future.

According to ***Brown and Armstrong,*** 'Competency-based pay can be defined as paying for the development and application of essential skills, behaviours and actions which support high levels of individual, team and organizational performance.

Competencies required for carrying out a job effectively?

1. skill sets
2. knowledge sets
3. insightful selling ability
4. ability to be direct, yet sensitive
5. ability to keep the larger objective/goal active
6. ability to stay calm under pressure
7. ability to be an effective mentor
8. creative solutions to difficult challenges
9. effective negotiating abilities
10. consistently demonstrates selfless team spirit

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How to Introduce Competency based Pay Plan?

The following factors need to be fully integrated within an organisation before competency pay plan can be introduced: an employee appraisal process must already exist; managers must already have been trained to assess competencies; staff should be made aware of the competencies required and how to demonstrate them when it comes to their appraisals; all employees must give their full commitment; the system must be fair so that all employees are included.

Developing a Competency Framework for Employees

A competency framework defines the behaviour needed by an employee to achieve effective job performance. The framework should enable employees to be clear about what is expected of them in terms of their behaviour and specific job role. The following points need special attention: (i) encourage co-operation, ownership and commitment of employees by involving them throughout the process, (ii) ensure the framework is relevant to both individual and organizational performance, (iii) include a planned analysis of relevant jobs to combine the imminent changes which will affect the ways employees work, (iv) ensure that the necessary data gathered is as objective as possible and is put into practice with discipline, (v) ensure that the relationship between competencies and job performance is not taken for granted, (vi) make sure that the language used within the framework relates to its users and is easy to comprehend. It should also be tried and tested before it is implemented.

Assessing Competencies and Designing the Pay Plan

Competencies are assessed through a regular appraisal process to facilitate pay progression within a grade. The best approach is probably to describe each job in terms of the competencies needed to do it. These can be taken from a set of common or 'core' competencies. More complex individual competencies will need to be added for more complex senior roles. There are two established methods of competency based pay structures:

1. Broad banding, and
2. Job families.

Broad banding implies collapsing salary grades and ranges into just a few wide levels or bands each of which allows a relatively wide range of jobs and salary levels. In short, it is a way of combining many previously discrete job titles, ranks, and pay grades into much wider categories. This system encourages lateral job movement by de-emphasizing progress through a myriad of vertical job grades and by rewarding both performance excellence and in-band job changes.

Under **Job families** (groups of different jobs that need similar skills) different pay structures can be established for different job families under occupational or functional groupings. As work activities and basic skills are common within these groups it is possible to set out the different levels of responsibility, skill and competence.

Benefits and Limitations

- Competency based pay encourages employees to give their best to live up to their potential and deliver far superior results in order to stay ahead of competition and earn rewards.
- The tangible, measurable benefits of excellent performance compel them to remain relevant and stay focused on what they can achieve.
- It is a people-focused plan that separates the outstanding employees from the ordinary ones, separates the meritorious ones from the mediocre stuff.

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- As employees begin to equip themselves with more organizationally-relevant skills-through constant training and developmental initiatives undertaken by the organization-they become more valuable to an organization.
- Of course, the system is not without critics. Identifying competencies, their proficiency levels, and assessing employee competencies from time to time would demand considerable amount of managerial attention, time and commitment.
- Many a time, an organization might be forced to pay employees for knowledge and skills they possess but not put into practice!
- The linkage between competency learning and pay increases need to be highlighted constantly.
- It all depends on how employees ultimately evaluate the effort-reward relationship.
- If competency development is viewed as something not related to increases in pay, employees may not be enthusiastic about learning new competencies.

It is therefore, not surprising to find that in recent times, competency-based pay has become the focus of much heated debate in corporate as well as academic circles. While its advocates assert it achieves precisely measurable benefits, its opponents argue that it tends to lead to unfair, invalid, and discriminatory outcomes. Among companies that have implemented competency-based pay, there is evidence that the failure rate is relatively high.

10.6.2 Guidelines for Effective Performance based Pay System

To be fair to employees, organisations should keep the following guidelines in mind while instituting merit-pay systems.

Establish high standards of performance, so that only the truly outstanding employees emerge as winners.

Develop accurate performance appraisal systems. The focus must be on job-specific, results-oriented criteria as well as employee behaviours.

Train supervisions in the mechanics of carrying out appraisals and offering feedback to employees in a proper way.

Tie rewards closely to performance.

Use a wide range of increases. Also, make pay increases meaningful.

10.6.3 Incentives

Fringe benefits are different from incentives. Incentives are paid in lieu of superior performance shown by an employee. It is like a reward paid for performance. They are paid as a means to attract, motivate and retain employees. Incentive pay plans can elicit strong feelings. Incentive pay plans is based on the philosophy that a fair day's work is not normally attainable without some proportion of pay being at risk because time based workers produce only about 50 to 60 percent of the output of incentive pay workers. Incentives can be broadly classified into financial and non-financial incentives. Financial incentives are the monitory benefits provided to employees for their superior performance whereas non-financial incentives are those incentives that satisfy social and psychological and esteem needs of an employee. They can be further classified into following types:

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Types of Incentive Plans

1. ***Individual Level Incentive Pay Plans:*** This is the most popular form of incentive pay plan. In this type of plan, each person's output or performance is measured and the rewards the person receives are based upon this measurement. Clearly, this is the type of incentive pay plan most likely to establish a clear performance-reward relationship in the mind of the employee. The purpose of the plan is to increase the pace of work or the effort the individual is willing to contribute in order to receive higher rewards. The classic example of this type of plan is a piecework system, wherein the employee is paid a set amount for each unit of production. The organization expects to receive more output than it would if the employee were paid under a time-based system. In addition, the organization can easily track the labour cost associated with each unit of output.

   One assumption of these plans is that the employee is an independent operator, that he or she alone can carry out all the activities required to achieve the performance measure. In this way, performance is a function of the employee's effort. The performance standard must be clearly defined and measurable if such a plan is to be useful. Also, the job must be relatively stable: the output required from the job should be consistent, and the inputs to the job should arrive in such a way that the employee can work continuously.

2. ***Group Level Incentive Pay Plans:*** Where it is impossible to relate output to an individual employee's efforts it may be possible to relate it to the efforts of the work group. If, in addition, cooperation is required to produce the desired output, then a group incentive plan may be the best alternative. Interdependence of work, then, is a major reason for choosing a group plan over an individual one. A group incentive plan can reward things that are very different from what an individual plan rewards, in particular: cooperation, teamwork, and coordination of activities. Where these are highly valued, a group plan is the most appropriate. As organizations become more complex and the production process more continuous, group incentive pay plans can be expected to become more popular.

   Group plans are also useful where performance standards and measures cannot be defined objectively. In a group setting, variations tend to average out, so no one gets as hurt by random variation or lack of continuity. Almost any individual plan can be adapted to a group setting. Thus the focus in group plans is still higher level of effort.

   The primary disadvantage of the group plan is that it weakens the relationship between the individual's effort and performance. Where there is likely to be wide variation in the efforts of group members, a group incentive may lead to more intragroup conflict than cooperation. In group plans, it is also more difficult to monitor performance standards and measures. Finally, group norms play an expanded role, both positive and negative, in group plans. They are stronger and more controlling on the individual. Where the group norms are congruent with management's goals, this is a plus; but where the two differ, it can harm the chances of success of the incentive plan.

3. ***Plant and Organization-wide Incentive Pay Plans:*** Organization-wide plans are expanding under the name of gainsharing.

   Organization-wide plans differ significantly from individual plans by rewarding different things. As indicated, most individual and group plans attempt to increase effort. Most organization-wide plans, however, reward an increase in organization-wide outcomes that directly affect the cost and/or profit picture of the organization. Usually, these plans reward increases in productivity of the plant or organization as measured by reduction of organizational costs, in comparison with some measured normal cost. Or they may reward increased output with the same or fewer inputs.

   A major feature of organization-wide incentive pay plans is a change in the relationship between management on the one hand and employees on the other. Rather than the

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traditional adversarial relationship between the two, most organization-wide plans require a high degree of cooperation. This is because both groups must focus on the desired cost savings and listen to the other party. Various types of organization level plans are:

(a) *Profit Sharing:* Profit sharing is popular organization-wide programme that is often classified as a gainsharing plan. This type of plan can be made much more simple than a cost-savings plan. Nor does it require the revolution in employee-management relationships that cost-savings plans do. With profit sharing, management hopes to change employee attitudes toward the organization without a concomitant change in managerial attitudes toward the employee. The idea behind profit sharing is to instill in the employee a sense of partnership with the organization. But most plans go beyond this and use profit sharing as a way to keep valuable employees and to encourage thrift in employees. Profit sharing plans are typically differentiated on the basis of when profit shares are distributed. Cash plans (known also as current-distribution plans) pay out profit shares at regular intervals. Deferred plans put the profits to be distributed in the hands of a trustee, and distribution is delayed until some event occurs. This type of plan is most often tied into a retirement system. Combination plans distribute a part of the current profits and defer the rest.

Profit sharing plans vary widely in provisions concerning organization contributions, employee allocation, eligibility requirements, payout provisions, and other administrative details. Two-thirds of the plans define the contribution of the organization by a formula; in the balance, the board of directors determines the amount. Most formulas specify a straight percentage of before-tax profit, after reservations for stockholders and reserves. The amounts allocated to employees or their accounts are usually based on their compensation, but may also be influenced by their length of service, contributions, performance, or responsibility. In most plans, all full-time employees are eligible immediately or after a short waiting period, but a substantial minority of plans exclude union employees or are limited to specific employee groups. Payout provisions are usually determined by plan designation (cash, deferred, or combination), but deferred and combination plans are increasingly incorporating vesting provisions and payout under a wide variety of circumstances.

(b) *Gain Sharing:* This approach is broader than profit sharing. It is a more appropriate organization-wide incentive pay plans. The purpose of gainsharing is to tie the employee to the performance measures by which top management is judged and by which society defines a successful organization. Although clear performance-reward connections can be made in these circumstances, it is difficult to make a performance-effort connection.

A number of different performance measures can be used in gainsharing, but all share a common dimension: a baseline standard must be established to determine where the organization is at the present time. The value of improvements in future measures of performance is then shared with the employees. One set of performance definitions rewards reductions in costs or improvements in productivity.

The most popular gainsharing plan is the Scanlon Plan. In this plan, employees are paid a bonus if costs remain below pre-established standards. The standards have been set by studies of past cost averages. Ways to reduce costs are developed by a series of committees throughout the organization and a plant-wide screening committee that reviews and implements changes. Although Scanlon developed this plan in 1937, these committees took much longer to pay out profit shares at regular intervals as earned. Deferred plans put the profits to be distributed in the hands of a trustee, and distribution is delayed until some event occurs. This type of plan is ordinarily tied into a retirement plan. Combination plans distribute part of the profit share as earned and defer distribution of the balance.

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Notes Two new concepts of incentive programmes are Broadbanding and Competency-based pay. Organisations that follow a skill-based or competency based pay system frequently use broad banding to structure their compensation payments to employees. Broad branding simply compresses many traditional salary grades (say 15 to 20 grades) into a few wide salary bands (three or four grades). By having relatively few job grades, this approach tries to play down the value of promotions. Depending on changing market conditions and organisational needs, employees move from one position to another without raising objectionable questions, (such as when the new grade is available, what pay adjustments are made when duties change, etc.) As a result movement of employees between departments, divisions and locations becomes smooth. Employees with greater flexibility and broader set of capabilities can always go in search of jobs in other departments or locations that allow them to use their potential fully. Broad banding, further, helps reduce the emphasis on hierarchy and status. However, broad banding can be a little unsetting to a new recruit when he is made to roll on various jobs. Most employees still believe that the existence of many grades helps them grab promotional opportunities over a period of time. Any organisation having fewer grades may be viewed negatively - as having fewer upward promotion opportunities. Moreover, a number of individuals may not want to move across the organisation into other areas.

Case Study

The Failed Job Change

Nikhil has joined as Director of an organisation during early March, 2001 in New Delhi, shifting from Calcutta. During the selection process, the committee duly considered his earlier pay package and has given him a proportionate rise in pay adding also the tax savings which he will accrue due to splitting of 50 per cent of his pay as reimbursement. He was happy for such compensation design, as his savings will be more in his new position. Within two weeks of his joining, government has issued a notification, declaring ceiling on all perquisites and bringing all reimbursements given as perquisites within the ambit of tax net. Nikhil raised this issue and asked for reprieve with upward revision of his compensation package. The company pleaded its helplessness as government orders are beyond their control and any revision at this stage will set a bad precedence to other employees of the organisation. He was told to continue and wait for the next revision after a year, when these issues will be taken care of.

Salary information in the company is not confidential. It is so transparent that even the lowest rung of the organisation knows what others get. Internally employees feel de-motivated when they find their pay raise is disproportionate to the pay raise of their bosses. The company has a system to give Diwali gifts to all in cash and kind. This is kept strictly confidential and nobody knows what others are getting. The Board approves the total amount for this purpose and distributes among employees, keeping in view their performance and hierarchy. Performance feedbacks are obtained from the structured performance appraisal system.

Nikhil was tipped off that he will be able to reduce his loss through the Diwali gift and hence he should not feel de-motivated at this stage. During early November, 2001, Nikhil received a sealed packet with a gift cheque of ₹ 10,000 and gift vouchers worth ₹ 20,000.

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Next morning he received a phone call from the Chairman, who asked him to indicate his feelings when he met him in person during the afternoon. In between, Nikhil did a detailed computation in consultation with his Chartered Accountant and found that he cannot get him absolved from tax burden from this gift amount as he has to show this in 'other income category' and pay about 33 per cent towards tax. A visibly perturbed Nikhil decides to quit. He loses all hopes for re-negotiation and sends his three months' notice to the Chairman.

Questions

1. Do you think Nikhil is right in his stand?
2. What could be the alternatives for the organisation to reduce the pay gap?
3. Should the Chairman initiate any action to retain Nikhil considering his outstanding contributions.

10.7 Employee Benefits and Services

The term 'benefits' refers to the extra benefits provided to employees in addition to the normal compensation paid in the form of wage or salary. Many years ago, benefits and services were labeled 'fringe' benefits because they were relatively insignificant or fringe components of compensation. However, the situation now is different, as these have, more or less, become important components of a comprehensive compensation package offered by employers to employees.

10.7.1 Employee Services

These services are those which are provided by the organisations, in addition to the usual fringe benefits, either at no cost to the employee or at highly subsidised rate. Such services include eating facilities, transportation facilities, child care facilities, educational services, flexible working hours, etc.

10.7.2 Features

The main features of benefits and services, as they stand today, may be stated thus:

- They are supplementary forms of compensation.
- They are paid to all employees based on their membership in the organisation.
- They are indirect compensation because they are usually extended as a condition of employment and are not directly related to performance.
- They help raise the living conditions of employees.
- They may be statutory or voluntary.

10.7.3 Need for Employees Benefit and Services

Most organisations in India have been extending fringe benefits to their employees, year after year, due to the following reasons:

1. ***Employee demands:*** Employees demand more and varied types of fringe benefits rather than pay hike because of reduction in tax burden on the part of employees and in view of the galloping price index and cost of living.

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2. ***Trade union demands:*** Trade unions compete with each other for getting more and newer varieties of fringe benefits to their members. If one union succeeds in getting one benefit, the other union persuades management to provide a new one. Thus, the competition among trade unions within an organisation results in more and varied benefits.

3. ***Employer's preference:*** Employers also prefer fringe benefits to pay-hike, as fringe benefits motivate employees to give their best to the organisation. It improves morale and works as an effective advertisement.

4. ***As a social security:*** Social security is a security that society furnishes through appropriate organisation against certain risks to which its members are exposed. These risks are contingencies of life like accidents and occupational diseases. Employer has to provide various benefits like safety measures, compensation in case of involvement of workers in accidents, medical facilities, etc., with a view to provide security to his employees against various contingencies.

5. ***To improve human relations:*** Human relations are maintained when the employees are satisfied economically, socially and psychologically. Fringe benefits satisfy the worker's economic, social and psychological needs. Consumer stores, credit facilities, canteen, recreational facilities, etc., satisfy the worker's social needs, whereas retirement benefits satisfy some of the psychological problems about the post-retirement life. However, most of the benefits minimise economic problems of the employee.

10.7.4 Fringe Benefits

The term, fringe benefits, refers to various extra benefits provided to the employees, in addition to the compensation paid in the form of wage or salary. These benefits can be defined as any wage cost not directly connected with the employees' productive effort, performance, service or sacrifice. It is also defined as those benefits which are provided by an employer to or for the benefit of an employee and which are not in the form of wages, salaries and time-related payments.

Different terms are used to denote fringe benefits. They include social security measures, social charges, welfare measures, supplements, workers' benefits, etc.

ILO defined fringe benefits as, "Wages are often augmented by special cash benefits, by the provision of medical and other services or by payments in kind, that form part of the wages for expenditure on the goods and services. In addition, workers commonly receive such benefits as holiday with pay low cost meals, low rent housing, etc. Such additions to the wages proper are sometimes referred to as fringe benefits even though they may constitute a significant part of the worker's total income.

We can thus conclude that fringe benefits include both monetary and non-monetary benefits given to the employees during and post-employment period of the employee.

Coverage

The term 'fringe benefits' covers statutory bonus, social security measures, retirement benefits like provident fund, gratuity, pension, workmen's compensation, housing, medical, canteen, co-operative credit, consumer stores, educational facilities, recreational facilities, financial advice and so on. Thus, fringe benefits cover a number of employee services and facilities provided by an employer to his employees and in some cases to their family members also. The welfare of employee and his family members is an effective advertising and also a method of buying the gratitude and loyalty of employees. But, while some employers provide these services over and above the legal requirements to make effective use of their workforce, some restrict themselves to those benefits which are legally required.

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Need for Extending Fringe Benefits

During the World War II, certain non-monetary benefits were extended to employees as means of neutralizing the effect of inflationary conditions. These benefits which include housing, health, education, recreation, credit, canteen, etc. have been increased from time to time, as a result of the demands and pressures from trade unions. It has been recognized that these benefits help employees in meeting some of their life's contingencies and to meet the social obligation of employers.

The main features of fringe benefits are:

1. They are supplementary forms of compensation.
2. They are paid to all employees based on the membership in the organisation.
3. They are indirect compensation because they are usually extended as a condition of employment and are not directly related to performance.
4. They help raise the living conditions of employees.
5. They are statutory or voluntary. Provident fund is a statutory benefit, whereas transportation is a voluntary benefit.

Need for Fringe Benefit

1. ***To Satisfy Employee Demands:*** Workers demand more and variety of fringe benefits rather than pay hike because of reduction in tax burden on the part of employees.
2. ***To Satisfy Trade Union Demands:*** If one trade union succeeds in getting one benefit, the other union persuades management to provide the new fringe benefit. Thus, competition among the trade union results in more varied benefits.
3. ***To Improve Human Relations:*** Fringe benefits satisfy the worker's economic, social and psychological needs. Most of the fringe benefits satisfy and remove economic problems of the workers. Some social security benefits provide post-retirement relief to the workers, thus satisfying his psychological needs. There are others like, credit facilities, canteen, recreational facilities, customer stores which provide social benefits.
4. ***To Improve Organizational Commitment:*** It improves morale and motivates the employees to give the best to the organisation. It increases organizational commitment and loyalty to the organization in the long run.
5. ***To Provide Social Security:*** The employer has to provide various benefits like safety measures, compensation in case of involvement of workers in accidents, medical facilities etc. with a view to provide security to his employees against various contingencies.

Objectives of Fringe Benefits

1. To create and improve sound industrial relations.
2. To motivate employees by identifying and satisfying their unsatisfied needs.
3. To provide security to the employees against social risks like old age benefits and maternity benefits.
4. To protect the health of the employee and to provide safety to the employees against accidents.
5. To promote employees' welfare.

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6. To create sense of belongingness among employees.
7. To meet the requirement of various legislation relating to fringe benefits.

Benefits of Fringe Benefits to Employees

1. Rising prices and cost of living have brought about incessant demand for provision of extra benefit to the employees.
2. Employers too have found that fringe benefits present attractive areas of negotiation when large wage and salary increases are not feasible.
3. As organizations have developed or elaborated fringe benefits programmes for their employees, greater pressure has been placed upon competing organizations to match these benefits in order to attract and keep employees.
4. Recognition that fringe benefits are non-taxable rewards has been major stimulus to their expansion.
5. Rapid industrialization, increasingly heavy urbanization and the growth of a capitalistic economy have made it difficult for most employees to protect themselves against the adverse impact of these developments. Since it was workers who were responsible for production, it was held that employers should accept responsibility for meeting some of the needs of their employees. As a result, some benefits and services programmes were adopted by employers.
6. The growing volume of labour legislation, particularly social security legislation, made it imperative for employers to share equally with their employees the cost of old age, survivor and disability benefits.
7. The growth and strength of trade unions have substantially influenced the growth of company benefits and services.
8. Labour scarcity and competition for qualified personnel has led to the initiation, evolution and implementation of a number of compensation plans.
9. The management has increasingly realized its responsibility towards its employees and has come to the conclusion that the benefits of increase in productivity resulting from increasing industrialization should go, at least partly, to the employees who are responsible for it, so that they may be protected against the insecurity arising from unemployment, sickness, injury and old age. Company benefits-and-services programmes are among some of the mechanisms which managers use to supply this security.

Types of Benefits

The fringe benefits offered by various organisations in India may be broadly classified into different categories. These are discussed below:

1. ***Payment for Time not Worked:*** This category includes: (a) hours of work (b) paid holidays, (c) shift premium, (d) holiday pay and (e) paid vacation.
2. ***Employee Security:*** Physical and job security to the employee should also be provided with a view to ensure security to the employee and his family members. When the employee's services get confirmed, his job becomes secure. The Industrial Disputes Act, 1947, provides for the payment of compensation in case of lay off and retrenchment this provides income security to the employee.
3. ***Safety and Health:*** Employee's safety and health should be taken care of in order to protect the employee against accidents, unhealthy working conditions and to protect the

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worker's productive capacity. In India, the Factories Act, 1948, stipulated certain requirements regarding working conditions with a view to provide safe working environment.

4. ***Workmen's Compensation:*** In addition of safety and health measures, provision for the payment of compensation has also been made under Workmen's Compensation Act, 1923. The Act is intended to meet the contingency of invalidity and death of a worker due to an employment injury or an occupational disease specified under the Act at the sole responsibility of the employer.

5. ***Health Benefits:*** Today, various medical services like hospital, clinical and dispensary facilities are provided by organisations not only to employees but also to their family members. Such as sickness benefit, maternity benefit, disablement benefit, dependent's benefit and medical benefit.

6. ***Voluntary Arrangements:*** However, most of the large organisations provide health services over and above the legal requirements to their employees free of cost by setting up hospitals, clinics, dispensaries and homeopathic dispensaries.

7. ***Welfare and Recreational Facilities:*** Welfare and recreational benefits include: (a) canteens, (b) consumer societies, (c) credit societies, (d) housing, (e) legal aid, (f) employee counselling, (g) welfare organisations, (h) holidays homes, (i) educational facilities, (j) transportation, (k) parties and picnics and (l) miscellaneous.

8. ***Old Age and Retirement Benefits***

   (i) *Provident fund:* Provident Fund Scheme of the act provides for monetary assistance to the employees and/or their dependants during post retirement life. Employees in all factories under Factories Act, 1948, are covered by the Act. Both the employee and employer contribute to the fund. The employees on attaining 15 years of membership are eligible for 100% of the contributions with interest. Generally, the organisations pay the Provident Fund amount with interest to the employee on retirement or to the dependants of the employee, in case of death.

   (ii) *Pension:* Employee's Family Pension Scheme, 1971, provides for a Family Pension to the family of deceased employee at specified rates.

This scheme also provides for the payment of a lump sum amount of ₹ 4,000 to an employee on his retirement as retirement benefit and a lump sum amount of ₹ 2,000 in the event of death of an employee as life insurance benefits.

1. ***Deposit Linked Insurance:*** Under this scheme, if a member of the Employees Provident Fund dies while in service, his dependents will be paid an additional amount equal to the average balance during the last three years in his account. (The amount should not be less than ₹ 1,000 at any point of time).

2. ***Gratuity:*** It is payable to all the employees who render a minimum continuous service of five years with the present employer. It is payable to an employee on his superannuating or on his retirement or on his death or disablement due to accident or disease. The gratuity payable to an employee shall be at the rate of 15 days wage for every completed year of service on part thereof in excess of six months. Here, the wage means the average of the basic pay last drawn by the employee. The maximum amount of gratuity payable to an employee shall not exceed 20 months' wage.

3. ***Medical Benefit:*** Some of the large organisations provide medical benefits to their retired employees and their family members. This benefit creates feeling of permanent attachment with the organisation to the employees even while they are not in service.

Fringe benefits are one of the means to ensure, maintain and increase the material welfare of employees.

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Case Study

Together no More

Some of your key employees recently resigned. As per your system you conduct an exit interview before you formally release anyone, who submits resignation. In all the cases, employees have assigned the reason for leaving as 'purely on personal grounds'. You have collected the personal data of all the employees from your HRIS. Personal inventory details indicate, employees are having the following biographical characteristics:

(i)	Age-group	-	25 to 35
(ii)	Job Experience	-	3 to 8 years
(iii)	Nature of job	-	Marketing, HR, Information Technology
(iv)	Qualifications	-	Graduate and above
(v)	Hierarchical level	-	Asstt. Manager and above.

Further checking of performance records indicate, all these employees have consistently achieved their targets as per their KRAs for the last three years.

You are also given the following additional inputs about the organisation:

(i) The company follows a well defined structured compensation plan for the employees, which, inter alia, follows a graduated time scale with provision for yearly increments within the scale. Even though compensation plan provides for extra increment for good performers, the company, to ensure principles of equity, dissuades from such practices, as in the past they had a problem with employees, for giving discretionary increments to some good performers. The company's compensation plan is integrated with their promotion policy. Any employee who successfully completes his tenure of five years in a scale with at least 80 per cent achievement of their KRAs is automatically promoted to the next scale, with suitable change in the job title.

(ii) The promotion policy of the company is also well defined, giving weightage to merit and seniority. Promotion always succeeds transfer and relocation, as the company has its units in different parts of the country. However, the company ensures that transfer and relocation should not prejudice the interests of the employees, at least in the material sense.

(iii) The company maintains an excellent culture of mutual trust and confidence with empowerment, total participation and complete freedom and functional autonomy.

Some of its HR values are as under:

(i) Reward and recognise employees for taking risks and demonstrating creativity in support of organisational objectives.

(ii) Adopt and maintain a set of tenure, promotion and salary enhancement to recognise and reward those who meet and exceed the expectations.

(iii) Provide competitive compensation package to attract and retain talent.

(iv) Maintain an environment to promote teamwork, trust and transparency. The company was awarded twice by the National HRD Network for best HR practices. Identify the issues that are likely to come up during the exit interview. Try to list out the possible feedback of the employees who are resigning.

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10.8 Summary

- Compensation administration intends to develop the lowest-cost pay structure that will not only attract, inspire and motivate capable employees but also be perceived as fair by these employees. Establishing strategic pay plans involved four main decisions: pay level decision, pay structure decision, differential pay decision and administration decision.
- Knowledge-based organizations these days follow a performance-based payment plan offering awards to employees for cost saving suggestions, bonuses for perfect attendance or merit pay based on supervisory appraisals. The benefits and services offered by various organizations in India may be broadly put into five compartments. Payment for time not worked, employee security, safety and health, welfare and recreation facilities and old age and retirement benefits. Organisations face many challenges while deciding on remuneration of a employee. These may be seen as different options present before them.

10.9 Keywords

Benefit: An indirect reward given to an employee or group of employees as a part of organisational membership.

Compensation: It refers to the financial and non-financial rewards to the employees for their services rendered to the company.

Earnings: Total amount of remuneration received by an employee during a given period.

Fringe Benefit: The term 'fringe benefits' covers statutory bonus, social security measures, retirement benefits like provident fund, gratuity, pension, workmen's compensation, housing, medical, canteen, co-operative credit, consumer stores, educational facilities, recreational facilities, financial advice and so on

Gratuity: It is payable to all the employees who render a minimum continuous service of five years with the present employer.

Pay Equity: An employee's perception that compensation received is equal to the value of work performed.

Pay Grades: Groups of jobs within a particular class that are paid the same rate.

Provident Fund: Provident Fund Scheme of the act provides for monetary assistance to the employees and/or their dependants during post retirement life. Employees in all factories under Factories Act, 1948, are covered by the Act.

Salaries: Remuneration paid to the clerical and management personal employed on a monthly or yearly basis. However, the distinction between wages and salaries need not be observed in actual usage. Both may mean remuneration paid to an employee for services rendered.

Variable Pay: Tying pay to some measure of individual, group or organisational performance.

10.10 Review Questions

1. If we pay predominantly for jobs rather than people, how can we reward the truly exceptional performing employee?
2. 'If the employees believe that subjectivity and favouritism shape the pay system in an organisation, then it does not matter that the system was properly designed and implemented'? Discuss.

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3. Since employees may differ in terms of their job performance, would it not be more feasible to determine the wage rate for each employee on the basis of his or her relative worth to the organisation? Explain.
4. Do small companies need to develop a pay plan? Why or Why Not?
5. Some companies have a policy of selectively matching external offers to prevent employees from leaving the company. What are the pros and cons of such a policy? Explain
6. One expert argues that external equity should always be the primary concern in compensation, noting that it attracts the best employees and prevents the top performers from leaving. Do you agree?
7. What three general types of benefits do most medium-sized and large firms provide voluntarily? Describe each briefly.
8. What is meant when it is said that many employees view benefits and services as entitlements?
9. How can employers make employees realise that benefits and services must be earned?
10. What benefits and services are most important to today's increasingly diverse workforce? Why?

Answers: Self Assessment

1.	F	2.	T
3.	T	4.	T
5.	F	6.	F
7.	F	8.	F
9.	acknowledgment	10.	shoot up
11.	Below	12.	Pay Structure Decision
13.	seniority, merit	14.	High
15.	neither, nor		

10.11 Further Readings

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Unit 11: Human Resources and Development

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Objectives

After studying this unit, you will be able to:

- Define the term human resource development
- Discuss the need of HRD
- Understand training, education and development functions
- Describe the scope of HRD
- Analyze HRD practices in Indian organization

Introduction

HRD is concerned with an organised series of learning activities, within a specified time limit, designed to produce behavioural change in the learner (Naddler, 1969). From the organisational context, therefore, HRD is a process which helps employees of an organisation to improve their functional capabilities for their present and future roles, to develop their general capabilities, to harness their inner potentialities both for their self and organisational development and, to develop organisational culture to sustain harmonious superior-subordinate relationships, teamwork, motivation, quality, and a sense of belongingness.

Notes **Training, Education and Development Functions vis-à-vis HRD**

There are a lot of misconceptions about training, education and development functions vis-à-vis HRD. Essentially, HRD activities are designed to make people effective in their present job position, which is a part of the training function. But when the focus is on a future identifiable job it becomes a part of the education function. For future unidentifiable jobs, i.e., to develop capabilities for a future position or new activities within the organisation, which are not very specific at the present stage, it becomes a part of the development function.

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Without precisely knowing the functions of training, education and development, it would further make it difficult for us to appreciate the objectives, roles and significance of HRD in an organisation. In the succeeding paragraphs we will take a cursory view of these functions before we elaborate on other issues of HRD.

Training

Training concerns people already employed with the organisation and whose jobs are so defined that we are able to identify what should be the desired job behaviours. The focus on training programmes should be such, so as to enable the individual to perform more effectively in his present job position. Training is also needed when a person is hired without the requisite skills, attitude or knowledge or after putting the person on the job, we are able to identify deficiencies that are possible to rectify through training. Even in cases, where an employee may be performing very well, changes in procedures, materials, processes may stimulate the need for further training. Total Quality Management (TQM), Small Group Activities (SGA) or Quality Circles (QC) concepts are now calling for new areas of training for employees to make them functionally more effective in their restructured jobs. We have discussed these issues in a separate supplementary note. For effective results, the responsibility for training should be on the immediate supervisor of the trainee. As the payoff of training is verified on the job, the supervisor is expected to see the results and therefore, he is the right person to allocate physical and financial resources to improve his human resources. However, in most of the organisations, supervisors are made responsible for identification of training needs and their role is restricted to imparting technical skill enriching training. For conceptual and human skills, training is given by a specialised group of trainers. Training can either be conducted through in-house programmes or by retaining professional trainers/consultants.

The evaluation of training is done in direct relation to the job. At the end of the training, it is expected that there should be some identifiable changes in job behaviour. Where no such changes in job behaviour could be identified, we expect there may be one or more of the following problems; ineffective training programme, lack of linkage between the training programme and the job or negative reinforcements in the work situation. Evaluation of training is easy because of its job relatedness.

Education

Educational experiences benefit those who are employed and who are required to be gradually equipped for other positions in the organisation. Thus, the education component of HRD is future oriented for identifiable job positions. Since return on investment from education is unclear or unascertainable, very few organisations are prepared to invest on employee education programmes unless future needs or manpower plan of the organisation substantiates the possibility of redeployment of employees after completion of educational programmes.

Many organisations allow their employees to go on study leave for pursuing institutional studies in areas like, Management, Accounting and Finance, Quality, Engineering or even for Research, which are relevant to organisational needs. Employees are allowed to draw their pay and get reimbursement of actual cost for study during this period and such leave is not debited against employees' leave account.

Some organisations encourage their employees to get enrolled in part-time evening programmes and allow them reimbursement of actual cost. In India a number of institutes are encouraging sponsored candidates to pursue studies as full-time students.

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However, education within the organisation is considered as a better alternative as it simultaneously ensures employees on-the-job activities and learning of new techniques for their future roles. For example, some organisations with their in-house talents run professional programmes for their employees like, Engineering Degree Courses of Institute of Engineers, Indian Institute of Metals, Management Degree Courses of All India Management Association, National Institute of Personnel Management, ICFAI Business School, International Institute of Management Science, Professional Programmes of Indian Society for Training and Development, National HRD Network, Academy of HRD, etc. This is considered more cost-effective than the earlier two methods and this also reduces the time-lag between the time of education experience and its application on the new job.

Employee education calls for attitudinal changes of corporate leaders as they should be prepared at the outset to invest in the future of individuals who may or may not remain with the organisation. It is also necessary to identify individuals who are future oriented. Evaluation of employee education is difficult when there is considerable time-lag between learning and its actual on-the-job application.

Development

The development component of HRD is to conduct learning experiences for a future undefined job. The focus being on a future undefined job an organisation, before going ahead with employee development, the organisation must be able to identify individuals who enjoy high risk and new undefined challenging jobs. Such risk takers may not necessarily be confined to the higher levels of an organisation, even though conventionally, development function rests with the higher levels only since decisions on investment in employee development are taken at higher levels and, people at higher levels are considered to be more knowledgeable (both by virtue of experience and educational background) than people at lower levels. Hardly a few organisations consider it right to risk the investment to develop employees at lower levels. However, experience shows, carefully planned development experiences can be helpful in realising human potential, irrespective of the hierarchical levels and functional areas.

Before the introduction of computers in Indian organisations, computer literacy was considered as a development function. At present, however, TQM, business process re-engineering, benchmarking, ISO:9000 quality systems, value engineering, etc., are considered as new areas of development.

Valuation of employee development programmes is extremely difficult both in terms of return on investment and application of learned experiences, for obvious time-lag, in the organisation.

However, success of training, i.e. HRD efforts of an organisation in the form of education and development programmes, largely depends on simultaneous changes in the organisation, which is known as Organisational Development (OD). Changes in the employee behaviour (for training, education and development programmes) is reinforced by changes in the organisation by OD process, which uses many strategies and interventions. Hence, HRD efforts should be in congruence with OD investments.

11.1 Need of HRD

HRD is needed by any organisation that wants to grow continuously. In the fast changing environment, organisations can scale new heights only through the effective and efficient use of human resources. Appropriate personnel policies help maintain employee motivation and morale at a high level, but this alone may not help the organisation achieve success and venture into

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new fields. To this end, employee capabilities must be continually trained, developed and expanded. The employees must be encouraged to take risks, experiment, innovate and make things happen in an atmosphere of mutual trust, goodwill and cooperation. "People need competencies to perform tasks. Higher degree and quality of performance of tasks requires higher level or degree of skills. Without continuous development of competencies in people, an organisation is not likely to achieve its goals. Competent and motivated employees are essential for organisational survival, growth and excellence" (IGNOU, MS 22, p.6).

HRD is needed in an organisation because:

1. HRD improves the capabilities of people. They become innovative and enterprising - ever eager to take risk and get ahead. It improves the all round growth of an employee. Feedback and guidance from superiors help employees grow continually and show superior performance.
2. HRD improves team work. Employees become more open and trust each other. The organisational climate, too, improves a lot.
3. HRD leads to greater organisational effectiveness. Appropriate employee-centered policies help the organisation achieve its goals more efficiently.
4. Performance related rewords help employees realise the importance of utilising their skills fully in the service of organisational goals. The organisation's overall health and self-renewing capabilities, too, improve quite significantly.

For any dynamic and growth-oriented organisation to survive in a fast-changing environment, HRD activities play a very crucial role. Recent economic restructuring in India at the macro-level influenced the need for production restructuring at unit (micro) level and production restructuring necessitated labour restructuring vis-à-vis restructuring of HRD activities in organisations. Training, retraining and redeployment have now become buzzwords in corporate circles as market globalisation (which is an outcome of the economic restructuring programme), delicensing and free flow of technology (as per New Industrial Policy of July, 1991), and intensified competition are rendering traditional skills and knowledge redundant. Many organisations in India are now threatened with manpower obsolescence. To withstand this, HRD activities have now received prime importance.

Increased morale and motivation of employees no doubt are necessary to achieve productivity and functional effectiveness. But these alone cannot sustain a dynamic organisation, unless effort and competencies of human resource are renewed constantly, developing an enabling organisational culture. An enabling organisation culture is possible when employees of an organisation are found to use their initiative, take risks, experiment, innovate and make things happen.

Hence, role and significance of HRD in an organisation can be appreciated when we consider the fast-changing environment coupled with technological change and intensified competition. This has necessitated the need for renewal of capabilities of people working in the organisation which are simultaneously reinforced by changes in the organisation by the Organisational Development (OD) process.

The role and significance of HRD can further be appreciated when we consider different systems of HRD like performance appraisal, career planning and development, manpower planning, management succession and development, training (which includes the role of education and development discussed earlier), Organisational Development (OD), Quality of Work Life (QWL), etc.

Did u know? ***Open door policies:*** Where open door policies exist, employees are free to walk into any manager's office with their problems and seek solutions to such problems.

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11.2 Scope of HRD

Human resources can be viewed as the sum of knowledge, skills, attitudes, commitment, values and the like of the people of an organisation. Development is acquisition of capabilities that are needed to do the present job, or the future expected job. Human Resource Development is a positive concept in human resources management. The purpose of Human Resource Development is to enhance an employee's capacity to successfully handle greater responsibilities, through formal or informal means. Any effective HRD programme must satisfy the needs of an organisation. To this end, management must outline the needs of the organisation and convert them into objectives with a view to formulate a workable programme.

HRD is mainly concerned with developing the competencies of people. When we call it as a people-oriented concept then several questions come to mind like should the people be developed in the larger and national context or in the smaller institutional context? Is it different at the macro level and micro level? As things stand now, HRD applies to both institutional (micro) as well as national (macro) issues. The main objective, however, is to develop the newer capabilities in people so as to enable them to tackle both present and future challenges while realising organisational goals. However, it is useful both at macro and micro levels.

Macro Level: At the macro level HRD is concerned with the development of people for the nation's well being. It takes health, capabilities, skills, attitudes of people which are more useful to the development of the nation as a whole. While calculating the national income and economic growth, the prospective HRD concept examines the individuals' potentialities, their attitudes, aspirations, skills, knowledge, etc. and establishes a concrete base for economic planning. However, HRD's contribution at macro level has not gained popularity as yet.

Micro Level: HRD has concern for grass root development in the organisations. Small wonder, then, that HRD was well received by companies' managements as they realised its importance and foresaw its future contribution for the individual and organisational development. Generally, HRD at micro level talks of the organisations' manpower planning, selection, training, performance appraisal, development, potential appraisal, compensation, organisational development, etc. HRD's involvement in all these areas is mainly with an objective to develop certain new capabilities in people concerned to equip them to meet the present job challenges and to accept future job requirements.

Reviewing the definition, role, significance, purpose and objectives of HRD it is evident that HRD department of an organisation focuses on the following important areas:

1. Increasing the 'enabling' capabilities by developing human resources, organisational health, team spirit and increasing employee motivation and productivity.
2. Focus on balanced organisational culture by conducting periodic surveys, workshops, discussions stimulating openness, mutual trust, team spirit, creativity, initiative, mutuality, collaboration, delegation, autonomy, respect, management of mistake, management of conflict, etc.
3. Focus on learning contextual factors from different professional bodies like NIPM, ISTD, HRD Network, AIMA, etc. These professional bodies, through their publications, seminars and workshops, share the experiences of the corporate world.
4. Focus on periodic reviewing of HRD system which may call for redesigning performance appraisal, job-rotation, reward systems, career planning, promotion, selection, induction, training and development programme, etc.
5. Focus on integrating HRD with other corporate functions like production, marketing, finance, material, corporate planning, etc. Such integration will strengthen the development of an 'enabling' organisation.

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6. Focus on diffusion of HRD function involving line managers in various HRD aspects like training of subordinates, performance appraisal, promotion, placement, selection, career planning, etc. Line people by virtue of their rich experience may effectively contribute to these HRD areas. Moreover, their active association will accentuate the process of developing an integrated HRD system in an organisation.
7. Focus on working with unions by taking them into confidence and collaborating with them. That unions can also play a positive role in furthering the organisation is evident from a number of examples. Syndicate Bank Employees Union very recently collaborated with the management to reduce the Non-performing assets (i.e. bad debt realisation).

Task Today's organisations are flatter and offer fewer opportunities for advancement. How do you propose to develop the capabilities of employees in this type of organisational environment.

Notes **HRD Matrix**

The HRD Matrix shows the interrelationships between HRD instruments, processes, outcomes and organisational effectiveness.

(a) ***HRD instruments:*** These include performance appraisal, counselling, role analysis, potential development, training, communication policies, job rotations, rewards, job enrichment programmes, etc. These, instruments may vary depending on the size of the organisation, the internal environment, the support and commitment of the top management, the competitive policies, etc.

(b) ***HRD processes:*** The HRD instruments lead to the generation of HRD of processes like role clarity, performance planning, development climate, risk-taking, dynamism in employees. Such HRD processes should result in more competent, satisfied and committed people that would make the organisation grow by contributing their best to it.

(c) ***HRD outcomes:*** HRD instruments and processes make people more committed and satisfied, where they tend to give their best to the organisation enthusiastically.

(d) ***Organisational effectiveness:*** Dimensions: Such HRD outcomes influence the organisational effectiveness, which in turn, depends on a number of variables like environment, technology, competitors, etc.

Self Assessment

State whether the following statements are true or false:

1. The vast majority of people work to support themselves and their families.
2. Human resources are the least important assets in an organisation.
3. HRD is a multi-disciplinary concept.
4. Evaluation is a universal part of training programmes.
5. Competent and motivated employees are essential for organisational survival growth and excellence.

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6. Viewed broadly, the distinction between training for a present job and development for future ones is blurred.
7. People rarely fudge credentials.
8. Good job candidates can usually be hired fairly quickly because they are so obviously good.
9. International experience is an automatic ticket to career development in most organisations.
10. Training programmes should not be designed as quick fixes for organisational problems.

11.3 HRD Practices in Indian Organization

It is pertinent to mention that Indian organisations, by and large, have personnel functions integrated with HRD functions, except for a few who have separate HRD department, exclusively for HRD functions. Most of the organisations, therefore, merely retitled the designation of their core personnel people by either calling them Human Resource Manager or Human Resource Development Manager. Yet there are some organisations, who have isolated their HRD as training function, entrusting the responsibility to Management Development Officers or Principals of their Management Development Centres. Public sector giants like Steel Authority of India Ltd. (SAIL), Indian Oil Corporation (IOC), NTPC, ONGC, Coal India, have set up their own management development institutions/centres. Departmental undertakings like Indian Ordinance Factories, Indian Railways also have their separate management development centres. Many commercial banks, Reserve Bank of India, Regional Rural Banks, Financial Corporation of India (IFCI), Industrial Credit and Investment Corporation of India (ICICI), insurance companies like, Life Insurance Corporation of India, General Insurance Corporation of India, have set up their own staff training colleges for developing their human resources. Similarly private companies like TISCO, Kirloskar Group, Reliance, Lakshmi Group, Hinduja Group, Modern Group, Lalbhai Group, have their own management development centres to develop and train their human resources.

There were days when HRD was interpreted as a highly redundant department! The costs involved in setting up a HRD unit were said to be relatively high with no tangible benefits in sight immediately. Employers were not very sure whether the HR philosophy would yield any concrete gains. In early 1970s the situation was sought to be remedied through the establishment of HRD units in large organisations. Larsen and Toubro was the first company to design and implement an integrated HRD system. The first workshop on HRD was held way back in 1979. The Xavier Labour Relations Institute (XLRI) was the first academic institution to set up a full-fledged centre for HRD. A National HRD Network was set up in 1985. Looking at the payoffs from HRD systems, several leading Indian companies have gone ahead in creating separate HR departments to improve employer-employee relations.

The objectives of HRD can be listed as follows:

1. To develop capabilities of all individuals working in an organisation in relation to their present role.
2. To develop capabilities of all such individuals in relation to their future role.
3. To develop better interpersonal and employer-employee relationships in an organisation.
4. To develop team spirit.
5. To develop coordination among different units of an organisation.
6. To develop organisational health by continuous renewal of individual capabilities (averting manpower obsolescence) keeping pace with the technological changes.

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Objectives of HRD can be made clear when we highlight the importance of human resources in line with the examination process of the 'Baldridge Award', which is given at an international level to a quality organisation. Objectives of HRD practices in an organisation should be to put efforts to develop/and realise the full potential of the workforce, including management and to maintain an environment conducive to total participation, quality leadership and personal and organisational growth. In an organisation there are six units which are concerned with HRD, namely person, role, dyad, team, inter-team and organisation. The effectiveness of one contributes in turn to the effectiveness of the others.

HRD objectives can also be couched in line with W. Edward Deming's fourteen principles for quality improvement in an organisation. Here we won't discuss the fourteen principles but we will focus on only those points which are related to HRD objectives. There are:

1. Institute training on the job.
2. Breakdown barriers between departments to build teamwork.
3. Drive fear out of the workplace.
4. Create conditions to enable employees to take pride in their workmanship.
5. Institute programme of education and self-improvement.

At this stage for better appreciation, we will review the HRD objectives of two leading companies in India.

Exhibit 11.1: HRD Objectives of Siemens Limited

- Development of employees is the primary task of the company.
- It is the policy of Siemens to recruit, train, develop and advance employees within the company.

To achieve these objectives Siemens have laid down their policies as under:

- Recruitment of quality manpower and their retention.
- Recruitment mainly at entry level.
- Plan and monitor career development staff to perform effectively in their present jobs; groom potential managers for higher responsibilities.
- To introduce and sustain an objective system of evaluation of performance based on result.
- Performance as the sole criterion for increments and promotion.
- Use of training as the strategic factor for competitive advantage.
- To nurture a spirit of entrepreneurship among employees.
- Work in close collaboration for fostering the spirit of openness.
- To ensure transparency in decision-making:
  - Self-motivated employees
  - Employee commitment
  - Commitment of results.

Exhibit 11.2: HRD Objectives of W.S. Industries India Limited

- To plan and induct appropriate manpower in terms of knowledge, skill and attitude.
- To provide opportunities for growth to employees in terms of remuneration, career and skill endowment.

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- To practice equity and fairness in all its dealings with employees.
- To continuously enhance knowledge, skill of employees for the performance of their present and future tasks through education and training.
- To create an organisational climate which encourages a highly motivated workforce.
- To prepare employees for easy and faster adaptation to change.

Self Assessment

Fill in the blanks:

11. At the ……. level HRD is concerned with the development of people for the nation's well being.
12. HRD ……. include performance appraisal, counselling, role analysis, potential development, training, communication policies, job rotations, rewards, job enrichment programmes, etc.
13. Objectives of HRD can be made clear when we highlight the importance of human resources in line with the examination process of the …….
14. 'Baldridge Award' is given at an ……. level to a quality organisation.
15. In an organisation there are six units which are concerned with HRD, namely person, role, ……. team, inter-team and organisation.

Case Study

HRD Scheme: A Bone of Contention

Innovative Technologies Limited (ITL) is a medium sized engineering company situated at Hyderabad, manufacturing telecom equipment. Its customers were primarily government departments (Railways, Post and Telegraph, Department of Telecommunications, etc.) and private telecom operators in the country. The company made rapid progress in recent years, thanks to the rising income levels, internet boom and growth in infrastructure sector all over India. To encourage a culture of innovation and creativity, which is essential for the company's own survival in a highly competitive field, the company has all along been encouraging its employees numbering over 1000 mainly engineering graduates, to upgrade their knowledge and skills in their own fields of specialisation. It had always encouraged employees to go for workshops, seminars, conferences and even volunteered to pay the tuition fee of employees if they are able to secure admission in prestigious Information Technology and Telecommunication Schools in India and abroad. With a view to promote managerial talent internally, the company wanted both engineering (600 in number) and non-engineering professions (390 in number) to go for MBA, PGDBA courses as well, offered by reputed business schools.

Since admission procedures in most reputed business and technology schools are quite tough consisting of entrance test, group discussion and interview, the field naturally is wide open only for the competent and bright people. The company's engineering graduates invariably got through these tests and were always utilising a major portion of the funds earmarked by the company for this purpose. The non-engineering people, somehow, could not run the race and get benefited by the company's scheme. May be they lacked the will, or the quantitative and analytical skills needed to get through the competitive entrance

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examinations. But they were reluctant to admit this and instead targeted the engineering professionals for their own poor show. They, in fact, requested management to revise (a) the guidelines, suggesting a quota system (3 from engineering and 2 from non-engineering category every year, if selected in any business school) for selecting internal candidates for educational benefits. They even wanted management to extend the scheme to all employees securing admission (b) to any professional course on the basis of seniority.

Meanwhile Mr Raj Pal (31) a brilliant computer professional working in the Telecom Software division for the past 4 years has been selected by IIM (A) for their PGDBA course. He is the fourth candidate who secured admission in business schools in 1999. From the non-engineering stream, two persons got selected but in lesser – known business schools.

Raj Pal's selection news came after the company has finalised the names of employees who are going to be sponsored under the HRD scheme in 1999. In addition to pressures from non-engineering candidates whose names have yet to be finalised, the company is facing lot of criticism from the Software Division also where seniors are of the opinion that the young professionals who get sponsored will either not return to the company or will be given preference ahead of seniors in case of internal promotions. In future, they, therefore, want the company to secure an undertaking from sponsored candidates to serve the company in the same category for at least three years before becoming eligible for promotion. If the sponsored ones decide to leave the company, they have to pay back the money with 12% p.a. interest.

The company is not very sure whether the quota system be introduced or the present scheme of picking up candidates on the basis of merit should be allowed to continue. The growing popularity of the scheme has in fact led the management to think about certain guidelines for its implementation without any operational problems in future.

Questions

1. What is the main problem in the case?
2. Should the quota system be introduced while selecting people under the HRD scheme?
3. Should ITL insist on execution of a 3-year bond by the employees who avail benefits under the HRD scheme?
4. Should ITL enlarge the scope of the scheme to include undergraduate and non-engineering graduate employees for taking admission in management diploma/ degree courses offered by various national institutions?

11.4 Summary

- Human resource management is the art of procuring, developing and maintaining competent workforce to achieve the goals of an organisation in an effective and efficient way.
- Human resource Development aims at helping people to acquire competencies required to perform all their functions effectively and make the organisation do well. HRD improves the capabilities of people; promotes team spirit among employees, and helps an organization achieve its goals efficiently.
- HRD has gained importance in recent times, as companies have realized the benefits of treating their employees as valuable assets. There is an increasing realization in business circles that HRD (not a Highly Redundant Department) would help people acquire knowledge, skills, and capabilities needed to survive and flourish in a competitive world.

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11.5 Keywords

Development: Represents activities that prepare an employee for future challenges and responsibilities.

Educational Experiences: Educational experiences benefit those who are employed and who are required to be gradually equipped for other positions in the organization.

HRD: A planned way of developing individual employees, groups and the total organization to achieve organizational goals in an atmosphere of mutual trust and cooperation.

HRD Matrix: The HRD Matrix shows the interrelationships between HRD instruments, processes, outcomes and organizational effectiveness.

Human Resource Management: A process of bringing people and organisations together so that the goals of each are met.

Human Resources: The sum of knowledge, skills, attitudes, commitment, values and the like of the people of an organisation.

Open Door Policies: Where open door policies exist, employees are free to walk into any manager's office with their problems and seek solutions to such problems.

Productivity: The ratio of an organisation's output to its inputs.

Training: Training concerns people already employed with the organisation and whose jobs are so defined that we are able to identify what should be the desired job behaviours.

11.6 Review Questions

1. Define and explain the meaning of HRD.
2. What is the difference between HRD and HRP?
3. What is HRD matrix meant for?
4. What are open door policies?
5. Discuss the need of HRD in modern organisations.
6. Discuss the importance of HRD both at the micro and macro levels.
7. 'HRD is nothing but looking at the development of manpower of an organisation in the light of its requirements. Comment.
8. "Man, of all the resources available to man, can grow and develop" – (Drucker). Comment.
9. HRD is needed at national as well as organizational level. Explain.
10. Discuss HRD practices in Indian organization with proper examples.
11. Discuss how companies use human resources management to gain competitive advantage.

Answers: Self Assessment

1	T	2.	F
3.	T	4.	F
5.	T	6.	T
7.	F	8	F

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9. F
10. T
11. macro
12. instruments
13. 'Baldridge Award'
14 International
15. dyad

11.7 Further Readings

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Unit 12: Welfare

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Objectives

After studying this unit, you will be able to:

- Define the term employee welfare
- Discuss the nature of welfare
- State the types of welfare
- Understand welfare and recreational activities
- Explain the merits and demerits of welfare

Introduction

Every organization hears what employees says, Good organisation listens to what employees have to say but organizations with employee welfare schemes listens what employees don't say.

Welfare relates to taking care of the well being of workers by employers, trade unions, governmental and non-governmental organizations. It refers to the betterment for employees.

Employee welfare defines as "efforts to make life worth living for workmen". These efforts have their origin either in some statute formed by the state or in some local custom or in collective agreement or in the employer's own initiative.

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Employee or labour welfare is a comprehensive term including various services, benefits and facilities offered to employees by the employer. Through such generous fringe benefits the employer makes life worth living for employees. The welfare amenities are extended in addition to normal wages and other economic rewards available to employees as per the legal provisions. According to Dr Parandikar, "Labour welfare work is work for improving the health, safety and general well being and the industrial efficiency of the workers beyond the minimum standard laid down by labour legislation". Welfare measures may also be provided by the government, trade unions and non-government agencies in addition to the employer. The basic purpose of labour welfare is to enrich the life of employees and keep them happy and contented. Welfare measures may be both statutory and voluntary. Labour laws require the employer to extend certain benefits to employees in addition to wages. Voluntary benefits are the result of employer's generosity, enlightenment and philanthropic feelings.

According to the Royal Commission on Labour, Labour welfare is a term which must necessarily be elastic, bearing a somewhat different interpretation in one country from another, according to different social customs, the degree of industrialization and educational level of workers.

The Oxford Dictionary defines labour welfare as "efforts to make life worth living for worker" Chamber's Dictionary defines welfare as "a state of faring or doing well; freedom from calamity, enjoyment of health, prosperity." The ILO report refers to labour welfare as "such services, facilities, and amenities, which may be established in, or in the vicinity of undertakings to enable persons employed therein to perform their work in healthy and congenial surroundings and provided with amenities conducive to good health and high morale." (Sharma; Mamoria)

Notes **Scope of Labour Welfare**

The Labour Investigation Committee: Anything done for intellectual, physical, moral and economic betterment of the workers, whether by employers, by government or by other agencies over and above what is laid down by law, or what is normally expected on the part of the contracted benefits for which workers may have bargained."

The Committee on Labour Welfare: Today, welfare is generally accepted by employers. The state steps in to widen the area of applicability only. Welfare is being looked at as a social right of workers. The committee described it as social security measures that contribute to improve the conditions under which workers are employed in India. (1969 Report). Labour welfare includes both statutory as well as non-statutory activities under taken by employers, trade unions and both the central and state governments for the physical and mental development of workers.

12.1 Importance

The significance of welfare measures was accepted as early as 1931, when the Royal Commission on Labour stated: The benefits are of great importance to the worker which he is unable to secure by himself. The schemes of labour welfare may be regarded as a wise investment because these would bring a profitable return in the form of greater efficiency.

Harsh times are never long-lasting, but continuing the same seems almost continuous in the process. Employee welfare initiatives should not be put on the back burner in the name of cutting costs. Being prudent in spending is the key here, with constant communication to ward off adverse rumors and protect employee sentiments.

The working environment in a factory adversely affects the health of employees because of excessive heat or cold, noise, fumes, dust and lack of sanitation and pure air. Such oppressive

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conditions create health problems for workers. These have to be contained through preventive steps aimed at improving the lot of workers.

A second reason in favour of welfare work is called the 'social invasion of the factory'. Workers face lots of adjustment problems when they take up factory work. The congested environs, noisy machines, slum areas, monotonous jobs impact the psyche of ruralities who come to cities in search of jobs. To escape from such trying conditions, the worker absents himself, becomes irregular and shows signs of indiscipline. Such changes – known as the social invasion of the factory – call for extra inducements in the workplace in addition to normal wages, so that the worker begins to enjoy a fuller and richer life.

Another social reason pointed out by the Labour Investigation Committee reads thus: "the provision of canteens improves the physique; entertainment reduces the incidence of vices; medical aid, maternity and child welfare services improve the health of the workers and bring down the rates of general, maternal and infantile mortality; and educational facilities increase their mental efficiency and economic productivity.

It is not an easy task however to look beyond the profit margins and focus on employee well-being in times of shrinking bottom line, but then that is perhaps the need of the times. There are many organizations however who consider employee welfare as a hygiene issue.

12.2 Nature

1. Labour welfare work is undertaken by the employer to improve the standards of living of workers.
2. The work generally includes those items of welfare which are over and above what the employees expect as a result of the contract of service from the employers.
3. The purpose of providing welfare amenities is to bring about development of the whole personality of the worker – his social, psychological, economic, moral, cultural and intellectual development.
4. Welfare work is something which goes beyond the rule book-not always mandated by law and undertaken by progressively minded employers.
5. These may be undertaken by the government or trade unions, if they have the resources earmarked for this purpose.
6. It may be noted that not only intramural but also extramural, statutory as well as non-statutory activities, undertaken by any of the three agencies the employers, trade unions or the government – for the physical and mental development of the worker (Punekar; Vaid).

Task You are the HR consultant to a medium-sized factory with about 650 employees. As the present time the factory offers only legally mandated welfare amenities to its workers. The local competition for skilled labour is forcing the factory now to introduce some non-statutory welfare amenities too, to please the workers. The factory does not want to lose its experienced workers and seeks your assistance to suggest measures that would help retain its experienced workers and if possible, attract talent from outside firms as well.

12.3 Types

Welfare and recreational benefits include: (a) canteens, (b) consumer societies, (c) credit societies, (d) housing, (e) legal aid, (f) employee counseling, (g) welfare organisations, (h) holidays homes, (i) educational facilities, (j) transportation, (k) parties, and picnics and (l) miscellaneous.

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1. ***Canteens:*** Section 46 of the Factories Act, 1948, imposes a statutory obligation to employers to provide canteens in factories employing more than 250 workers. Foodstuffs are supplied at subsidized prices in these canteens.
2. ***Consumer Stores:*** Most of the large organisations located far from the towns set up the consumer stores in the employees' colonies and supply all the necessary goods at fair prices.
3. ***Credit Societies:*** Some organisations encourage employees to form cooperative credit societies with a view to fostering self-help rather than depending upon money lenders, whereas some organisations provide loans to employees directly.
4. ***Housing:*** Most of the organisations built quarters nearer to factory and provided cheap and decent housing facilities to their employees, whilst a few organisations provide and/ or arrange for housing loans to employee and encourage them to construct houses.
5. ***Legal Aid:*** Organisations also provide assistance or aid regarding legal matters to employees as and when necessary through company lawyer or other lawyers.
6. ***Employee Counselling:*** Organisations provide counselling service to the employee regarding their personal problems through professional counsellors. Employee counselling reduces absenteeism, turnover, tardiness, etc.
7. ***Welfare Organisations, Welfare Officers:*** To provide all types of welfare facilities at on centre and appoint welfare officers to provide the welfare benefit continuously and effectively to all employee fairly.
8. ***Holiday Homes:*** As a measure of staff, a few large organisations established holiday home at a number of hill stations, health resort and other centres with low charges of accommodation, so as to encourage employees to use this facilities for rest.
9. ***Educational Facilities:*** Educational facilities include reimbursement of fee, setting up of schools, colleges, hostel. Further, the organisations provide rooms and libraries for the benefit of employees.
10. ***Transportation:*** Companies provide conveyance facilities to their residence to the place of work as most of the industries are located outside town and all employees may not get quarter facility.
11. ***Parties and Picnics:*** Companies provide these facilities with a view to inculcating a sense of association, belongingness, openness and freedom among employees

Notes **Causes and Prevention of Accidents in the Factory**

There are two basic causes of workplace accidents, apart from chance occurrences, which are beyond management's control: unsafe conditions and unsafe acts. Unsafe conditions include such facts as: improperly guarded equipment, defective equipment, dangerous procedures in or around machines or equipment, congestion and overloading, improper illumination and ventilation. In addition to these, other work-related factors may also cause accidents. The job itself might be quite dangerous (e.g., crane operator vs. an accountant) long work schedules might lead to fatigue and cause accidents. The psychological climate of the workplace may be quite hostile (for example, seasonal lay off, reduced wages due to poor demand, etc.) Accidents may be the result of unsafe acts such as: throwing materials, operating machines at unsafe speeds; making safety devices inoperative by removing, adjusting, disconnecting them; using unsafe equipment or

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employing equipment improperly; using unsafe procedures in loading, placing, mixing, combining, lifting improperly, taking unsafe positions under suspended loads; distracting, testing, abusing, starting quarrelling, horseplay, etc. Workers' personality traits may complicate the issue further especially if they have a tendency to take high risks, suffer from poor vision and emotional instability, etc.

12.4 Statutory Provisions

There are four types of initiatives through the Plan for the Labour and Labour Welfare Sector. They are: (i) Training for skills development (ii) Services to job seekers (iii) Welfare of Labour (iv) Administration of Labour regulations. Many initiatives are taken for the benefit of workers through the plans of a number of Labour Intensive Sectors. Employers are required to offer welfare facilities to workers under different labour laws. These are discussed below (Labour Laws 2009):

12.4.1 The Factories Act, 1948

The Act provides the following services to workers:

- Washing facilities to male and female workers separately.
- Facilities for storing and drying clothes.
- Facilities for occasional rest for workers who work in a standing position for long hours.
- First aid boxes or cupboards – one for every 150 workers and the ambulance facility if there are more than 500 workers.
- Canteens, where there are more than 250 workers.
- Shelters, rest-rooms and lunch rooms where over 150 workers are employed.
- Creche, if 30 or more workers are employed.
- Welfare officer, if 500 or more workers are employed.

12.4.2 The Plantation Labour Act, 1951

The Act provides for the following:

- A canteen if 150 or more workers are employed
- Creche if 50 or more women workers are employed
- Recreational facilities for workers and their children
- Educational arrangements in the estate if there are 25 or more children of workers, between the age of 6 and 12
- Housing facilities for every worker and his family residing in the estate
- Medical aid to workers and their families; sickness and maternity allowance
- Providing umbrellas, blankets, raincoats to workers as a protection against rain or cold - as prescribed by the State government
- Welfare officer, if 300 or more workers are employed.

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12.4.3 The Mines Act, 1951

The Act provides for the following:

- Shelters for taking food and rest if 50 or more workers are employed
- First aid boxes and first-aid rooms if 150 or more workers are employed
- A canteen if employing 250 or more workers
- A creche if employing 50 or more females
- Pit-head baths equipped with showers, sanitary latrines
- Welfare officer if 500 or more workers are employed.

12.4.4 The Motor Transport Workers Act, 1961

The Act contains the following provisions:

- First aid equipment in each transport vehicle etc.
- Medical facilities at the operating and halting centres
- Canteen if employing 100 or more workers
- Comfortable, clean, ventilated and well-lighted rest rooms at every place where motor transport workers are required to halt at night
- Uniforms, rain coats to conductors, drivers, and line checking staff for protection against cold and rain
- Prescribed amount of washing allowance to the above staff members.

12.4.5 The Contract Labour (Regulation and Abolition) Act, 1970

The Act requires the contractor to extend the following benefits to workers:

- Canteen, if employing 100 or more workers
- Rest rooms or other suitable alternative accommodation where contract labour is required to halt at night in connection with the work of an establishment
- Washing facilities
- First aid boxes equipped with prescribed contents.

Task Your company has just developed a new, company-sponsored savings scheme for employees. Develop a strategy to publicise the scheme and to encourage employees to participate in it.

12.5 Labour Welfare Officer

The Factories Act, 1948, the Plantation Labour Act, 1951 and the Mines Act, 1951 provide for the appointment of a Labour Welfare Officer if the number of workers employed within a unit exceeds 500 (300 as per the Plantation Act). The post has been created specifically to (i) eliminate the malpractices of the jobber system in the recruitment of labour, (ii) improve labour administration in factories, (iii) serve as liaison with the State Labour Commissioner. The Labour Welfare Officer was also expected to discharge the functions of a policeman, with respect

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to law and order situation within an organisation. In each case the respective state governments may prescribe duties, qualifications and conditions of service of such officers.

The Labour Welfare Officer should possess a university degree, degree or diploma in social service/social work from a recognised institution and adequate knowledge of local language of the area where the factory is situated.

Did u know? What are the duties and responsibilities of a labour welfare officer?

The duties and responsibilities of a Labour Welfare Officer may be summarized thus (Central Welfare Officers Rules, 1951):

- ***Advisory:*** He can advise and suggest the formulation of company labour policies; promote training programmes, promote welfare schemes; secure housing, recreational and educational facilities for workers, etc.
- ***Service oriented:*** He can offer help to workers in solving family and personal problems, in adjusting to work environment, in understanding their rights and privileges, in forwarding application for leave, etc. He can offer help to management by making workers understand various problems.
- ***Supervisory:*** He can supervise, inspect and regulate welfare, health and safety programmes, working of joint committees and paid vacations.
- ***Functional:*** He can oversee the implementation of labour laws for the benefit of workers.
- ***Policing:*** He can forward workers' grievances to management, can influence industrial relations climate when disputes arise, can restrain workers and management from resorting to illegal strikes and lockouts.
- ***Mediation:*** He can mediate and build harmony between labour and management, secure speedy redressal of workers' grievances, settle disputes through persuasive efforts, maintain a neutral stance during strikes and lockouts and thereby help in resolving troubling issues peacefully.

Task Of the different additional benefits companies provide (in addition to those mandated by law), which would you consider most valuable to you? Why?

Notes **Labour Welfare Funds**

The Ministry of Labour is administering five welfare funds for beedi, cine and certain categories of non coal mine workers. The funds have been and set up under the following Acts of Parliament:

1. The mica mines Labour Welfare Fund Act, 1946.
2. The Limestone and Dolomite Mines Labour Welfare Fund Act.
3. The Iron Ore, Manganese Ore and Chrome Ore Mines Labour Welfare Fund Act, 1976.
4. The Beedi Workers' Welfare fund Act, 1976.
5. The Cine Workers Welfare Fund Act, 1981.

The fund created by these acts, is used by the Central Government for the Welfare of Workers under these occupations.

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12.6 Merits and Demerits of Welfare

Merits

1. Enables workers to have a richer and more satisfying life.
2. Raises the standard of living of the workers by indirectly reducing the burden on their pocket. Welfare measures will improve the physical and psychological health of employees, which in turn, will enhance their efficiency and productivity.
3. Absorbs the shocks injected by industrialisation and urbanisation on workers.
4. Promotes a sense of belonging among workers, preventing them from resorting to unhealthy practices like absenteeism, labour turnover, strike, etc. Welfare work makes the service in mills more attractive to workers. It improves the relations between employers and employees. "It promotes a real change of heart and a change of outlook on the part of both the employers and employees".
5. Prevents social evils like drinking, gambling, prostitution, etc., by improving the material, social and cultural conditions of work. Congenial environment as a result of welfare measures will act as a deterrent against such social evils. (Murthy)

Demerits

1. Huge investment.
2. Employees being dissatisfied.

Self Assessment

State whether the following statements are true or false:

1. Governments in different states and union territories offer welfare facilities to workers.
2. Welfare activities undertaken outside the establishment are known as intramural activities.
3. Every factory must have a canteen if it employs 50 workers.
4. A labour welfare officer has to be appointed in every factory having 50 workers.
5. Many employers in public as well as private sector in India have under taken welfare work voluntarily.
6. The Factories Act makes provisions for recreational facilities for workers and their children.
7. Credit unions provide lower interest rates on loans.
8. Employers try to avoid on-site childcare benefits because of fear of law suits.
9. Length of vacation is determined by level in the organisation.
10. Benefits are extended to employees these days as a condition of employment.
11. Employees often request more welfare amenities to meet their needs.
12. Elder care is currently offered by a majority of factories.
13. Wellness programmes encourage self-directed lifestyle changes.
14. No adult worker is allowed to work in a factory for more than 48 hours in any week.

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15. In every factory where fifty workers are ordinarily employed, suitable restrooms must be created.
16. In every factory suitable arrangements for sitting shall be provided and maintained for all workers obliged to work in a standing position.
17. A safety officer must normally be appointed in every factory employing 250 workers.
18. The manager of every factory shall maintain a register of adult workers to be available to the Labour Inspector at all times during working hours.
19. No child who has not completed his tenth year shall be required or allowed to work in any factory.
20. No person shall be employed in any factory to lift, carry or move any load so heavy as to be likely to cause him injury.

Case Study

The Case of Variable Pay

Nitin Arora was wrapping up for the day, when his phone rang.

"Hi, Nitin, Anil here. Can I pop in for a few minutes?"

"Yes, if you can be here in two minutes flat" Arora said.

"You got it," the other man said and hung up.

Anil Mathur was a Brand Manager at Care Soft, a large fast-moving consumer products company. In fact, it was Arora who had, as the Chief of HR at Care Soft, recruited Mathur from a medium-sized company in Mumbai. Over the years, they had built up a good rapport. In any case, Arora was known to be one of the more friendly top executives in the company. He had to be; he was after all the HR guy.

Arora had a vague idea of what Mathur might want to discuss, but he decided to frame his replies as he went along.

As promised, the 36-year-old brand manager was in Arora's room in less than two minutes.

"When was the last time we had a semi-formal meeting like this one?" Arora asked his guest.

"I don't remember, may be six months ago," Mathur replied.

"8:30 on a Friday evening, you've made me stay back. So this had better be important," Arora pretended to threaten his colleague.

"You are darn right, this is important," said Mathur. "I am unhappy with my pay hike for last fiscal."

"But you got your letter a month ago, why are you bringing it up only now?" Arora asked.

"I have been thinking about it, and trying to find out if I am the only one feeling let down by the new variable pay scheme," said Mathur.

A little over a year ago, Care Soft had decided to replace its fixed compensation system with variable pay. In fact, the whole exercise was done in three months flat, and implemented with little advance notice to the employees, who were not altogether surprised since the

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word had gotten around as soon as the HR consultancy was hired to draw up the new compensation structure. An article in the in-house magazine and an e-mail from the CEO announced the scheme.

The company, which had a turnover of ₹ 1,200 crore the previous fiscal, hadn't yet moved to stock options, but it had introduced a profit-sharing plan. The variable component, usually paid out annually, was linked to the performance of both the individual and his team. Understandably, individual performance had a higher weightage than team performance. That apart, there were peer incentives for team and individual performances. These rewarded performance in kind – a paid holiday, gift vouchers, or gifts.

Since the concept of variable pay was new to Care Soft, it had decided to implement it at only the senior and middle management levels, apart from shopfloor workers, leaving out the junior management. The senior management - starting from a general manager to the CEO - had a variable component ranging from 15-40 per cent. Those below had just 5-15 per cent in variable pay.

Mathur, as a brand manager, came in at the general manager level. And last year had been particularly bad for the toothbrush division he headed. Volume sales had dropped by 5 per cent, and rupee sales by 15 per cent because of price cuts, promotions, and discounts. Besides, a new toothbrush that had been slated for launch in the second half of last year hadn't been launched. This was a low-end brush that was expected to rake in ₹ 1 crore in sales.

Fiscal 2001-02 was the first full year of variable pay, and Arora could tell that the executives weren't happy with it. Already, a VP and another general manager had made their displeasure known to Arora. Mathur leaving would not only encourage the other two to follow suit, but also impact the new pay plan.

"My performance targets were unreal," continued Mathur. "Show me one company that has increased its toothbrush sales and I'll walk out of this room and never complain."

"True," said Arora. "But look at it from the organisation's point of view. There are other units that have taken a hit, with the result that our sales for last year were down. We've tried to do the best under the circumstances."

"Probably, but why penalise me for somebody else's fault," Mathur complained.

"I don't understand."

"I am referring to the new toothbrush that my team was supposed to launch in the second half of last year," Mathur explained. "We couldn't introduce it because the design team sat on it for a long time, and then the engineering team took its own sweet time bringing it into production. By the time we were ready to go, we realised that the launch expense wouldn't be worth it. The variable component in my compensation is 20 per cent and it's been a double-whammy for me. The fact that we didn't meet our targets ensured zero-increase in my incentives, and the increase in base pay doesn't even beat the rate of inflation."

"Anil, don't forget that most of us in Care Soft are in the same boat. That said, I do think we have an issue here. Here's what I can promise: I'll put forth these issues to the compensation committee. I cannot promise anything else."

Both men looked at the clock on Arora's table. It was well past 10.

"I have to pick up medicines for my son," said Arora. "If I don't find a chemist open now, I'll be signing my divorce papers tomorrow." Both men laughed and parted.

On Monday, the first thing Arora did was to call his CEO, Rishab Patel, and advise him to convene a Compensation Committee meeting.

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"This week I have a diary so full that a knife wouldn't go through it," the CEO told Arora. "Do me a favour, Nitin. I'll send out the meeting request, but could you handle it?"

"But how can we decide on anything without you being there?" Arora asked.

"Don't. Flesh out the issues and keep them ready for me. Let me finish with our foreign partners' visit this week."

"Should we have the meeting next week in that case?"

"No, go ahead. We can have a second meet next week."

One thing that had irked Arora all along was the fact that Patel seemed inadequately concerned with HR problems. He was more concerned about what he called "strategic issues".

By afternoon, Arora had got a confirmation to the meeting request sent out by Patel. The committee would meet on Wednesday pre-lunch. ("Can't tackle HR post lunch," somebody had wise-cracked in acknowledgement.)

Care Soft's Compensation Committee comprised, apart from Patel and Arora, the CFO Narayan Shastri, COO Niranjan Roy, Director (Marketing) Utpal Sinha, a principal from the consulting company that had drawn the new compensation structure Anurag Kesaria, and an independent director, who was a chartered accountant by profession, and widely regarded for his management wisdom – Raman Behl.

The agenda for the meeting had already been circulated the previous day. Therefore, all the men were aware of the issues at hand.

"How widespread is the discontent, Nitin?" COO Roy set the ball rolling.

"I have reason to believe that it is quite widespread," said Arora, "although only a handful of people have taken it up with me so far."

"In that case, may be we are overreacting," said Shastri. "We need to give the new system more time. After all, it's just a year old."

"I don't think one can possibly overreact to such an issue," noted Behl. "The worst thing that we can do now is to let the morale take a hit."

"I agree," said Arora.

"I couldn't agree more," added Sinha, Director of Marketing. "I just can't afford to lose any of my men. And certainly not good men like Anil Mathur. I don't care if we have to pay him more."

"That's not a good idea," pointed out Arora... "We cannot be seen as being selective in our rewards. The whole idea behind variable pay was to motivate people across the board with the promise of greater rewards for better performance. We cannot make changes arbitrarily."

"Then, may be we didn't implement the new structure properly," bristled Sinha. "Or may be we should simply revert to the old fixed system, which according to me worked just fine."

"You are right about poor implementation," consultant Kesaria said. "But it would be a strategic mistake to bring back the old system. After all, the reasons why we introduced variable pay still hold. The business environment is changing, and we cannot afford to reward people based on the quaint notion of entitlement. Executives have to justify what they earn."

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"Besides," the Chief Financial Officer, Shastri, intervened, "variable pay is a great way to control costs and improve productivity. Not to mention that such a system automatically attracts high-calibre people."

"Yes, when the going is good in the market, there is no problem with variable pay," noted Sinha. "But when the markets crash, like they have now, your profits shrink. Do you then ask people to forget all the hard work they've done, and say 'sorry, can't give you any increments because we've had a bad year'. Believe me, it will take less than six months to clean out talent from this company. Don't forget that the next year is going to be equally bad for FMCG companies."

"The IT industry is not only benching people, but asking them to take pay cuts," pointed out Shastri.

"May be," retorted Sinha. "But how many code-jocks can join insurance, banking, pharma, or any other industry as marketing heads or even CEOs? And asking people to deliver 15 per cent growth in a market that is shrinking is the surest way of losing them."

"Actually it is worth looking at what is going wrong with the system," said Behl. "As I understand it, even shop-floor workers - whose variable pay is linked to productivity - are affected since the company has cut back on production to liquidate dealer inventory."

"As far as I can see," said Kesaria, "it seems to be a problem of implementation. May be we didn't communicate adequately, perhaps we need to tweak our measurement systems, review them more frequently and reward people closer to the date of their achievements."

"That is a good idea," said Behl. "Money may not be the only reason why people work, but it is one of the biggest reasons. Besides, a change like this needs significant lead time. It's a cultural change and people must be prepared for it."

"I would have loved to do this over a period of one year," defended Arora. "But I was asked to implement it within three months of the board deciding on it. Besides, where is the top management commitment to this initiative? Who is the champion of this variable pay? I could be, but it will have more credibility if the CEO also showed that he was committed to it."

Questions

1. How to convince people like Mathur that variable pay will actually help them in the long run?
2. How to achieve a buy-in across the organisation?
3. How to rectify some of the errors the company may have made in its implementation?
4. Finally, should the company scrap variable pay and return to the fixed system? Courtesy: Business Today, June 9, 2002.

12.7 Summary

- Labour welfare is an important aspect of factory life: the added incentive that enables the workers to lead a decent life in the midst of urban congestion, rising inflation and poor living conditions. Labour welfare is a wise investment that helps a firm attract, motivate and retain people both in times of prosperity and adversity.
- There are several agencies involved in the labor welfare work namely the Central Government, State Governments, Employers, Trade Unions and other social service organisations.

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- Welfare services: It may broadly be classified into two categories: intramural and extramural.
- Labour welfare may also be looked at from a different angle. Statuary welfare work comprising legally mandated benefits extended to workers and voluntary welfare work including those activities undertaken by employers voluntarily. The labour welfare officer supervises the provision of welfare facilities in respect of the law covering areas such as safety, health, housing, recreation facilities, etc.

12.8 Keywords

Educational Facilities: Educational facilities include reimbursement of fee, setting up of schools, colleges, hostel. Further, the organisations provide rooms and libraries for the benefit of employees.

Employee Welfare: Employee welfare defines as "efforts to make life worth living for workmen". These efforts have their origin either in some statute formed by the state or in some local custom or in collective agreement or in the employer's own initiative.

Extramural Activities: Services and facilities provided outside the factory.

Intramural Activities: Welfare activities provided within the factory.

Labour Welfare: Services, facilities and amenities extended for the intellectual, physical, moral and economic betterment of workers.

Labour Welfare Officer: An officer appointed in every factory having 500 or more workers to take care of labour welfare work as prescribed in various legislative pieces.

Statutory Welfare Amenities: Those amenities, which have to be offered irrespective of size of establishment, e.g., drinking water, and those to be provided subject to employment of specified number of persons e.g., creche, canteen, first aid boxes.

Welfare: Welfare refers to the betterment for employees It relates to taking care of the well being of workers by employers, trade unions, governmental and non-governmental organizations.

12.9 Review Questions

1. What do you mean by labour welfare? Bring out the need for providing welfare facilities to workers.
2. State the agencies involved in labour welfare work in India. Are the services offered by these agencies, in your opinion, satisfactory or not?
3. Explain the legal provisions relating to labour welfare in India.
4. Explain the qualifications, duties and responsibilities of a labour welfare officer.
5. "The compliance with the statutory welfare provisions in India is half-hearted and inadequate (NCL)." Comment.
6. The various statutory provisions regarding labour welfare seldom achieve the purpose. Do you agree or disagree? Explain.
7. The scope of labour welfare needs to be examined pragmatically and has to be dynamic and elastic. Do you agree or disagree? Give reasons.
8. Comment on the adequacy of welfare provisions contained in the following Acts:
   (i) The Factories Act.

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(ii) The Mines Act.

(iii) The Plantation Labour Act, 1951.

9. 'Various legislations have imposed upon the employer obligations for providing different kinds of employee services and benefits'. Name and explain five such statutory benefits keeping the above statement in the background.

11. Some experts have forecasted that family-oriented and time-off amenities will expand in the future. Why?

12. The government needs to play an active role in matters relating to labour welfare. Comment.

Answers: Self Assessment

1.	T	2.	F
3.	F	4.	F
5.	T	6.	F
7.	T	8.	T
9.	F	10.	T
11.	T	12.	F
13.	T	14.	T
15.	F	16.	T
17.	F	18.	T
19.	F	20.	T

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Unit 13: Industrial Relations

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Objectives

After studying this unit, you will be able to:

- Define the term Industrial Relations
- Discuss nature of industrial relations
- Understand the Importance of industrial relations
- Describe the approaches to IR
- Understand Trade union, industrial conflict and Labour Legislation in India

Introduction

The term industrial relations explain the relationship between employees and management which stem directly or indirectly from union-employer relationship.

Industrial relations are the relationships between employees and employers within the organizational settings. The field of industrial relations looks at the relationship between management and workers, particularly groups of workers represented by a union. Industrial relations are basically the interactions between employers, employees and the government, and the institutions and associations through which such interactions are mediated.

The term industrial relations have a broad as well as a narrow outlook. Originally, industrial relations was broadly defined to include the relationships and interactions between employers and employees. From this perspective, industrial relations covers all aspects of the employment relationship, including human resource management, employee relations, and union-management (or labor) relations. Now its meaning has become more specific and restricted. Accordingly, industrial relations pertains to the study and practice of collective bargaining, trade unionism, and labor-management relations, while human resource management is a separate, largely distinct field that deals with nonunion employment relationships and the personnel practices and policies of employers.

The term 'Industrial Relations' comprises of two terms: 'Industry' and 'Relations'. "Industry" refers to "any productive activity in which an individual (or a group of individuals) is (are) engaged". By "relations" we mean "the relationships that exist within the industry between the employer and his workmen."

The term, industrial relations, refers to industry and relations. "Industry" means "any organization in which an individual is engaged" and "relations" mean "the relations that exist in the industry between the employer and his workmen."

The term, industrial relations, explains the relationship between employees and management, which stem directly or indirectly from union employer relationship"

—V. Agnihotri

According to the ILO, "Industrial relations deal with either the relationship between the state and employer" organizations or the relations between the occupational organizations themselves."

The relationships which arise at and out of the workplace generally include the relationships between individual workers, the relationships between workers and their employer, the relationships between employers, the relationships employers and workers have with the

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organizations formed to promote their respective interests, and the relations between those organizations, at all levels. Industrial relations also includes the processes through which these relationships are expressed (such as, collective bargaining, workers' participation in decision-making, and grievance and dispute settlement), and the management of conflict between employers, workers and trade unions, when it arises.

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

13.1 Nature

1. ***Employer-employee Interactions:*** Industrial relations arise out of employer- employee interactions. These relations cannot exist without the basic building blocks, i.e., the employer on one side and the employees on the other side. (Kumar)
2. ***Web of Rules:*** Industrial relations are a 'web of rules' formed by the interaction of the government, the industry and the labour. They include the relations between employer and employees and between employers' associations, trade unions as well as the State.
3. ***Multidimensional:*** Industrial relations are fairly multi-dimensional in nature as they are influenced, by a complex set of institutional, economic and technological factors.
4. ***Dynamic and Changing:*** Industrial relations change with the times, generally keeping pace with the expectations of employees, trade unions, employers' associations, and other economic and social institutions in a society. Apart from the legal framework, these societal forces generally influence the direction of industrial relations within a country. (Agnihotri)
5. ***Spirit of Compromise and Accommodation:*** The industrial relations system is characterised by forces of conflict and compromise on either side. In the larger interests of society, both the employer and the employees must put out fires amicably and get along with each other in a spirit of compromise and accommodation. The individual differences and disagreements must be dissolved through persuasion and even pressure. The factors responsible for conflictful situations need to be resolved through constructive means. (Ramaswamy)
6. ***Government's Role:*** The government influences and shapes industrial relations with the help of laws, rules, agreements, awards of courts and emphasis on usages, customs, traditions, as well as the implementation of its policies and interference through executive and judicial machinery.
7. ***Wide Coverage:*** The scope of industrial relations is wide enough to cover a vast territory comprising of grievances, disciplinary measures, ethics, standing orders, collective bargaining, participatory schemes, dispute settlement mechanisms, etc.
8. ***Interactive and Consultative in Nature:*** Industrial relations includes individual relations and joint consultation between labour, management, unions, the state, etc. It pinpoints the importance of compromise and accommodation in place of conflict and controversy in resolving disputes between labour and management. (Myers and Kannappan; Dufty; Dayal)

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Notes **Factors Influencing Industrial Relations**

Industrial relations are influenced by various factors viz., institutional factors, economic factors and technological factors.

1. ***Institutional Factors:*** These factors include government policy, labour legislation, voluntary courts, collective agreements, employee courts, employers' federations, social institutions like community, caste, joint family, creed, system of beliefs, attitudes of workers, system of power, status, etc.
2. ***Economic Factors:*** These factors include economic organisations, like capitalist, communist, mixed, etc., the structure of labour force, demand for and supply of labour force, etc.
3. ***Technological Factors:*** These factors include mechanisation, automation, rationalisation, computerisation.

13.2 Importance

In its wider sense, industrial relations include the relationship between an employee and an employee in the course of the ruining of an industry and may project itself in to sphere which may transgress into the area of quality control. The association of various persons, workmen supervisory staff, management and employer creates an industrial relationship. In other words, industrial life creates a series of social relationship, which regulate the relation and working together of not only workmen and management, but also of the community and the industry.

1. ***Labour Relations:*** Relation between union and management also know as labour as management relation.
2. ***Employer Employee Relation:*** Relations between management and employees.
3. ***Group Relation:*** Relation between various groups of workmen.
4. ***Community or Public Relations:*** Relations between industry and society.

The last two are generally not considered for study under industrial relations but as part of the larger discipline – sociology.

The main aspects of industrial relations are:

1. Promotion and development of healthy labor management relation.
2. Maintenance of industrial peace and avoidance of industrial strife, and
3. Developments of Industrial democracy.

Development of Healthy Labour-management Relations

1. The existence of strong, well-organized, democratic and responsible trade unions and association of employers. These associations also tend to create vantage grounds for negotiations consultations and discussion on a mutual basis which ultimately lead to good labour-management relations.
2. Spirit to collective bargaining and willingness to take recourse to voluntary arbitration. Collective bargaining recognizes equality of status between apposing and conflicting groups and prepares the ground, in an atmosphere of trust and goodwill, for discussions, consultation and negotiation on matter of common interest to both industry and labour.

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3. Welfare work – whether statutory or non-statutory – provide by the state trade unions and employers to create maintain and improve labour management relations try to achieve peace in the industry.

Maintenance of Industrial Peace

Industrial peace presupposes the absence of industrial strife. Such peace can be established when facilities for it are available from the government and when bipartite and tripartite consultations are held to resolve the difference between the two contending parties.

Machinery should be set up for the prevention and statements of industrial dispute in the form of legislative and administrative enactments – Trade Union Act, the Dispute Act, Industrial Employments (Standing Industrial Order) Act work committee and joint management council, action officer and board of conciliation, labour courts, industrial tribunals, nation tribunals, courts of enquiry and provision for voluntary arbitration.

The government should have the power to refer dispute to adjudication when the situation tends to get out of hand and industry is faced with economic collapse, following continued stoppage of production due to long strikes and lockouts. When there is fear of foreign attack or when production needs to be carried on without interruption.

The government enjoys the power to maintain the status quo. This power is exercised when the government, after referring the dispute to arbitration finds that either party is continuing the strike or lockout and that strike or lockout is likely to jeopardize the life of communities and create chaos in industry.

The provision of the bipartite and tripartite forums for the settlements of dispute. These forums act on the basis of the Code of Discipline in industry, the Code of Conduct, the Code of Efficiency and Welfare Model Standing Order, Grievance Procedures and the granting of voluntary recognition to trade unions by the employer. These non-statutory measures have to create satisfaction among employer and employees.

Development of Industrial Democracy

1. ***Establishments of the shop council and joint management council at the floor and plant level*** which endeavours to improve the working and living conditions of employees improve productivity encourage suggestion from employees assists in the administration of law and agreements, serve as a channel of communication between management and employees, create in the employees and a sense of participation in the decision-making process and a sense of belonging to the industry.
2. ***Recognition of human right in industry:*** This implies that labour is not a commodity of commerce which can be purchased and disposed according to the whims and caprices of employees work are to be treated as human as being whose send of self respect is to be fostered and better understanding of their role in the organization is to be brought home to them.
3. ***Increase the labour productivity:*** These factors which contribute to higher productivity are improvements in the level of effort and skills of worker improvement in production process material equipment received from the worker research and development including special studies and technological development elsewhere improvement and in the output.
4. ***The availability of proper work environment:*** It is these environments, which stimulate or depress, improve or mar the relation between labour and management.

According to Lester, industrial relations involve attempts at arriving at solution between the conflicting objective and values between profit motive and social gain, between discipline and

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freedom, between authority and industrial democracy, between bargaining and cooperation, and between conflicting interests of the individual, the group and the community

Thus, healthy industrial relation is the key to the progress and success. Their significance may be discussed as under:

1. ***Uninterrupted Production:*** The most important benefit of industrial relations is that this ensures continuity of production. This means, continuous employment for all from manager to workers. The resources are fully utilized, resulting in the maximum possible production. There is uninterrupted flow of income for all. Smooth running of an industry is of vital importance for several other industries; to other industries if the products are intermediaries or inputs; to exporters if these are export goods; to consumers and workers, if these are goods of mass consumption.
2. ***Reduction in Industrial Disputes:*** Good industrial relations reduce the industrial disputes. Disputes are reflections of the failure of basic human urges or motivations to secure adequate satisfaction or expression which are fully cured by good industrial relations. Strikes, lockouts, go-slow tactics, gherao and grievances are some of the reflections of industrial unrest which do not spring up in an atmosphere of industrial peace. It helps promoting co-operation and increasing production.
3. ***High Morale:*** Good industrial relations improve the morale of the employees. Employees work with great zeal with the feeling in mind that the interest of employer and employees is one and the same, i.e. to increase production. Every worker feels that he is a co-owner of the gains of industry. The employer in his turn must realize that the gains of industry are not for him along but they should be shared equally and generously with his workers. In other words, complete unity of thought and action is the main achievement of industrial peace. It increases the place of workers in the society and their ego is satisfied. It naturally affects production because mighty co-operative efforts alone can produce great results.
4. ***Mental Revolution:*** The main object of industrial relation is a complete mental revolution of workers and employees. The industrial peace lies ultimately in a transformed outlook on the part of both. It is the business of leadership in the ranks of workers, employees and Government to work out a new relationship in consonance with a spirit of true democracy. Both should think themselves as partners of the industry and the role of workers in such a partnership should be recognized. On the other hand, workers must recognize employer's authority. It will naturally have impact on production because they recognize the interest of each other.
5. ***Reduced Wastage:*** Good industrial relations are maintained on the basis of cooperation and recognition of each other. It will help increase production. Wastages of man, material and machines are reduced to the minimum and thus national interest is protected.

Thus, it is evident that good industrial relation is the basis of higher production with minimum cost and higher profits. It also results in increased efficiency of workers. New and new projects may be introduced for the welfare of the workers and to promote the morale of the people at work. An economy organized for planned production and distribution, aiming at the realization of social justice and welfare of the massage can function effectively only in an atmosphere of industrial peace. If the twin objectives of rapid national development and increased social justice are to be achieved, there must be harmonious relationship between management and labor.

13.3 Collective Bargaining

Collective bargaining is a procedure by which the terms and conditions of workers are regulated by agreements between their bargaining agents and employers. The basic objective of collective

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bargaining is to arrive at an agreement on wages and other conditions of employment. Both the employer and the employees may begin the process with divergent views but ultimately try to reach a compromise, making some sacrifices. As soon as a compromise is reached, the terms of agreement are put into operation.

The underlying idea of collective bargaining is that the employer and employee relations should not be decided unilaterally or with the intervention of any third party. Both parties must reconcile their differences voluntarily through negotiations, yielding some concessions and making sacrifices in the process. Both should bargain from a position of strength; there should be no attempt to exploit the weaknesses or vulnerability of one party. With the growth of union movement all over the globe and the emergence of employers' associations, the collective bargaining process has undergone significant changes. Both parties have, more or less, realised the importance of peaceful co-existence for their mutual benefit and continued progress.

13.3.1 Features

Some of the important features of collective bargaining may be listed thus:

1. ***Collective:*** It is collective in two ways. One is that all the workers collectively bargain for their common interests and benefits. The other is that workers and management jointly arrive at an amicable solution through negotiations.
2. ***Strength:*** Across the table, both parties bargain from a position of equal strength. In collective bargaining, the bargaining strength of both parties is equal. It is industrial democracy at work.
3. ***Flexible:*** It is a group action where representatives of workers and management expend energies in order to arrive at a consensus. It has sufficient flexibility, since no party can afford to be inflexible and rigid in such situations. The unique feature of collective bargaining is that usually the parties concerned start negotiations with entirely divergent views but finally reach a middle point acceptable to both. It is therefore not a one-way street but a give and take process.
4. ***Voluntary:*** Both workers and management come to the negotiating table voluntarily in order to have a meaningful dialogue on various troubling issues. They try to probe each other's views thoroughly before arriving at an acceptable solution. The implementation of the agreement reached is also a voluntary process.
5. ***Continuous:*** Collective bargaining is a continuous process. It does not commence with negotiations and end with an agreement. The agreement is only a beginning of collective bargaining. It is a continuous process which includes implementation of the agreement and also further negotiations.
6. ***Dynamic:*** Collective bargaining is a dynamic process because the way agreements are arrived at, the way they are implemented, the mental make-up of parties involved keeps changing. As a result, the concept itself changes, grows and expands over time.
7. ***Power Relationship:*** Workers want to gain the maximum from management, and management wants to extract the maximum from workers by offering as little as possible. To reach a consensus, both have to retreat from such positions and accept less than what is asked for and give more than what is on offer. By doing so management tries to retain its control on workplace matters and unions attempt to strengthen their hold over workers without any serious dilution of their powers.
8. ***Representation:*** The chief participants in collective bargaining do not act for themselves. They represent the claims of labour and management while trying to reach an agreement. In collective bargaining the employer does not deal directly with workers. He carries out

negotiations with representatives of unions who are authorised to bargain with the employer on work-related matters.

9. ***Bipartite Process:*** The employers and the employees negotiate the issues directly, face to face across the table. There is no third party intervention.

10. ***Complex:*** Collective bargaining is a complex process involving a number of procedures, techniques and tools: preparation for negotiations, timing, selection of negotiators, agenda, tedious negotiations, make up of agreement, ratification, enforcement, etc.

13.2.2 Objectives

The main objectives of collective bargaining are given below:

1. To settle disputes/conflicts relating to wages and working conditions.
2. To protect the interests of workers through collective action.
3. To resolve the differences between workers and management through voluntary negotiations and arrive at a consensus.
4. To avoid third party intervention in matters relating to employment.

13.3.3 The Process of Collective Bargaining

The following steps are involved in the collective bargaining process:

1. ***Identification of the Problem:*** The nature of the problem influences whole process. It also influences selection of representatives, their size, period of negotiations and period of agreement that is reached ultimately. As such it is important for both the parties to be clear about the problem before entering into the negotiations.

2. ***Collection of Data:*** Both labour and management initially spend considerable time collecting relevant data relating to grievances, disciplinary actions, transfers and promotions, lay-offs, overtime, former agreements covering wages, benefits, working conditions (internal sources) and current economic forecasts, cost of living trends, wage rates in a region across various occupations, competitive terms offered by rivals in the field, etc.

3. ***Selection of Negotiators:*** The success of collective bargaining depends on the skills and knowledge of the negotiators. Considerable time should, therefore, be devoted to the selection of negotiators with requisite qualifications. They must know when to listen, when to speak, when to stand their ground, when to concede, when to horse-trade, and when to make counter proposals. Timing is important. Effective speaking and debating skills are essential.

4. ***Climate of Negotiations:*** Both parties must decide an appropriate time and set a proper climate for initial negotiations. At this stage the parties must determine whether the tone of the negotiations is going to be one of mutual trust with 'nothing up our sleeves', one of suspicion with lot of distortion and misrepresentation, or one of hostility with a lot of name calling and accusations.

5. ***Bargaining Strategy and Tactics:*** The strategy is the plan and the policies that will be pursued at the bargaining table. Tactics are the specific action plans taken in the bargaining sessions. It is important to spell out the strategy and tactics in black and white.

6. ***Formalising the Agreement:*** When a solution comes through what is popularly known as 'good faith bargaining' (Both parties are making every reasonable effort to arrive at

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agreement, proposals are being matched with counter proposals), a formal document must be prepared expressing everything in a simple, clear and concise form.

7. ***Enforcing the Agreement:*** Collective bargaining does not come to an end with the signing of the agreement. For the agreement to be meaningful and effective, both parties must adhere to the conditions agreed upon and implement every thing scrupulously.

Did u know? "Bargaining zone" which is the area bounded by the limits within which the union and employees are willing to concede.

13.4 Approaches to IR

Industrial relations are the result of several socio-economic, psychological and political factors. Various approaches have, therefore, been used to explain the multidimensional nature of industrial relations:

1. ***Psychological Approach:*** According to psychologists, the problems of industrial relations are attributable to the differences in the perceptions of labour and management. Both parties tend to look at factors influencing their relations – i.e. wages, benefits, working conditions, etc. – in different ways. Dissatisfaction with pay, benefits, services, conditions of work compel workers to turn aggressive and resort to strikes, gheraos, etc. Employers adopt rigid postures and draw the shutters down when they find the regulatory framework to be restrictive, workers to be highly demanding and market forces to be unmanageable. Apart from economic issues, motives such as the need to gain prestige, power, status, recognition also compel people to go in different directions, sacrificing the broader organisational interests.

2. ***Sociological Approach:*** A number of sociological factors such as the value system, customs, and traditions affect the relations between labour and management. Problems such as urban congestion, chronic shortage of affordable dwelling units, convenient transportation system, pollution, disintegration of joint family system, etc., add misery to the lives of workers. Accepted societal norms, traditions and customs are pushed to the wall in such a scenario. Culture pollution sets in, rubbing workers the wrong way. Such sociological changes impact industrial life significantly, forcing parties to assess, analyse and find solutions to conflictful situations on a continuous basis.

3. ***Human Relations Approach:*** According to the human relations approach, individuals are motivated by a variety of social and psychological factors, not just earnings. Human behaviour is influenced by feelings, sentiments, and attitudes. Informal work groups play an important role in shaping the attitudes and performance of individual workers. People do not like the idea of being treated as machines. To reduce friction and conflict in the workplace, managers need to possess effective social skills. They must explain why a particular job is important, allow workers to participate in work processes fully, encourage work groups to flourish and try their best to keep workers happy. Economic and non-economic rewards must be used to meet the physiological and psychological requirements of workers from time to time. Every attempt must be made to integrate the individual objectives with overall organisational objectives to avoid conflict and controversy in industrial life.

4. ***Giri Approach:*** According to V.V. Giri (Former President of India), collective bargaining and joint negotiations be used to settle disputes between labour and management. Outside interference must be avoided at all costs while resolving differences between the parties. Trade unions should use voluntary arbitration in place of compulsory adjudication to

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resolve disputes. Giri observed that 'there should be a bipartite machinery in every industry and every unit of the industry to settle differences from time to time with active encouragement of government. Outside interference should not encroach upon industrial peace'.

5. ***Gandhian Approach:*** Gandhi ji accepted the worker's right to strike but cautioned that this right be exercised in just cause and in a peaceful, non-violent fashion. The trusteeship theory advocated by him highlights the fact that wealth belongs to society and not to the owners of an enterprise. Owners are there to serve the interests of society. If they fail to pay minimum wages to workers, workers must appeal to their conscience. If this does not produce results, they should resort to non-violent non-cooperation (Satyagraha). Before adopting this strategy, workers must believe in their collective strength and note the crucial point that without their active cooperation, capitalists cannot achieve results. The capitalist, in his own self interest, is expected to hold industry in trust for the society, treating workers as partners and co-trustees in a progressive venture.

6. ***HRD Approach:*** As rightly pointed out by Ishwar Dayal, Human Resource Development involves (i) ways to better adjust the individual to his job and environment, (ii) the deepest involvement of an employee in various aspects of his work, and (iii) the greatest concern for enhancing the capabilities of the individual. The HRD approach recognises employees as the greatest assets in an organisation; believes that they can be developed to an unlimited extent with proper incentives, atmosphere and treatment. It is possible to integrate human needs with organisational requirements. If the manager has a caring, helpful attitude towards employees and creates a healthy work environment (characterised by values of openness, enthusiasm, trust, mutuality and collaboration) employees are willing to give of their best to the organisation. So managers, in their own self-interest, must create a motivating climate so that employees commit themselves to assigned tasks wholeheartedly.

The manager in the HRD approach wears many hats, i.e., of a developer, counsellor, coach, mentor and problem solver. He tries to integrate work, and trains and educates people, acts as a change agent and provides a conducive, healthy work environment. The traditional roles as a policeman, supervisor, appraiser, legal advisor and fire-fighter as evidenced in companies characterised by troubled industrial relations, thus undergo a radical transformation where the labour-management relations are built around mutual trust, understanding and cooperation.

HRD interventions such as work redesign and job enrichment could be used effectively to make jobs more interesting to employees. To avoid role conflicts, role analysis could be taken up, followed by a clear-cut elaboration of what the employee is supposed to do. To build cooperation among employees and between labour and management, team-building exercises could be undertaken. To tackle trouble makers, counselling and coaching sessions could be arranged from time to time. A climate of open, transparent communication would put out fires quite easily. Training and feedback sessions would help solve many other industrial relations problems smoothly. To overcome some of the troubling IR issues, managers should focus on aspects like:

1. Clarify goals
2. Reward performance
3. Empower people at all levels
4. Treat people properly
5. Follow two-way communication channels
6. Settle issues in an atmosphere of trust and understanding.

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13.5 Trade Union

Trade unions are all organizations of employees, including those of salaried and professional workers as well as those of manual wage earners which are known to include among their functions that of negotiating with their employees with the object of regulating condition of employment". **British Ministry of Labour**.

Trade union is a continuous and long duration workers organization which is meant for attainment of specific objective to protect the interest of its members and for the improvement of labour relations—**Dale Yoder**.

A trade union is the workers-organizations which is established by there collective activities to the welfare of the members in social economic and potential interests and to keep them secured and for improvement in it"—**Edwin B.Flippo**

13.5.1 Nature and Characteristics of Trade Union

1. The trade union is a continuing long-term association of workers. They are not temporary or casual association.
2. Trade union may be an association either of the employees or of independent workers.
3. The union is essentially "a cooperative labour marketing association". It is an association of workers who are engaged in securing economic benefit (sometimes social, political and cultural benefits interest for their members).

13.5.2 Objectives, Function and Role of Trade Unions

1. To improve working and living conditions.
2. To offer responsive cooperation in improving levels of production and productivity, discipline and high standard of quality.
3. To secure for workers fair wages.
4. To enlarge opportunities for promotion and training.
5. To promote identity of interests of the workers with their industry.
6. To cooperate in and facilitate technological advance by broadening the understanding of workers on its underlying issues.
7. To promote individual and collective welfare.
8. To provide for educational cultural and recreational facilities.
9. To safeguard security of tenure and improve condition of service.
10. Installing in their members a sense of responsibility towards industry and community.
11. The unions are also expected to fulfill certain social responsibility like promotion of national integration.
12. Generally influencing the socio-economic polices of community through active participation in their formulation at various levels.

13.5.3 Advantages and Importance of Trade Unions

Trade unions are very important to labour, the industrialist society and country. Every group is benefited by the presence of those groups. Benefits to different groups are as follows:

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Advantages to Labour

Labour acquires mainly following benefits from trade unions:

1. Reducing the tendency of labour exploitation.
2. It leads to unity in labour force.
3. Open the door of overall development of labour.
4. Labour get the opportunity to participate in management.
5. Increase in efficiency due to improvement in working conditions.
6. Labour gets economic and entertainment facilities.

Advantages to Employer and Industrialists

Industrialists derive following advantages from trade unions:

1. Union can help in avoiding conflict by collective talks and collective bargaining.
2. Union helps to pacify conflict at the time of industrial conflict.
3. Union promotes the feeling of unity cooperation and fraternity which lead to the co-operation at the time of their work.
4. Unions provide education training and entertainment facilities to labour which gives the industry a trained conscious and effective work force.

Advantages to Society and Country

Labour unions are the representatives of labour who put the problem of ideas, feeling and welfare of labour before the country. In this way, society and the country understand the manpower of the country, which makes possible for the government to make labour polices labour laws which are in coherence with the conservation and prosperity of manpower in the country. In short, we can say that unions promote productivity, labour co-operation, etc. to make a practical ground for the idea of a permanent and conscious labour force for the overall development of the country.

13.5.4 Weaknesses of Trade Unions

1. Many trade unions are small and have a small number of members. They are therefore, not in a position to engage the services of exports to advise and guide them and help them to face the challenge of employers.
2. Political leaders have acquired control over trade union activities. As a result, trade unions are not as strong as they should be.
3. Trade unions now have become the centre of political activity rather than workers welfare.
4. Small unions have weak financial position bargaining position and they are not able to make their influence felt.
5. The government encouragement of weak and dependent trade unions.
6. Trade unions which have grown very slowly have not developed as voluntary organizations because of:
   (a) Moral idealism about goals and optimism about achieving them.

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(b) The government encouragement of weak and dependent trade unions.

(c) The unrealistic labour polices of the government.

7. The political involvement of trade union leaders and union rivalries have weakened the trade union movement.

8. Trade union activity is generally concentrated in metropolitan centres where large scale industry is located.

Task It is often felt that 'good pay and good management' are the keys to successful union avoidance. Spell out the kind of policies and practices companies should develop if they want to keep their workers from unionizing

13.5.5 Causes of Slow Progress of Trade Unions in India

The National Commission on Labour has recommended the following points to improve the functioning of trade unions i.e., strengthening the bargaining power of the unions. The following reasons were identified for the slow progress of trade unions in India:

1. ***Rivalries:*** As far as possible, the central organization should settle intra-union rivalries to eliminate the problems arising from multiple unions the commission has recommended one union one industry.

2. ***Political Influences:*** To eliminate politics and outsider, the commission felt that internal leadership must be built within the union leadership should be promoted from within the rank and file and given a more responsible role initiative should come from workers themselves through the launching of a program for workers education.

3. ***Registration:*** The commission recommended that registration should be cancelled if membership falls below the minimum limit or the unions fail to submit the return in a proper way.

4. ***Financial Crunch:*** To improve the financial condition of the union, the commission recommended that the membership fees should be raised to ₹ 1 per month.

Self Assessment

State whether the following statements are true or false:

1. In a unionised firm, management should fight the union as hard as it can.

2. The main objective of any trade union is to protect the interests of workers in the organisation.

3. A union is an informal association of workers formed to protect the interests of its members through collective action.

4. Labour always wants a major share of productivity gains.

5. The right to go on strike is not a fundamental right.

6. Strong trade unions help prevent industrial disputes.

7. Managers who have a cosmopolitan perspective are insensitive to cultural differences.

8. The principle of affirmative action is to treat unequals as equals.

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13.5.6 Weaknesses of the Trade Union Movement in India

In India, the first union was established in Bombay (called the Bombay Mills Hands associations) in 1890. Trade unions were born of the necessity of the workers to protect and defend themselves from encroachment injustice and wrong. At present, there are more than 43,000 registered workers union and 10 central labour organizations in India. The functions and roles of trade unions have been changing steadily especially after independence. Total membership in central unions is more than 60 lakh today. The functions of trade union involve not only protecting and improving wages and conditions of labour but they concern themselves with all matters by which the workers are likely to be affected. In spite of its social and legal importance trade unionism has suffered for a considerable period and is still suffering to a certain extent from a number of problems, which include:

1. Many unions have concentrated in metropolitan centres where large scale industries are located.
2. Loose and amorphous nature of trade union organizations, casteism, regionalism and linguism, which have dangerously divided the workers into various heterogeneous groups, resulting in intra-union rivalries and hostile attitude towards employers.
3. Under the influence of historical and institutional factors and developments in the socio-economic and political field trade, unions have become highly political in nature. It has significantly weakened the trade union movement itself.
4. Small membership and unsuccessful strikes have rendered trade unions unproductive and redundant.
5. The attitude of employer is not positive towards trade union. For several decades employer have been intimidating and victimizing labour leaders, promoting rival unions, bribing union officials and have exploited them in taking advantage of communal factors.

Notes **Origin, Growth and Development of Trade Unions in India**

The origin, growth and development of trade unions in India is divided into six parts:

1. ***From 1875 to 1918:*** The history of trade unions in India started from 1875 when an agitation was started under the leadership of Sorabji and Shaparji in Bombay to draw the attention of government to the deplorable condition of women and children workers in Indian industries. As a result of this agitation, the Bombay Factory Commission was established in the same year.

   The ground for the origin of trade unions started from the establishment of first cotton mill in Bombay in 1854 and first jute mill in Bengal in 1855. From these mills, the area of Indian factories increased in number the working condition began to deteriorate day by day.

   In 1890, the Bombay Mills Hinds Association was establishment by Mr. N.M. Lokhande. Mr. Lokhande organized a meeting of over 10,000 workers in Bombay. As a result of this meeting, several demands of workers were presented to the employers and accepted by the mill owners. Mr. Lokhande started a newspaper to educate the workers. This paper was known as Din Bandhu.

   In 1897, the Amalgamated Society of Railway Workmen of India was established and registered under the Companies Act. It was the first registered trade union in the history of India.

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From 1904 to 1911, the Indian labour agitation gained momentum. The workers of Bombay went on strike with the agenda of hours of work. In 1905, postal employers formed a postal union in 1907 in Calcutta.

In 1910, Kamgar Hitwardhan Sabha was established and in 1910, the Social Services League was formulated. After that the First World War broke out.

2. ***Period of 1918 to 1924:*** The modern era of trade union started after the First World War. The end of the First World War witnessed the emergence of a trade union movement in India due to certain social, economic, political and international developments. According to Mr. Puenekar, Indian trade union movement was born out of grave economic difficulties cried by the War.

   The year 1918 saw the formation of first organized trade union-Madras Labour Union by Mr B.P. Wadia. Since then a large number of unions sprang up in almost all the industrial centres of the country. The AITUC was formed in 1920 under the chairmanship of Lala Lajpat Rai. Another all India organization that developed in the year 1922 was the Railway Men's Federation, to which all the railway workers unions federated. This organization received the recognition from the Railway Board. On the line of Railwaymen's Federation, provincial as well as All-India Federation of the Postal & Telegraph Employees were also formed and they too received recognition from the Director General of Post and telegraph in India. Agitation for a trade union act began in 1920 and Mr. Joshi, the father of Indian trade unionism was ultimately successful in getting passed the Trade Union Act 1926.

   In the initial year, there were several schools of thinking among the labour leaders who played a prominent part in the AITUC. Mr Joshi and his camp followers wanted the labour movement to develop independently of the political movement for national liberation. They wanted trade unions to be concerned more with immediate economic issues then with political issues. A second group headed by Lala Lajpat Rai wanted the working class to develop its own political thinking and organization, just as the British working class has formed the British Labour Party. Another school of thinking favoured a close link up between the Indian National Congress and the trade union movement. These apart, the international communist movement also began influencing the AITUC after 1922.

3. ***Period from 1924 to 1935:*** The pursuit of different political ideologies by different groups caused a split in the trade union movement at quite an early stage, in 1929, the non-communist elements walked out of the trade union congress at the Nagpur session and formed the Indian Trade Union Federation. In 1931, this position was reversed and the communists left the TUC and formed the red TUC. Thus came into being three-central organisations of the labour in addition to the All-India Railwaymen Federation. Subsequently, the Indian Trade Union Federation and the Red Trade Union Congress were dissolved and merged into the AITUC.

4. ***Period from 1935 to 1939:*** The period between 1935 to 1939 was a crucial and new period for the unity of labour agitation. In 1935, the new Constitution of India came into force. It incorporated the election of labour representatives. This led to the intense unity trade among unions. In 1935, the All India Red Trade Union Congress united with the All-India Trade Unions Congress.

5. ***Period from 1939 to 1946:*** At the time of the Second World War, the bases of labour movement were strong. In 1942, the National Trade Union Federation which was associated with AITUC was merged in AITUC. In 1946, the Indian National Trade Union Congress was established.

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6. ***Period from 1946 to till Date (After independence Period or Modern Period):*** The year since independence, particularly the period 1947-57 witnessed a rapid increase in number of unions, an increase brought about by a variety of factors such as changed outlook towards labour organisation, the new spirit of awakening in the country and the economic distress that followed the years thereafter.

13.6 Industrial Conflicts

Industrial conflict is a rather general concept. When it acquires specific dimensions, it becomes an industrial dispute. The various terms, such as "industrial dispute" "labour dispute" or " trade dispute" are used in different countries to identify the difference between employers and workers.

According to the Industrial Dispute Act, 1947, Section 2(k): "Industrial dispute means any dispute or difference between workmen which is connected with the employment or non-employment or term of employment or with the conditions of labour of any person."

For a dispute to become an industrial dispute, it should satisfy the following essentials:

1. There must be a dispute or a difference
   (a) between employers
   (b) between employer and workmen
   (c) between workmen and workmen
2. It is connected with the employment or non-employment or the terms of employment or with the conditions of labour of any or it must pertain to any industrial matter.
3. A workman does not draw wages exceeding ₹ 1,600 per month.
4. The relationship between the employer and the workmen must be in existence and should be the result of a contract and the workmen actually employed.
5. There should be an industry, employer and workmen. There must be a "collective will" of substantial or appreciable number of workmen taking up the cause of the aggrieved workmen. It must be first raised with the management rejected by it, i.e., the employer must be in position to redress the grievance.

However, every firm would want to avoid any types of conflicts as long as possible. For a smooth and harmonious functioning of a business, it is necessary that it does not counter any dispute. But there is no place where there is no misunderstandings or mismatching of different people's opinion. When there is plurality of people present then arises the problem of conflicts. Therefore it is important that managers and other concerned authorities concentrate on reducing the possibilities of arising disputes for this. There are a number of ways by which disputes can be prevented. But many a times, despite taking all possible preventive measures, disputes arise and then it is required that proper settlement measures are present through which the disputes can be handled. Below is brief study about the preventive and settlement measures usually taken by different firms in handling disputes.

13.6.1 Forms of Industrial Dispute

The various forms of industrial disputes may be stated thus:

Strikes

A strike is a spontaneous and concerted withdrawal of labour from production temporarily. It is a collective stoppage of work by a group of workers for pressuring their employers to accept

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certain demands. The Industrial Disputes Act 1947 has defined a strike as "an assertion of work by a body of persons" employed in an industry acting in combination, or a concerted refusal or a refusal under a common understanding of any number of persons who are or have been so employed to continue to work or to accept employment. Strikes are of several types:

1. ***Sympathetic Strike:*** When a strike is undertaken to show sympathy with workers in other industries, it is called a sympathetic strike.
2. ***General Strike:*** It is a strike by all or most of the unions in a industry or a region.
3. ***Unofficial Strike:*** It is a strike undertaken without the consent of the unions.
4. ***Sectional Strike:*** It is the refusal of a section of a given class of workers to perform their normal duties.
5. ***Bumper Strike:*** It is a strike when the unions plan to paralyse the industry, firm by firm, the order being chosen by the union. Such strikes are supported by the contributions of those who are still at work.
6. ***Sit down Strike (also called stay-in, tool down, pen down strike):*** It is a strike in which workers cease to perform their duties but do not leave the place of work.
7. ***Slowdown Strike:*** Known as a 'go-slow' tactic, the workers do not stop working but put breaks to the normal way of doing things.
8. ***Lightning Strike:*** Out of provocation, workers may go on strike without notice or at very short notice. There is an element of surprise in such wildcat strikes.
9. ***Hunger Strike:*** To gain sympathy from the public and get noticed by the employer, workers may decide to forego food for a specified period. Small batches of workers may also go on a relay hunger strike in a sequential order. Such non-violent protests generally bring moral pressure on employers to iron out the differences with labour quickly.

Lock-outs

Lock-out is the counterpart of strike. It is the weapon available to the employer to close down the factory till the workers agree to resume work on the conditions laid down by the employer. The Industrial Disputes Act of 1947 defined it as "the closing of a place of an employment, or the suspension of work or the refusal of an employer to continue to employ any number of persons employed by him". If it is impossible to meet the demands of the workers, employers may decide to go for lock-out. An employer may also pull down the shutters so as to bring psychological pressure on the workers to agree to his conditions or face closure of the unit.

Gherao

Gherao means to surround. In this method, a group of workers initiate collective action aimed at preventing members of the management from leaving the office. This can happen outside the factory premises too. The persons who are 'gheraoes' are not allowed to move for a long time, sometimes even without food or water. The National Commission on Labour, while refusing to accept it as a form of industrial protest, opined that gheraos tend to inflict physical duress (as against economic pressure) on the persons affected and endanger not only industrial harmony but also create problems of law and order.

Picketing and Boycott

When picketing, workers often carry/display signs, banners and placards (in connection with the dispute), prevent others from entering the place of work and persuade others to join the strike.

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Boycott aims at disrupting the normal functioning of an enterprise. Through forceful appeals and negative behavioural acts, striking workers prevent others from entering the place of work and persuade them not to cooperate with the employer.

13.6.2 Causes of Industrial Disputes

Some of the prominent causes of industrial disputes may be listed thus:

1. ***Employment:*** The list here includes disputes over wages, allowances, bonus, benefits, working conditions, unjust dismissals, retrenchment of workers, methods of job evaluation, changes in methods of production, non-implementation of awards of tribunals, etc. The National Commission on Labour remarked "though on a majority of occasions industrial disputes were based on claims pertaining to the terms and conditions of employment, sometimes economic issues of a general character dominated and, on occasions, purely political motives".
2. ***Nationalisation:*** Workers protested against the introduction of rationalisation, automation, computerisation (e.g., Bank unions oppose this move even now) on various occasions, fearing large scale retrenchment.
3. ***Administration-related Causes:*** These pertain to ill-treatment, undeserved punishment, verbal abuse, physical assaults, etc.
4. ***Recognition:*** Disputes arose when employers failed to recognise a union as a bargaining agent.
5. ***Sympathetic Strikes:*** Workers struck work in one plant/industry when they wanted to exhibit their solidarity with striking workers from another plant or industry.
6. ***Psychological/social Causes:*** On occasion, family, friends, community, environmental pressures and concerns also instigated the workers to take to the streets.
7. ***Institutional Causes:*** Disputes arose on account of institutional factors such as: recognition of unions, membership of unions, scope of collective bargaining, unfair practices.
8. ***Political Causes:*** Political leaders have used unions as powerful weapons to build tensions inside a plant/industry with a view to satisfy their own private ends on a number of occasions, especially in unionised places like Mumbai, Ahmedabad, Kanpur, Calcutta, etc.

Example: Post Liberalisation Disputes

1. After liberalisation (1990 onwards) the clout of unions was reduced drastically. Strikes organised by Rajan Nair, Chand Bibi, Dhunji Neterwala did not yield major benefits to workers. The Datta Samant-led agitation in Premier Automobiles Ltd failed miserably.
2. The militancy which was almost synonymous with labour unions in the past has, by and large, declined now. The Shiv Sena led Bharatiya Kamgar Sena was more pragmatic and was quick to understand the shifting trends. In the Mumbai and Pune belt it enjoys membership of over 2.5 lakh workers. Mill owners are also happy to deal with such unions which give importance to plant level factors and conduct the negotiations in a give-and-take manner.
3. In public sector disputes were frequent in steel, P & T, railways, ports, LIC, Indian Airlines and fertilizer units.
4. More than half of disputes (30%) arose on account of income factors (wages, allowances, bonus) followed by causes relating to indiscipline, personnel and charter of demands.

Notes

Task Collect some examples (from industrial disputes records) where political patronage has been used to exploit the legal system and build up a union from scratch.

13.7 Preventive Machinery for Resolving Disputes

Following are the measures used in preventing disputes in any industry:

13.7.1 Tripartite Bodies

The need for consultation on labour matters on the patterns set by the I.L.O. was recommended by the Whitley Commission in 1931. It envisaged a statutory organization which should be sufficiently large to ensure adequate representation of the various interests involved; but it should not be too large to prevent the members from making individual contributions to the discussions. The representative of employers, of labour and of government should meet regularly in conference. The commission also recommended that labour members should elected by registered trade unions and employers' representatives should be elected by their associations. But the recommendation was not implemented and nothing could happen until the outbreak of Second World War, which necessitated the need of industrial peace.

In the Fourth Labour Conference held in August 1942, set up permanent tripartite collaboration machinery and constituted a preliminary labour conference (later named as the Indian labour conference-ILC) and the standing Labour Advisory Committee (later the word 'Advisory' was dropped). The pattern of representation was governed by the obtaining in the ILC. It ensured:

1. Equality of representation between the government and the non-government representatives;
2. Parity between employers and workers;
3. Nomination of representatives of organized employers and labourers was left to the concerned organizations; and
4. Representation of certain interests, where necessary, on an ad hoc basis through nomination by the government. The delegates are free to bring one official and one non-official advisor with them.

Indian Labour Conference, Standing Labour Committee and Committee on Conventions

Both I.L.C. and S.L.C. are two important constituents of tripartite bodies. They play a vital role in shaping the I.R. system of the country. Brief accounts of these bodies are discussed below:

Indian Labour Conference (ILC)

The function of the ILC is to "advise the Government of India on any matter referred to it for advice, taking into account suggestion made by the provincial government, the states and representatives of the organization of workers and employers." The representatives of the workers and employers were nominated to these bodies by the Central Government in consultation with the all India organizations of workers and employers.

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The objectives of the ILC are:

1. To promote uniformity in labour legislation;
2. To lay down a procedure for the settlement of industrial disputes; and
3. To discuss all matters of all India importance as between employer's and employees.

The rules and procedures, which characterize the Indian tripartite consultative machinery, are largely in tune with the recommendations of ILO Committee on consultation and cooperation. In this connection, the following guidelines have been suggested:

1. Use of flexible procedures;
2. Calling a meeting only when necessary with adequate notice of the meeting and the agenda;
3. Reference of certain items to working parties, if necessary;
4. Dispensing with voting procedure in arriving at conclusions to facilitate consultation;
5. Maintaining records of discussion in detail and circulating the conclusion reached to all participants;
6. Documentation of reference; and
7. Provision of an effective secretariat and a small representative steering grant in case of more formal consultative machinery.

Standing Labour Committee

SLC's main function is to "consider and examine such questions as may be referred to it by the Plenary Conference or the Central Government, and to render advice taking into account the suggestions made by various governments, workers and employers."

The agenda for ILC/SLC meetings was settled by the Labour Ministry after taking into consideration the suggestions sent by it to the member organizations. These two bodies worked with minimum procedural rules to facilitate free and fuller discussions among the members. The ILC meets once a year whereas the SLC meets as and when necessary.

Committee on Conventions

This is a three-man tripartite committee set up in 1954. The objects were:

1. To examine the ILO conventions and recommendations which have not so far been ratified by India; and
2. To make suggestions with regard to a phased and speedy implementation of ILO standards.

Industrial Committees

The eighth session of the ILC (1947) decided to set up Industrial Committees "To discuss various specific problems special to the industries covered by them and submit their report to the conference, which would co-ordinate their activities." These committees are tripartite bodies in which number of workers' representatives is equal to the number of employers' representatives. They do not meet regularly; meetings are considered afresh each time a session is called.

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These committees provide a forum for the discussion of proposals for legislations and other matters connected with labour policy and administration before they are finally brought up before the legislature, so that the passage of the legislation may be facilitated.

The first Industrial Committee was constituted in 1947. These mostly constituted of committees related to plantations, cotton textiles, jute, coal mining, mines other than coal, cement, tanneries and leather goods manufacture, iron and steel, building and construction industry, chemical industries, road transport, engineering industries, metal trades, electricity, gas and power and banking.

Other Tripartite Committees

Besides various committees, certain other tripartite bodies playing vital role are as follows:

1. Steering Committee on Wages
2. Central Implementation and Evaluation Machinery
3. Central Boards of Workers' Education
4. National Productivity Council.

13.7.2 Bipartite Bodies

The bipartite consultative machinery comprises two important constituents, viz., the works committees and the joint management councils. These are purely consultative, and not negotiating bodies. This consultative joint machinery with equal representation of the employers and the workers has been set up exclusively for dealing with disputes affecting plant and machinery.

The importance of bipartite consultative machinery was first recognized as early as in 1920, when a few joint committees were set up in the process controlled by the government of India.

Later, in 1922, the workers people's welfare committee was established in the Buckingham and Carnatic Mills, Madras to achieve close contacts with the workers. A few were also started in some private and state-owned enterprises and in some railways. But, generally speaking, the results achieved were rather disappointing. The importance of bipartite consultation was further highlighted by the First-Five-Year plan. The two important constituents of tripartite consultative machinery are:

Works Committees

These committees have been regarded as the most effective social institution of industrial democracy and as a statutory body, established within the industrial units with representatives of the management and workmen, for preventing and settling industrial disputes at the unit level. The works committee can be formed by any enterprise, employing 100 or more workers. Its objectives are:

1. To remove the causes of friction in the day-to-day work situation by providing an effective grievance- resolving machinery;
2. To promote measures securing amity and good relationship;
3. To serve as a useful adjunct in establishing continuing bargaining relationship;
4. To strengthen the spirit of voluntary settlement, rendering recourse to conciliation, arbitration and adjudication rather infrequent.

For these are achieved by commenting upon matters of concern or endeavour to compose any material difference of opinion in respect of such matters.

Composition of Works Committee

A works committee consists of representatives of employer and workmen engaged in the establishment. The number of representatives of workmen shall not be less than the number of representatives of the employer. The composition committee is so fixed as to give representation to the various categories, groups and classes of workmen and to the sections, shops or departments of the establishments. The total number of people shall not exceed 20. The representatives of employer all be nominated from the technical, managerial or supervisory category, who should be in direct touch with the working of the establishment. The representatives of workers shall be elected from among themselves.

Meeting of the Committee

The committee may meet as often as necessary, but not less than once in three months. At its first meeting, the committee shall regulate its own procedure. It shall meet ordinarily during the working hours of the establishment.

Functions of the Works Committee

According to Section 3(1) (2) of the Industrial Disputes Act, the works committees "promote measures for securing and preserving amity and good relations between the employer and the workmen; and to that end, comment upon matters of their common interest or concern and endeavour to compose any material difference of opinion in respect of such matters".

In order to remove the vagueness in the exact scope and functions of the works committee, the 17th session of the Indian Labour Conference at Madras drew up, in July 1959, an alternative list of items which the works committee could deal with and a list of items which they should not deal with.

The latter, which were beyond the scope of the works committees and were reserved for the collective bargaining process, included wages and allowances; bonus and profit-sharing, bonus, rationalization; fixation of work-load; pay-scales, retrenchment and lay off, victimization for trade union activities, leave and holidays; incentive schemes; housing and transport; provident fund, gratuity and other retirement benefits.

So actually what was let to discuss conditions of work-lighting, ventilation, temperature, sanitation, etc., amenities-supply of drinking water, rest-room, medical and health services, safe working condition; administration of welfare fund, educational and recreational activities, encouragement thrift, saving, etc.

These communities deal with day-to-day questions of interest to both the management and the employees. These questions cover a wide range, bear upon the daily life of the workers, and with satisfactorily at the initial stages, they lead to disputes.

Joint Management Council

These communities give labour a greater sense of participation and infuse a spirit of co-operation between the two parties without encroaching upon other people's sphere of influence, rights prerogatives. These communities also aim at making the will of the employees effective in the management, insure the operation of the private-owned concern in conformity with national

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interests and provide for a popular agency for supervising the management of nationalized under takings.

Functions of the Council

The Indian Labour Conference at its 15th session in July 1957, after considering the report of a study team on workers' participation abroad, accepted in principle the idea of setting up JMCs in India.

1. Equal representation to workers and management.
2. The council to be entitled.
3. To be consulted on certain specific matters such as administration of standing order and their amendments, when needed; retrenchment, rationalization, and closer; reduction in or cessation of operation.
4. To receive information, to discuss and give suggestion on such other matter as the general economic situation of the concern, the state of market, production and sales programmes, methods of manufacture and work.
5. To be entrusted with administrative responsibilities for the administration and supervision of welfare measures, safety measure, vocation training and apprenticeship schemes, provision of schedules for working hours, breaks and holidays, etc.

All matters, which are subjects for collective bargaining, are to be excluded the creation of new rights as between the employers and workers, which is a matter for negotiating of bargaining, was to kept completely outside the jurisdiction of the management council

13.8 Settlement Machinery for Resolving Disputes

Various types of settlement machinery involved are as follows:

13.8.1 Conciliation

Conciliation may be described as the practice by which the services of a neutral third party are used in dispute as a mean of the helping the dispute parties to reduce the extent of their difference and to arrive at an amicable settlement or agreed solution. It is a process of rational and orderly discussion of difference between the parties to dispute under the guidance of conciliator.

It is a process by which representatives of workers and employers are brought together before a third person or group of person with a view to persuading them to arrive at an agreement by mutual discussion between them.

In process of peacemaking in industrial relations, conciliation tends to bring a speedy settlement of dispute without resort to strike or lockout, and to hasten the termination of work-stoppage when these have occurred. Its function is to assist the parties to move towards a mutually acceptable compromise or solution.

Types of Conciliation

Conciliations are of two types which are as follows:

1. ***Voluntary Conciliation:*** In voluntary conciliation, the disputes are referred to the conciliation officer or the board of conciliation by both parties of their own free will; they to have their dispute settled by an outsider; but they are free to accept or not to accept the decision.

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2. ***Compulsory Conciliation:*** In compulsory conciliation, the disputes are referred to the board of conciliation under it, the procedure is made compulsory by provision requiring the parties' attendance at conciliation proceeding or empowering the conciliation authority to compel their attendance at such proceeding, as well as by prohibition of strike and lockout without prior resort to conciliation.

13.8.2 Arbitration

Arbitration is a means of securing an award on a conflict issue by reference to a third party. It is a process in which a dispute is submitted to an impartial outsider who makes a decision which is usually binding on both the parties. It is a process where there is a hearing and a determination of a cause between parties in controversy by a person or persons chosen by them, or appointed under a statutory provision. The parties submit their disputes/issues and are bound by the award of an arbitrator in relation to the matter which is in dispute between them.

Arbitration is to be distinguished from conciliation not only by the fact that its decision is binding on the parties but also by its different approach and spirit. The main objective of arbitration is adjudication and, hence, there is no place for compromise in awards though the parties are at liberty to do so. Arbitration is also to be distinguished from mediation. Arbitrator rests on equity and justice, i.e., there is no scope for compromise, while compromise is the very essence of mediation. Arbitration often leads to termination of the dispute. It is best suited for the settlement of contractual rights.

Types of Arbitration

'Voluntary' or 'Compulsory'

Voluntary arbitration implies that the two contending parties, unable to compose their differences by themselves or with the help of the mediator or conciliator, agree to submit the conflict/dispute to an impartial authority, whose decision they are ready to accept. In other words, under voluntary arbitration, the parties to the dispute can and do they refer voluntarily any dispute to arbitration before it is referred for adjudication. This type of reference is known as a 'voluntary reference', for the parties themselves volunteer to come to a settlement through an arbitration machinery.

The essential elements in voluntary arbitration are:

1. The voluntary submission of dispute to an arbitrator;
2. The subsequent attendance of witnesses and investigation;
3. The enforcement of an award may not be necessary and binding because there is no compulsion. But, generally, the acceptance of arbitration implies the acceptance of its award-be favourable or unfavourable; and
4. Voluntary arbitration may be specially needed for disputes arising under the agreements.

Compulsory arbitration, on the other hand, is one where the parties are required to accept arbitration without any willingness on their part. When one of the parties to an industrial dispute feels aggrieved by an act of the other, it may apply to the appropriate government to refer the dispute to adjudication machinery. Such reference of a dispute is known as 'compulsory' or 'involuntary' reference; because references in such circumstances do not depend on the sweet will of both the contending parties or any party to the dispute.

Compulsory arbitration leaves no scope for strikes and lockouts; it deprives both the parties of their very important and fundamental rights.

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Advantages of Arbitration

Following are the arguments for arbitration:

1. Since it is established by the parties themselves, arbitration has the particular advantages of bringing the dispute settlement procedure down to the level of the parties to the dispute. Workers and management tend to have greater faith and confidence in settlement machinery which is in effect of their own.
2. Since arbitration is established by agreement, it is more flexible than other procedures and can be adjusted to the views, desires and experience of the parties and to the circumstances obtaining in the undertaking or industry.
3. This procedure, operation at the level closet to the parties to the disputes, has the advantage of enabling the arbitrators to acquire a much greater familiarity with the characteristics of the particular industry or undertaking than most courts or tribunals.
4. The procedure is relatively expeditious when compared to that in ordinary courts or labour tribunals. It cuts down delay and results in a prompt settlement of differences.

Evils of Arbitration

Following are the arguments against arbitration:

1. It deprives of its right to go on a strike, for there is often a provision in the agreement that the trade unions and workers will refrain from a strike during the continuance of the agreements.
2. Judgment is often arbitrary and ill-advised as the arbitrators are not well-versed in the economic and technical aspects of industry.
3. Arbitrators are often biased against labour and their award is, therefore, usually not in its favour.
4. Delay often occurs in arriving at the award and settlement of disputes. This leads to a breakdown in the morale of members.

13.8.3 Adjudication

The ultimate legal remedy for the settlement of an unresolved industrial dispute is its reference to adjudication by the government. Adjudication involves intervention in the dispute by a third party appointed by the government for the purpose of deciding the nature of final settlement.

On getting a report of the failure of conciliation, the government has to decide whether it would be appropriate to refer the dispute to adjudication. The rationale behind this is that developing countries can ill-afford to suffer loss of production flowing from long-drawn strikes and lockouts. Further, the trade-union movement is yet not strong and mature enough to adopt and rely only on collective bargaining or the protection of the interest of the workers. Therefore, the need of intervention by the government is felt.

Types of Adjudication

When the government gets a report of the failure of conciliation proceedings, it has to decide whether it would be appropriate to refer the dispute to arbitration. The reference of dispute to adjudication is at the discretion of the government.

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When both parties, at their own accord, agree to refer the dispute to adjudication, it is obligatory on the part of the government to make a reference. When a reference to adjudication is made by the parties, it is called Voluntary Adjudication.

On the other hand, when reference is made to adjudication by the government without the consent of either or both the parties to the dispute, it is known as Compulsory Adjudication.

Three-tier System of Adjudication

The Industrial Disputes Act, 1947 provides for a three-tier system of adjudication:

1. Labour Courts
2. Industrial Tribunals
3. National Tribunals

These are the adjudicating bodies which decide the disputes referred to them by the appropriate government and pass their awards.

Labour Courts

These adjudicate upon disputes listed in Schedule II of the Act. One or more labour courts may be constituted by the appropriate government for adjudicating on industrial disputes.

The labour court has no power whatever except those powers which can be traced to a statute, to statutory rule or a statutory instrument. It has no provisionary jurisdiction, i.e., it cannot act as a guardian for an industrial establishment.

Further, though the labour court does not have jurisdiction over the matters specified in the third schedule, where the disputes relate to any matter specified in the third schedule, and is not likely to affect more than 100 workers, the appropriate government may if it thinks fit, refer the dispute to a labour court.

Jurisdiction

The jurisdiction of labour courts extends to the adjudication of the following disputes relating to matters specified in the second schedule.

1. The property or legality of an order passed by an employer under the Standing Orders.
2. The application and interpretation of Standing Orders.
3. Discharge or dismissal of workers including reinstatement of, or grant of relief to, workers wrongfully dismissed.
4. Withdrawal of any customary concession or privilege.
5. Illegality or otherwise of a strike or lockout.
6. All matters other than those specified in third schedule of the act.

Industrial Tribunals

It adjudicates upon disputes listed in Schedule II or III of the Act. The appropriate government may appoint one or more industrial tribunals for the adjudication of industrial disputes relating to any matter. The matters that are in the form of new demands and give rise to industrial disputes that affect the working of company or industry are usually referred to an Industrial Tribunal. The Industrial Tribunal may be appointed for limited period or on ad hoc basis or permanently.

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The Industrial Tribunal has to hold judicial proceedings expeditiously and submit its award to the appropriate government as soon as practicable on the conclusion of proceedings. In the country, there are 12 central government Industrial Tribunals-cum-Labour Courts.

Jurisdiction

Jurisdiction of Industrial Tribunals involves:

1. Wages, including period and mode of payment
2. Compensatory and other allowances
3. Hours of work and rest intervals
4. Leave with wages and holidays
5. Bonus, profit sharing, provident fund and gratuity
6. Shift working otherwise than in accordance with Standing Orders
7. Classification of grades
8. Rules of discipline
9. Rationalization
10. Retrenchment of workmen and closure of an establishment
11. Any other matter that may be prescribed.

National Tribunals

The Central Government may, by a notification in an official gazette constitute one or more National Tribunals for the adjudication of the industrial disputes, which in the opinion of the central government, involve questions of national importance or are of such nature that industrial establishments situated in more than one state are likely to be interested in or affected by such dispute.

Finally, concluded that prevention and settlement machinery both are very important constituents in maintaining industrial peace and harmony. These also ensure a proactive management that is ready to take any types of threats and challenges arising within its working environment and reducing and possible losses due to such action.

13.9 Labour Legislation in India

Growing industrialisation and the rapid expansion of the services sector resulted in the galloping demand for labour after 50s. The emergence of the concept of human relations, human resource management and human resource development contributed to the growing importance of labour. The labour force has been getting more and more diversified. That needs special attention to equal employment opportunity. There are other issues also. These issues are resolved through labour legislation.

13.9.1 Different Objectives of Labour Legislation in India

Labour legislation in India has sought to achieve the following objectives:

1. Establishment of justice - Social, Political and Economic.
2. Provision of opportunities to all workers; irrespective of caste, creed, religion, beliefs for the development of their personality.

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3. Protection of weaker sections in the community.
4. Maintenance of Industrial Peace.
5. Creation of conditions for economic growth.
6. Protection and improvement of labour standards.
7. Protect workers from exploitation.
8. Guarantee right of workmen to combine and form association or unions.
9. Ensure right of workmen to bargain collectively for the betterment of their service conditions.
10. Make state interfere as protector of social well being than to remain an onlooker.
11. Ensure human rights and human dignity.

Proper regulation of employee-employer relationship is a condition precedent for planned, progressive and purposeful development of any society. The objectives of labour legislation are a developing concept and require ceaseless efforts to achieve them on a continuous basis.

In its landmark judgement in Hindustan Antibiotics vs. The Workmen (A.I.R. 1967, S.C. 948; (1967) 1, Lab.L.J.114) the Supreme Court of India made a significant observation. The object of the Industrial law, said the Court, was to bring in improvements in the service conditions of industrial labour by providing them the normal amenities of life, which would lead to industrial peace. This would accelerate the productive activities of the nation, bringing prosperity to all and further improving the conditions of labour.

13.9.2 The Classification of Labour Legislations

On the basis of specific objectives, which it has sought to achieve, the labour legislations can be classified into following categories:

1. Regulative
2. Protective
3. Wage-Related
4. Social Security
5. Welfare both inside and outside the workplace

The Regulative Labour Legislation

The main objective of the regulative legislation is to regulate the relations between employees and employers and to provide for methods and manners of settling industrial disputes. Such laws also regulate the relationship between the workers and their trade unions, the rights and obligations of the organisations of employers and workers as well as their mutual relationships.

The Trade Unions Act, 1926

Trade unions are primarily formed to regulate the relations between workmen and 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 A registered

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trade union is a body corporate with perpetual entity under a common seal. 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. A tentative list of disputes, covered under this Act is reproduced below:

1. The propriety or legality of standing orders
2. Discharge or dismissal
3. Matters pertaining to reinstatement or grant of relief for wrongful dismissal
4. Matters pertaining to withdrawal of any concession or privilege
5. Matters pertaining to strike or lockout
6. Payment of wages, including periodicity and mode of payment
7. Leave and hours of work
8. Holidays
9. Bonus
10. Retirement benefits
11. Discipline
12. 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.

Task Collect some examples (from industrial disputes records) where political patronage has been used to exploit the legal system and build up a union from scratch.

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:

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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. 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.

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 unauthorised deductions. It is applicable to the employees receiving wages below ₹ 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.

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. The Act empowers the State Government to fix minimum wages, failing which they cease the right to engage labour and run the industry.

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.

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

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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.

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 19.6.1 Factories Act, 1948

The Maternity Benefit Act, 1961

This provides maternity benefits to women employees. It sets out that a woman may avail maternity 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.

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.

1. Limestone and Dolomite Mines Labour Welfare Fund Act, 1972
2. The Mica Mines Welfare Fund Act, 1946
3. The Iron Ore Mines, Manganese Ore Mines and Chrome Ore Mines Labour Welfare Fund Act, 1976
4. The Cine Workers Welfare Fund Act, 1981
5. In addition, some state governments have also enacted legislations for welfare funds
6. Beedi Workers Welfare Fund Act, 1976

Notes The Labour Investigation Committee: Anything done for intellectual, physical, moral and economic betterment of the workers, whether by employers, by government or by other agencies over and above what is laid down by law, or what is normally expected on the part of the contracted benefits for which workers may have bargained.

The Committee on Labour Welfare: Today, welfare is generally accepted by employers. The state steps in to widen the area of applicability only. Welfare is being looked at as a social right of workers. The committee described it as social security measures that

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contribute to improve the conditions under which workers are employed in India. (1969 Report). Labour welfare includes both statutory as well as non-statutory activities under taken by employers, trade unions and both the central and state governments for the physical and mental development of workers.

Self Assessment

State whether the following statements are true or false:

9. Collective bargaining is a one-shot deal.
10. Collective bargaining has not made much headway in India when compared to other industrialised nations.
11. Collective bargaining is a tripartite process.
12. The Trade Unions Act came into existence in India in 1906.
13. Friendly attitudes that unions and management hold toward each other can lead to severe conflicts and result in poor organisational performance.
14. A union is an informal association of workers formed to protect the interests of its members through collective action.
15. Generally speaking, the larger the union movement, the greater its power.
16. Labour always wants a major share of productivity gains.
17. A strike undertaken to show sympathy with workers in other industries is called a "sectional" strike.
18. Strong trade unions help prevent industrial disputes.
19. Lock-out means closing down the place of business but not the business itself.
20. There is no employer-employee relationship when payment is made on a piece rate basis.

13.9.3 Miscellaneous Labour Legislations

Besides the above, there are other kinds of labour laws, which are very important. Some of these are:

1. The Contract Labour (Regulation and Abolition) Act, 1970
2. Child Labour (Prohibition and Regulation) Act, 1986
3. Building and other construction workers (Regulation of Employment and Conditions of Service) Act, 1996
4. Apprentices Act, 1961
5. Emigration Act, 1983
6. Employment Exchange (Compulsory Notification of Vacancies) Act, 1959
7. Inter State Migrant Workmen (Regulation of Employment and Condition of Service) Act, 1979
8. Sales Promotion Employees (Condition of Service) Act, 1976
9. Working Journalists and other Newspapers Employees (Condition of Service and Miscellaneous Provision) Act, 1955.

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13.9.4 Equal Employment Opportunity

Equal opportunity employment refers to the employers approach to ensure the practice of being fair and impartial in the employment process. The term "Equal Opportunity Employment" was first given by President Lyndon B. Johnson when he signed Executive Order 11246 which was created to prohibit federal contractors from discriminating against employees on the basis of race, sex, creed, religion, color, or national origin. The scope of the order also covered the discrimination on the basis of the minority status.

Discrimination refers to the any kind of prejudice, biasness or favoritism on the basis of disability, race, age, sex, sexuality, pregnancy, Marital status in employment. No person should be treated less favourably or under privileged than any other on the basis of the specified issues above. Many countries (like SA) have already implemented Equal Opportunity Act, making it against the law to treat anybody unfairly.

Due to the globalization and the growing size of the organisations, the diversity in the workforce is increasing i.e. people from diverse backgrounds, educational background, age groups, race, gender, abilities, etc., come together to work for one organisation and pursue common objectives. So, to be competitive and successful, it is the responsibility of the employer to create an equality-based and discrimination-free working environment and practices.

Equal opportunity requires treating people equally and fairly irrespective of their race, religion, sex, age, disability, etc. Giving women an equal treatment and access to opportunities at the workplace. No employee should be ill-treated or harassed by the employer or other employees on the basis of any discrimination.

Equal Employment Opportunity principles help to realize and respect the actual worth of the individual on the basis of his knowledge, skills, abilities and merit. And the policy should cover all the employees of an organisation whether permanent or temporary, contractual, etc. The basic purpose of the equal employment opportunity is to ensure:

1. To give fair access to the people of all development opportunities.
2. To create a fair organisation, industry and society.
3. To encourage and give disadvantaged or disabled people a fair chance to grow with the society.

Thus, equal employment opportunity should provide equal access to all available jobs, training, and promotional opportunities, similar benefits and services to everyone apply all policies and practices consistently to applicants and staff. There should not be differentiation among applicants or employees on the basis of any aforesaid discriminatory factors.

Notes Reservation in Indian law is a form of affirmative action whereby a percentage of seats are reserved in the public sector units, union and state civil services, union and state government departments and in all public and private educational institutions, except in the religious/linguistic minority educational institutions, for the socially and educationally backward classes of citizens or the Scheduled Castes and Tribes who were inadequately represented in these services and institutions.

The advantage of affirmative action programme is to employ and retain a diverse workforce of the best-qualified individuals. As affirmative action is a set of specific, results-oriented programs and activities designed to correct underutilization of minorities and

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women in the workplace. In other words, it forbids employment discrimination. It requires the elimination of any bias in personnel activities.

An affirmative action program contains quantitative analyses designed to evaluate the composition of an organisation's workforce and compare it to the composition of the relevant external labor pools. The principle of affirmative action is to treat unequals as equals. Affirmative action is seen in many countries, especially in democratic societies such as India. It seeks to redress imbalances, due to disproportionate representation of underprivileged sections of society in workforce.

Case Study

Workmen's Compensation

Mr. Nandkishore is a workman employed in the despatch department of a cement factory. The factory is located in one of the towns of a politically sensitive state. It employs about 1,500 employees besides the managerial staff. The annual turnover of the company is around ₹ 150 crores and its capacity utilisation is 75 per cent.

The factory has three unions besides a security staff association and a management association. For eight years, only one union has been recognised, on the basis of its "claim" that it has the largest following of workmen. Continued recognition of a single union led to strained relations between the two unrecognised unions and the management and also among the unions themselves.

Mr. Nandkishore is an office-bearer of one of the unrecognised unions. The industrial relations situation in the factory has been fluctuating from periods of harmony to periods of disturbances.

On December 10, 1988, Mr Nandkishore fell down from the ladder, while working during the second shift. The accident resulted in serious injury to his right arm. He was admitted in a government hospital for treatment. An accident report was sent to the commissioner under Workmen's Compensation Act, to determine the amount of compensation, if any, to be paid to Mr. Nandkishore for the loss, and payment of any advance to the injured workman for covering medical expenses. It also stated that the above amount may be deducted from the compensation which Mr Nandkishore may get, according to the commissioner's decision. The management paid ₹ 3,000 as advance, after obtaining a written undertaking from the union that this amount will be deducted from the compensation payable. The union also agreed to this condition. It also arranged for the release of ₹ 2,000 from the Labour Welfare Fund.

The medical officer treating the workman submitted a report in February, 1989. The medical report did not mention any kind of disablement (Full/partial, temporary/ permanent) to the workman. The commissioner, after processing the case and studying the report, ruled that the workman, Mr Nandkishore shall be paid only half-monthly wages for these two months against his request for compensation as there was no permanent or partial disablement.

On receipt of this report from the commissioner, the management asked the workman to repay ₹ 3,000 given as an advance and requested the union to do the needful in this regard. The union, however, contended that since the accident occurred during and in the course of employment, the management must treat it as ex-gratia payment and that it should not demand its repayment as the money was used for treatment. The management, however,

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pointed out that at the time of taking advance, both the union and workman had agreed that this amount will be recovered from the compensation payable and since no compensation is payable, the workman should pay back the advance. The management, further pointed out that it cannot waive the recovery of the above advance as it is bound by the rules. The union, however, insisted that management should not proceed on the recovery of advance from the workman. The management also heard rumours that the said union may stage a "show down" over this issue.

Questions

1. What is the problem in the case?
2. Analyse the causes which led to the problem.
3. How should one deal with such a situation?

Source: IGNOU September, 1990.

13.10 Summary

- Industrial relations or labour relations are the outcome of the employment relationship in an industrial unit. It underscores the importance of compromise and accommodation in place of conflict and controversy in resolving disputes between labour and management.
- The basic objective of industrial relations is to maintain sound relations between employers and employees.
- Collective bargaining is the process by which representatives of management and workers negotiate over wages, hours and other terms and conditions of employment.
- The objective of collective bargaining is to agree upon an acceptable contract, voluntarily through negotiations. Traditionally, collective bargaining between labour and management has been adversarial. Presently, negotiations are carried out in non-adversarial way, in an atmosphere of mutual trust and faith. There are five different approaches to study industrial relations, namely, the psychological approach, the sociological approach, the human relations approach, Giri's approach and the Gandhian approach.
- A trade union is a formal association of workers, acting collectively, who seek to protect and promote their mutual interests through collective action. The main objective of any trade union is to protect and promote the interests of its members. Unions perform certain social, political and fraternal functions as well. Industrial conflicts constitute militant and organised protests against existing terms and conditions of employment. They occur in several forms such as strikes, lock-outs, gheroas, picketing, boycott, etc.
- Industrial disputes arise due to several causes relating to recognition, retrenchment, employment conditions, indiscipline, wages and allowances, bonus, ill-treatment, etc.

13.11 Keywords

Closure: In case of closure the employer not only shuts down the place of business but also suspends all the transactions of his business.

Collective Bargaining: A procedure by which the terms and conditions of employment of workers are governed by agreements between their bargaining agents and employers.

Employers' Association: It is a formal group of employers set up to defend, represent and advise affiliated employers.

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Industrial Conflict: Organised protest against prevailing industrial conditions raised by a group or a class of workers.

Industrial Dispute: Any dispute or difference between employers and employers, or between employers and workmen or between workmen and workmen which is connected with the employment or non-employment or the terms of employment or with the conditions of labour of any person.

Industrial Relations: It generally refers to the collective relations between employers and employees as a group.

Lock-out: Closing down of an undertaking or the suspension of work or the refusal of an employer to continue to employ any number of persons employed by him.

Negotiation: An interpersonal process used by two or more parties whereby both or all modify their demands to reach an agreement.

Strike: A collective stoppage of work by a group of workers.

Trade Union: "A voluntary organisation of workers formed to promote and protect their interests by collective action" (V.V. Giri).

13.12 Review Questions

1. What do you mean by labour relations? What measures would you suggest to improve labour relations in a firm?
2. Do you think the right of the workers to strike is a fundamental right - as guaranteed in the Constitution of India? Why and Why not?
3. Examine the current state of labour-management relations in India. What measures would you suggest to make these more cooperative?
4. In the face of technological, competitive, political and social changes, do you visualise a constructive role for trade unions in the years ahead?
5. Is union influence on the decline? If yes, illustrate your arguments with examples from the corporate world.
6. Once bargaining begins, an employer is obliged to negotiate in good faith with the union's representatives over conditions of employment. Do you think this is being observed in actual practice in India? Why and why not?
7. What is collective bargaining? Why is it considered as the best way of determining employer-employee relations? In the light of challenges brought about by new technology, methods and processes, do you think the employer-employee relationship has changed completely? If yes, did the Labour Unions and EAs learn to dance with the times?
8. 'The trade union movement in India has not developed along healthy lines'. Comment.
9. Do you think that trade unions in India have served the objectives for which they were formed? Why and Why not?
10. How would you explain equal employment opportunity?

Answers: Self Assessment

1.	F	2.	T
3.	F	4.	F

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5.	T	6.	T
7.	F	8.	T
9.	F	10.	T
11.	F	12.	F
13.	F	14.	F
15.	T	16.	F
17.	F	18.	T
19.	T	20.	F

13.13 Further Readings

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Unit 14: Workplace Safety and Health

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Objectives

After studying this unit, you will be able to:

- Define the term workplace safety
- Discuss the term workplace health
- State the relevance of Industrial safety
- Explain the concept of Industrial health
- Differentiate between physical and mental health

Introduction

"Every twenty seconds of every working minute of every hour throughout the world, some one dies as a result of industrial accident."

The area of safety and accident prevention is of great concern to managers, at least partly because of the increasing number of deaths and accidents at work. Failure to provide a safe place to work can result in major fines and even criminal conviction for managers. In their own self interest, therefore, managers must ensure a work environment that protects employees from physical hazards, unhealthy conditions, and unsafe acts of other personnel. Supervisors play a key role in monitoring workers for safety. Workers must develop safety consciousness through observance of rules. The law enforcing authorities must take all steps to bring the violators to book and impose severe penalties so as to bring about a radical change in the outlook of managers who take safety matters lightly.

Did u know? Alcoholism is an intercontinental nuisance now. Due to alcoholism, business and industry suffer staggering losses every year. Many companies (like Bank of America, Dupont, Eastman Kodak, General Motors have in-house alcoholism programmes) generally prefer a constructive confrontation to tackle this problem.

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14.1 Safety and Health at Work Place

Organizations are obliged to provide employees with a safe and healthful environment. Health is a general state of physical, mental and emotional well being. Safety is protection of a person's physical health. The main purpose of health and safety policies is the safe interaction of people and the work environment. Poor working conditions affect employee performance badly. Employees may find it difficult to concentrate on work. It would be too taxing for them to work for longer hours. Their health may suffer. Accidents and injuries may multiply causing enormous financial loss to the company. Absence and turnover ratios may grow. A company with a poor safety record may find it difficult to hire and retain skilled labour force. The overall quality of work may suffer. Many deaths, injuries and illnesses occur because of safety violations, poor equipment design or gross negligence.

Example: The Union Carbide accident in Bhopal, which killed over 4,000 people in 1984, is considered by most experts to be the result of equipment design flaws which could have been avoided. Union labour ministry's records place companies in Maharashtra and Gujarat as the most dangerous places to work, with over 25,000 and 13,000 accidents respectively. The biggest offenders are generally from jute mills, lead battery manufactures, chemical units, textile mills, match and fireworks industry especially in Sivakasi, automotive industry, sugar crushing units, mining, heavy construction, flour mills, etc.

14.2 Measure to Promote Employee Health at Workplace

The well-being of the employee (Physical as well as Mental) in an industrial establishment."

1. Physical Health
2. Mental Health

Health promotion at the work place may be broadly defined as any effort to prevent disease or premature death through behavioural and organisational change. Health promotion focuses on prevention rather than treatment or cure. Therefore, the health programme at the company is planned around improvement and prevention of controllable risk factors such as smoking, obesity, high level of cholesterol, stress, hypertension and low level of physical fitness, which are responsible for most major diseases. Promoting health consciousness is not an easy task. It requires continuous education, systematic campaign and genuine support from top management. Before the company starts planning for the programme, it must investigate the needs and resources of both the employees and the organisation. The planning programme, basically, involves five steps: setting goals, developing the plan, allocation of resources, implementation and evaluation of the plan. The core health promotion activities may cover such areas as:

1. Healthy living
2. Eating wisely
3. Exercise and Physical fitness
4. Smoking cessation
5. Stress management
6. Protecting one self from workplace hazards.

The initial effort and investment required to institute such health promotion programmes may prove to be quite heavy but the long run rewards are quite fruitful: improvements in employees

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health result in better work attitudes, higher morale, job satisfaction, reduced absenteeism and turnover.

Did u know? **What is Safety**?

Safety – freedom from the occurrence or risk of injury or loss.

Industrial Safety – protection of workers from the danger of industrial accidents.

Accident – an unplanned and uncontrolled event in which an action or reaction of an object, a substance, a person, or a radiation results in personal injury.

14.3 Employee Safety at Workplace

The main purpose of effective safety programmes in an organisation is to prevent work - related injuries and accidents. A well managed factory will see to it that there are no physical hazards such as (i) slipping and falling hazards, (ii) collision and obstruction hazards, (iii) equipment hazards, (iv) fire hazards, (v) hazards from falling objects, etc.

1. ***Slipping, Tripping, or Falling on the Floor Hazards:*** People fall when they slip. Highly polished surfaces, accumulation of water, soap, or oil, etc., on the floor, torn or loose coverings cause the floor to be slippery.
2. ***Obstruction and collision Hazards:*** When the factory layout and space management are poor, it results in improper placement of furniture and equipment causing collision of employees with equipment and machinery, tables, chairs, etc. Further, overcrowding and a narrow space for movement also results in accidental collision between employees.
3. ***Equipment Hazards:*** Quite often, unguarded moving parts, wiring, switches and cards, edges of metal equipment, etc., can cause injuries to employees working in these surroundings. Further, waste paper baskets, lobbies, plumbing fixtures and small snail carts also cause problems for employees. All these should be guarded against.
4. ***Hazards from Falling Objects:*** When file cabinets, lockers and shelves are not properly placed, they could fall on employees and injure them. Also, the stocked materials, paper stands, when placed on the working tables might fall on employees.
5. ***Fire Hazards:*** The places where paperwork is heavy and precautionary measures taken are nil, the possibilities of accidents are high. Improper disposal facilities for smokers, lack of provision of safety cans for inflammable materials, non-existence of fire escapes and exits are the factors that contribute to fire accidents. It is necessary for the manager to see that fire protection equipment and fire extinguishers are available at all times in the factory.

Notes **Accidents in the Factory: Causes and Prevention**

There are two basic causes of workplace accidents, apart from chance occurrences, which are beyond management's control: unsafe conditions and unsafe acts. Unsafe conditions include such facts as: improperly guarded equipment, defective equipment, dangerous procedures in or around machines or equipment, congestion and overloading, improper illumination and ventilation. In addition to these, other work-related factors may also cause accidents. The job itself might be quite dangerous (e.g., crane operator vs an

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accountant) long work schedules might lead to fatigue and cause accidents. The psychological climate of the workplace may be quite hostile (for example, seasonal lay off, reduced wages due to poor demand, etc.) Accidents may be the result of unsafe acts such as: throwing materials, operating machines at unsafe speeds; making safety devices inoperative by removing, adjusting, disconnecting them; using unsafe equipment or employing equipment improperly; using unsafe procedures in loading, placing, mixing, combining, lifting improperly, taking unsafe positions under suspended loads; distracting, testing, abusing, starting quarrelling, horseplay, etc. Workers' personality traits may complicate the issue further especially if they have a tendency to take high risks, suffer from poor vision and emotional instability, etc.

Task As the HR manager of a large auto components unit, safety is one of your major responsibilities. You have decided to conduct a safety analysis of some jobs. Before going ahead, you need a formal approval from the CEO. He has now asked you to explain

1. Why the exercise is undertaken in view of the low accident rate history in the past?
2. Why the analysis is limited to certain jobs?

Notes **Employee Security**

Physical and job security to the employee should also be provided with a view to ensure security to the employee and his family members. The Payment of Wages Act, 1936, the Minimum Wages Act, 1948, the Payment Bonus Act, 1965, provide income security to the employees.

1. ***Retrenchment compensation:*** The Industrial Disputes Act, 1947, provides for the payment of compensation in case of lay off and retrenchment. The compensation is to be paid at the rate of 15 days wage for every completed year of service with a maximum of 45 days wage in a year. Workers are eligible for compensation even in case of closing down of undertakings.
2. ***Lay off compensation:*** In case of layoff, employees are entitled to a compensation at the rate equal to 50% of the total of the basic wage and dearness allowance for the period of their lay off except for weekly holidays. Layoff compensation can normally be paid up to 45 days in a year.

Self Assessment

State whether the following statements are true or false:

1. It is in impossible to eliminate accidents just by reducing unsafe conditions.
2. Certain jobs are inherently more dangerous.
3. The effects of alcoholism on the worker and the work are severe.
4. Job stress has pleasant consequences for both employer and employee.
5. If you primarily work indoors, you may be exposed to airborne health hazards.
6. The heart of safety management is an organisational commitment to a comprehensive safety effort.

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7. Today employers are not obliged to give their employees safe, healthy and secure environment.
8. Designing safety policies and rules and disciplining violators are important components of safety efforts.
9. Convincing employees to keep safety standards continuously in mind while performing their jobs is easy.
10. Wellness programmes are designed to maintain or improve employee health before problems arise.
11. Safety involves protecting the mental well being of people only.

14.4 Industrial Safety and Health

In India, the Factories Act, 1948 stipulated certain requirements regarding working conditions with a view to provide safe working environment. These provisions relate to cleanliness, disposal of waste and effluents, ventilation and temperature, dust and fume, artificial humidification, over-crowding, lighting, drinking water, latrine, urinals and spittoons.

Workmen's Compensation: Workmen's Compensation Act, 1923 is intended to meet the contingency of invalidity and death of a worker due to an employment injury or an occupational disease specified under the Act at the sole responsibility of the employer. The Act covers the employees whose wages are less than ₹ 500 per month. Dependants of the employee are eligible for compensation in case of death of the employee.

Health Benefits: Today, various medical services like hospital, clinical and dispensary facilities are provided by organisations not only to employees but also to their family members.

Employees State Insurance Act, 1948, is applicable to all factories, establishments running with power and employing 20 or more workers. Employees in these concerns and whose wages do not exceed ₹ 1,000 per month are eligible for benefits under the Act. Benefits under this Act include:

1. ***Sickness Benefit:*** Insured employees are entitled to get cash benefit for a maximum of 56 days in a year under this benefit.
2. ***Maternity Benefit:*** Insured women employees are entitled to maternity leave for 12 weeks (six weeks before the delivery and six weeks after the delivery) in addition to cash benefit of 75 paise per day or twice of sickness benefit, whichever is higher.
3. ***Disablement Benefit:*** Insured employees, who are disabled temporarily or permanently (partial or total) due to employment injury and/or occupational diseases are entitled to get the cash benefit under this head.
4. ***Dependant's Benefit:*** If an insured person dies as a result of an employment injury sustained as an employee, his dependants who are entitled to compensation under the Act, shall be entitled to periodical payments referred to as dependant's benefit.
5. ***Medical Benefit:*** This benefit shall be provided to an insured employee or to a member of his family where the benefit is extended to his family. This benefit is provided in the following forms:
   (a) outpatient treatment, or attendance in a hospital, dispensary, clinic or other institutions;

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(b) by visits to the home of the insured person; or

(c) treatment as inpatient in a hospital or other institution.

14.4.1 Industrial Health

Industrial heath is essential to:

1. Promote and maintain the highest degree of physical, social and mental well being of workers.
2. Improve productivity and quality of work.
3. Reduce accidents, injuries, absenteeism and labour turnover.
4. Protect workers against any health hazard arising out of work or conditions in which it is carried on.

Legal Provisions Regarding Health

The Factories Act, 1948, lays emphasis on the following preventive measures (Sec. 11 to 20):

1. ***Cleanliness (11):*** Every factory shall be kept clean and free from effluvia. Dirt must be removed daily. Benches, staircases, passages and the floor of the workroom must be cleaned daily so that there is no accumulation of dirt. Workroom floors must be washed at least once a week, with some disinfecting fluid. Walls, partitions, ceilings, doors, windows, etc., be painted, varnished periodically.
2. ***Wastes (12):*** There must be effective arrangements for the disposal and/or treatment of waste and effluents.
3. ***Ventilation and Temperature (13):*** Every workroom in the factory must have proper natural ventilation, permitting circulation of fresh air. The room temperature should be kept at a level comfortable to workers. The walls and roofs should be of such material and of such design so as to keep the temperature low. High temperature may be controlled by whitewashing, spraying and insulating the factory premises by screening outside walls, windows and roofs.
4. ***Dust and Fumes (14):*** Effective arrangements must be made to prevent or reduce the inhalation and accumulation of dust and fumes. Exhaust appliances should be employed near the place of origin of dust and fumes.
5. ***Artificial Humidification (15):*** In cotton textile and cigarette manufacturing units where artificial humidification is used, State Government rules should be followed. Water used for artificial humidification must be properly purified.
6. ***Overcrowding (16):*** No room in the factory should be overcrowded. There should be at least 14.2 cubic meters of space for every workman.
7. ***Lighting (17):*** The factory must have sufficient and suitable lighting arrangements - both natural and artificial glazed windows and skylights used to light the workroom should be kept clean. Provisions should be made for the prevention of glare and the formation of shadows in the work spot.
8. ***Drinking Water (18):*** The factory must provide wholesome drinking water at suitable, convenient points. All such points are marked 'drinking water' clearly in a language understood by majority of workers. Every such point should be away (not within 6 meters range) from urinals, latrine, spittoons, open drains, etc. Where the factory employs more

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than 250 employees, suitable arrangements must be made to provide cool drinking water during the hot summer months.

9. ***Latrines and Urinals (19):*** The latrines and urinals are (a) maintained separately for male and female workers, (b) having sufficient enclosed space, (c) conveniently situated and accessible to all workmen, (d) adequately lighted and ventilated, (e) cleanly kept at all times, (f) maintained properly by employing sweepers for this purpose.

10. ***Spittoons (20):*** A sufficient number of spittoons should be provided at convenient places in every factory and these should be maintained in a clean and hygienic condition.

14.4.2 Industrial Safety: Effective Safety Management

Effective safety management considers the type of safety problems, accidents, employees and technology in the organisational setting. The role of human beings in safety related problems should also be looked into. Safety efforts will not be successful if we try to engineer machines without paying attention to behavioural reactions of employees. A comprehensive approach to safety includes the following steps:

1. ***Safety Policy:*** Every factory must formulate and implement a safety policy. The objective of such a policy should be to eliminate or reduce accidents and injuries in the workplace.

2. ***Top Management Support:*** The safety policy must be supported by top management firmly. 12 Safety commitment should begin with top management. The commitment manifests itself in top managements' being personally involved in safety activities in a routine way; giving safety matters top priority in company meetings and production scheduling, giving company safety officer high rank and status and including safety training in new workers' training.

3. ***Safety Committee:*** To promote safety consciousness among employees, safety committees could be constituted, under the chairmanship of a safety officer. The committee should consist of representatives from workers and supervisors from various departments and levels. It must meet regularly to conduct safety reviews and make recommendations for changes necessary to avoid future accidents.

4. ***Safety Discipline Motivation:*** Safety rules must be enforced strictly. Violations should not be tolerated. Frequent reinforcement of the need for safe behaviour and feedback on positive safety practices have been found to be extremely effective in improving workers' safety. Rewards and certificates could be offered to employees for good safety records. To promote employee involvement and motivation, safety contests could be held followed by incentives for safe work behaviour.

5. ***Safety Engineering:*** To minimise workplace accidents, proper engineering procedures could be followed. Fencing of machinery, adequate space between machines, parts and equipment, use of material handling equipment, safety devices, proper maintenance of machines, etc., are undertaken to prevent accidents from occurring.

6. ***Safety Training and Communications:*** Safety training can also reduce accidents. It is especially useful in case of new recruits. Training in safe practices, procedures, material handling, first aid, fire prevention, etc., could be offered to them. Posters, newsletters, displays, slogans and signs could also be used to promote safety consciousness throughout the organisation. Another way to communicate safety ideas is through safety films and videotapes.

7. ***Accident Investigation and Research:*** When accidents takes place, they should be thoroughly investigated to find the actual reason (poor lighting, poor ventilation, wet floor, etc.) as early as possible. Such an early probe is necessary to ensure that conditions

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under which the accident occurred have not changed significantly. Photographs, videotapes could be used to gain better view of the actual scene. In the next step, the injured employee or his supervisors should be interviewed to find out what happened and how the accident occurred. In the third place, an accident investigation report should be prepared indicating what has happened and recommending steps to prevent similar accidents from occurring.

8. ***Evaluation of Safety Effort:*** Organisations should monitor and evaluate safety efforts by conducting safety audits at intervals. Accident and injury statistics should be periodically compared with previous accident patterns to find any important changes. This analysis should be designed to measure progress in safety management.

9. ***Governmental Support:*** To extend support to safety related activities the Government of India established the National Safety Council in 1966. The principal job of this council is to promote safety consciousness at the plant level and conduct safety programmes. The national Safety Day is celebrated every year to signify the foundation day of the council. National safety awards are given every year to industrial units for ensuring accident-free environments.

Legal Provisions Regarding Safety (Sec. 24 to 40)

The Factories Act, 1948, puts emphasis on the following safety provisions:

1. ***Fencing of Machinery (21):*** In every factory the dangerous parts of any machines shall be securely fenced.

2. ***Work on or near Machinery in motion (22):*** For examining and lubricating machines while in motion, specially trained workers wearing tight clothes be sent. Such a worker should not be allowed to handle belts of machines in motion without proper precautions. Women and young children should be prohibited from handling such dangerous machines.

3. ***Employment of Young Persons (23):*** No young person be allowed to work on dangerous machines unless he is fully instructed about possible dangers and precautions to be followed. Sufficient training be provided in advance and he should be allowed to operate such machines under the guidance of an experienced supervisor.

4. ***Striking gear and Devices for cutting off power (24):*** In every factory suitable striking gear has to be used to move driving belts. Steps should be taken to ensure prevention of the belt from creeping back on to the fast pulleys. Driving belts, when not in use, shall not be allowed to rest or ride on a shaft in motion. Suitable devices for cutting off power in an emergency shall be maintained in every room. When a device which can inadvertently shift from 'off' to 'on' position is provided in a factory to cut off power, arrangements shall be made to lock it in a safe position with a view to prevent the accidental starting of the transmission machinery or any other machines to which the device is fitted.

5. ***Self-acting Machines (25):*** No traversing part of a self acting machine in any factory and no material carried thereon shall be allowed to run on its outward or inward traverse within a distance of 18 inches from any fixed structure which is not a part of the machine, if a person is liable to pass through the space over which it operates.

6. ***Casing of new Machinery (26):*** All machinery, driven by power and installed after 1-4-1949, must be encased or otherwise effectively guarded to eliminate danger to those working in the factory.

7. ***Employment of Women, Children near Cotton Openers (27):*** No woman or child be employed in any part of a factory to press cotton when a cotton opener is working. But if

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the feed-end of a cotton opener is in a room which is separated from the delivery-end by partition extending to the roof or to such height as the factory inspector may express in writing, women and children may be employed in that part of the room where the feed-end is kept.

8. ***Hoists and Lifts (28):*** In every factory hoists and lifts shall be of a good mechanical construction, sound material and adequate strength and shall be properly protected by enclosures fitted with gates. Once in every six months, it shall be thoroughly examined by a competent person. The maximum safe working load shall be clearly indicated on every hoist or lift. A heavier load shall not be allowed to be carried on that hoist or lift.

9. ***Lifting Machines, Chains and Ropes (29):*** The lifting machines, tackles, chains and ropes used in every factory should be of good construction, sound material and strong enough to carry the necessary loads.

10. ***Revolving Machinery (30):*** In every room where grinding jobs are performed, a notice showing the maximum working speed of the machine shall be fixed near it. Safe working peripheral speed of every revolving vessel, pulley, basket, flywheel, disc has to be observed and steps should be taken to see that the safe working speed is not exceeded.

11. ***Pressure Plant (31):*** If in any factory operations are carried out at a pressure above the atmospheric pressure, proper measures shall be taken to see that the safe working pressure is not exceeded.

12. ***Floors, Stairs and Means of Access (32):*** All doors, steps, stairs, passages and gangways shall be of sound construction and maintained in a state of good repair; they shall be free from obstructions likely to cause persons to slip and hand rails shall be provided wherever required. As far as possible, safe means of access to the place of work shall be provided and maintained.

13. ***Pits, Sumps, openings in Floors (33):*** Every pit, tank, sump, fixed vessel, opening in the ground or in a floor which is a source of danger, shall be either properly covered or securely fenced.

14. ***Excessive Weights (34):*** No person shall be employed in any factory to lift, carry or move any load which is so heavy as to cause him a possible injury.

15. ***Protection of Eyes (35):*** Effective screens or suitable goggles be given to workers while scrutinising a manufacturing process involving risk of injury to eyes.

16. ***Dangerous Fumes and Gases (36):*** No person shall be allowed to enter any chamber, tank, vat, pit or other confined space in which any gas, fume, vapour or dust is likely to be present to a dangerous extent. A person can enter such a place only when it is provided with a manhole of adequate size or other effective means of egress. A person may be allowed to enter such a space only when suitable steps have been taken to remove dangerous fumes. In case of any emergency, suitable breathing apparatus, reviving apparatus, belts and ropes be kept ready. A sufficient number of persons in the factory shall be trained in the use of all such apparatus and in the method of restoring respiration.

17. ***Precautions with regard to Portable Electrical Light (36A):*** No portable electric light or any other electric appliance of voltage exceeding 25 volts shall be permitted for use inside any chamber, tank, vat, pit, flue or confined place. If any inflammable gas, fume or dust is likely to be present in such chamber, tank, vat, pipe flue or any other confined space, no lamp or light, other than the one which is flame-proof shall be permitted to be used inside the factory.

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18. ***Explosive or Inflammable Gas or Dust (37): I***n the manufacturing process if any dust, gas or fume is likely to explode on ignition, preventive steps should be taken to:

    (i) enclose plant or machinery used in the process

    (ii) remove or prevent the accumulation of such dust, gas, fume or vapour

    (iii) enclose all possible sources of ignition.

    Steps should also be taken to restrict the spread or effects of the explosion. When such explosive items need to be opened, the flow of gas or vapour should be stopped through a stop valve, reduce the atmospheric pressure through all practical steps and put the loosened or removed parts in respective locations in a proper way. Welding or soldering of vessels containing explosive material should be done, if necessary, only after removing fumes, vapour, etc., completely.

19. ***Precautions in case of Fire (38):*** All practicable steps should be taken to prevent the outbreak of fire inside the factory. In case of fire, safe escape routes should be there. The exit routes should be marked in an understandable language. Clearly audible warning signals should be given in case of fire. Equipment for extinguishing fire should also be available. Workers should be familiar with the means of escape in case of fire and they should be adequately trained, in advance, in the procedure to be followed in such a case. The chief safety inspector may also prescribe certain other steps to ensure safety of workers. The Inspector may issue an order to the manager of a factory to furnish details of defective parts and also carry out safety drills and inform him of the results (39).

20. ***Safety of Building and Machinery (40):*** When a particular building or machinery poses a danger to workers, it shall not be used till it is properly repaired or altered. The Inspector may prohibit the use of a building or machine during the intervening period. He may ask the owner to carry out specific repairs before a particular date - in writing (40 A).

21. ***Safety Officers (40 B):*** A safety officer shall be appointed in every factory employing 1000 or more workers. He should (i) formulate a safety policy to be followed (ii) investigate causes of injuries and circumstances leading to accidents (iii) organise safety education, training and publicity at various levels and (iv) act as a technician, planner, organiser and stimulator of safety.

    The State Government has the power to make rules to supplement the provisions listed above (41).

Self Assessment

Fill in the blanks:

12. ..... considers the type of safety problems, accidents, employees and technology in the organisational setting.

13. The role of human beings in safety related problems should also be looked into very..... .

14. Safety efforts will not be successful if we try to engineer machines without paying attention to ..... reactions of employees.

15. When accidents takes place, they should be thoroughly investigated to find the actual reason (poor lighting, poor ventilation, wet floor etc.) ..... possible.

16. Every factory must formulate and implement a ..... policy

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Case Study

It's the Matter of Safety

Mr. Anuj, safety engineer for a manufacturing company was walking through the plant when he spotted a situation that immediately caught his attention. Some employees had backed out of a room where several chemicals were used in a critical manufacturing process. Anuj inspected the room but could not determine that anything was wrong or even different from any other day. He was puzzled as to why the workers were reluctant to resume their tasks. As it turned out, the employees were not only hesitant to return to work, they were adamant in maintaining that conditions in the room were unhealthy. The room was full of hazardous substances, placed all over in an untidy manner. The stores in charge went on a long leave to complete the marriage of his only daughter. The person in charge currently is not able to cope up with the challenge and is not able to meet the frequent demands of various departments, especially during rush hours, and position the dangerous stuff in an appropriate manner. Apart from causing irritation and breathlessness in the nearby areas, the positioning of dangerous materials all around has become a topic of debate and discussion among working class during their informal gatherings. Sensing an opportunity to attack management, one of the representatives from a minority union has been raking up this issue again and again-during the last two or three days-putting an accusing finger on the problem causing trouble to workers in the chemicals department. Anuj and the group's supervisor, Mr. Sharma, discussed the situation and wondered whether they should order the people to resume work since the department was already behind schedule.

Questions

1. Analyze the Situation.
2. What do you infer?
3. How should Anuj and the group supervisory respond to this situation?

14.5 Summary

- Health is a general state of physical mental and emotional well-being. Safety involves protecting the physical well being of people. The legal provisions governing health cover areas such as cleanliness, waste disposal, proper ventilation and temperature control, preventing accumulation of dust, avoiding overcrowding, providing wholesome drinking water, proper lighting, having a requisite number of latrines and urinals, etc. Health promotion covers areas such as healthy living, physical fitness, smoking cessation, stress management etc. Employee assistance programmes offer counselling, medical help and rehabilitation opportunities to all troubled employees.
- The main purpose of effective safety programmes in an organisation is to prevent work-related injuries and accidents. Safety members in factories cover slipping and falling hazards, collision and obstruction hazards, equipments hazards, fire hazards, hazards from falling objects, etc. Supervisors play a great role in reducing unsafe conditions and unsafe acts. Effective safety management includes establishing a safety policy, ensuring top management support, creating safety committees, promoting safety discipline, and instituting safety engineering procedures, offering safety training, investigating reasons for accidents thoroughly, and evaluating safety efforts from time to time.

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- The legal provisions regarding safety cover areas such as fencing of machinery, not employing young persons near dangerous machines, using safe devices to cut off power, using good hoists and lifts, giving enough room for workers to move around safely, quality flooring, providing ventilators for pumping out fumes, gases; and precautions to be taken to prevent fire accidents, etc.

14.6 Keywords

Effective Safety Management: Effective safety management considers the type of safety problems, accidents, employees and technology in the organisational setting.

Employee Assistance Programmes: Programmes that provide professional counselling, medical help and rehabilitation opportunities to all troubled employees.

Health: A general state of physical, mental and emotional well-being.

Safety: Protection of a person's physical health.

Safety Engineering: To minimise workplace accidents, proper engineering procedures could be followed. Fencing of machinery, adequate space between machines, parts and equipment, use of material handling equipment, safety devices, proper maintenance of machines, etc., are undertaken to prevent accidents from occurring.

Security: Protection of employer facilities and equipment from unauthorised access and protection of employees while on work premises or work assignments.

Troubled Employee: An individual who is confronted by unresolved personal or work related problems.

Wellness Programmes: Programmes that focus on prevention to help employees build lifestyles that will help them to achieve their full physical and mental potential.

Workplace Aggression: Efforts by individuals to harm others with whom they work or have worked.

14.7 Review Questions

1. Explain the legal provisions regarding employee health, under the Factories Act, 1948.
2. How do working conditions affect the health of employees? What steps should be taken to protect employee health?
3. Identify the causes for accidents in the factory. What steps should be taken to ensure industrial safety?
4. Explain what causes unsafe acts. What is the role of a supervisor in safety?
5. Describe at least five techniques for reducing accidents.
6. "Accidents do not just happen, they are caused". Comment.
7. What steps should be taken by management to increase motivation for safety?
8. Should organizations be willing to invest more money in employee wellness? Why or Why Not?
9. Discuss the following statement by a supervisor;

   "I feel it is my duty to get involved with my employees and their personal problems to show that I truly care about them."

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10. If a supervisor is aware that one of his employees has been under the influence of drugs, which is affecting the employee's performance lately, should the supervisor take any action? Should the employee be paraded before the disciplinary committee constituted for to mend his ways? or should the employee be given time to mend his ways? Discuss the moral implications involved in this situation.

11. To lead a healthier life, doctors say we need to identify those things we currently do that either impair or contribute to our health. Prepare a list of those activities you do that have a beneficial or harmful impact on your health. Discuss with others a way to develop a lifetime programme for a healthy lifestyle.

Answers: Self Assessment

1.	T	2.	T
3.	T	4.	F
5.	T	6.	T
7.	F	8.	T
9.	F	10.	T
11.	F	12	Effective safety management
13.	Carefully	14.	Behavioural
15.	as early as	16.	safety

14.8 Further Readings

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Unit 15: HRM Effectiveness

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Objectives

After studying this unit, you will be able to:

- Understand the concept of HRM effectiveness
- Discuss Contemporary Issues in HRM
- State the relevance of emotion in HRM
- Understand human emotion for effective management
- Analyze the concept of emotional intelligence

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Introduction

There are a number of critical trends/issues affecting the employment relationship that further affect how organizations need to manage their employees. Some of these trends pertain to changes taking place in the external environment of the organization; others pertain to some of the ways organizations are responding internally to such trends. The term 'environment of business' refers to the aggregate of conditions, events and influences that surround and affect it. The prevailing trends have significantly change the way HRM works. The recent trends in HRM can be identified under technological impact, economic challenges and workforce diversity.

15.1 Impact of Technology in HRM

In the present competitive world, technological breakthroughs can dramatically influence an organisation's service markets, suppliers, distributors, competitors, customers, manufacturing processes, marketing practices and competitive position. Technological advances can open up new markets, result in a proliferation of new and improved products, change the relative cost position in an industry and render existing products and services obsolete. Technological advancements can create new competitive advantages that are more powerful than existing ones. Recent technological advances, as we all know, in computers, lasers, robots, satellite networks, fibre optics, biometrics, cloning and other related areas have paved the way for significant operational improvements in an organisation. It shows changing trends in HRM.

1. ***New Skills Required:*** As new technologies are developed and implemented, there is an urgent need to upgrade existing employee skills and knowledge. It requires continuous modernization and upgradation in the skill sets of employees as well as hiring employees with required skills and qualifications. Thus, giving thrust to ongoing recruitment and training process from HR department.
2. ***Downsizing:*** New Technologies have decimated many lower-end jobs with frustrating regularity. Increased automation has reduced employee head counts everywhere. The pressure to remain cost-effective has also compelled many a firm to go lean, cutting down extra fat at each managerial level. The wave of merger and acquisition activity, in recent times, has often left the new, combined companies to downsize operations ruthlessly.
3. ***Collaborative Work:*** Technological change has resulted in hierarchical distinctions being blurred and more collaborative teamwork where managers, technicians and analysts work together on projects. Team based incentive plans have also made it necessary for all classes of employees to work in close coordination with each other. Here, E-HRM helps in working of team work by delegating HR functions to respective members through the help of networking.
4. ***Telecommuting:*** The rapid advances in technology have led to the relocation of work from the office to the home. Telecommuting has become the order of the day-where employees work at home, usually with computers and use phones and the Internet to transmit letters, data and completed work to the home office.

Internet and Intranet Revolution

In HR, internets and intranets are being used to handle training, benefits administration, performance management and out placement functions, in recent times. The cumulative impact of new technology is so dramatic that at a broader level, organisations are changing the way they do HRM.

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Technology, to cut short a long argument, is changing the face of HRM-altering the methods of collecting employment information, speeding up the processing of that data, and improving the process of internal and external communication. It is also impacting the way the jobs are being processed with a view to achieve operational efficiency. In this race to cut down costs, improve productivity levels and enhance customer satisfaction – organisations should be careful enough to introduce new technologies in a phased manner, taking employee concerns into account. Increased global competition, of course, is compelling most organisations to restructure, reengineer work processes, introduce total quality management and build flexibility into work schedules in order to remain competitive and cost-effective.

15.2 Contemporary Issues in HRM

Human resource management is a process of bringing people and organizations together so that the goals of each other are met. Nowadays, it is not possible to show a good financial or operating report unless your personnel relations are in order. Over the years, highly skilled and knowledge based jobs are increasing while low skilled jobs are decreasing. This calls for future skill mapping through proper HRM initiatives.

Indian organizations are also witnessing a change in systems, management cultures and philosophy due to the global alignment of Indian organizations. There is a need for multi skill development. Role of HRM is becoming all the more important. Some of the contemporary issues that are being observed are:

1. Adding value to an organization both the labour force and the business itself.
2. Manage talent within your organization - try to attract and keep talented and hard-working people in the organization.
3. Globalization
4. IT
5. Business Control
6. Information-workers
7. Info-management.

In addition to the above stated issues, following are also of related importance:

15.2.1 Shortage of Critical Skills

Shortage of critical skills is now a global phenomena. While for the developed countries, this is primarily because of aging population, for developing countries like India, the problem is absence of proper initiative at the national level. Whatever is being done now could have been done at least a decade ago. The problem of skill shortage in the developed countries, as was mentioned above, is primarily for aging population. But for India, it is for deficiency in our national level planning and implementation. National Renewal Fund (NRF) was especially created by the government, initially from a budgetary allocation and later by transferring proceeds from the disinvestment of PSU shares. The major thrust of NRF was to make fund available to organizations on soft interest terms to invest in skill renewal.

15.2.2 Demographic Change

Another important aspect which deserve attention of HRM is demographic change process. For developed countries, the problem is aging populations, but for a developing country like India,

the problem is just reverse. Our working population is increasing at the annual rate of 1.09 per cent. By the year 2015, we will have more population in working age group (15-64 years), which would be 66.7 per cent of total population against the present rate of 61.2 per cent. Therefore, we need to concentrate on human resource development in a planned manner, duly identifying the skill requirement. Over the years, skilled and knowledge-based jobs are increasing, while low-skilled jobs are decreasing. This further calls for future skill mapping through proper HRM initiative in India.

15.2.3 Global Job Mobility

With the increase of global job mobility, recruiting competent people is also increasingly becoming difficult. The problem is more acute in India. Therefore by creating an enabling culture, organisations are also required to work out a retention strategy for the existing skilled manpower. Similarly to attract talent, organisations need to focus on compensation strategy with enabling work culture.

15.2.4 Management Culture and Philosophies and Management Practices

Indian organisations are also witnessing a change process in systems, management culture and philosophies and management practices. Apart from economic compulsion, such change process is the outcome of global aligning of Indian organisations. To sustain the competitive pressure, we now need to have better skill and knowledge edge over others. Fortunately, multi-skill development, even though considered globally not very successful in other countries and even at times counter productive to them, for India it is very successful for its obvious root to our age-old social stratification theory. Role of HRM is now all the more important.

15.2.5 Quality Management Standard

The revised Quality Management Standard ISO 9001 and ISO 9004 of 2000 focussed more on people-centric organisation. We will discuss its features in brief and then delineate how it influences HR issues in an organisation.

Main Features: Major changes in the revised ISO 9000 standards are the increased focus on top management commitment and customer satisfaction, the emphasis on processes within the organisation, and the introduction of continual improvement concepts.

The revisions of ISO 9001 and 9004 are based on following quality management principles that reflect best management practices.

These principles are:

1. Customer focused organisation
2. Leadership
3. Involvement of people
4. Systems approach to management
5. Continual improvement
6. Factual approach to decision making
7. Mutually beneficial supplier relationship.

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Features include the continuity and compatibility between the old and new version of the standards. With the revised ISO 9001, the Quality Management System covers those activities of an organisation that provide assurance to customers that their needs are being addressed.

15.2.6 Another Important Emerging HR Issue is to Build Organization in Line with Capability Profile

Competencies are attributes, some professional skills, or a combination of skills and knowledge and behaviours. Competency models suggest integration of business plan of the company with selecting the right individual for the job. An integrated system of corporate values, vision, mission statement, goals/objectives, action planning and support systems are needed to put it all together. A competency is defined as the smallest unit of on-the-job behaviour that is observable, measurable, and changes over time. Behaviour is a function of consequence.

Competencies matter because past performance is the best predictor of future performance, good current performance builds from past performance and the more recent the effective behaviour, the more appropriate fit to the job. The organisation needs to create an integrated human resources process by looking at not only the skills and knowledge but also the behaviour required by an employee to be successful in any job. This results in a capability profile. Capability is a combination of skills, knowledge and behaviour. Once this profile is in place, we can use the behaviours for selection and recruitment, for employee development, reward management, performance management, training, succession planning and career development. Rewards do not have to be financial they can be recognition or paid 'time off or a simple thank you.

Once this is in place we enable our people in true sense or make our organisation an enabling organisation and this way the organisation flourishes.

15.2.7 Six-sigma Practices

To leapfrog ahead of competition in this world of uncertainty, corporate world is experimenting with one after another processes. From 'Conformance to Standards' to achieve total quality, the focus has now been shifted to add economic value and practical utility to both the organisation and the customer. Realising Value entitlement both by the customers and the organisations is now the determinant of business relationship. It is now a win-win situation for the both. For customers, it is their rightful expectation to buy quality products at competitive cost, while for organisations, it is to produce at highest possible profit. This synergy is what everybody tries to achieve in this corporate world. Rejection Allowance, Unavoidable Rejection (UR) are now the forbidden words. Six sigma as a business process is now allowing organisations to improve their bottom line by designing and monitoring business activities in a way that minimises wastes and resources without, however, compromising with customer satisfaction. Six Sigma process is broader than total quality management (TQM) programmes. While TQM focuses on detecting and correcting defects, six sigma recreates the processes to ensure defects never arise right from the beginning. From organisations' point of view, it provides maximum value in the form of increased profits and from customers' point of view, it provides maximum value in terms of high quality products and services at competitive costs.

Higher Sigma values indicate better quality products and lower sigma values represent less quality products. At six sigma level, products are virtually defect free, i.e., only 3.4 Defects Per Million Opportunities (DPMO).

15.2.8 Innovation and Creativity

Innovation is a new technique or idea encompassing product/services, process, managerial styles and even organisational structure. It may be technology push or demand pull or even

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combination of both. Research and Development (R&D) activities of an organisation are examples of such innovation. In any organisation need for innovation is primarily felt to keep pace with the competition. It has to be essentially customer focussed as this backward linkage facilitates process-centered innovative changes. Whether it is just-in-time (JIT) inventory, Supply Chain Management (SCM), Business Process Outsourcing (BPO), Flexible Manufacturing Systems (FMS), Product/Service customisation, strategic backward or forward integration, synergy through merger or acquisition, alliances or collaboration, organisational re-engineering TQM or Six Sigma Practices, new work culture as facilitator of organisational change or any R&D initiative for value addition, which broadly encompasses innovation; all stem from customers' explicit or implicit needs. Mapping customers' needs and aligning the same to innovation initiative is what we need in this competitive world. Innovation is enabled by proactive HR Practices. Subscribing to innovation without proactive HR practices will hinder rather than fostering innovation in an organisation. Proactive HR Practices, inter alia, call for creating a work environment that recognises creativity, inter-organisational co-operation rather than competition, working as cross-functional teams, productive meetings for innovative results, introduction of formal innovation programmes and finally organisation's receptivity to new ideas and perspectives. Fostering innovation requires a structured approach. It has to be broadly in the given context, leadership, values and culture. Contextual analysis helps in building required innovation teams. Leaders facilitate the teams. Values enable adoption of principles which foster innovation and finally the culture provides the playing field.

At this stage, it is pertinent to define creativity as innovation and creativity are often used interchangeably in work place. Webster Dictionary has defined creativity as "the ability or power to create, to bring into existence, to invest with a new form, to produce through imaginative skill, to make or bring into existence something new". Creativity is therefore, the core competency. It is the talent of employees of an organisation. Competitors can replicate the strategies of an organisation but not the creative talents of its employees. To encourage creativity, organisation first create the right environment where employees feel safe even to come up with 'dumb' or 'crazy' ideas. Creativity is often punished in organisation, as creative people spend more time to get ready for action. They are also more difficult to manage. Organisations, therefore, often see them as major time and money wasters and inhibit their creative thoughts. A review of creativity literature helps us to capture creative patterns in following ways:

1. A creative process is a balance of imagination and analysis. It involves idea generation, analysis and evaluation.
2. Creativity does not stems from subconscious process, as traditionally believed by the classical school of thoughts. It is a purposeful or directed attempt to generate new ideas under controlled situation to help organisation to leapfrog in competition. Paul E. Plsek (1997), used the term more appropriately as 'Directed Creativity'. It is a purposeful generation of creative ideas with seriousness of its implementation, whenever it matches with organisational requirements. Non-implementation of at least some ideas (that fit the purpose) will inhibit creativity.

Innovation is the implementation of creative ideas. Therefore, creativity is the subset of innovation. Innovation being a holistic concept, here we prefer to use the term interchangeably.

Competencies on the other hand are set of behaviours, which encompass skills, knowledge, abilities and attributes. Competencies are measurable and it changes over time. Hamel and Prahalad (1990) attributed business success only on innovative creativity, knowledge resources and the expertise, which together create the critical potential of an organisation, i.e., core competencies. Other proponents of core competencies like; Quinn (1992), Drucker (1992), Porter (1995), Waterman (1983), Peter (1988), Nonaka and Takeuchi (1955), Senge (1990), also show that developing core competencies help an organisation to build strategic power. Core competencies are difficult to duplicate by the competitors because of their distinctiveness. Core competencies

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are therefore critical success factors for any organisation. Although there exist widespread difference regarding constituents of core competencies and its relation with knowledge, skill, abilities and attributes .of employees, there is agreement among its proponents about how it is created linking between organisation's goals, structure and culture. Innovation and creativity helps to develop core competencies supplementing knowledge and skill base for the employees. In this respect directed creativity, i.e., purposeful generation of new ideas matching with organisational requirements, is more relevant.

Innovation, creativity and competencies are important facilitators for organisational change. Imperatives for organisational change basically stem from redefining business focus, restructuring, customer orientation - all for competitive advantages.

15.2.9 Supply Chain Management, Business Process Outsourcing and Human Resource Outsourcing

Supply Chain Management (SCM) is an integrated approach to outsource to derive customer satisfaction by cost optimisation. It cuts costs, reduces inventory, shares basic demand forecast with trading partners for mutual advantage, etc. Even though initial thrust of SCM was to integrate warehousing and transportation for efficient distribution at reduced costs, over the years SCM has become a strategic tool to increase market share and multiply customer satisfaction. The basic hypothesis on which SCM sustains is efficient interaction and interdependence of planning, people and processes i.e., three Ps which together reinforce output that satisfies customers, irrespective of their geographical dispersion, and increases market share and productivity. Outsource everything that's non-core" - this is what Peter Drucker says for today's organisation. With IT interface, SCM has changed from its traditional Logistics management approach to many new areas of corporate outsourcing, even encompassing HR functions. Business Process outsourcing (BPO), to be more specific, is relatively a new concept and an extension of SCM Philosophy, which is revolutionising the management practices of today's organisations. Take for example, British Telecom. In 18 months, they have redefined their strategies 8 times. Or for that matter a Deshi organisation - Reliance, who had surpassed Du'Pont and Dow in terms of per employee profitability, yet with a HR strategy, which speaks more oriental and orthodox than trendy. These are the two extreme cases, where BPO and Human Resource Outsourcing (HRO) have different connotations.

15.2.10 Knowledge is reinforced through learning. Therefore before we define knowledge it is appropriate for us to understand what is learning?

Learning is a process of acquiring new skills or knowledge, which results to a new behaviour. Learning can take place through multiple ways. But for organisations best way to promote learning is by exposure to new experiences. Knowledge is the ability and wisdom to use the learned experiences for achievement of individual and organisational objectives. Knowledge management, therefore, is the process of systematically and actively managing and leveraging the store of knowledge in an organisation.

Any knowledge management initiative need to be first tested in the light of available Guna dynamics, as advocated by Chakraborty (1987). It is not that he has contributed to knowledge management literature but because he has first espoused, knowledge and skills, when reinforced by values ensure better results. His characterisation of knowledge along three Gunas, in the light of Indian-psycho-philosophy when reproduced as matrix (as below) indicates that mere rajas without the essence of sattwa cannot, per se, make a knowledge management and so also skill enrichment initiative successful in any organisation.

Self Assessment

Notes

Multiple Choice Questions:

1. In the final analysis, every society's wealth and well being is dependent on
   (i) organisations
   (ii) size of population
   (iii) luck
   (iv) trade policy
   (v) national resources.
2. The common feature in every organisation is
   (i) people
   (ii) a formal hierarchy
   (iii) offices
   (iv) a bureaucratic set up
   (v) high salaries for top personnel.
3. Human Resource departments are
   (i) line departments
   (ii) authority departments
   (iii) service departments
   (iv) functional departments
   (v) highly redundant departments.
4. Which of the following is not an environmental challenge facing human resources
   (i) competition for scarce inputs
   (ii) governmental rules and regulations
   (iii) global competition
   (iv) changing workers
   (v) environmental activities.
5. Which of the following is not a step that the HR department should follow to deal with environmental challenges?
   (i) take proactive measures
   (ii) evaluate potential costs and benefits
   (iii) obtain and examine feedback
   (iv) stay informed
   (v) proceed carefully until the impact is clear.

Notes

Task Do you think India has any potentiality in world BP HRO market?

15.3 Understanding of Human Emotion for Effective Management

Although not traditionally considered an aspect of cognitive science, it has recently been attributed to be effective on rational decision-making. Predominant theories about emotion explain it as either making judgments, or having bodily reactions, or the combination of the two. Judgments are made, (such as satisfaction from the outcome of hard work,) and/or bodily reactions (such as sweating from fear of a task, or nervousness) take place based on a person's interactions or disposition.

Did u know? **What is Emotion?**

Emotion is a positive or negative mental state that combines physiological input with cognitive appraisal.

Emotion should not be mistaken as mood, which can be described as prolonged, but not necessarily directed emotion. Rather, emotion is usually characterized as affective, short-lived, relatively intense, and thought process interrupting (Grandey et al). It can also be said that emotions are tied to how their stimuli are represented. A concept presented with a positive association can cause different emotion than if presented with a negative association.

Did u know? **What is Emotional Intelligence?**

It is the emotional awareness and emotional management skills that provide the ability to balance emotion and reason, so as to maximize our long-term happiness.

We have all heard of IQ (Intelligence Quotient), which measures our intellectual ability and often predicts school performance. However, the idea of Emotional Intelligence or Emotional Quotient (EQ) is not as well-known or understood even though it may determine as much as 80% of a person's life success. IQ determines about 20%.

The idea is that EI influences success in all areas of life, performance or productivity. It determines who excel in any given job and what is the basis of outstanding leadership.

EI looks at how one handles himself and his relations. Negative emotion or distress erodes the mental abilities and decreases EI. The percentage of time individuals feel negative emotions at work is one of the strongest predictors of dissatisfaction and how likely they are to quit, in addition to this dissonance or lack of harmony in an environment lowers productivity and achievement.

15.3.1 How improving EI Increases Professional Effectiveness

Improving your Emotional Intelligence helps you be more effective in your career and have a more fulfilling personal life because it:

1. Motivates you to do your best
2. Strengthens trust to build productive relationships

Notes

3. Builds resilience to perform under pressure
4. Increase confidence and courage to make good decisions
5. Builds strength to persevere through adversity
6. Clarifies your vision to create the future.

15.3.2 Universal Facial Expressions of Emotion

Figure 15.1: Face and Emotions – Anger, Happiness, Fear, Surprise, Disgust and Sadness

Notes **Twenty Exercises for Conquest of Anger**

1. Conquest of anger through repeated reflection on its harmful and negative effects.
2. Conquest of anger through growth in wisdom and a serene contemplation of the many blessings of a non-irritable Nature.
3. Conquest of Anger through Cultivation of a Sense of Humour and by Gaining Proper Perspectives on Life.
4. Conquest of the Irritable Temper by Conservation of Energies.
5. Conquest of Anger by Cooling down the Physiological System with the Aid of a Glass of Cold Water or Cold Fruit-juice.
6. The Technique of Diversion for Mastery over Anger.
7. Breathing Exercises Aid Control of Anger.
8. Diet-control for Control of Anger.
9. Conquest of Anger through Control of the Excessive Loss of Sex-Energy.
10. Conquest of Anger through the Development of Virtues.
11. Control of Anger through Association with the Noble in Nature.
12. Anger-Conquest by an Assimilation of the Vital Lessons the Great in History Impart.

Contd...

Notes

13. The Technique of Applying Understanding to the Situations that Cause Anger and Transforming the Spirit of Vengeance into a Force of Self-Development.
14. Conquest of Anger through the Technique of Eliminating its Causes.
15. Conquest of Anger by Keeping the Body Passive-Objective Way of Anger-Conquest.
16. Conquest of the Tendency to be Angry, by the Unfoldment of the Higher Life.
17. The Higher Philosophical Self-Discipline for the Conquest of Anger: The Subjective Method of Conquering Anger.
18. A Higher Psychological Self-Discipline for Retaining Freedom from Anger.
19. Conquest of Anger through the Development of a Strong Will, Character and Spiritual Nature.
20. Experience of Identity with the Infinite Love and Peace for Anger-Conquest.

Self Assessment

State whether the following statements are true or false:

6. The contexts in which human resources are managed in today's organisations are constantly changing.
7. Competitive pressures are changing the strategies of many companies.
8. Diversity refers to human characteristics that make people similar to each other.
9. The impact of technology on the HR function is minimal.
10. External challenges can best be met through attempt to change the environment.
11. Now a days the world is shrinking in all major respects.
12. The composition of the workforce has been changing in India over the years.

Notes The primary focus of TQM is on continuous improvement or ongoing incremental change. There is a constant search for achieving things in a better way. However, many organisations operate in a dynamic environment characterised by rapid and constant change. Reengineering would yield fruitful results only when the company tunes its HR practices in line with its radically transformed business processes. HR can contribute to reengineering processes by its effect on building commitment to reengineering, team building, changing the nature of work, and empowering jobs. HR can play a great role improving commitment of employees by hiring competent people, offering the right incentives and installing effective two way communication practices. HR can hire people who can work in process-oriented teams sharing their skills and expertise freely. It can also offer additional training to employees so as to improve their 'team-related' skills and make them capable of handling multiple, cross-functional, enriched tasks in a competent way.

Self Assessment

Fill in the blanks:

13. The primary focus of TQM is on ..... or ..... .

Notes

14. HR can contribute to reengineering processes by its effect on building commitment to reengineering, team building, changing the nature of work, and ..... .

15. HR can hire people who can work in ..... teams sharing their skills and expertise freely.

Case Study

Emotional Intelligence

Prepared for the Consortium for Research on Emotional Intelligence in Organizations, by Cary Cherniss, Ph.D. Rutgers University.

The US Air Force used the EQ-I to select recruiters (the Air Force's frontline HR personnel) and found that the most successful recruiters scored significantly higher in the emotional intelligence competencies of Assertiveness, Empathy, Happiness, and Emotional Self Awareness. The Air Force also found that by using emotional intelligence to select recruiters, they increased their ability to predict successful recruiters by nearly three-fold. The immediate gain was a saving of $3 million annually. These gains resulted in the Government Accounting Office submitting a report to Congress, which led to a request that the Secretary of Defense order all branches of the armed forces to adopt this procedure in recruitment and selection.

(The GAO report is titled, "Military Recruiting: The Department of Defense Could Improve Its Recruiter Selection and Incentive Systems," and it was submitted to Congress January 30, 1998. Richard Handley and Reuven Bar-On provided this information.)

Experienced partners in a multinational consulting firm were assessed on the EI competencies plus three others. Partners who scored above the median on 9 or more of the 20 competencies delivered $1.2 million more profit from their accounts than did other partners - a 139 percent incremental gain (Boyatzis, 1999). An analysis of more than 300 top-level executives from fifteen global companies showed that six emotional competencies distinguished stars from the average: Influence, Team Leadership, Organizational Awareness, self-confidence, Achievement Drive, and Leadership (Spencer, L. M., Jr., 1997).

In jobs of medium complexity (sales clerks, mechanics), a top performer is 12 times more productive than those at the bottom and 85 percent more productive than an average performer. In the most complex jobs (insurance salespeople, account managers), a top performer is 127 percent more productive than an average performer (Hunter, Schmidt, & Judiesch, 1990). Competency research in over 200 companies and organizations worldwide suggests that about one-third of this difference is due to technical skill and cognitive ability while two-thirds is due to emotional competence (Goleman, 1998). (In top leadership positions, over four-fifths of the difference is due to emotional competence.)

At L'Oreal, sales agents selected on the basis of certain emotional competencies significantly outsold salespeople selected using the company's old selection procedure. On an annual basis, salespeople selected on the basis of emotional competence sold $91,370 more than other salespeople did, for a net revenue increase of $2,558,360. Salespeople selected on the basis of emotional competence also had 63% less turnover during the first year than those selected in the typical way (Spencer & Spencer, 1993; Spencer, McClelland, & Kelner, 1997).

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In a national insurance company, insurance sales agents who were weak in emotional competencies such as self-confidence, initiative, and empathy sold policies with an average premium of $54,000. Those who were very strong in at least 5 of 8 key emotional competencies sold policies worth $114,000 (Hay/McBer Research and Innovation Group, 1997).

In a large beverage firm, using standard methods to hire division presidents, 50% left within two years, mostly because of poor performance. When they started selecting based on emotional competencies such as initiative, self-confidence, and leadership, only 6% left in two years. Furthermore, the executives selected based on emotional competence were far more likely to perform in the top third based on salary bonuses for performance of the divisions they led: 87% were in the top third. In addition, division leaders with these competencies outperformed their targets by 15 to 20 percent. Those who lacked them under-performed by almost 20% (McClelland, 1999).

Research by the Centre for Creative Leadership has found that the primary causes of derailment in executives involve deficits in emotional competence. The three primary ones are: difficulty in handling change; not being able to work well in a team; and poor interpersonal relations.

After supervisors in a manufacturing plant received training in emotional competencies such as how to listen better and help employees resolve problems on their own, lost-time accidents were reduced by 50 percent, formal grievances were reduced from an average of 15 per year to 3 per year, and the plant exceeded productivity goals by $250,000 (Pesuric & Byham, 1996). In another manufacturing plant where supervisors received similar training, production increased 17 percent. There was no such increase in production for a group of matched supervisors who were not trained (Porras & Anderson, 1981).One of the foundations of emotional competence – accurate self-assessment – was associated with superior performance among several hundred managers from 12 different organizations (Boyatzis, 1982). Another emotional competence, the ability to handle stress, was linked to success as a store manager in a retail chain. The most successful store managers were those best able to handle stress. Success was based on net profits, sales per square foot, sales per employee, and per dollar inventory investment (Lusch & Serpkeuci, 1990). Optimism is another emotional competence that leads to increased productivity. New salesmen at Met Life who scored high on a test of "learned optimism" sold 37 percent more life insurance in their first two years than pessimists (Seligman, 1990).

A study of 130 executives found that how well people handled their own emotions determined how much people around them preferred to deal with them (Walter V. Clarke Associates, 1997). For sales reps at a computer company, those hired based on their emotional competence were 90% more likely to finish their training than those hired on other criteria (Hay/McBer Research and Innovation Group, 1997). At a national furniture retailer, sales people hired based on emotional competence had half the dropout rate during their first year (Hay/McBer Research and Innovation Group, 1997). For 515 senior executives analyzed by the search firm Egon Zehnder International, those who were primarily strong in emotional intelligence were more likely to succeed than those who were strongest in either relevant previous experience or IQ. In other words, emotional intelligence was a better predictor of success than either relevant previous experience or high IQ. More specifically, the executive was high in emotional intelligence in 74 percent

Contd...

Notes

of the successes and only in 24 percent of the failures. The study included executives in Latin America, Germany, and Japan, and the results were almost identical in all three cultures. The following description of a "star" performer reveals how several emotional competencies (noted in italics) were critical in his success: Michael Iem worked at Tandem Computers. Shortly after joining the company as a junior staff analyst, he became aware of the market trend away from mainframe computers to networks that linked workstations and personal computers (Service Orientation). Iem realized that unless Tandem responded to the trend, its products would become obsolete (Initiative and Innovation). He had to convince Tandem's managers that their old emphasis on mainframes was no longer appropriate (Influence) and then develop a system using new technology (Leadership, Change Catalyst). He spent four years showing off his new system to customers and company sales personnel before the new network applications were fully accepted (Self-confidence, Self-Control, Achievement Drive) (from Richman, L. S., "How to get ahead in America," Fortune, May 16, 1994, pp. 46-54).

Financial advisors at American Express whose managers completed the Emotional Competence training programme were compared to an equal number whose managers had not. During the year following training, the advisors of trained managers grew their businesses by 18.1% compared to 16.2% for those whose managers were untrained. The most successful debt collectors in a large collection agency had an average goal attainment of 163 percent over a three-month period. They were compared with a group of collectors who achieved an average of only 80 percent over the same time period. The most successful collectors scored significantly higher in the emotional intelligence competencies of self-actualization, independence, and optimism. (Self-actualization refers to a well-developed, inner knowledge of one's own goals and a sense of pride in one's work.)

Table 15.1: Component of EI

Men	Women	Common
A. Achievement Motive	**B. Extension Motive**	**E. Self-determination**
• Urge to excel and compete	• Urge to help and care	• Self-awareness
• Sensitivity to opportunity	• Compassion	• Internality
• Acceptance of responsibility	• Empathy	• Optimism
• Low fear of failure	• Trust	• flow
• Persistence, perseverance	• Collaboration, synergy	
C. Power Motive	**D. Self-determination**	**F. Social Competence**
• Urge to control and impact	• Intuition	• Reflection
• Positive self-image	• Value-orientation	• Ambiguity tolerance
• Energy, discontent	• Mgmt. of emotions	• Commitment
• Assertiveness	• Goal-involvement (self-restraint)	• Mgmt of other's emotions
• Self-reliance, independence		• Networking

In the final analysis, our emotions and our immune system are intertwined in a complex system. As we begin to understand how emotions stem from hormonal communication, we will have a starting point to develop dietary strategies to improve emotional control.

Contd...

Notes

Our emotions are greatly related to our work performance. We need improve upon our emotional quotient for professional effectiveness.

Questions

1. Analyze the case and interpret it.
2. Write down the case facts.

15.4 Summary

- Shortage of critical skills is now a global phenomena. While for the developed countries, this is primarily because of aging population, for developing countries like India, the problem is absence of proper initiative at the national level. Another important aspect which deserve attention of HRM is demographic change process. For developed countries, the problem is aging populations, but for a developing country like India, the problem is just reverse. Our working population is increasing at the annual rate of 1.09 per cent. By the year 2015, we will have more population in working age group (15-64 years), which would be 66.7 per cent of total population against the present rate of 61.2 per cent. Therefore, we need to concentrate on human resource development in a planned manner, duly identifying the skill requirement. The increase of global job mobility, recruiting competent people is also increasingly becoming difficult. The problem is more acute in India. Therefore by creating an enabling culture, organisations are also required to work out a retention strategy for the existing skilled manpower. Similarly to attract talent, organisations need to focus on compensation strategy with enabling work culture. Fortunately, multi-skill development, even though considered globally not very successful in other countries and even at times counter productive to them, for India it is very successful for its obvious root to our age-old social stratification theory. Role of HRM is now all the more important. The revised Quality Management Standard ISO 9001 and ISO 9004 of 2000 focussed more on people-centric organisation. We will discuss its features in brief and then delineate how it influences HR issues in an organisation. Another important emerging HR issue is to build organization in line with capability profile.
- Competencies are attributes, some professional skills, or a combination of skills and knowledge and behaviours. Competency models suggest integration of business plan of the company with selecting the right individual for the job.
- To leapfrog ahead of competition in this world of uncertainty, corporate world is experimenting with one after another processes. From 'Conformance to Standards' to achieve total quality, the focus has now been shifted to add economic value and practical utility to both the organisation and the customer. Higher Sigma values indicate better quality products and lower sigma values represent less quality products. At six sigma level, products are virtually defect free, i.e., only 3.4 Defects Per Million Opportunities (DPMO).
- Innovation is a new technique or idea encompassing product/services, process, managerial styles and even organisational structure. Supply Chain Management (SCM), Business Process Outsourcing (BPO), Flexible Manufacturing Systems (FMS), Product/Service customisation, strategic backward or forward integration, synergy through merger or acquisition, alliances or collaboration, organisational re-engineering TQM or Six Sigma Practices, new work culture as facilitator of organisational change or any R&D initiative for value addition, which broadly encompasses innovation; all stem from customers' explicit or implicit needs.
- A creative process is a balance of imagination and analysis. It involves idea generation, analysis and evaluation.

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- Innovation is the implementation of creative ideas. Therefore, creativity is the subset of innovation. Innovation being a holistic concept, here we prefer to use the term interchangeably.
- Competencies on the other hand are set of behaviours, which encompass skills, knowledge, abilities and attribute. Learning is a process of acquiring new skills or knowledge, which results to a new behaviour. Learning can take place through multiple ways. But for organisations best way to promote learning is by exposure to new experiences. Knowledge is the ability and wisdom to use the learned experiences for achievement of individual and organisational objectives. Knowledge management, therefore, is the process of systematically and actively managing and leveraging the store of knowledge in an organisation.

15.5 Keywords

Competencies: Competencies are attributes, some professional skills, or a combination of skills and knowledge and behaviours.

Competency Models: Competency models suggest integration of business plan of the company with selecting the right individual for the job.

Creative Process: A creative process is a balance of imagination and analysis. It involves idea generation, analysis and evaluation.

Emotion: Emotion is a positive or negative mental state that combines physiological input with cognitive appraisal.

Emotional Intelligence: It is the emotional awareness and emotional management skills that provide the ability to balance emotion and reason, so as to maximize our long-term happiness.

Innovation: Innovation is a new technique or idea encompassing product/services, process, managerial styles and even organizational structure.

Knowledge Management: Knowledge management is the process of systematically and actively managing and leveraging the store of knowledge in an organisation.

Learning: Learning is a process of acquiring new skills or knowledge, which results to a new behaviour.

15.6 Review Questions

1. What is meant by HRM effectiveness?
2. What is the essence of having HRM effectiveness?
3. What is meant by: Emotion, emotional intelligence?
4. Discuss important changes in brief which may affect HRM functions.
5. Why as a HR Manager one has to understand the recent changes?
6. Differentiate between creativity and innovation.
7. What is the primary focus of TQM?
8. To what extent revised version of Quality Management Systems influences the HR function?
9. Can HR play any role in inculcating Innovation and Creativity in an organisation?
10. What way six sigma practices bring changes in an organisation?

Notes

Answers: Self Assessment

1.	(i)	2.	(i)
3.	(iii)	4.	(i)
5.	(v)	6.	T
7.	T	8.	F
9.	F	10.	F
11.	T	12.	T

13. continuous improvement, ongoing incremental change.

14. empowering jobs 15. process-oriented

15.7 Further Readings

Books

Aswathapa, K. (2008), *Human Resource Management*, 5th ed., Tata McGraw Hill.

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Relations, Text cases and Games, Himalaya Publication.

Online links

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http://www.citehr.com/89688-contemporary-issues-hrm.html

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Notes

Unit 16: International HRM

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Objectives

After studying this unit, you will be able to:

- Define the term International HRM
- Compare Domestic HRM and IHRM
- Explain the concept of Managing international HR activities
- Realize Cultural Diversity & the Expatriate Problem

Introduction

International human resource management (IHRM) is about the worldwide management of human resources. The purpose of international human resources management is to enable the firm, the multinational corporations (MNCs), to be successful globally. Some of the important objectives of IHRM are; (a) remaining competitive throughout the world; (b) efficient; (c) locally responsive; (d) flexible and adaptable and (e) capable of transferring learning across their globally dispersed units.

Did u know? For many organisations, IHRM is the most important critical success factor. IHRM requires a much broader perspective even for the most common HR activities.

Even when dealing with one particular HR function area such as compensation, the international HR manager is faced with a great variety of national and international pay issues. For example, while dealing with pay issues, the HQ-based HR manager must coordinate pay systems in different countries with different currencies that may change in relative value to one another over time. In the case of fringe benefits provided to host company employees, some interesting complications might arise. A final aspect of the broader scope of IHRM is that the HQ-based manager deals with employee groups that have different cultural backgrounds. The HQ manager must coordinate policies and procedures to manage expatriates from the firm's home country (parent country nationals, PNCs), host-country nationals (HCNs), as well as third country nationals (TCNs, e.g. an

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Indian manager working for a German MNC in the firm's Mexican subsidiary) in subsidiaries around the world.

Although such issues are important for the HQ-based manager, they are also relevant to the HR manager located in a subsidiary. This manager must develop HR systems that are not only acceptable to the host country but also compatible with company-wide systems being developed by his or her HQ-based counterpart. These policies and practices must effectively balance the needs and desires of local employees, PCNs and TCNs.

Task Gather more information on: PCN, TCN, SOE and IJV.

Notes **Different Aspects of IHRM**

International Human Resource Management (IHRM): encompasses strategic and operational aspects of international HRM. According to Schuler et al., 2002, IHRM covers following areas:

1. Understanding international HRM strategies and practices in relation to changing strategies of the international business firm.
2. Exploring the links between the implementation of international strategies and international HRM policy and practices.
3. Developing comprehensive frameworks to reflect the complex set of environmental factors.
4. Examining international HRM activities to recognise their systematic interaction.

It is now recognised world wide that HRM is strategic to business success. IHRM is the internationalisation of business, and the HRM strategies, policies and practices, which organisations pursue to meet the requirement of internationalisation of business' (Scullion, 1995). It is now agreed globally that IHRM is essentially concerned with some core activities of recruitment and selection, training and development, compensation and repatriation of expatriates, managing multicultural teams and international diversity and performance management.

Self Assessment

State whether the following statements are true or false:

1. The home country is the place where the expatriate is working.
2. A global corporation operates in various countries but each foreign business unit is operated separately.
3. Business principles and values can be successfully applied anywhere in the world.
4. Even in global operations, the HR function tends to be highly centralised.
5. Expatriates often lose touch with their organisations.
6. Global activities add a whole new set of often-unforeseen challenges to the HR function.

Notes

16.1 Domestic HRM and IHRM Compared

There are some commonalities in IHRM and domestic HRM practices, particularly in areas like; HR planning and staffing, recruitment and selection, appraisal and development, rewards, etc. The main distinction, however, lies in the fact that while domestic HRM is involved with employees within only one national boundary. IHRM deals with three national or country categories, i.e., the parent country where the firm is actually originated and headquartered; the host country where the subsidiary is located; and other countries from where the organisation may source the labour, finance or research and development. This is because there are three types of employees in an international organization, i.e., parent-country nationals (PCNs); host-country nationals (HCNs); and third-country nationals (TCNs). There are two major factors therefore which differentiate domestic HRM from IHRM. First, the complexities of operating in different countries (and therefore in different cultures), and secondly, employing different national categories of workers. This suggests that international HRM is concerned with identifying and understanding how MNCs manage their geographically dispersed workforces in order to leverage their HR resources for both local and global competitive advantage (Schuler et al., 2002). Globalisation has brought new challenges and increased complexity such as the challenge of managing newer forms of network organization. In recognition of such developments, new requirements of IHRM is to play a key role in achieving a balance between the need for control and coordination of foreign subsidiaries, and the need to adapt to local environments.

Self Assessment

Fill in the blanks:

7. The ..... attitude assumes that local managers in host countries know best how to run their own operations.
8. ..... is an entry strategy in which a firm maintains its production facilities within its home country and transfers its products for sale in foreign markets.
9. The process of bringing expatriates home is called ..... .
10. ..... is the systematic analysis of job requirements.

16.2 Managing International HR Activities

The HR activities included here relate to, are associated with, and impact the organisational level and the individual/group level human resource issues indicated above. These include policies and practices associated with:

1. Environmental analysis
2. Organisational structure, design, strategy, values, mission and culture
3. Human resource planning
4. Job design and job analysis
5. Recruitment, selection and orientation
6. Training, socialisation and assimilation
7. Performance and career management
8. Remuneration (compensation)
9. Employee welfare

Notes

16.3 Cultural Diversity and the Expatriate Problem

Due to global business alignment, it has now become imperative to develop organisational culture with some unique characteristics. Culture is country specific belief, values and norms of a social group shared by its members and distinct from other social groups (Lytle, Brett, and Shapiro 1999). Culture concerns economic, political, social structure, religion, education, and language. Ruben (1983) defines culture as "... the extent that members of a social system share particular symbols, meanings, images, rule structures, habits, values, and information processing and transformational patterns they can be said to share a common culture." Hofstede (1980) reinforces this image of the group by stating, "the essence of culture is the collective programming of the mind." This dynamic of sharing as a central element to culture is well supported by many experts (Kroeber & Kluckhohn, 1963; Munter, 1993; Porter & Samovar, 1994; Ronen, 1986). The broad definition of culture therefore provides a framework for understanding differences among cultural groups in organisations and societies.

Obviously country specific and organisation specific culture requires careful attention of international HR professionals, which otherwise may stand against effective management of international operations. Some of the corporate examples can elucidate this concept.

Hewlett-Packard (HP) has successful to create a conscious corporate culture, which they call 'The HP Way'. HP's corporate culture is based on (1) respect for others, (2) a sense of community, and (3) plain hard work (Fortune Magazine, May 15, 1995). This conscious culture they have developed and they are sustaining through extensive training of managers and all cross-section of employees. Today HP's growth and success internationally may be traced to their conscious corporate culture.

Another illustration of corporate culture is Southwest Airlines. It is one of the most profit making Airlines in the U.S.A. Southwest's CEO, Herb Kelleher, defines Southwest culture as under:

"Well, first of all, it starts with hiring....If you start with the type of person you want to hire, presumably you can build a workforce that is prepared for the culture you desire. Another important thing is to spend a lot of time with your people and to communicate with them in a variety of ways. ... the way you appear and the way you act-is a form of communication. We want our people to feel fulfilled and to be happy, and we want our management to radiate.....that we are proud of our people, we are interested in them as individuals and we are interested in them outside the workforce, including the good and bad things that happen to them as individuals."

Most important example from international perspective is Advanced Micro Devices (AMD). AMD is located in Dresden of East Germany and a composite of three cultures-American, West German and East German. The Americans are "go-getters", who believe in shooting first and aiming later. West Germans are analytical, thorough and correct, whereas the East Germans have mastered the art of innovation with limited resources. AMD became an ideal convergent point for Americans and West Germans to make computer chips, after the Berlin Wall fell. However, soon it became evident that culture clashes hindered success. Americans believed that everyone would want to follow their best practices and Germans found the Americans patronising. West Germans viewed the plant as an opportunity to help their East German brethren. East Germans felt that their unique talents for ingenious solutions were being ignored. These feelings were reflected everywhere even in the way meetings were conducted. American managers preferred freeform brainstorming sessions in English, wherein ideas could be developed spontaneously. The Germans did not want to present their thoughts without any preparation. The Dresden start-up team designed a meeting format, which opened with American-style brainstorming sessions. However, a formal reflective process took place between meetings and language barriers came down once members were given choice to present their ideas either in English or in Germany, depending on his comfort level. In this dilemma process the Americans learnt the art of deliberation and the Germans off-the-cuff dynamism.

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As a result, this multicultural style gave AMD the much-needed competitive edge. AMD's Dresden factory broke production speed records, in less than two years and went through three generations of chip redesign without major errors in a year. The AMD dilemma suggests that success depends on the willingness of employees to let down their defences and talk about ethnic and national personalities and the way they learn from each other. AMD's case has developed Dilemma Theory (Trompenaars, F., Hampden-Turner, C., 1998) a much discussed theory now worldwide and commonly known as THT Theory. According to this theory, insidious culture clashes and most management problems are a result of the human habit of viewing life in terms of all-or-nothing choices. It is always winning versus losing strategies, right versus wrong answers and good versus bad values. Business issues must not be approached as a contest between good and evil, or the potential benefits of "evil" might be lost. It is better to interpret clashes as a reconcilable dilemma.

An example of more down to earth corporate culture can be of Sears, the second largest retail chain of the world. Sears emphasise on three Cs. Compelling place to work, compelling place to shop and compelling place to invest. Sears believe these cultures when practiced takes into account overall growth and prosperity of their organisation. Incidentally, they also align their performance management system with three Cs. Similarly Wal-Mart, the largest retail chain of the world also believe their all employees are their Associates and hence as a matter of corporate culture and practices, Wal-Mart shares all strategic information with employees to get the benefit of empowerment and motivation. Wal-Mart achieves significant rate of growth every year.

All these international examples, therefore, illustrate how successfully managing culture of an organisation, it is possible to be effective in international operations.

Some of the Indian examples here also will authenticate the international experiences. We have the most successful stories of organisational transformation, i.e., Aditya Birla Group Under Kumar Mangalam Birla, which metamorphoses itself into a modern multi cultural transnational with more than 72,000 people drawn from 20 different countries. In his words transformation is about turning aspirations into reality, converting setbacks into opportunities. It is about courage of conviction. It is about what Charles Handy calls "the creation of new alchemists from ordinary people". Transformation is the end result of a highly energised process that combines human ingenuity with its indomitable spirit to make new things happen and create value.

Therefore, all these examples illustrate how developing and sustaining a conscious culture in the work place can contribute to the growth and prosperity of a global organisation. Work culture as a separate branch has received priority due to globalisation.

To illustrate we can site the example of Jack Welch, CEO, General Electric, who created a new corporate culture to meet the business objectives. Key elements of GE's corporate culture are as under:

1. Redesigning the role of the leader in the new economy: creating followers through communicating a vision, and establishing open, caring relations with every employee.
2. Creating an open, collaborative workplace where everyone's opinion is welcomed.
3. Empowering senior executives to run far-flung businesses in entrepreneurial fashion.
4. Liberating the workforce; making everybody a participant through improving vertical communication and employee empowerment.

Managing culture is an important IHRM issues, is evident from the above examples. All the above corporate examples provide some guidelines for international HR managers.

The global reconfiguration of businesses has resulted in changes in training needs. Multinationals require the delivery of HRD training that is cost-effective, flexible and culturally relevant. Training needs to be delivered in different time zones and in dramatically different cultural

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contexts. Online learning, or e-learning, seems an obvious choice to deliver this type of learning. However, while online learning is efficient and convenient, it does not satisfy all training needs. It may fail to adequately develop the social learning communities that work teams need to initiate and sustain effective learning.

Many programmes equip employees with the basics of the host country's history, politics, business norms, education system, and demographics; the cultural values, communication, and how to function in a foreign country. But, do these cross-cultural training programmes adequately prepare the employees to operate in the foreign environment? The need to develop cross-cultural skills in expatriates is even greater where the gap between cultures is very important (Forster, 2000).

Expatriate employees that are unprepared to meet the challenges in a foreign country often fail their mission and this is costly to any organization. Therefore, it is imperative to adequately train expatriates to perform well in oversees assignments; not only does this draw benefits to the company, it also helps the morale of the employees.

Some expatriates succeed in their overseas assignments, others encounter failure. Expatriate failure results in costly consequence (Bennet et al, 2000). Research has identified that having accurate expectations, positively affects cross-cultural adjustment (Caligiuri, et al, 2001). Adequate training also reduces assignment failure (Marquards & Engel, 1993). According to research; only 30% of the U.S. multinational companies provided their employees with cross-cultural training (Bhagat & Prien, 1996; Black, 1988; Deshpande & Viswesvaran, 1992). One reason is that the body of knowledge in cross-cultural training has not been able to impact the field mainly because researchers have not agreed yet on the implementation of their findings (Brewster, 1995; Selmer, Torbiörn, & de Leon, 1998; Selmer, 2001). Litterell et al, (2006) unveiled a rich review of literature over the past 25 years on expatriate preparation.

Self Assessment

Multiple Choice Questions:

11. International HRM is the process of:
    - (i) Procuring
    - (ii) allocating
    - (iii) effectively utilising human resources in a multinational corporation.
    - (iv) All of the above
12. Honda, GE, Proctor & Gamble, etc. essentially adapting existing products for:
    - (i) domestic market
    - (ii) overseas markets
    - (iii) overseas markets without changing much else about their normal operations.
    - (iv) None
13. A multinational corporation is a more complex form that usually has
    - (i) autonomous units operating in multiple countries
    - (ii) semi-autonomous units operating in multiple countries
    - (iii) fully autonomous units operating in multiple countries.
    - (iv) None

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14. Global corporation has corporate units in ..... that are integrated to operate as one organisation worldwide.
    (i) One country
    (ii) Two countries
    (iii) Isolation
    (iv) number of countries
15. An employee who is a citizen of one country, working in a second country and employed by an organisation headquartered in a third country.
    (i) Host
    (ii) Base
    (iii) Second
    (iv) Third

Case Study

General Electric

Today, General Electric succeeds in dozens of diverse businesses, and is continuously at the vanguard of change. Some years ago, however, in locations throughout GE, local managers were operating in an insulated environment with walls separating them, both horizontally and vertically, from other departments and their workforce. Employee questions, initiatives, and feedback were discouraged.

Determined to harness the collective power of GE employees, create a free flow of ideas, and redefine relationships between boss and subordinates, Jack Welch, CEO, General Electric, created a new corporate culture. It's key elements are:

1. Redesigning the role of the leader in the new economy: creating followers through communicating a vision, and establishing open, caring relations with every employee.
2. Creating an open, collaborative workplace where everyone's opinion is welcome.
3. Empowering senior executives to run far-flung businesses in entrepreneurial fashion.
4. Liberating the workforce; making everybody a participant through improving vertical communication and employee empowerment.

The Need for Change

In the new knowledge-driven economy, Jack Welch, CEO, General Electric, "viewed this as anathema. He believed in creating an open collaborative workplace where everyone's opinion was welcomed." He wrote in a letter to shareholders: "If you want to get the benefit of everything employees have, you've got to free them - make everybody a participant. Everybody has to know everything, so they can make the right decisions by themselves."

Improving Connectivity: Creating a Seamless Link between Strategy, Management, and Employees Determined to harness the collective power of GE employees, create a free flow of ideas, and redefine relationships between boss and subordinates, Welch developed

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Work-Out, a series of town hall meetings conducted by GE management and designed to encourage employee feedback, cross-pollination of ideas, and employee empowerment "In the Welch-led GE culture, traditional barriers dividing employees, coworkers, and management give way to tethers of interdisciplinary and interdepartmental cooperation".

Reassessing Performance and Benchmarking Employees Continuously

Jack Welch does a good job of illustrating the need for proactive change management and constant reassessment when he says, "If the rate of change inside an organisation is less than the rate of change outside... their end is in sight". One of the tools used by Welch to ensure constant reassessment and benchmarking is the annual review undertaken by every GE executive and staff member. Once a year, every employee's performance evaluated and awarded a numerical ranking of between 1 and 5. "The implicit understanding is that both the individual and his or her score are moving up or it's time to leave the company".

Building Effective Top Management Team: GE's Ways

1. Selecting superior managers, dedicated to eliminating bureaucracy and building businesses, to run GE's operating units in entrepreneurial fashion.
2. Creating a transparent financial reporting structure that enables CEO to monitor the manager's individual performance by the numbers. Under the CEO's watch, managers have wide latitude in building their GE units, as long as the numbers demonstrate the wisdom of their ways.

Redefining Relationships between Management and Employees

The Four Key Goals of GE's Work-Out Meetings:

1. Encourage employees to share their views in a collaborative culture.
2. Vest greater responsibility, power, and accountability with front-line employees.
3. Eliminate wasteful, irrational, and repetitive steps in the work process (which would come to light through employee feedback).
4. Dismantle the boundaries that prevent the cross-pollination of ideas and efforts.

Leading Change through the GE's Organization: the Jack Welch's Way

1. Redesigning the role of the leader in the new economy: creating followers through communicating a vision, and establishing open, caring relations with every employee.
2. Creating an open, collaborative workplace where everyone's opinion is welcomed.
3. Empowering senior executives to run far-flung businesses in entrepreneurial fashion.
4. Liberating the workforce; making everybody a participant through improving vertical communication and employee empowerment.

Question

List out the important lessons, which you as HR Manager can emulate from the case study.

16.4 Summary

- International human resource management (IHRM) is about the worldwide management of human resources. The purpose of international human resources management is to

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enable the firm, the multinational corporations (MNCs), to be successful globally. Some of the important objectives of IHRM are: (a) remaining competitive throughout the world; (b) efficient; (c) locally responsive; (d) flexible and adaptable; and (e) capable of transferring learning across their globally dispersed units.

- For many organisations, IHRM is the most important critical success factor. IHRM requires a much broader perspective even for the most common HR activities. Even when dealing with one particular HR function area such as compensation, the international HR manager is faced with a great variety of national and international pay issues.
- Due to global business alignment, it has now become imperative to develop organisational culture with some unique characteristics. Culture is country specific belief, values and norms of a social group shared by its members and distinct from other social groups (Lytle, Brett, and Shapiro 1999). Culture concerns economic, political, social structure, religion, education, and language. Ruben (1983) defines culture as "... the extent that members of a social system share particular symbols, meanings, images, rule structures, habits, values, and information processing and transformational patterns they can be said to share a common culture." Hofstede (1980) reinforces this image of the group by stating, "the essence of culture is the collective programming of the mind." This dynamic of sharing as a central element to culture is well supported by many experts.
- Expatriate employees that are unprepared to meet the challenges in a foreign country often fail their mission and this is costly to any organization. Therefore, it is imperative to adequately train expatriates to perform well in oversees assignments; not only does this draw benefits to the company, it also helps the morale of the employees.

16.5 Keywords

Cultural Diversity: Cultural diversity is having different cultures respect each other's differences.

Culture: Culture is defined as an extent that members of a social system share particular symbols, meanings, images, rule structures, habits, values, and information processing.

Domestic HRM: Domestic HRM is involved with employees within only one national boundary.

Expatriate: Person who live in one country and are employed by an organization based in another country, also called international assignees.

HCNs: Host-country nationals.

IHRM: International human resource management.

International Human Resource Management: It is about the worldwide management of human resources. IHRM deals with three national or country categories, i.e., the parent country where the firm is actually originated and headquartered; the host country where the subsidiary is located; and other countries from where the organisation may source the labour, finance or research and development.

MNCs: Multinational Corporations.

PCNs: Parent Country Nationals

TCNs: Third Country Nationals.

16.6 Review Questions

1. Define IHRM.
2. Explain why IHRM is important for the organisations?

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3. Explain different aspects of IHRM.
4. Explain how IHRM differs from domestic HRM?
5. What are the main reasons for emergence of IHRM. Give your answer with some organizational examples.
6. Discuss how IHRM influence HR practices. Illustrate your answer selecting at least two HR areas.
7. Discuss the concept of managing IHRM activities.
8. Define the term culture.
9. What is cultural diversity?
10. Explain Expatriate Problem.

Answers: Self Assessment

1.	F	2.	T
3.	F	4.	F
5.	T	6.	T
7.	Polycentric	8.	Export
9.	Repatriation	10.	Job analysis
11.	(iv)	12.	(iii)
13.	(iii)	14.	(iv)
15.	(iv)		

16.7 Further Readings

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