Rai Technology University

ENGINEERING MINDS

Advanced Human Resource Management

Subject: ADVANCED HUMAN RESOURCE MANAGEMENT

Credits: 4

SYLLABUS

Introduction to Human Resource Management

Introduction: Nature, Philosophy, Need, Objectives and Evolution of Human Resources Management; HRM Functions; HRD Concept; HRD Strategy; HR Responsibilities; Environmental Factors of HRM: Environmental Factors, Challenges to HRM.

Concepts and Process of Human Resource Planning

Human Resource Planning: Importance, Process, Barriers; Strategic Planning; Human Resource Information Systems (HRIS); Forecasting Demands: Forecasting Supply; Man Power Forecasting.

Emerging Trends in HRM

Outsourcing and its HR Dimensions; Human Resource Planning and Downsizing: Voluntary Redundancy and Ways of Downsizing Processing; Importance of Bench Marking; Case Study: Bench Marking VRS Practices and Compensation Management.

Job Analysis: Recruitment and Selection

Job Analysis: 6 Steps, Job Description vs. Job Specification, Methods of Collecting Job Analysis Information; Role of Recruitment and Selection: Situational Factors in Recruitment, Recruitment Policy, External and Internal Sources of Recruiting and its Merits and Demerits, Selection Process and its Types, Structured Interview Guide.

Training and Development

Orientation; Training and Development; the Steps in Training Process; Career and Succession Planning: Career Stages, Career Development, Career Management Succession Planning; Case Discussion on Succession Planning.

Compensation

Introduction: Meaning, Objectives of Compensation; Components of Compensation System; Compensation Management Process; Factors of Determining Pay Rates; Pay Incentives; Employee Benefits and Services; Case Study: Comparing Industry Trends in Pay Rates such as FMCG.

Performance Appraisal

Introduction; Methods of Performance Appraisal; 360 Degree Feedback; Problems in Performance Appraisal; Potential Appraisal: Steps of Potential Appraisal; Case Study: Performance Appraisal Systems in Indian Banks.

Suggested Readings:

1. Human Resource Management by Dessler, Gary, Publisher: Pearson Education Asia, New Delhi.
2. Human Resource Management by Aswthappa, Publisher: TMH, New .Delhi
3. Human Resource Management-Text & Cases, by Rao, V.S.P, Publisher: Excel Books, New Delhi.
4. Managing Human Resources by Ramaswamy, E., Publisher: Oxford University Press, New Delhi

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INTRODUCTION TO HUMAN RESOURCE MANAGEMENT

Structure

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1.1 INTRODUCTION

This unit introduces the students with the basic concepts of the Human Resource Management (HRM). In this unit we will be discussing the three main things, i.e. the introduction to HRM, the importance of HRM, and functions of HRM.

A basic concept of management states that manager works in organizations. Organization has three basic components, People, Purpose, and Structure. **HRM** is the study of activates regarding people working in an organization. It is a managerial function that tries to match an organization's needs to the skills and abilities of its employees. Let's see what is meant by the three key terms… human, resource, and management.

- Human (Homo-sapiens – Social Animal)
- Resources (Human, Physical, Financial, Technical, Informational etc)

- Management (Function of Planning, Organizing, Leading & Controlling of organizational resources to accomplish goals efficiently and effectively)

1.1.1 What is HRM?

As discussed earlier that HRM is the management of people working in an organization, it is a subject related to human. For simplicity, we can say that it is the management of humans or people. HRM is a managerial function that tries to match an organization's needs to the skills and abilities of its employees. Human Resource Management is responsible for how people are managed in the organizations. It is responsible for bringing people in organization helping them perform their work, compensating them for their work and solving problems that arise.

Let us understand it by dividing the term into its subparts.

- Human – people, us
- Resource – assets/costs for organizations
- Management – co-ordination and control to achieve set goals

But humans, unlike other resources in the context of work and management, cause problems. But why do we need to be managed? Since we all know we naturally are matured and educated people. NO! it is not always so.

Because we disobey, misunderstand, answer back, challenge, have our own ideas about how things might be done and have varying degrees of interest and motivation. Remember we talked about individual and group difference in behavior in the last semester .This presents a challenge to management in terms of securing effective control.
The solution to this problem could be many. For one, we could as well eliminate human element from the workplace. What do you think?? Automated work organizations!!

Automation and use of technologies may replace or reduce significance of people in some circumstances. But it may actually also require highly skilled and trained people to design, maintain and operate the technology. And just how far can people be replaced by machines anyway?

Machines could be used to tightly specify and control how people work - the classic assembly line model. This may facilitate efficiency and control but can also lead to alienation, resistance and conflict another alternative is to seek to maximize commitment of people by organizing work and creating attitudes and behavior which generate best outcomes. Thus, HRM is basically a search for "best practices" to generate high levels of employee commitment and performance. But organizational practices may cause difficulties – down/right sizing or less secure employment seems to sit uneasily against this rhetoric of HRM.

1.1.2 Evolution of Human Resource Management.

The early part of the century saw a concern for improved efficiency through careful design of work. During the middle part of the century emphasis shifted to the employee's productivity. Recent decades have focused on increased concern for the quality of working life, total quality management and worker's participation in management. These three phases may be termed as welfare, development and empowerment.

The development of HRM has been slow but a steady process. Arguably, HRM has become the dominant approach to people management in most of the countries. However, it is important to stress that human resource management has not 'come out of nowhere'. HRM has absorbed ideas and techniques from a number of areas.

In effect, it is a synthesis of themes and concepts drawn from over a century of management theory and social science research. There is a long history of attempts to achieve an understanding of human behavior in the workplace.

Throughout the twentieth century, practitioners and academics have searched for theories and tools to explain and influence human behavior at work. Managers in different industries encounter similar experiences: businesses expand or fail; they innovate or stagnate; they may be exciting or unhappy organizations in which to work; finance has to be obtained and workers have to be recruited; new equipment is purchased, eliminating old procedures and introducing new methods; staff must be re-organized, retrained or dismissed. Over and over again, managers must deal with events which are clearly similar but also different enough to require fresh thinking.

We can imagine that, one day, there will be a science of management in which these problems and their solutions are catalogued, classified, standardized and made predictable. Sociologists, psychologists and management theorists have attempted to build such a science, producing a constant stream of new and reworked ideas. They offer theoretical insights and practical assistance in areas of people management such as recruitment and selection, performance measurement, team composition and organizational design.

Many of their concepts have been integrated into broader approaches which have contributed to management thinking in various periods and ultimately the development of HRM.

The great Industrial Revolution: As you all know brought in an era of Specialization in techniques. The rest is history. Jobs fragmentation, more stress on work specialization ear-marked the significance of this era. Development was fast. Scientific Management: Slowly, the rays of management started rising on the horizon of the economy. F.W.Taylor introduced the Scientific Management. More emphasis was laid on the increase in efficiency and right person for the right job. Training, task performance with economic rewards was given much importance.

Taylor believed in a combination of detailed task specifications and selection of the 'best man' for the job. It was the function of managers to think - workers were expected to do exactly as they were told. This, he felt, would result in the most efficient method of performing physical work. Additionally, he advocated premium payments as a means of rewarding the most effective (compliant) workers. Taylor's ideas led on to:

- Fordism - a philosophy of production based on the continuous assembly line techniques devised by Henry Ford. This methodology dominated worldwide manufacturing until the 1980s.
- Time and motion - stopwatch methods of measuring work, used to increase efficiency and minimize wasted time and effort.

- Continuous **improvement** - fundamental to Japanese production methods using employee knowledge and ingenuity to continually refine product manufacture and development.

These practices require management control over the precise detail of work in order to maximize efficiency and gain competitive advantage. Inevitably, this is achieved at the expense of employees who sacrifice the freedom to control their own work.

'Scientific management', under any name, creates an inevitable tension between the rights and expectations of workers and management's need to gain ever greater quality and cost-effectiveness. Thus, HRM is identified with attempts to deal constructively with this tension through assertive, but non-autocratic, people management. It is also linked to the use of performance-related pay and other ways of rewarding appropriate behavior.

Trends started changing rapidly. Workers started coming together to ask for their rights. Now tell me what happened due to this? Trade unions slowly emerged. Workers started their Union activities for getting good benefits; good pay, perks and improved welfare conditions.

We have seen in the earlier classes i.e. good and bad effects of Industrial Revolution. One of the major ill effects was the exploitation of labor. This led to unionization of labor movements.

Labor Movements worldwide
Some of the developments are listed below.

The period up to 1900: The first trade union was formed in 1780 in USA. During latter half of nineteenth century, rapid industrialization has taken place, all over the world. The first attempt to organize Indian labor was made by N.M.Lokhande in 1890 when he formed Bombay Mill Association. However later on, till 1918, no series attempts were made to consolidate labor movement. Although some more unions were found in India, most of these remained as "welfare Association" and not as union as we understand by that term these days.

- Benevolent paternalisation: White workers remained unorganized, some philanthropist organization and individuals took on themselves the responsibility of protecting the interest of labor. For example, Robert Owen in (1913) – a British businessman, took paternalistic attitude. He said, "The principal social and economic environments influence the physical, mental and psychological development of workers." He had providing housing facilities, sanitation, and schools for children and adults. He also reduced the working hours from 11 to 10 hours. Above all he even abolished child labor. He called workers "vital machines". He advocated better treatment would fetch better profits.
- Economic Depression (1893): Great Depression of 1893 prevented further welfare movements alleviating the sufferings of workers.
- Indian Industrial scene: Even though modern industry began to grow in Indian from 1850's, till the end of First World War, there was no industrial dispute or unrest of importance. By end of war, on account of high price rise and economic depression industrial unrest took place.

Period 1900 to 1940: Important events occurred during this period are given below:

- Workers welfare league of India are formed in UK in 1911 to protect labor interest and unity between British and Indian workers.
- Russian Revolution of 1917 and emergence of communist socialistic movement and unionism.
- Growth of Indian national movement and participation of industrial workers in this movement.
- Formation of ILO in 1919.
- First World War and favorable condition it created to unions.

Period 1940-1970:
World war period:

- Outbreak of Second World War and resignation of congress Ministry in India (1940).
- Strikes and lockout and reign of terror unleashed by British Government on Workers and unions opposing to British war efforts.
- 1942, for the first time, Tripartite labor conference was covered. This resulted in setting up a permanent. TLC consists of

   1. Plenary conference
   2. Standing labor committee.

Post-war period: This was the period, which saw favorable disposal towards labor. Following events took place

- 1947- India became independent socialistic democratic government was setup which favors labor.
- 1947- India National Trade Union Congress (INTUC) was formed owning allegiance to congress party.
- All types of workers, professionals, technicians, journalists and even got officers and teachers have organized unions. No. Of registered TU increased to 22,484 by 1971 with a total membership of 5.5 million.
- In 1970, Communist party in Indian split into two CPI & CPM. CPM formed another TU called center of Indian Trade Union (CITU).

Modern Period after 1970:
Trade Unionism and collective bargaining is an accepted phenomenon in India and world over. The problems and prospects of TU and labor force vary, between developed nations and developing nations. Some of these issues are:

Developing Nations like India:

- Problem of unemployment and under employment.
- Semi-skilled and manual labor in private and unorganized industries are enormously exploited.
- Poor training leading to very low productivity

- Multiple unionism, union rivalries and lack of union Leadership against frequent strikes and labor unrest, political interference and outside leadership are being resented by workers. Alienation between leaders and members often frustrate unionism.

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

- It is pervasive in nature as it is present in all enterprises.
- Its focus is on results rather than on rules.
- It tries to help employees develop their potential fully.
- It encourages employees to give their best to the organization.
- It is all about people at work, both as individuals and groups.
- It tries to put people on assigned jobs in order to produce good results.
- It helps an organization meet its goals in the future by providing for competent and well-motivated employees.
- It tries to build and maintain cordial relations between people working at various levels in the organization.
- It is a multidisciplinary activity, utilizing knowledge and inputs drawn from psychology, economics, etc.

1.1.4 Human Resource Management: Scope
The scope of HRM is very wide:

- **Personnel aspect**-This is concerned with manpower planning, recruitment, selection, placement, transfer, promotion, training and development, layoff and retrenchment, remuneration, incentives, productivity etc.
- **Welfare aspect**-It deals with working conditions and amenities such as canteens, creches, rest and lunch rooms, housing, transport, medical assistance, education, health and safety, recreation facilities, etc.
- **Industrial relations** aspect-This covers union-management relations, joint consultation, collective bargaining, grievance and disciplinary procedures, settlement of disputes, etc.

1.1.5 Human Resource Management: Objectives
- To help the organization reach its goals.
- To ensure effective utilization and maximum development of human resources.
- To ensure respect for human beings. To identify and satisfy the needs of individuals.
- To ensure reconciliation of individual goals with those of the organization.
- To achieve and maintain high morale among employees.
- To provide the organization with well-trained and well-motivated employees.
- To increase to the fullest the employee's job satisfaction and self-actualization.
- To develop and maintain a quality of work life.
- To be ethically and socially responsive to the needs of society.
- **To develop overall personality of each employee in its multidimensional aspect.**

1.2 FUNCTIONS OF HRM

Basic functions that all managers perform: Planning, Organizing, Staffing, Leading, and Controlling. HR management involves the policies and practices needed to carry out the staffing (or people) function of management.

1. HRM department regardless of the organization's size must perform following human resource management functions.
2. Human resource or manpower planning.
3. Recruitment, selection and placement of personnel.
4. Training and development of employees.
5. Appraisal of performance of employees.
6. Taking corrective steps such as transfer from one job to another.
7. Remuneration of employees.
8. Social security and welfare of employees.
9. Setting general and specific management policy for organizational relationship.
10. Collective bargaining, contract negotiation and grievance handling.
11. Staffing the organization.
12. Aiding in the self-development of employees at all levels.
13. Developing and maintaining motivation for workers by providing incentives.
14. Reviewing and auditing manpower management in the organization
15. Potential Appraisal. Feedback Counseling.
16. Role Analysis for job occupants.
17. Job Rotation.
18. Quality Circle, Organization development and Quality of Working Life.

1.3 GROWING IMPORTANCE OF HRM FUNCTIONS

The success of organizations increasingly depends on people-embodied know-how- the knowledge, skill, and abilities imbedded in an organization's members. This knowledge base is the foundation of an organization' core competencies (integrated knowledge sets within an organization that distinguish it from its competitors and deliver value to customers). **HRM** plays important role in creating organizations and helping them survive. Our world is an organizational world. We are surrounded by organizations and we participate in them as members, employees, customers, and clients. Most of our life is spent in organization, and they supply the goods and services on which we depend to live. Organizations on the other hand depend on people, and without people, they would disappear.

As managers none of us would like to make the following: mistake.

1. To hire the wrong person for the job.
2. To experience high turnover.
3. To find our people not doing their best.
4. To waste time with countless and useless interviews.
5. To have our company sued for our discriminatory actions.

6. To be quoted under bad example of unsafe practices. To have some of your employees think their salaries are unfair and inequitable relative to others in the organization.
7. To allow a lack of training to undermine your department's effectiveness.
8. To commit any unfair labor practices

1.3.1 Factors Contributing to the Growing Importance of HRM

a. **Accommodation to workers' needs:** Workers are demanding that organizations accommodate their personal needs by instituting such programs as flexible work schedules, parental leave, child-care and elder-care assistance, and job sharing. The human resource department plays a central role in establishing and implementing policies designed to reduce the friction between organizational demands and family responsibilities.

b. **Increased complexity of the Manager's job:** Management has become an increasingly complex and demanding job for many reasons, including foreign competition, new technology, expanding scientific information, and rapid change. Therefore, organizations frequently ask human resource managers for assistance in making strategic business decisions and in matching the distinctive competencies of the firm's human resources to the mission of the organization. Executives need assistance from the human resource department in matters of recruitment, performance evaluation, compensation, and discipline.

c. **Legislation and litigation:** The enactment of state laws has contributed enormously to the proliferation and importance of human resource functions. The record keeping and reporting requirements of the laws are so extensive that to comply with them, many human resource departments must work countless hours and often must hire additional staff. Four areas that have been influenced most by legislation include equal employment, Compensation, safety, and labor relations. An organization's failure to comply with laws regulating these areas can result in extremely costly back-pay awards, class action suits, and penalties.

d. **Consistency:** Human resource policies help to maintain consistency and equity within an organization. Consistency is particularly important in compensation and promotion decisions. When managers make compensation decisions without consulting the human resource department the salary structure tends to become very uneven and unfair promotion decisions also may be handled unfairly when the HR department does not coordinate the decision of individual manger.

e. **Expertise:** Now days there exist sophisticated personnel activities that require special expertise. For example, researchers have developed complex procedures for making employee-selection decisions; statistical formulas that combine interviews, test scores, and application-blank information have replaced the subjective interviews traditionally used in making selection decisions. Similarly, many organizations have developed compensation systems with elaborate benefits packages to replace simple hourly pay or piece rate incentive systems

f. **Cost of Human Resource:** Human resource activities have become increasingly important because of the high cost of personal problem. The largest single expense in most organizations is labor cost, which is often considerably higher than the necessary because of such problems as absenteeism tardiness and discrimination.

1.4 CONCEPTS AND ESSENTIAL OF MANAGEMENT

What is Management?

Management is the process of working with different resources to accomplish organizational goals. Good managers do those things both effectively and efficiently. To be **effective** is to achieve organizational goals. To be **efficient** is to achieve goals with minimum waste of resources, that is, to make the best possible use of money, time, materials, and people. Some managers fail on both criteria, or focus on one at the expense of another. The best managers maintain a clear focus on both effectiveness and efficiency.

The Functions of Management

What can managers do to be effective and efficient? The management process, properly executed, involves a wide variety of activities including planning, organizing, leading, and controlling. These activities, described below, are the traditional functions of management.

Functions of Management

Fig 1.1

Planning is specifying the goals to be achieved and deciding in advance the appropriate actions taken to achieve those goals. Planning activities include analyzing current situations, anticipating the future, determining objectives, deciding what types of activities the company will engage in, choosing corporate and business strategies, and determining the resources needed to achieve the organization's goals. The outcome of the planning process is the **organization's strategy.**

Organizing is assembling and coordinating the human, financial, physical, informational, and other resources needed to achieve goals. Activities include attracting people to the organization, specifying job responsibilities, grouping jobs into work units, marshalling and allocating

resources, and creating conditions so that people and things work together to achieve maximum success. The outcome of organizing is an **organizational structure.**

Leading is stimulating people to be high performers. It is directing, motivating, and communicating with employees, individually and in groups. Leading involves close day-to-day contact with people, helping to guide and inspire them toward achieving team and organizational goals. Leading takes place in teams, departments, divisions, and at the tops of entire organization. The outcome of leading is a high level of **motivation and commitment.**

Controlling Comprehensive plans; solid organization, and outstanding leaders do not guarantee success. The fourth functional controlling, monitors progress and implements necessary changes. When managers implement their plans, they often find that things are not working out as planned. The **controlling** function makes sure that goals are met. It asks and answers the question, "Are our actual outcomes consistent with our goals?" It makes adjustments as needed. Specific controlling activities are to set performance standards that indicate progress toward long-term goals; to identify performance problems by comparing performance data against standards; and to take actions to correct problems. Budgeting, information systems, cost cutting, and disciplinary action are just a few of the tools of control. Successful organizations, large and small, pay close attention to how well they are doing. They take fast action when problems arise, and are able to change as needed. The outcome of controlling is an accurate **measurement of performance and regulation of efficiency and effectiveness**

Effectiveness & Efficiency
Productivity = Efficiency x Effectiveness
  a. **Efficiency** is the ratio of outputs to inputs.
  b. **Effectiveness** is the degree to which the organizations output correspond to the need and wants of the external environment that include customers' suppliers' competitors and regulatory agencies.

Manager
The member of the organization who participates in the management process by planning, organizing leading, or controlling the organization's resources.

Types of Mangers
There are three types of mangers

1. **Strategic Manager**: Strategic managers are the senior executives of an organization and are responsible for its overall management. Major activities include developing the company's goals and plans. Typically strategic managers focus on long-term issues and emphasize the survival, growth, and overall effectiveness of the organization.

2. **Tactical Managers:** Tactical managers are responsible for translating the general goals and plans developed by strategic managers into objectives that are more specific and activities. These decisions, or tactics, involve both a shorter time horizon and the coordination of resources. Tactical managers are often called middle managers, because in large organizations they are located between the strategic and operational managers.

Today's best middle managers have been called "working leaders." They focus on relationships with other people and on achieving results. They are hands-on, working managers. They do not just make decisions, give orders, wait for others to produce, and then evaluate results. They get dirty, do hard work themselves, solve problems, and produce value.

3. **Operational Managers:** Operational managers are lower-level managers who supervise the operations of the organization. These managers often have titles such as supervisor or sales manager. They are directly involved with non-management employees, implementing the specific plans developed with tactical managers. This role is critical in the organization, because operational managers are the link between management and non-management personnel. Your first management position probably will fit into this category.

Fig 1.2

Fig 1.3

1.5 CONCEPT OF HRD

Human Resource Development in the organization context is a process by which the employees of an organization are helped, in a continuous and planned way, to:

- Acquire or sharpen capabilities required to perform various functions associated with their present or expected future roles.
- Develop their general capabilities as individuals and discover and exploit their own inner potentials for their own and/or organizational development purpose.
- Develop an organizational culture in which supervisor-subordinate relationships, teamwork, and collaborations among sub-units are strong and contribute to the professional well being, motivation, and pride of employees.

This definition of HRD is limited to the organizational context. In the context of a state or nation it would differ. HRD is a process, not merely a set of mechanisms and techniques. The mechanisms and techniques such as performance appraisal, counseling, training, and organization development interventions are used initiate, facilitate, and promote this process in a continues way. Because the process has no limit, the mechanisms may need to be examined periodically to see whether they are promoting or hindering the process. Organizations can facilitate this process of development by planning for it, by allocating organizational resources for the purpose, and by exemplifying an HRD philosophy that values human beings and promotes their development.

1.6 HRD STRATEGIES

HRD Strategies " HRD Strategies are a plan that defines how the human resources would be utilized through the use of an integrated array of training, organizational development and career development efforts to achieve individual, organizational objectives."

Major HRD Strategies

- **Communications Strategy:** In today's changing scenario, it is essential to educate and train employees about the change.

- **Accountability And Ownership Strategy:** Employee's accountability and ownership leads to higher productivity and customer acceleration.

- **Quality Strategy**: Quality needs to be fostered in the employees through training and development.

- **Cost Reduction Strategy**: Every employee's contribution in savings is crucial as small contributions from each employee can be pooled by organizations to save substantial savings at the end of a given period and enhance its competitive strategy.

- **Entrepreneurship Strategy:** Every employee needs to be an independent entrepreneur, who can generate ideas and bring them to reality by using the existing resources and support of the org to create innovative and creative products and services.

- **Culture Building strategy:** Organization valuing its employees have a sustainable competitive edge over competitors because employees are highly charged, motivated and commitment to the organization

- **Systematic Training Strategy**: The planning and organization of formal on-job training and off-job training leads to improving vital employee characteristics, build and sustain appropriate work culture and brings in more professionalism in action.

- **Learning Strategy:** Continuous development and learning environments promote self development of employees, of self and by self.

1.7 KEY RESPONSIBILITIES OF HR MANAGER

HR Manager is one of the most important key to open a lock hanging on the door of success in an organization. If an HR Manager is efficient enough to handle and to take out best from his team members any organization and can achieve more from his target goals. HR manager plays a very important role in hierarchy, and also in between the higher management and low level employees. Stated below are major responsibilities of HR Manager:-

- To maintain and develop HR policies, ensuring compliance and to contribute the development of corporate HR policies.
- To develop the HR team, to ensure the provision of a professional HR service to the organization .Manage a team of staff. Responsible for mentoring, guiding and developing them as a second line to the current position.
- To ensure timely recruitment of required level / quality of Management staff, other business lines staff, including non-billable staff with appropriate global approvals, in order to meet business needs, focusing on Employee Retention and key Employee Identification initiatives.
- Provide active support in the selection of Recruitment agencies which meet the corporate standard. Ensure Corporate Branding in recruitment webs and advertisements.
- Develop, refine and fine-tune effective methods or tools for selection / or provide external consultants to ensure the right people with the desired level of competence are brought into the organization or are promoted.
- Prepare information and input for the salary budgets. Ensure compliance to the approved salary budget; give focus on pay for performance and salary benchmarks where available. Ensure adherence to corporate guideline on salary adjustments and promotions. Coordinate increments and promotions of all staff.
- To develop the HR business plan.
- Ensure appropriate communication at all staff levels.
- To maintain and develop leading edge HR systems and processes to address the effective management of people in relation to the following in order to maintain competitive advantage for:
  1. Performance Management.
  2. Staff Induction.
  3. Reward and Recognition.
  4. Staff Retention.
  5. Management Development / Career Development.
  6. Succession Planning.
  7. Competency Building / Mapping.
  8. Compensation / Benefit programs.

- To facilitate / support the development of the Team members
- To facilitate development of staff with special focus on Line Management
- To recommend and ensure implementation of Strategic directions for people development within the organization.
- Ensure a motivational climate in the organization, including adequate opportunities for career growth and development.
- Administer all employee benefit programs with conjunction with the Finance and Administration department.
- Provide counsel and assistance to employees at all levels in accordance with the company's policies and procedures as well as relevant legislation.
- Oversee the central HR Administration – employee offer letters salary letters and employment contracts. Approve updated organizational charts on a monthly basis and maintain complete/accurate personnel records.
- Co-ordinate the design, implementation and administration of human resource policies and activities to ensure the availability and effective utilization of human resources for meeting the company's objectives.
- Responsible for Corporate HR function.
- Responsible for overall centralized HR admin function
- Counseling and Guidance cell - provide support to Managers in case of disciplinary issues.

1.8 ENVIRONMENTAL FACTORS OF HRM

Many interrelated factors affect human resource management. Such factors are part of either the firm's external environment or its internal environment. The firm often has little, if any, control over how the external environment affects management of its human resources. In addition, there are certain interrelationships that complicate the management of human resources.

External Environmental Factors comprised of those factors that affect a firm's human resources from outside the organization's boundaries.

- **The Labor Force:** The labor force is a pool of individuals external to the firm from which the organization obtains its workers. The capability of a firm's employees determines to a large extent how well an organization can perform its mission.

- **Legal Considerations:** Another significant external force affecting human resource management relates to federal, state, and local legislation and the many court decisions interpreting this legislation. In addition, many presidential executive orders have had a major impact on human resource management.

- **Society:** Society may also exert pressure on human resource management. If a firm is to remain acceptable to the general public, it must be capable of accomplishing its purpose in line with societal norms. Social responsibility is an implied, enforced, or felt obligation of managers, acting in their official capacities, to serve or protect the interests of groups other than themselves.

- **Unions:** Union is a group of employees who have joined together for the purpose of dealing collectively with their employer. Although unions remain a powerful force, union membership as a percentage of the nonagricultural workforce slipped from 33 percent in 1955 to 9.5 percent today.

- **Shareholders:** The owners of a corporation are concerned about shareholders. Because shareholders have invested money in a firm, they may at times challenge programs considered by management to be beneficial to the organization.

- **Competition:** For a firm to succeed, grow, and prosper, it must be able to maintain a supply of competent employees. Other organizations are also striving toward that objective.

- **Customers:** Because sales are critical to the firm's survival, management has the task of ensuring that its employment practices do not antagonize the members of the market it serves.

- **Technology:** As technological changes occur, certain skills are no longer required. This necessitates some retraining of the current workforce. The trend toward a service economy also affects the type and amount of technology needed.

- **The Economy:** The economy of the nation—on the whole—and of its various segments is a major environmental factor affecting human resource management. As a generalization, when the economy is booming, it is often more difficult to recruit qualified workers. On the other hand, when a downturn is experienced, more applicants are typically available.

The Internal Environment

Factors that affect a firm's human resources from inside its boundaries are termed as internal environmental factors. The primary internal factors include the firm's mission, policies, corporate culture, management style of upper managers, employees, the informal organization, other units of the organization, and unions.

- **Mission:** The organization's continuing purpose or reason for being. Each management level should operate with a clear understanding of the firm's mission. In fact, each organizational unit (division, plant, and department) should clearly understand objectives that coincide with that mission.

- **Policies:** A predetermined guide established to provide direction in decision making. As guides, rather than as hard-and-fast rules, policies are somewhat flexible, requiring interpretation and judgment in their use. They can exert significant influence on how managers accomplish their jobs.

- **Corporate Culture:** The system of shared values, beliefs, and habits within an organization that interacts with the formal structure to produce behavioral norms.

- **Management Style of Upper Managers:** Closely related to corporate culture is the way in which the attitudes and preferences of one's superiors affect how a job is done. This situation deserves special emphasis here because of the problems that can result if the managerial style of upper-level managers differs from that of lower-level managers.

- **Employees:** Employees differ in many ways including their capabilities, attitudes, personal goals, and personalities. As a result, behavior that a manager finds effective with one worker may not be effective with another.

- **Informal Organization:** The informal organization is the set of evolving relationships and patterns of human interaction within an organization that are not officially prescribed. Such informal relationships are quite powerful.

- **Other Units of the Organization:** Managers must be keenly aware of interrelationships that exist among divisions or departments and should use such relationships to their best advantage.

- **Labor-Management Agreement:** Upper management typically negotiates labor-management agreements, but managers throughout the organization must implement the terms of the agreements. In most instances, agreements place restrictions on the manager's actions.
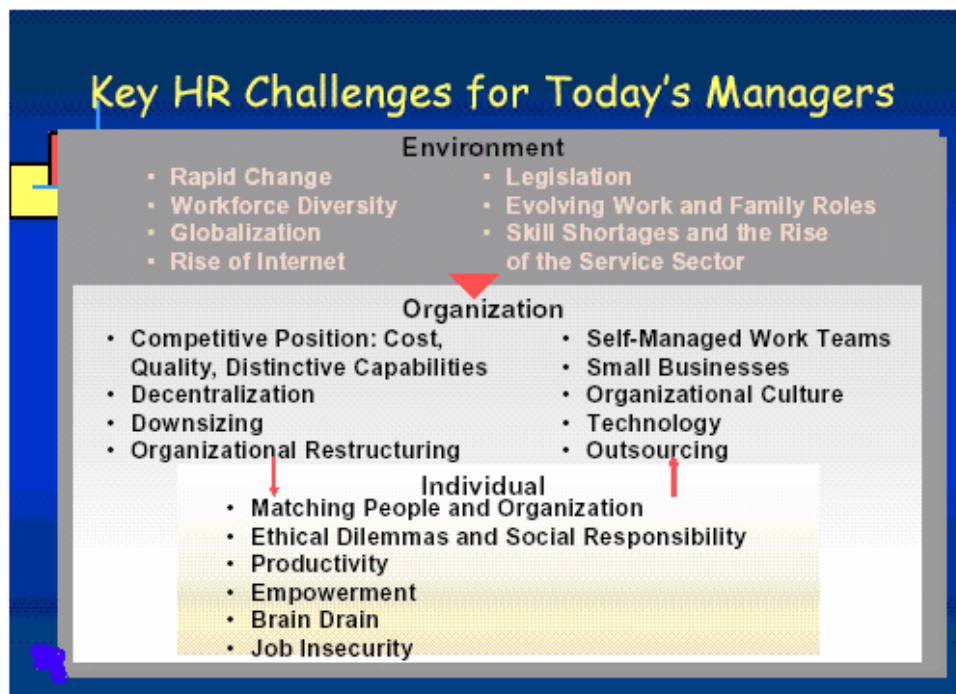

Fig 1.4

1.9 CHALLENGES TO HRM

The HR Managers of today may find it difficult because of the rapidly changing business environment and therefore they should update their knowledge and skills by looking at the organization's need and objectives. The HRM challenges are

- **Managing the Vision**: Vision of the organization provides the direction to business strategy and helps managers to evaluate management practices and make decisions. So vision management becomes the integral part of Man management in future.

- **Internal Environment**: Creating an environment which is responsive to external changes, providing satisfaction to the employees and sustaining through culture and systems is a challenging task.

- **Changing Industrial Relations**: Both the workers and managers have to be managed by the same HRM Philosophy and this is a daunting task for the managers.

- **Building Organizational Capability**: Even in the adverse circumstances the employees have to be made to live in psychological state of readiness to continually change.

- **Job Design & Organizational Structure**: Instead of depending on foreign concepts we need to focus on understanding the job, technology and the people involved in carrying out the tasks.

- **Managing the Large Work Force**: Management of large workforce poses the biggest problem as the workers are conscious of their rights.

- **Psycho-Social Environment**: Nowadays employee's participation required not only in performing job but also in democratizing and humanizing the institution.

- **Employee Satisfaction**: Managers should be aware of techniques to motivate their employees so that their higher level needs can be satisfied.

- **Modern Technology**: There will be unemployment due to modern technology and this could be corrected by assessing manpower needs and finding alternate employment.

- **Computerized Information System**: This is revolutionary in managerial decision making and is having impact on coordination in the organization.

- **Legal Environment**: To meet the changes in legal environment, adjustments have to be made to the maximum utilization of human resources.

- **Managing Human Relations**: As the workforce comprises of both educated and uneducated, managing the relations will be of great challenge.

1.10 REVIEW QUESTIONS
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1. Define HRM. Trace its evolution.
2. What is HRM? What are its functions and Objectives?
3. Outline the policies and Principles of HRM.
4. Explain the HRM models. Which according to you is the most comprehensive?
5. Bring out the paradoxes of HRM.

CONCEPTS AND PROCESS OF HUMAN RESOURCE PLANNING

Structure

2.1 INTRODUCTION TO HUMAN RESOURCES PLANNING (HRP)

Dear future managers, up till now you all must have got a sample of what is in store for you. Essentials of management, Organizational behavior and other papers must have taught you how important it is to organize, and therefore for that plan in advance to remain ahead in business. That's the secret of success in today's world!!

In lieu with that, we will discuss the ins and outs of human resources planning starting with:

- What it is exactly,
- Why is it so important,
- How it is related to the macro: corporate planning, strategy and objectives,
- How do you go about it i.e. HUMAN RESOURCE PLANNING PROCESS,
- What are the environmental factors to be taken care of while planning?
- Problems you might counter while doing this process, and finally
- What is the latest in HRP? yes! HRP. It is short for human resources planning! You might come across manpower planning in some books that is how it used to be referred to as earlier!!!)

To understand the Human Resource Planning First, we will see what is planning? And why is it needed?

What is planning? Plans are methods for achieving a desired result. Goals or objectives are specific results you want to achieve. Planning is thus "the process of establishing objectives and courses of action prior to taking action."

What is planning concerned with? Planning provides a sense of purpose and direction. It is a comprehensive framework for making decisions in advance. It also facilitates the organizing, leading, and controlling functions of management. Planning: allows you to make your decisions ahead of time, it helps you to anticipate the consequences of various courses of action, it provides direction and a sense of purpose, it provides a unifying framework against which to measure decisions, and thus helps you avoid piecemeal decision making. Planning also helps identify potential opportunities and threats, and facilitates control. It is concerned with the end (what is to be done) as well as with means (how it is to be done).**Is planning really needed?** If organizations never faced changes in the environment, there would have been no need for planning. Planning is one of the functional areas of HR.

Human Resource Planning (HRP): is the process of systematically reviewing human resource requirements to ensure that the required number of employees, with the required skills, is available when they are needed. After an organization's strategic plans have been formulated, human resource planning can be undertaken. Human resource planning has two components: requirements and availability. Forecasting human resource requirements involves determining the number and type of employees needed by skill level and location. In order to forecast availability, the human resource manager looks to both internal sources (presently employed employees) and external sources (the labor market). When employee requirements and availability have been analyzed, the firm can determine whether it will have a surplus or shortage of employees. Ways must be found to reduce the number of employees if a surplus is projected. Some of these methods include restricted hiring, reduced hours, early retirements, and layoffs. If a shortage is forecasted, the firm must obtain the proper quantity and quality of workers from outside the organization. In this case, external recruitment and selection is required. The process of anticipating an organization's future human resource needs and then developing action plans for fulfilling identified needs. The systematic review of human resource requirements getting the right people at the right place at the right time

It can also be defined as the task of assessing and anticipating the skill, knowledge and labor time requirements of the organization, and initiating action to fulfill or 'source" those requirements. Thus, if the organization as a whole or one of its subsystem is not performing to the benchmark, in other words, it is declining, it may need to plan a reduction or redeploys its existing labor force. If you go look back in history, you will come across example of such activities (remember the dot com burst!! And how Hindustan motors had to redeploy its workforce from uttarpada in Calcutta to pithampur in M.P. to avail the strategic advantage and save itself from closing down). On the other hand, if it is growing or diversifying, it might need to find and tap into a source of suitably skilled labor (for example: GE, the pioneers in BPO industry went for large scale recruitment while setting up office here in India.). That is why; we need to plan in advance even for procuring human resources, which in contrast to a general myth are not abundant!! Thus, in the same line, we propose that organization can achieve its goals

effective through effective contingencies of all the HR functions; for example, the structure of an organization and the design of the job within it affect an organization's ability to achieve only through the efforts of people. It is essential therefore, those jobs within the organization be staffed with the personnel who are qualified to perform them. Meeting these staffing needs requires effective planning for human resources.
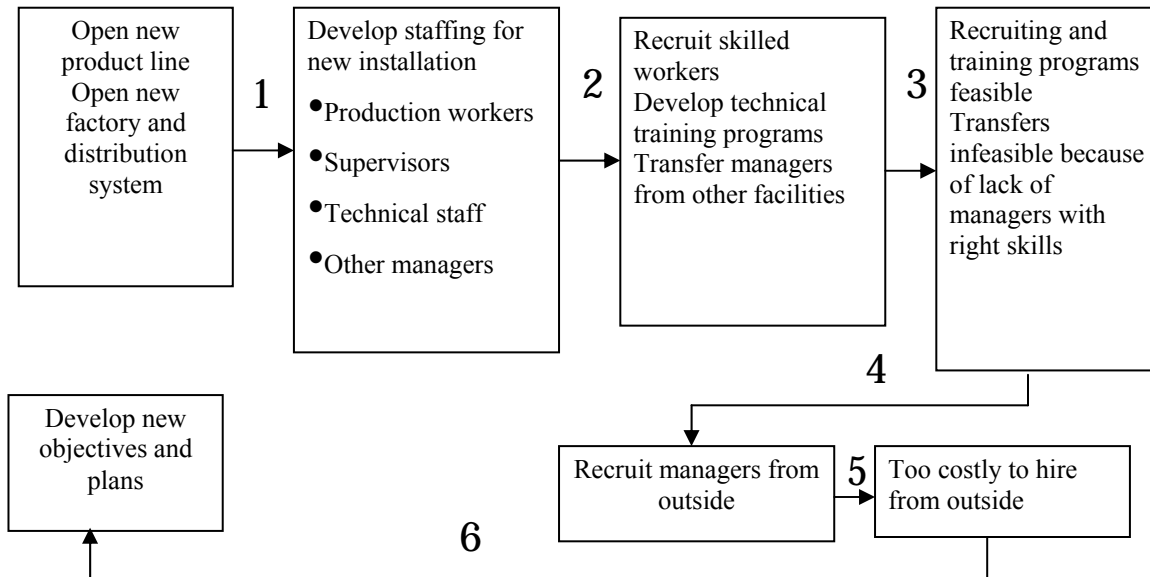

Fig 2.1 Example of the Basic Human Resource Planning Model

2.1.1 Objectives
The objectives of HRP are mainly to:

- Ensure optimum utilization of human resources currently employed;
- Assess or forecast future requirements;
- Cope up with the changing scenario;
- Attaching with business plans of organization;
- Anticipate redundancies;
- Provide basis for human resource development (HRD); and
- Assist in productivity bargaining.

Benefits of HRP: Proper HRP results into a number of benefits. Some of them are:
- Create reservoir of talent.
- Preparation for future HR needs.
- Promote employees in a systematic manner.
- Provide basis for HRD.
- Help in career and succession planning.
- Helps in planning job assignments
- Helps cope with fluctuations in staffing
- Identifies recruiting needs
- Provides other useful information

2.1.2 Need for HRP at Macro Level

Major reasons for the emphasis on HRP at macro level include:

Employment-Unemployment Situation: Though in general the number of educated unemployed is on the rise, there is acute shortage for a variety of skills. This emphasizes the need for more effective recruitment and retaining people.

Technological Changes: The myriad changes in production technologies, marketing methods and management techniques have been extensive and rapid. Their effect has been profound on job contents and job contexts. These changes cause problems relating to redundancies, retraining and redeployment. All these suggest the need to plan manpower needs intensively and systematically.

Organizational Changes: In the turbulent environment marked by cyclical fluctuations and discontinuities, the nature and pace of changes in organizational environment, activities and structures affect manpower requirements and require strategic considerations.

Demographic Changes: The changing profile of the work force in terms of age, sex, literacy, technical inputs and social background has implications for HRP.

Skill Shortages: Unemployment does not mean that the labor market is a buyer's market. Organizations have generally become more complex and require a wide range of specialist skills that are rare and scarce. Problems arise when such employees leave.

Governmental Influences: Government control and changes in legislation with regard to affirmative action for disadvantaged groups, working conditions and hours of work, restrictions on women and child employment, casual and contract lab out, etc. have stimulated the organizations to become involved in systematic HRP.

Legislative Controls: The days of executive fiat and 'hire and fire' policies are gone. Now legislation makes it difficult to reduce the size of an organization quickly and cheaply. It is easy to increase but difficult to shed the fat in terms of the numbers employed because of recent changes in labor law relating to lay-offs and closures. Those responsible for managing manpower must look far ahead and thus attempt to foresee manpower problems.

Impact of Pressure Groups: Pressure groups such as unions, politicians and persons displaced from land by location of giant enterprises have been raising contradictory pressures on enterprise management such as internal recruitment and promotions, preference to employees' children, displace persons, sons of the soil etc.

Systems Concept: The spread of systems thinking and the advent of the macro computer as part of the on-going revolution in information technology which emphasizes planning and newer ways of handling voluminous personnel records.

Lead Time: The long lead time is necessary in the selection process and for training and deployment of the employee to handle new knowledge and skills successfully.

2.2 PROCESS OF HRP

The process of HRP is entirely based on the corporate plans and objectives. HRP is a continuous process of review, control and assessment. Figure 2.2 clearly indicates the HRP process. The following below points depicts the steps in process of HRP:-

- Determine the impact of organizational objectives on specific organizational unit.
- Define the skills required to meet objectives (demand for Human Resource)
- Determine additional human resource requirements in light of current HR (net HR requirements)
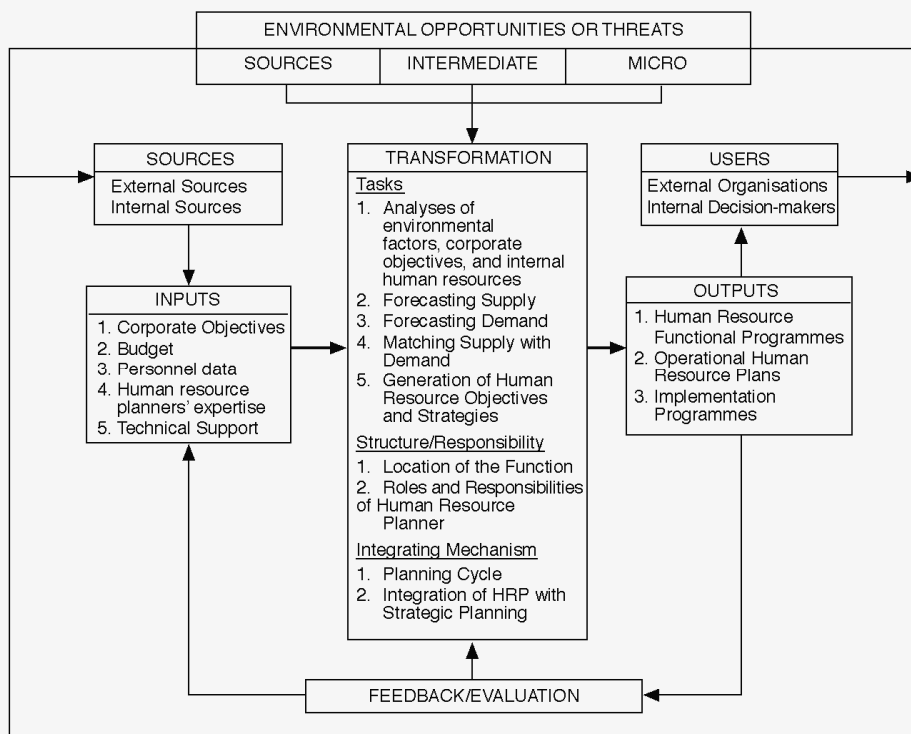- Develop action plan to meet the anticipated HR needs

Fig 2.2 Human Resource Planning Process

The major stages of HRP are as follows:
Analyzing Operational Plans: It consists of the following sub stages:

1. Objectives and strategic plans of the company are analyzed.
2. Plans concerning technological, finance, production are analyzed and HRP is prepared keeping these in mind.
3. Future plans, goals, and objectives of the company are also taken into account.

Human Resource Demand Forecasting: HR demand forecasting mainly involves three sub functions:

1. Demand Forecast: Process of estimating future quantity and quality of human resources required.
2. Manpower Gaps: Depending upon the requirement existing surplus human resources having desired skills are matched, if not found then shortage is shown.
3. Supply Forecast: Basing on the existing HR inventory and the demand forecast, the supply forecast of human resources is carried out in an organization.

2.2.1 Problems in HRP Process

The main problems in the process of HRP are as follows:

1. **Inaccuracy:** HRP is entirely dependent on the HR forecasting and supply, which cannot be a cent per cent accurate process.
2. **Employee** resistance: Employees and their unions feel that by HRP, their workload increases so they resist the process.
3. **Uncertainties**: Labor absenteeism, labor turnover, seasonal employment, technological changes and market fluctuations are the uncertainties which HRP process might have to face.
4. **Inefficient information system**: In Indian industries, HRIS is not much strong. In the absence of reliable data it is not possible to develop effective HRP.
5. **Time and expense**: HRP is time consuming and expensive exercise, so industries avoid.

2.3 BARRIERS TO HRP

Planners face significant barriers while formulating an HRP. The major ones are the following:

1. People question the importance of making HR practices future oriented and the role assigned to HR practitioners in formulation of organizational strategies. Their argument is simple-there are people when needed. Offer attractive package of benefits to them to quit when you find them in surplus.
2. HRP is entirely dependent on the HR forecasting and supply, which cannot be a cent per cent accurate process.
3. HR practitioners are perceived as experts in handling personnel matter, but are not experts in managing business. The personnel plan conceived and formulated by the HR practitioners when enmeshed with organizational plan, might make the overall strategic plan itself defective.
4. Employees and their unions feel that by HRP, their workload increases so they resist the process.
5. HR information often is incompatible with the information used in strategy formulation. Strategic planning efforts have long been oriented towards financial forecasting often to the exclusion of other types of information.
6. In Indian industries, HRIS is not much strong. In the absence of reliable data it is not possible to develop effective HRP.

7. Conflicting may exist between short-term and long-term HR needs. For example, there arises a conflict between the pressure to get work done on time and long-term needs, such as preparing people for assuming greater responsibilities. Many managers are of the belief that HR needs can be met immediately because skills are available on the market as long as wages and salaries are competitive. These managers fail to recognize that by resorting to hiring or promoting depending on short-term needs alone, long-term issues are neglected.
8. Labor absenteeism, labor turnover, seasonal employment, technological changes and market fluctuations are the uncertainties which HRP process might have to face.
9. There is conflict between quantitative and qualitative approach to HRP. Some people view HRP as a number game designed to track the flow of people across the departments. These people a strictly quantitative approach to planning. Others take a qualitative approach and focus on individual employee concerns such as promotabilty and career development. Best results would accrue if there is a balance between the quantitative and qualitative approaches.
10. Non-involvement of operating managers renders HRP ineffective. HRP is not strictly an HR department function. Successful planning needs a coordinated effort on the part of operating managers and HR personnel.
11. HRP is time consuming and expensive exercise, so industries avoid.

2.4 STRATEGIC PLANNING

A strategy is an overall approach and plan. So, strategic planning is the overall planning that facilitates the good management of a process. Strategic planning takes you outside the day to-day activities of your organization or project. It provides you with the big picture of what you are doing and where you are going. Strategic planning gives you clarity about what you actually want to achieve and how to go about achieving it, rather than a plan of action for day to- day operations.

Strategic planning enables you to answer the following questions:
- Who are we?
- What capacity do we have/what can we do?
- What problems are we addressing?
- What difference do we want to make?
- Which critical issues must we respond to?
- Where should we allocate our resources? /what should our priorities be?

Some suggestions:

- You need a strategic planning process when the strategic framework within which your organization or project functions needs to be developed, clarified, or consolidated.
- Don't do a strategic planning process more than once every two years unless the external or internal context has changed dramatically. Usually once in three years is enough. This does not exclude you from doing a strategic review more often, say once a year. A strategic review is quick - a day or less where you look at the strategic framework, against what is happening internally or externally, as a sort of reality check.

- There are various times in the life cycle of a project or organization where it makes sense to do a strategic planning process. So, for example, when you are initiating a new project or new organization, then you need to do a strategic planning process. If you have just had a major evaluation of the organization or work, and this has led to challenging recommendations, then you may decide to have a strategic planning process immediately afterwards. When you reach the end of a major phase in a project, it makes sense to review progress and prepare for the next phase through a strategic planning process.
- It is not possible to do a thorough strategic planning process in fewer than three days. If you are not used to this sort of process, you will need at least four or five days.

Thus human resource is one element of the overall corporate strategy or plan, and the two are **mutually inter-dependent**. If the corporate plan envisages a cut in output, for example, or the closure of a particular plant, then the human resource plan will need to consider redeployment of staff, redundancies and so on. If the corporate plan specifies a move into a new product market, the human resource plan will have to source the required labor from outside or within the organization, through recruitment or training.

You will understand this more from a real live example take Wipro InfoTech .You see 3-4 years back when the concept of SAP and CRM had emerged strongly, Wipro too decided to implement SAP. So it formed a team of its own employees selected from each functional department, trained them from Siemen and with the help of SAP consultants, the team designed and implemented the same. So you see, the organization decided to recruit internally. This way the skill remained within the company and the same team after the initial phase of design trained all the rest of the employees (in batches) on how to use this system. After the system was implemented fully, the team was disbursed and reassigned roles. Only a few remained as a troubleshooting team. But you as student should keep in mind that the availability of labor resources in turn, can act as a constraint on, or spur to, the achievement of corporate goals. If there are skill shortages and employees cannot be recruited, plans for expansion may have to be curtailed. The availability of multi-skilled or expert teams, on the other hand, my inspire innovative strategies for growth and change. So you get the concept of organization being systemic in nature.

The linking of HRM with strategic goals and objectives in order to improve business performance and develop organizational cultures that foster innovation and flexibility. The role of HR in the strategic planning process depends on the organization's view of HR. There are three views detailed in the text which involve HR as an operational function, HR as a "fitting" function, and HR as an equal partner in the strategic planning process. Obviously, it is our contention that the latter is the appropriate view. In this view, HR's role would include environmental scanning, competitive intelligence, internal strengths and weaknesses analysis, and the implementation of the strategies. HR process involves following activities or steps:

HR Planning Process:

1. **Determine the organizational mission:** It states Organization's overall purpose and basic business scope and operations it provides information like, why does our organization exist? What unique contributions can it make?

2. **Scan the organizational environment:** This is also known as SWOT analysis through this process organizations identify different opportunities available in the market and the threats that can be faced by the organization, and the weaknesses and strengths possessed by organizations are also measured and identified through this process.

3. **Set strategic goals:** To achieve the overall mission or purpose of the organization it is required to set specific long-term and short term objectives and goals. The goal can be defined as desired outcomes to accomplish mission. Following are the characteristics of effective goals. (i) Specific (ii) Challenging (iii) Measurable

4. **Formulate a strategic plan:** Courses of action is designed to meet strategic goals, also specifies functional or departmental goals are selected at this step.

Strategic Planning and Strategic Trends

1. **The Basics of Strategic Planning** A strategy is the company's plan for how it will balance its internal strengths and weaknesses with its external opportunities and threats and maintain a competitive advantage. Managers engage in three levels of strategic planning: (i) Corporate-Level Strategy (ii) Business-Level Competitive Strategy, and (iii) Functional Strategies.

2. **The Strategic Planning Process** entails conducting a SWOT analysis to identify its strengths, weaknesses, opportunities, and threats.

3. **Basic Strategic Trends** Globalization refers to the tendency of firms to extend their sales, ownership, and/or manufacturing to new markets abroad. For businesses everywhere, the rate of globalization in the past decade has been enormous, and has several strategic implications for firms. Technological Advances have been forcing, and enabling, firms to become more competitive. The Nature of Work is changing due to new technological demands. The Workforce demographics are changing as well. It's becoming more diverse as women, minority-group members, and older workers enter the workforce.

4. **Managerial Consequences of the Basic Trends** Managers have to craft strategies that balance opportunities and threats (like those previously discussed) with their firm's strengths and weaknesses, such as global expansion and improved competitiveness strategies. These types of strategies are driving other organizational changes.

HR's Strategic Role

1. **HR's Evolving Role** It's the firm's workforce that provides the competitive advantage for the firm. HR's role is shifting from protector and screener to strategic partner and change agent.

2. **Strategic Human Resource Management** refers to improving business performance and developing an organizational culture that fosters innovation and flexibility by linking HRM with the strategic goals and objectives of the firm.

3. **HR's Role** As a Strategic Partner can be seen as either adapting individual HR practices to fit specific corporate and competitive strategies or as an equal partner in the strategic planning process.

   - **HR's** Role in Executing Strategy Execution has been HR's traditional strategic role.
   - HR and Value Chain Analysis Strategy execution usually involves identifying and reducing costs, and therefore value chain analysis.
   - HR's **Role in Formulating Strategy** HR management can play a role in environmental scanning by assisting in identifying and analyzing external opportunities and threats that may be crucial to the company's success.

2.5 HUMAN RESOURCE INFORMATION SYSTEM

HRIS is an integrated system designed to improve the efficiency with which HR data is compiled. It makes HR records more useful to the management by serving as a source of information. HRISs are systems used to collect, record, and store, analyze, and retrieve data concerning an organization's human resources. The collection of information on aspects of work life as diverse as salary and payroll, compensation, leave, accidents, superannuating and employee benefits has always been part of the human resource manager's function. In the early history of personnel management, administrative aspects, including data collection, took up a great deal of time. Reviews of employee salary and leave entitlements often dominated the activities of earlier personnel officers, reflecting both management priorities and their own clerical backgrounds. Such early information systems were manual, and were mainly used to notify employees of leave entitlements, to ensure accurate salary and wage payments and to process workers' compensation and superannuating claims. The data was seldom used to predict trends, identify problem areas and, or aid in the longer-term staffing process.

Nature and benefits of HRIS: Modern human resource information systems are comprehensive, accurate and accessible systems for recording employee and work data relevant to HRM, HR and organizational planning. This system is used to acquire, store, Manipulate, analyze, retrieve and distribute pertinent information regarding an organization's human resources. Its purpose is to facilitate, or support, straight, tactical and operational decision making, to avoid litigation, to evaluate programs, policies, or practice and daily operations.
Specific benefits of such systems include:

- Improved planning and program development using decision support software. Faster information processing and improved response times
- Decreased administrative and HR costs
- Accuracy of information
- Enhanced Communication at all levels.

Not all systems fulfill all these requirements, nor is such a complete system suitable for all organizations. Essentially however all HRIS contain information on:

- Employees
- Jobs and work conditions
- Positions
- HR events (e.g. recruitment. training and development, performance appraisals, and terminations).

Uses of HRIS: Comprehensive and integrated information systems can be used widely -in administrative, operational and strategic fields by HR and other managers. On the operational level HRIS data can be used to identify potential internal applicants for job vacancies, saying external recruitment costs and assuring employees of career opportunities. Strategically, such information may be used to gauge the effectiveness of current recruitment or promotional systems, their costs and/ or benefits, and enable subsequent changes of direction in line with proposed organizational strategies.

HRIS Applications: A computerized HRIS contains hardware and software applications that work together to help managers make HR decisions. HRIS software applications currently available to business include those for employee information, applicant tracking, skills inventory, payroll, and benefits administration.

Common HRIS Functions: Mainly following functions are performed by the HRIS in different organizations.

- Job analysis information can be placed in the HRIS.
- The program can write job descriptions and job specifications.
- Constant monitoring of compliance with EEO legislation.
- Maintain records of rejected applicants.
- Saves money and time in compiling reports.
- Ensure that women and minorities or not be adversely affected.
- Track minority hiring, recruitment, and advancement.
- Forecast supply and demand of labor from both the internal and external labor markets.
- Useful for internal recruiting.
- Can post job opening for employees to access.
- Can search for match between job specifications and applicant qualification.
- Applicant tracking system.
- Administering and scoring ability tests.
- Scanning resumes submitted online (web based or e-mail) or in person (or mail). Structured interviews.
- Matching qualifications with open positions (finding a good fit). Also, consider budgetary concerns.
- Help with registration, tracking training, monitor training costs, and schedule raining.
- Used to deliver training.
- Career and managerial succession planning.

- Used to provide assessment tests to help employee's plan their own career.
- Predict career paths.
- Provide PA instruments and results.
- Comparisons between employees, groups, or supervisors ratings.
- Monitor attendance.
- Monitor compliance with Labor Standards.
- Individual sale data can be accessed (tracking commissions).
- Benefits can be managed and administered by computers.
- Planned raises and wage histories.
- Provides reports for Occupational Safety and Health Administration (OSHA).
- Track hazardous materials.
- Track accidents and costs of accidents.
- Record employee safety training.
- Record employee exposure to various conditions and chemicals.
- Track disciplinary actions and grievances.
- Labor contract data.
- Worker seniority list. etc.

2.6 FORECASTING DEMANDS

Effective workforce planning for specific enterprises involves determining which actions are needed to achieve business objectives, identifying the types and quantities of skills that are necessary to accomplish those actions, determining how those skills may vary from the skills that are currently available, and developing strategies for closing the gaps between today's workforce and the workforce needed to accomplish the business objectives. Demand forecasting, the process of determining how many people will actually be needed, was typically reported as the weakest link in addressing workforce requirements.

In theory or in practice, demand forecasting techniques can be grouped into six major categories: Direct Managerial Input, Best Guess, Historical Ratios, Process Analysis, Other Statistical Methods, and Scenario Analysis.

1. Direct Managerial Input is the most commonly used approach for determining future workforce. This is typically done via an edict that headcount or workforce costs will be a specific number. Today this number is most often expressed as a percentage reduction. There is little analysis of the work effort necessary to meet business objectives. The primary drivers are the desired cash flow and/or adjustments to the company's return ratios such as rate of return, return on capital employed, and discounted cash flow return on investment

2. A few companies have evolved a **Best Guess** formalized managerial judgment process. For example, a company formally collects data from each manager and rolls it together for an overall projection. In this process, each manager prepares a forecast of the demand for full-time equivalent employees for the skill groups or job families in their area. The forecast includes (a) the current headcount requirements, (b) a best-guess estimate of the impact of anticipated productivity and technology changes, and (c) the manager's best

guess of headcount changes due to anticipated business changes. Summing the current head-count and the anticipated positive and negative changes yields the future estimate.

3. Historical Ratios are used by many companies. Overall headcounts can usually be strongly correlated with other business factors, such as number of items manufactured, numbers of clients served, barrels of oil refined. Some businesses use operating budgets as headcount predictors with high reliability. In terms of total worker requirements, those factors usually provide a good forecast. However, as the mixture of regular employees, temporary workers, and outsourced contractors changes, these historical ratios can change dramatically.

4. The widespread interest in reengineering activities has produced a hypothetical approach to workforce demand forecasting based on **Process Analysis**. The concept seems fundamentally sound, but the benchmarking efforts did not find a single case where this concept had been translated into an operational model. In order for the process to-work as hypothesized, the workload analysis should be incorporated within a reengineering study. It might fairly be questioned whether this extensive level of analysis should become part of an annual planning cycle or should only be done in conjunction with a major reengineering effort.

The data collection and analysis phase of a process analysis approach is similar to the traditional historical ratio approach. Process steps are substituted for work activity steps, so that the analysis is done at an organizational level rather than a work group. The benchmark analysis showed some reengineered companies have developed the traditional historical ratio analysis, and have then adjusted those ratios for their assumed productivity gains to be achieved via process improvements. In theory, the positive and negative aspects of this process would mirror those described for historical ratios.

1. Other Statistical Methods include regression, linear programming, goal programming, simulation, Markov modeling, and demand flow/renewal models. The simplest version is a linear regression model in which time is used as the independent variable and headcount is the dependent variable. These types of models are common among companies that are either growing or shrinking steadily. This technique is often found "manpower planning" but is seldom used today. The major negative associated with these models is that they typically involve a long learning curve to master the technique fully. The major positive is that a well-defined model can provide organizational insight that no other technique can provide and will usually be the most accurate way to project future requirements if the model builder fully understands the organization.

2. A new approach to workforce demand forecasting is **Scenario Analysis**. While Scenario Analysis itself is not new, there is renewed interest in workforce analysis applications. The technique involves using workforce environmental scanning data to develop alternative workforce scenarios. Scenarios are developed by having brainstorming sessions with line managers and human resource managers, developing their view of the workforce five years or more in the future, and then working backwards to identify key change points.

The most positive aspect of this approach is that it encourages out-of-the-box thinking. Scenario discussions can surface considerations of the future that are frequently missed by other approaches. People also generally enjoy taking a break from routine and enjoy participating in these wide-ranging discussions.

The most negative aspect is that the discussion groups typically conclude that the best strategy is to encourage flexibility and adaptability by providing a heavy emphasis on training and personal development, and suggest that one should not worry about specific details. While this may be true, the need for workforce flexibility is usually known before the scenario discussions starts. Facts that can be gleaned about workforce needs over the next few years should not be ignored merely because the long-range details may still be fuzzy.

2.6.1 Forecasting Supply

Once an organization has forecast its future requirements for employees, it then goes on to the next search that is from where can it fulfill its requirements. It therefore needs to determine if there are sufficient numbers and types *of* employees and how many are eligible for the plausible positions. Supply analysis thus, involves planning for procurement: who, from where, how and when of recruitment. It scans the internal and external environment for the best-fit candidate for the positions in question. Thus, there are two source of supply- internal and external.

Internal sources: The most popular approach to be followed by all managers is to look within the organization among its cadre first. Until and unless the opening is not related to immensely diversified field of which the existing workforce might not possess requisite skills, and the cost of training may be working out to be high, it is easier to go in for an internal source for recruitment. Because it is cost saving in many ways to utilize what is already available to the organization. A profile of employee in terms of age, sex, education, training, experience, job level, past performance and future potential is continuously maintained for use whenever required. Thus, if the requirements in terms of growth/diversification, internal movements of employees (transfer, promotions, retirement, etc.) are determined in advance then the data can be very useful. But while provisioning for the above corporate movements, one must keep an eye on the internal movement, such as, attrition, absenteeism, promotion, etc. In addition to workforce analysis, the organization needs to maintain replacement charts or succession plans. Regular manpower audits are the best option to keep track of the available talent in terms of skills, performance and potential. An internal supply analysis is done with:

1. **Staffing tables/manning charts**, which are pictorial representations of all organizational jobs, along with the numbers of employees currently occupying those jobs and future employment requirements.
2. **Markov analysis**, which shows the percentage (and actual number) of employees who remain in each job from one year to the next, thus keeping track of the pattern of employee movements through various jobs. Thus this analysis results in a composite matrix of supply.
3. **Skill inventories** that list each employee's education, past work experience, etc.
4. **Replacement chart** that helps us derive the profile of job holders, department-wise and reveals those who could be used as replacements whenever the need arises.

External sources: It is only when the cost of procuring the labor from internal sources is more and also the present staff cannot be spared for the future assignment, the company can refer to the external market. For this, they need to keep themselves updated regularly on what is available now, what will be available later. Whether the skills required in future will be easily available or certain training, for instance need to be incorporated. For example, a company in the present scenario wanting to start its BPO operations in India may not have problem which a company 10 years back would have faced, as there are ample requisite skills available in the market. Not only skilled labor but also they are motivated to join such company for fast earnings. Thus, HR planners need to keep themselves abreast of the Labor market conditions such as local employment, trends of relevant categories of employees, competition for such skills, availability of part time labor, migration trends of labor, etc.

Therefore to summarize what information should be available for a comprehensive the supply forecast and analysis:

1. The skill base, potential trainability and current and potential productivity level of the existing work force.
2. The structure of the existing workforce in terms of age distribution, skills, hours of work, rates of pay and so on.
3. The possible changes in the productivity, size and structure of the workforce due to resignations and retirements, promotions and transfers, absenteeism and other external factors (economic and cultural), which may induce such changes.
4. The availability of the relevant skills in the external labor market for present and future use. The HR planner will have to assess and monitor factors such as: market value, image/ preference of the existing labor for the company, motivation of the prospective candidates to join the company.

2.7 MAN POWER FORECASTING

According to Geisler, "Manpower planning is the process –including forecasting, developing and controlling by which a firm ensures that it has:

- The right number of people,
- The right kind of people,
- At the right places,
- At the right time, doing work for which they are economically most useful".

Forecasting of future manpower requirement is the most important part of manpower planning. It is done on the basis of production & sales budgets, work loads analysis, work force analysis, estimated absenteeism & turnover. The future manpower requirements should be forecasted quantitatively & qualitatively. Their are several factors which need to be look upon before forecasting:

Employment Trend:-The manpower planning committee should compare & analyze the trend of last five year to forecast the manpower requirements.

Productivity:- Manpower requirements are also influenced by improvement in productivity. The important three aspects are:

- Better utilization of existing manpower.
- Improvement in technology.
- Matching of skills with job requirement.

Absenteeism:-Absenteeism is a situation when a person fails to come for work when he is scheduled to work while estimating demand for manpower the prevailing rate of absenteeism in the organization should be considered.

Expansion & Growth:- Expansion & growth plans of the organization should be carefully analyzed to judge their impact on manpower requirement in future.

Replacement Needs:- arises due to death, retirement, resignation & termination of employees. It may relate to supervisory, skilled, clerical groups and must be anticipated in advance.

After forecasting about the right type & number of people required the next phase is to plan, how the organization can obtain these people. Programmers & strategies need to developed for recruitment, selection, training, internal transfers, promotions & appraisal so that the future manpower requirement can be met. Development plans are designed to ensure a continuing supply of trained people to take over jobs as they fall vacant either by promotion or recruitment or through training. In this way, shortages or redundancies can be avoided in the long run.

2.7.1 Problems in Manpower Planning

1. **Accuracy of forecasts:-**If the forecast are not accurate, planning will not be accurate. Inaccuracy increases when departmental forecasts are merely prepared without critical review.

2. **Identity Crisis:-** Many human resource specialists & the managers do not understand the whole manpower planning process. Because of this there is generally an identity crisis.

3. **Support of Top Management:-**Manpower planning requires full & wholehearted support from the top management. In the absence of this support & commitment, it would not be possible to ensure the necessary resources & cooperation for the success of the manpower planning.

4. **Resistance from Employees:-**Employees & trade unions resist manpower planning. They feel that this planning increases their overall workload & regulates them through productivity bargaining .They also feel that it would lead to wide spread unemployment, especially of unskilled labor.

5. **Insufficient initial efforts:-** Successful human resource planning flourish slowly & gradually. Sometimes sophisticated technologies are forcefully introduced just because

competitors have adopted them. These may not be successful unless matched with the need & environment of the particular enterprise.

6. **Management information system:-** Effectiveness of the planning depends upon the reliability of the information system. In most of the Indian industries, human resource information system has not fully developed. In the absence of reliable data it would not be possible to have effective planning.

7. **Expensive & Time consuming:-** Manpower planning is an expensive & time consuming process .Employers may resist manpower planning feeling that it will increase the cost of manpower.

8. **Coordination with other managerial Functions:-** There is generally a tendency on the part of the manpower planners to remain aloof from others operating managers& to become totally absorbed in their own world. To be effective manpower planning must be integrated with other management functions.

9. **Unbalanced Approach:-** Many human resource person gives more importance on the quantitative aspects of manpower to ensure that there is adequate flow of people in & out of the organization. They overlook the qualitative aspects like career development & planning, skill levels, morale.

2.8 REVIEW QUESTIONS
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1. What do you understand by HRP? What is its importance?
2. Explain the various steps in HRP Process
3. How are Personnel needs and Personal supplies estimated?
4. Define HRP. Bring out the factors influencing such a plan.
5. Explain the techniques of employee demand forecasting.

EMERGING TRENDS IN HRM

Structure

3.1 NEW TRENDS IN HR

Human resource management is a process of bringing people and organizations together so that the goals of each other are met. The role of HR manager is shifting from that of a protector and screener to the role of a planner and change agent. Personnel directors are the new corporate heroes. The name of the game today in business is personnel.

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 recent trends that are being observed are as follows:

1. The recent quality management standards **ISO 9001** and **ISO 9004** of 2000 focus more on people centric organizations. Organizations now need to prepare themselves in order to address people centered issues with commitment from the top management, with renewed thrust on HR issues, more particularly on training.

2. Charles Handy also advocated future organizational models like **Shamrock**, **Federal** and **Triple I**. Such organizational models also refocus on people centric issues and call for redefining the future role of HR professionals.

3. To leapfrog ahead of competition in this world of uncertainty, organizations have introduced **six- sigma practices**. Six- sigma uses rigorous analytical tools with leadership from the top and develops a method for sustainable improvement. These practices improve organizational values and helps in creating defect free product or services at minimum cost.

Human resource outsourcing is a new accession that makes a traditional HR department redundant in an organization. Exult, the international pioneer in HR BPO already roped in Bank of America, international players BP Amoco & over the years plan to spread their business to most of the Fortune 500 companies. With the increase of global job mobility, recruiting competent people is also increasingly becoming difficult, especially in India. Therefore by creating an **Enabling Culture**, organizations are also required to work out a **retention Strategy** for the existing skilled manpower.

3.1.1 New Trends in International HRM

International HRM places greater emphasis on a number of responsibilities and functions such as relocation, orientation and translation services to help employees adapt to a new and different environment outside their own country.

1. Selection of employees requires careful evaluation of the personal characteristics of the candidate and his/her spouse.
2. Training and development extends beyond information and orientation training to include sensitivity training and field experiences that will enable the manager to understand cultural differences better. Managers need to be protected from career development risks, re-entry problems and culture shock.
3. To balance the pros and cons of home country and host country evaluations, performance evaluations should combine the two sources of appraisal information.
4. Compensation systems should support the overall strategic intent of the organization but should be customized for local conditions.
5. In many European countries - Germany for one, law establishes representation. Organizations typically negotiate the agreement with the unions at a national level. In Europe it is more likely for salaried employees and managers to be unionized.

HR Managers should do the following things to ensure success-
1. Use workforce skills and abilities in order to exploit environmental opportunities and neutralize threats.
2. Employ innovative reward plans that recognize employee contributions and grant enhancements.
3. Indulge in continuous quality improvement through TQM and HR contributions like training, development, counseling, etc
4. Utilize people with distinctive capabilities to create unsurpassed competence in an area, e.g. Xerox in photocopiers, 3M in adhesives, Telco in trucks etc.

5. Decentralize operations and rely on self-managed teams to deliver goods in difficult times e.g. Motorola is famous for short product development cycles. It has quickly commercialized ideas from its research labs.
6. Lay off workers in a smooth way explaining facts to unions, workers and other affected groups e.g. IBM, Kodak, Xerox, etc.

HR Managers today are focusing attention on the following-

1. **Policies**- HR policies based on trust, openness, equity and consensus.
2. **Motivation**- Create conditions in which people are willing to work with zeal, initiative and enthusiasm; make people feel like winners.
3. **Relations**- Fair treatment of people and prompt redress of grievances would pave the way for healthy work-place relations.
4. **Change agent**- Prepare workers to accept technological changes by clarifying doubts.
5. **Quality Consciousness**- Commitment to quality in all aspects of personnel administration will ensure success.

Due to the new trends in HR, in a nutshell the HR manager should treat people as resources, reward them equitably, and integrate their aspirations with corporate goals through suitable HR policies.

3.2 OUTSOURCING AND ITS HR DIMENSIONS

What is outsourcing?

Outsourcing is subcontracting a service such as product design or manufacturing, to a third-party company. It is contracting with another company or person to do a particular function. Almost every organization outsource in some way. Typically, the function being outsourced is considered non-core to the business. An insurance company, for example, might outsource its janitorial and landscaping operations to firms that specialize in those types of work since they are not related to insurance or strategic to the business. The outside firms that are providing the outsourcing services are third-party providers, or as they are more commonly called, service providers.

Although outsourcing has been around as long as work specialization has existed, in recent history, companies began employing the outsourcing model to carry out narrow functions, such as payroll, billing and data entry. Those processes could be done more efficiently and therefore more cost-effectively, by other companies with specialized tools and facilities and specially trained personnel.

Currently, outsourcing takes many forms. Organizations still hire service providers to handle distinct business processes, such as benefits management. But some organizations outsource whole operations. The most common forms are information technology outsourcing (ITO) and business process outsourcing (BPO).

Business process outsourcing encompasses call center outsourcing, human resources outsourcing (HRO), finance and accounting outsourcing, and claims processing outsourcing. These

outsourcing deals involve multi-year contracts that can run into hundreds of millions of dollars. Frequently, the people performing the work internally for the client firm are transferred and become employees for the service provider.

The process of outsourcing generally encompasses four stages: 1) strategic thinking, to develop the organization's philosophy about the role of outsourcing in its activities; 2) evaluation and selection, to decide on the appropriate outsourcing projects and potential locations for the work to be done and service providers to do it; 3) contract development, to work out the legal, pricing and service level agreement (SLA) terms; and 4) outsourcing management or governance, to refine the ongoing working relationship between the client and outsourcing service providers.

In all cases, outsourcing success depends on three factors: executive-level support in the client organization for the outsourcing mission; ample communication to affected employees; and the client's ability to manage its service providers. The outsourcing professionals in charge of the work on both the client and provider sides need a combination of skills in such areas as negotiation, communication, project management, the ability to understand the terms and conditions of the contracts and service level agreements (SLAs), and, above all, the willingness to be flexible as business needs change.

3.2.1 Human Resource Outsourcing: Scope for India

One very important trend in the recent times has been the growth of human resource outsourcing. HR outsourcing is the outsourcing of peripheral but necessary administrative tasks such as payroll, benefits, education/training, recruiting personnel, administration, to realize economies of scale and achieve standardization of services.

Rapidly changing market dynamics and global competitive pressures have caused organizations to spend more time focusing on their core business. Organizations are fast realizing that they can't be all things to all people. So companies now, be it a software company, a service provider or a manufacturing firm, decide what they are good at and outsource everything else, i.e., focus on their core competency, and let someone else do the rest in a more efficient and cost-effective manner.

As a result, human resources outsourcing is becoming increasingly prevalent. The number of companies outsourcing HR activities continues to rise, and the scope of outsourced HR activities continues to expand. HR outsourcing can happen in HR functions, like payroll administration (producing checks, handling taxes, dealing with sick-time and vacations), employee benefits (Health, Medical, Life insurance, Cafeteria, etc), human resource management (hiring and firing, background interviews, exit interviews and wage reviews), risk management, etc. Outsourcing has become a common response to manage people and technology resources strategically, enhance services, and manage costs more effectively.

Outsourcing noncore activities allows HR professionals to move away from routine administration to a more strategic role. The organization can focus on higher value-added activities while the outsourcing provider takes care of the day-to-day administration. Critical internal resources, such as technology and talent, can be devoted to company's core business. Outsourcing reduces the need for large capital expenditures in noncore functions. Thus,

outsourcing becomes a strategy for reducing the capital intensity of the business. This strategy has gained popularity as companies aim to become more nimble and gain the speed and flexibility necessary to compete in today's business environment. A growing number of executives understand the benefits it can bring in terms of not only cost savings, but also heightened strategic focus. Many recognize outsourcing relationships as long-term partnerships created to further the strategic goals of the organization.

The HR outsourcing business opportunity is large and India is likely to garner a larger and larger piece of this pie in the future. India, with its intrinsic advantages such as low cost, ready pool of English speaking manpower and geographic positioning, is emerging as a viable destination for HR outsourcing companies to set up their businesses.

But still here people are not very clear about what exactly is manpower outsourcing all about, and issues like quality and trust needs to be addressed properly. Experts say the basic reasons hampering the growth of HR outsourcing in India are confidentiality and cost factors. Moreover, the fear of losing jobs, losing control over confidential data, ethics and quality of outsourcing vendors, security breaches and overall confidence in the vendors deters many organizations. The biggest problem - and this is why the HR outsourcing industry in India is on the back foot - is the government and the industry's failure to tackle issues like data security and data privacy. This is where Indian HR outsourcing companies face a major handicap. The Indian government is still grappling with drafting a data protection law designed to quell growing privacy concerns from their offshore clients.

However, the future seems to be very promising. It's set to become a $ 51 billion market worldwide in 2005, representing 39 per cent of the total business process outsourcing revenue. Estimates show that the latent size of HR outsourcing in India is about $ 2 billion with a current market of $ 27 million and it is growing at an alarming rate of about 50 per cent. India has immense potential as more than 80% of fortune 1,000 companies are discussing HR outsourcing as a way to cut costs and increase productivity.

Right now, India is barely skimming the surface of the HR outsourcing market potential. Indian life Hewitt (ILH), FIDELITY, EXULT and MAFOI are some of the prominent HR outsourcing services providers in India and the clients include giants of manufacturing, software and service industries like GE Capital, Ford Motors, Hyundai Motors, Satyam Group, Infosys, Enron, Haldia Petrochemicals and HSBC, to name a few, but many more needs to be added to that list

HR outsourcing has a huge potential for employment also. Nasscom numbers are a million software jobs by 2005; HRO would be about a 25 per cent of that. Experts believe that in present times HR outsourcing is undergoing a transition phase, it would still be sometime before we see increased levels of HR activities being outsourced to India as lack of domain knowledge and quality are some of the critical issues.

Till that time, HR outsourcing in India remains to be a gold mine waiting to be unearthed.

Table 3.1

Top 10 Employment Trends for 2006-2007

A greater emphasis on employers to develop retention strategies for current and future workforce

Rising health care costs

Employee security concerns

Employee backlash against rising benefits costs

Work intensification as employers try to increase productivity with fewer employees

A continued change in negotiating strategies, tactics and processes used by labor and management caused by business pressure to remain competitive

Greater demand for flextime

Establishment of a link between pay and performance

More employees with untreated physical and mental health conditions due to an increase in health care costs and the number of uninsured

Privacy concerns of employees

Table 3.2

Top 10 HR Profession Trends for 2006-2007

Central importance of medical health care/cost management to the HR function.

Growing complexity of legal compliance.

Preparing for the next wave of retirement/labor shortages.

Building people management or human capital component into key business transactions (change management, mergers and acquisitions).

Need to develop retention strategies for current and future workforce.

Business units taking on more of HR's strategic functions and tasks.

Linking employee performance and its impact on organization's business goals.

Growing complexity of staffing function as it links to the financial and operational performance of the organization.

Increased use of HR technology.

Increased focus on selective retention for keeping mission-critical talent.

3.3 HUMAN RESOURCE PLANNING AND DOWNSIZING

In a business enterprise, downsizing is reducing the number of employees on the operating payroll. Some users distinguish downsizing from a layoff, with downsizing intended to be a permanent downscaling and a layoff intended to be a temporary downscaling in which employees may later be rehired

Whether it is called downsizing, rightsizing, delayering, reduction in force, redundancy elimination, or any of a host of other terms, the expectation of lifelong employment with one employer has now become the exception rather than the rule. Both in the government and the private sector, the loss of that sense of security--combined with the familiar scenario in which the

number of employees is reduced but the amount of work remains unchanged--can have devastating effects on the remaining employees, otherwise known as the "survivors." The basic GOAL for a successful downsizing is "work better and cost less". To help achieve this goal, it is important to review and learn from the experiences of organizations that have downsized--and recognize that downsizing does not always achieve the intended result.

Over the past decade downsizing has been in full swing and reductions in the work force became a fact of life in the world of work. For many organizations, these actions were necessary to improve profitability, eliminate obsolete functions and reduce overstaffed areas. As organizations move to-wards more strategic workforce management, downsizing will remain part of the work force landscape, but the catalyst for it will change.

Downsizing began as the strategy of sickly companies shedding workers in the face of weak demand, but soon strong firms looking to boost shareholder value also adopted the policy.

Downsizing can be used as a strategic option that management can exercise in order to boost equity value. Downsizing sometimes called "rightsizing" refers to the planned elimination of positions, operations or jobs. This program is often used to implement retrenchment strategies. A good retrenchment strategy can thus be implemented well in terms of re-organizing but poorly in terms of staffing.

3.4 VOLUNTARY REDUNDANCY AND WAYS OF DOWNSIZING PROCESSING

Voluntary Redundancy (VR): Voluntary redundancy (VR) has become widely used as a method of dealing with redundant employees, but what are the advantages of adopting it and under what conditions it will be effective? Does it have any disadvantages of adopting, and what can be done to increase the supply of volunteers if there is a shortfall? The starting point is an investigation into what is meant by voluntary redundancy: neither law nor practice has defined the term precisely.

There was a time when voluntary retirement used to be the last resort for organizations facing compelling business conditions. But to-day voluntary retirement schemes (VRS) have become an in-thing for surviving in the fiercely competitive market. The ultimate objective is to reduce the total manpower for savings in wage cost to bring down the cost of product or services. If this is the ultimate objective, one has to examine how much the wage cost constitutes as a percentage of the total cost and how much the other factors of production contribute to the total cost of production. Except for highly labor intensive manufacturing or process units, major contributors to the cost of production are basic raw materials and consumables, power and fuel, maintenance and spares, the depreciation charges for plant and machinery and of course the cost of servicing the loans from the banks or servicing the debentures. In many large size organizations, there is no more lifetime employment. Companies have been downsizing through the process of a compensation package based on Voluntary Retirement Schemes (VRS). VRS is viewed as one of the methods for the turnaround of the company when business cycle is on a declining curve. The symptoms of such decline are seen in gradual decline in profits, reduction of market shares, loss of monopoly, fast emergence of new technology, etc.

When these symptoms are round the corner, management must initiate action through strategic planning. This unit focuses mainly on the four major ways of direct downsizing of workforce and also covers practices adopted by different corporate houses in India and abroad. The major ways of downsizing are as follows: -

1. Lay-off
2. Retrenchment
3. Closure
4. Voluntary Retirement

Lay-off: It is a temporary measure to reduce workforce in case the organization faces problems like shortage of fuel or power, accumulation of raw material and finished stock due to recession, shortage of working capital, breakdown of machinery or natural calamity. The reasons under which employers can layoff workers are very specific and limited in number. According to Section 25-m of the Industrial Disputes Act, 1947 unless the lay-off is due to shortage of Power or natural calamity no worker can be laid off without the prior permission of the appropriate Government, in case the number of workers exceeds 100.

A well-known manufacturer of textiles, Mafatlal Industries had declared a 35 days lay-off in its spinning, weaving and grey folding departments which would have affected 1,200 workers. It was aimed at cutting production due to recession in the textile industry and cutting costs. The lay-off was declared illegal by the Labor Department. Another Company, Hindustan Motors, one of the key players in Automobiles, in the recent past entered into a legal course against the order of refusal of permission of lay-off. The issue is still pending before Calcutta High Court. Ashok Leyland, a leading manufacturer of automobiles, decided to shut down its Ennore plant for 12 days in June, 1998 when stock piled up due to recession, in the commercial vehicle sector. It was done with the cooperation and approval of the union. That period was not treated as lay-off technically and workers were entitled to full wages and allowances except incentives. According to a study of the top 100 Fortune –500 companies by Kenneth, Paul and Thomas (1994) to track their lay-off announcement Motorola and Texas Instruments, both US based companies adopted different strategies to cope up with recession. Texas Instrument terminated the jobs of several thousand employees and had to rehire, retrain, and motivate the employees when things improved. Motorola adopted a different strategy. The employees were required to work one day less in every two weeks during the recession period. The Philosophy behind this was 'We are in the boat together.'

Retrenchment: Under the Industrial Dispute Act, 1947, an organization can retrench employees for any reason other than termination of employment due to disciplinary action. It does not mean retrenching all the employees due to closure. The employer can prune the workforce using this method and pay them the retrenchment compensation as stipulated in the Act. But the employer has to retrench the junior- most employees even if they are competent based on the LIF (Last in First out) principle. Very recently the Union Cabinet has approved the retrenchment of 218 workers in Hindustan Vegetable Oils Corporation a public unit based in Delhi. The unit was ordered to shut down by the High Court a few years back and it had been incurring a monthly expenditure of Rs.25 lakhs on idle wages (Human capital Oct. 199). In February 1994 113-crore Modern Food Industries was allowed to close down its Ujjain factory and retrenched 126

employees. Such cases of Government approvals in case of large companies are few and far between. Retrenchment is not just a simple means to downsize workforce. It involves a tricky and complex process for identifying the non-performers, who are required to be separated from the organization permanently. At HCL there are no soft-options. With a single –minded focus on performance the company firmly believes that what is good for it is the best for its people. Managers are ruthlessly performance-oriented. Every employee is ranked on the merit list. HCL managed the downsizing by identifying three clusters of people whom they call Yesterday's, Today's and Tomorrow's people Yesterday's people are those who are characterised by inflexible attitudes and declining performance. Therefore they are the first to go. Today's people are those who have maintained consistent performance and are recommended for further training to tap their potential. Tomorrow's people are the super-achievers at whom the organization throws stretch targets and plum rewards. This technique is applied through the monthly performance reviews for each business unit.

Closure: An employer can close down the whole or part of a unit if the circumstances that lead to closure are beyond the control of the employer. The Government has to be notified at least 90 days before the intended closure, citing reasons there for. Section 2 (cc) of the Industrial Disputes (Amendment) Act, 1982 defines "closure" to mean "the permanent closing down of a place of employment or part thereof". Section 25 (FFF) imposes a liability on the employer who closes down his business, to give one month's and pay compensation equal to days' average pay for every completed year of continuous service or any part thereof in excess of six months. In case of closure on account of unavoidable circumstances beyond the control of employer, the maximum compensation payable to a workman is his three months salary (Srivastava,). The Ghatkapor (Maharashtra) unit of BOC has been given permission by the Maharashtra Government shut down on grounds of continuing losses and poor productivity. The losses were to the tune of Rs. 8 crore in the past seven years (Human Capital, March, 1999). In1994, The Bhandup plant of Hindustan Ciba-Geigy in Maharashtra was closed down and the employees were offered VRS. Levi Strauss & Co., the renowned manufacturer of Jeans has planned to shut down around 11 of the North American facilities and cut 5900 Jobs by shifting most of its production activities overseas to reduce labor costs (Human Capital March, 1999).

One of the most important drawbacks of these methods of downsizing is that they cannot be used at the discretion of the employer in case of large organizations (where the number of employees exceed100). Approval of the Government before layoff, retrenchment and closure is compulsory. In a country like India, where unemployment is a big problem, the Government is very reluctant to give permission for cutting jobs even if the reasons are genuine. Very often, long battles are fought in the court of law where the balance may tilt in favour of any one of the parties. Trade Unions also offer stiff resistance. J.K. Synthetics had closed down its fiber plant in Kota. A case was filed against the company and the legal battle continued for 14 years. The Supreme Court eventually declared the closure illegal and ordered the reinstatement of 1,100 workers with full compensation.

Human Resource Planning Vs. VRS Voluntary Retirement Scheme: Perhaps the most important but generally most neglected aspect of VRS is detailed human resource planning. The basic assumption for introducing VRS is that a number of employees shall leave the company and therefore, for maintaining employees are to be effectively utilized. The issue is not as simple as it appears to be. The first and immediate reaction of the employees is about their traditional

concept of work, and the existing work culture perpetuated for long years to which the workers have been accustomed with. For example, in most industries, the skilled workmen or technicians do not attend a job unless they are given a helper to assist them. Human resource planning must take into account as to how such issues are dealt with. A proper work-study would reveal that most of the times while technicians attend to their jobs, the helpers stand idle and their presence is not required technically. But nevertheless being assisted by helpers satisfy their unconscious esteem needs, based on hierarchical concept in the industry. The other aspect of human resource planning is to identify old and ineffective persons who are perpetually sick, alcohol or drug addicts and habitual absentees and thus have least or very low productivity. Along with this, lazy but, self-proclaimed group leaders are also to be identified. For each of these cadres and categories of organizational members different approaches are to be thought of and in this process resorting to administrative actions through the specific provisions of the Standing Order may well be considered, before initiating discussions on VRS. The most vital aspect of human resource planning is to prepare a skill inventory. Persons with specific skill and expertise have to be retained. An important aspect is polyvalent or multidisciplinary skill development programme, which should be organized in a planned manner before VRS is introduced. Job rotation and redeployment are unavoidable and for this, time bound training programmes are extremely necessary. Investments in such programmes give good returns. With the advent of the e-commerce and fast development of technology, organizations are bound to have flatter organization structure by reducing the number of layers for their survival. A well worked out manpower plan shall be an important pre-requisite to convince the collectives that after the VRS is implemented, the retained workers shall not be unjustifiably burdened with excessive workload. Management must deliberately avoid engaging some chosen retired, employed on contractual basis for availing their skill and expertise. If such practice is followed, possibilities of discrimination and favoritism will not only disrupt the credibility of the management but also will adversely affect the morale of the existing employees efficient and optimum level of production, the retained.

3.5 BENCHMARK

The term 'benchmark' originally meant a surveyor's mark out in a rock used as a point of reference. It has come to mean anything taken as a point of reference or comparison. In general sense, therefore, benchmarking mean setting standards which acts as a point of reference. In business, benchmarking has come to mean variety of things. It has assumed a very special significance in today's competitive world. It is now recognized as an effective approach towards improvement of productivity, quality and other dimensions of performances that are determinants of competitiveness. Benchmarking is one of the many techniques that one can employ to gather management information. The benefits of using benchmarking are that functions are forced to investigate external industry best practices and incorporate those practices into their operations.

Origin of Benchmarking: In its general sense, benchmarking has been with us since business has bee in operations. From earlier times, traders have sought to compete by offering better, cheaper and wide range of products. In order to do this they used to compare with standard norms. After the advent of Industrial revolution, the business processes have become more complex. For measuring the performance of business processes, a whole range of scientifically

based methods like operations research, work-study, organization and methods, statistical quality control etc. were evolved. Even though those methods have sought to measure and promote improvement of performance, they often lacked any external reference or benchmark, thereby making only constant small improvements. These methods could not give a quantum leap in the performance of business processes. Since benchmarking is based on reference (mainly external), the company could recognize the competition which in turn forces the organization to learn from the best processes and make a quantum leap in their performance to gain competitive advantage.

Role of Benchmarking: The role of benchmarking is to provide management with knowledge of what constitutes 'best performance' or 'superior performance' in a particular field. Best performance relates to output, efficiency, quality and any other measurement relevant to performing the job. Benchmarking not only investigates what best practice means in terms of performance yardsticks but also examine how best practices is achieved. Benchmarking is, therefore, not only the practice of obtaining measurements but also involves understanding the conditions, resources and competence necessary to deliver top performance.

No individual, team, or operating unit-no matter how creative or prolific can possibly parent all innovation. No single department or company can corner the market on all good ideas. In view of this reality recognizing human limitations, it makes eminently good sense to consider the experience of others. Those who always go it alone are doomed to perennially reinvent the wheel, for they do not learn and benefit from others progress. By systematically studying the best practices and by innovative adaptations an organization can accelerate the progresses of improvement.

HRM Benchmarking: Benchmarking is a strategic activity aimed at the pursuit of continuous improvement. It is the process of assessing an organization's procedures, product and service performance against organizations that have achieved a recognized standard of excellence. Benchmarking is an ongoing, systematic process to search for and introduce best practice into an organization.

In the HRM context, benchmarking can provide a useful way to identify and assess the contribution of people management practices to an organization's corporate performance. By helping organizations learn from other organizations' high performance standards, benchmarking provides an incentive for organizations to adapt, where appropriate, that learning to improve the quality of their own people management practices. Organizations can also use benchmarking techniques to add value to their strategic planning processes. They can be a valuable means of setting appropriate measurable objectives to improve the organization's strategic performance. Benchmarking can also help strategically focus an organization's HRM performance by providing challenging, yet achievable targets or goals across all key areas of the HRM framework.

Benefits of Benchmarking
- Develop realistic stretch goals and strategic targets.
- Establishes realistic, actionable objectives for implementation.
- Provides a sense of urgency for improvement.
- Encourages striving for excellence, breakthrough thinking and innovation.

- Creates a better understanding of competitors and the dynamics of the industry.
- Emphasizes sensitivity to changing customer needs.

3.5.1 The Importance of Benchmarking:
Acquiring a Brand and Making it Work.

The Situation: The late nineties, the height of the dot com bubble, was a time of what seemed to be endless investment opportunity. Forming companies with the intention of quickly spinning off the company in an IPO was a common practice. As a result, companies focused more on short term strategy (immediate increase in sales and brand recognition) than on long term strategy (sustainable profitability). This case involves a group of investors who resurrected an American icon motorcycle brand in the late nineties in hopes of taking the company public on the coat-tails of the success of Harley- Davidson (HD). While their was no question that the investors were financially savvy, they were also quick to copy the operational strategy of HD, without fully understanding why the HD strategy worked and without researching the strategies of other top motorcycle companies worldwide. This was their downfall.

The Brand was a classic American icon with the potential to be a serious contender to HD. For these reasons the investors made what seemed like an obvious leap to copy the industry leader's (HD) strategy. Our brand had gone bankrupt back in the 1950's and since then had not built a bike. Investors purchased the brand name with the idea of buying a custom bike shop, and assembling mostly off-the shelf HD copy parts into motorcycles which would be sold using the legendary bike name. However, while both HD and our resurrected motorcycle brand both had strong brand recognition. HD was manufacturing 200,000+ motorcycles per year while our brand was manufacturing about 4,000.

The investors created motorcycles using as much of the HD operational model as possible: if HD welded their own fuel tanks, this company would do the same. Manufacturing frames in house? Same. And so on. Initially demand for our brand was high; however, the cost was even higher. Even cutting the Bill of Material (BOM) cost by 50% would not have been enough to be profitable. The custom-bike design approach was cost prohibitive, and the math that worked for a manufacturer of 200,000 bikes per year wasn't even close for a manufacturer of 4,000 per year.

Dot Com Bubble Burst: In the summer of 2001, the dot com bubble had burst and investors sold their resurrected motorcycle brand to a private equity firm, losing tens of millions. The private equity firm's strategy for our resurrected motorcycle brand was to continue with the same business model, but to use the firm's analytical capabilities and operational skills to reduce costs by analyzing and implementing changes to internal processes while pushing sales volumes as much as possible. At this stage the PE firm hired Pied Piper founder, Fran O'Hagan to run engineering, design, product management and marketing, to finish the development of a critical product that had stalled at only 50% complete.

The Approach: *Measure, Measure, Measure.*
We finished the critical product on time and on budget, but along the way realized that the custom-bike/HD approach to the motorcycle business simply wouldn't work with a realistic sales volume. The custom bike/HD operating process was far too costly to sustain, and simple cost

cutting procedures were not going to fix the problem. We launched a quick motorcycle benchmarking study and discovered that out of the top 10 worldwide motorcycle brands, HD was absolutely unique in their approach to motorcycle manufacturing operations. While plenty of other manufacturers could operate profitably selling 30,000 or even 10,000 motorcycles per year, HD would be spectacularly unprofitable at that level. The difference? Even established brands such as Honda or BMW would outsource manufacturing operations to specialists. ("Let your back room be someone else's front room!") Frames would be delivered by an Italian frame specialist. Fuel tanks by a German fuel tank specialist, and so on, for as much as 90% of the value of the motorcycle. Plus, the specialists would be up to date on all current technologies and cost saving opportunities. A BOM cost of $ 14,000 per motorcycle all of a sudden turned into a $ 5,000 BOM cost, and at much higher quality. This discovery revealed that he HD/Custom Bike model was clearly NOT the direction to follow.

Influence: In order to remain in business, our brand company needed to change their approach to design, and fast. They needed to first design a bike, and then approach OEM suppliers to supply the parts. This was the way virtually every other motorcycle manufacturer ran their business. Even HD had adopted this approach for the development of their latest product: the V-Rod.

The Result: Our company kicked off the design of a bike with a BOM cost that was 70% less than the original BOM cost, promised a unique design of the highest quality. This reduction was achieved by complementing company engineering capabilities with outside experts, and sourcing 90% of the components from established, international motorcycle industry suppliers. Simultaneously, demand for existing products was soaring, with new sales records each month. Unfortunately the launch of the new, much more profitable products was still almost two years away, and the company had already burned through nearly $ 100 million of investor funds following the old HD/Custom Bike operational approach. The investors ran out of funds, and new funds were late in arriving. The company ground
to a halt. Had the original group of investors benchmarked how motorcycles were built throughout the world (profitably at low volumes) prior to committing to their HD/Custom Bike operating strategy, our resurrected brand could have been a serious contender in today's motorcycle market.

3.6 CASE STUDY: BENCHMARKING VRS PRACTICES AND COMPENSATION MANAGEMENT

Having identified the reasons for the present downtrend of the organization and also having decided the probable actions required for rectification, the company must compare its vital data for all the factors with the best company in the same or similar trade. Such benchmarking helps in understanding the level of efficiency at which the company is presently working. For the purpose of preparing VRS, data on inter-firm comparison of wage bill including welfare expenses, particularly with reference to the nearest competitor could be an eye opener for management and collectives. This single datum may decisively go in favour of introducing VRS. In addition to this another datum may be on value added per employee and value added per rupee of wages. The compensation package normally determined on existing salary, past service, future service, types of compensation packages being offered in the industry / region and also the

financial situation of the existing company. By and large, the pay back period of the compensation package in companies is less than three years.

Voluntary retirement is the golden route to retirement and has become one of the more favored ways of dealing with the redundant workforce in an organization. The most human technique for downsizing the workforce in an organization is the VRS. The golden handshake, as it is often called, is virtually corporate India's only option today for shedding manpower. The method offers employees a lucrative severance package: they cannot refuse particularly since law makes it tax-free so that they retire of their own volition. Voluntary separations cause less pain and agony. It gives people choice and discretion rather than making them the victims of management decisions. VRS is considered to be a softer option compared to retrenchment because of legal difficulties, trade union opposition, and obligations under the existing collective agreements and considerations of good industrial relations. Thus, Voluntary Retirement Scheme (VRS) has become one of the ways of dealing with redundant human resources in an organization. As the name implies, opportunity is given to employees to retire voluntarily. As an inducement, higher compensation than is paid under retrenchment /normal retirement is paid along with, in most cases, some allowance for settlement at native place or any place of the person's choice if such settlement/resettlement occurs within a stipulated time. If this is not adequate, some fringe benefits like medical reimbursement/ insurance are offered even after voluntary retirement. The VRS is also commonly referred to as Voluntary Separation Scheme (VSP) or the Golden Handshake Programme (GHP)

In this context, INDAL'S Belgaum Smelter case is a unique success story of dealing with 472 redundant workers when 187 operating pots at Belgaum were de-energized and went off production during 1992. This was the sharp escalation in power costs imposed by KSEB. Power is an important input in aluminum smelting and is considered almost a raw material for the production of the metal world over. In the year the smelter was losing Rs. 6 lakhs. Reflecting its old value system and respect for its people, INDAL handled the situation in a very human and compassionate manner. It is worthwhile to mention that the VRS that the company designed and implemented was unique. Before designing and introducing scheme the company did a lot of preparatory work. A team of senior officers was sent to Bombay to visit some of the well-known companies, namely, Premiere Automobiles, Ciba-Geigy, Hindustan Lever, etc. with a view to collect their VR schemes.
The team also studied the strengths and weaknesses, success and failures of the different VR schemes, before developing, designing and implementing their own scheme. The decision to implement the VRS though painful was carried out as the last available alternative to reduce surplus manpower. What was unique about VRS (policy) adopted by the company was that over the benefits payable as per public sector enterprises, the company built in additional incentives based on age-like medical insurance, etc. The scheme was designed to enable the retired employees to identify with the company. It provided adequate medical and insurance coverage for the employees in the postretirement years. The company also granted education scholarships to the children of retired employees. Entrepreneurial Development Programmes were developed for employees accepting VRS. This covered counseling, arranging loans, helping them with project profiles, tax and investment planning, organizing relevant training, etc

Care for the Survivors: The survivors experience an emotional shock that prevents them from suddenly changing direction. They freeze like a "deer in the head lights". The familiar pattern is broken and the momentum that comes from routine and repetition will take time to recover. Not knowing what to do people will wait and see what happens. They are waiting for leadership, some one to tell them what to do. People fell at seeing their friends leaving or their positions eliminated. It feels very much like a death in the family and needs the compassion and time for mourning we expect whenever a loved one is lost. A good manager will have the compassion for the human need to cope with the shock and fear that people feel, combined with a sense of optimism direction and mission will help them through the often painful transition from what was to what is to be. Thus, planned separation is not an end itself. It is a means to an end and the end result contemplated is to rejuvenate the company is in the highly competitive market place. It is therefore essential to plan for working out schemes that the retained organizational members are not demoralized. A fall out of VRS is that the retained employees are a scared lot, always afraid and apprehensive that anyone or some of them may be asked to retire at any time. Though in reality it is not possible to assure all the retained employees about their retention for all time in future, management should demonstrate by its action that retained employees are considered and treated as valued members of the organization. It is important to maintain the morale of the retained staff. It is therefore, necessary to maintain close communication with them and dispel rumors that are generally rampant in such condition.

Counseling Services: From the very beginning initiation of VRS, it is to be realized that for making the scheme successful, efforts to be made to build a good deal of counseling services. Counseling should be used as a process to communicate effectively with the organizational members so that they realize that the VRS is last resort for the revival and survival of the organization.. A good counseling session must include practical advice about how to use or invest the sum received as compensation under VRS. The retained employees shall also need advice not only on investment but also on income tax implications. It is evident that if a decision is taken for downsizing the organization, a good amount of planning and preparation is essential. All the issues pertaining to it must be considered concurrently in tandem. Transparency in the management actions and fairness in its dealings are extremely necessary.

Conditions Favoring the Effective Use of VR: The fact that management to use or willing to use VRS is a prerequisite for introduction of the technique, but certain conditions encourage or perhaps are necessary for its deployment According to him the facilitating factors comprise:

- Availability of sufficient finance
- Favorable workforce characteristics
- Absence of union opposition of control; and
- Availability of work for non-volunteers

It seems clear that more money is needed if an individual is to be persuaded rather than forced to leave. Age profiles, length of experience, employment pattern and earnings levels may be relevant to the effective use of VR. An age profile of employees with a high proportion of people in the early retirement age group means that what is typically the best financial deal is available to a relatively large proportion of workforce. On the other hand, a relatively old workforce, with substantial length of service in individual cases will increase the size of retirement packages

because the statutory formula is based on partly upon age and length of service. The question of union attitude towards VR and the extant which a union can prevent its members volunteering it thinks is necessary to communicate directly to employees in the hope of bringing forth volunteers. If the union has little control over its members, this may prove successful. The initiative for VR may come from the union rather than the employer. VR assumes that work is available for those who want to stay. VR should be applicable to any company for slimming exercise rather than closure.

3.7 REVIEW QUESTIONS

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1. Outline the New Trends in International HRM
2. Give an Account on Outsourcing and Its HR Dimensions
3. Discuss on Human Resource Outsourcing: Scope for India
4. Explain Human Resource Planning and Downsizing
5. Discuss on Voluntary Redundancy and Ways of Downsizing Processing

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JOB ANALYSIS: RECRUITMENT AND SELECTION

Structure

4.1 Introduction

4.2 Job Analysis
        4.2.1 Purposes of the Job Analysis
        4.2.2 Reasons for Conducting Job Analysis
        4.2.3 Uses of Job Analysis Information

4.3 Steps in Job Analysis

4.4 Job Analysis Outcomes
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4.8 External Recruitment Methods

4.9 Situational Audit for Recruitment

4.10 Recruitment Policy

4.11 Selection Process
        4.11.1 Aims of the selection process

4.12 Types of Selection Device

4.13 Steps in the Selection Process

4.14 Structured Interview Guide

4.15 Review Questions

4.1 INTRODUCTION

We begin the unit by describing why job analysis is a basic human resource management tool and explaining the reasons for conducting job analysis. Next, we review the types of job analysis information required and discuss job analysis methods. Then, we explain the components of a well-designed job description and describe other methods for conducting job analysis and the

ways job analysis helps to satisfy various legal requirements. The chapter ends with a discussion of succession planning and development and job design.

You must understand that Job analysis provides the basis for determining what types of information should be obtained from the applicant, from previous employers, and from other sources. Even though many companies are laying off substantial portions of their workforces, employee selection is a vital part of HRM. Personnel selection is important in the building of a productive workforce. Determining the qualifications of job candidates requires that as much information as possible be obtained from the candidates and other sources. It is important for you to understand that the information that is collected should be relevant to the job and sufficiently reliable and valid. HR practitioners should have an understanding of job requirements to permit an analysis of application forms, employment tests, interviews, and reference checks of individual candidates.

4.2 JOB ANALYSIS

Studying and understanding jobs through the process known as **Job Analysis** is a vital part of any HRM program

4.2.1 Purposes of the Job Analysis

Job analysis is used to acquire the information in following areas:

(i) Major duties or activities required (ii) Conditions under which the job is performed. So this process helps us to learn the following concepts:

1. **Job:** A group of tasks that must be performed if an organization is to achieve its goals.
2. **Position:** The tasks and responsibilities performed by one person; there is a position for every individual in an organization.
3. **Task:** A distinct, identifiable work activity composed of motions.
4. **Duty:** A larger work segment composed of several tasks that are performed by an individual**.**
5. **Responsibility:** An obligation to perform certain tasks and duties.

Following definitions will help you to understand the concept of job analysis better:
- A defined data collection and analysis procedure through which information about job tasks and job requirements are obtained. In selecting an applicant for a job, the selectors need to know what the job involves:
- the key tasks, objectives and responsibilities (Job Description)
- the attributes (abilities, experience, personality, etc.) required for successful performance (Person Specification)

Not only does this aid in getting the right person for the right job, it also helps individuals to identify with, and increase their accountability for their role within the Health and Personal Social Services sector.

- Job analysis is the procedure for determining the duties and skill requirements of a job and the kind of person who should be hired for it.
- Organizations consist of positions that have to be staffed. Job analysis is the procedure through which you determine the duties of these positions and the characteristics of the people who should be hired for them .The analysis produces information on job requirements, which is then used for developing job descriptions (what the job entails) and job specifications (what kind of people to hire for the job).

4.2.2 Reasons for Conducting Job Analysis

A sound job analysis system is extremely critical for numerous reasons.

- **Staffing**—all areas of staffing would be haphazard if the recruiter did not know the qualifications needed to perform the job.
- **Training And Development**—if the specification suggests that the job requires a particular knowledge, skill, or ability—and the person filling the position does not possess all the qualifications required—training and/or development is probably in order.
- **Compensation and Benefits**—the relative value of a particular job to the company must be known before a dollar value can be placed on it. From an internal perspective the more significant its duties and responsibilities, the more the job is worth.
- **Safety and Health**—Information derived from job analysis is also valuable in identifying safety and health considerations.
- **Employee and Labor Relations**—Regardless of whether the firm is unionized, information obtained through job analysis can often lead to more objective human resource decisions.
- **Legal Considerations**—having properly accomplished a job analysis is particularly important for supporting the legality of employment practices.

4.2.3 Uses of Job Analysis Information

- **Human Resource Planning** – Job Analysis helps in forecasting human resource requirements in terms of knowledge and skills. By showing lateral and vertical relationships between jobs, it facilitates the formulation of a systematic promotion and transfer policy. It also helps in determining quality of human resources needed in an organization.
- **Recruitment and Selection** – Job descriptions and job specifications are formed from the information gathered from a job analysis, which help management decide what sort of people to recruit and hire.
- **Placement and Orientation** – After selecting people, we have to place them on jobs best suited to their interest, activities and aptitudes. If we are not sure about what needs to be done on a job, it is not possible to identify the right person suited for the job. Similarly, effective job orientation cannot be achieved without a proper understanding of the needs of each job. To teach a new employee how to handle a job, we have to clearly define the job.
- **Training** – Based on the job analysis, the job description should show the job's required activities and skills.

- **Counselling** - Managers can properly counsel employees about their careers when they understand the different jobs in the organization. Likewise, employees can better appreciate their career options when they understand the specific needs of various other jobs. Job Analysis can point out areas that an employee might need to develop to further a career.
- **Compensation** – The estimated value and the appropriate compensation for each job is determined from the information gathered from a job analysis.
- **Performance Appraisal** – Managers use job analysis to determine a job's specific activities and performance standards.
- Discovering Unassigned Duties – Job analysis can help reveal unassigned duties.
- **EEO (Equal Employ Opportunity) Compliance** – The Uniform Guidelines on Employee Selection stipulate that job analysis is a crucial step in validating all major personnel activities.

4.3 STEPS IN JOB ANALYSIS

The following is the six steps in doing a job analysis.

Step 1: Identify the use to which the information will be put, since this will determine the types of data you collect and how you collect them. Some data collection techniques like interviewing the employee and asking what the job entails and what his responsibilities are good for writing job descriptions and selecting employees for the job.

Step 2: Review relevant background information such as organization charts, process charts, and job descriptions. Organization charts show how the job in question relates to other jobs and where it fits in the overall organization. The chart should identify the title of each position and, by means of its interconnecting lines, show who reports to whom and with who the job incumbent is expected to communicate.

Step 3: Select representative positions to be analyzed. This is done when many similar jobs are to be analyzed and it is time consuming to analyze, say, the jobs of all assembly workers.

Step 4: Next actually analyze the job by collecting data on job activities, required employee behaviors, working conditions, and human traits and abilities needed to perform the job. For this, you would use one or more of the job analysis techniques explained in this unit.

Step 5: Review the information with job incumbents. The job analysis information should be verified with the worker performing the job and with his or her immediate supervisor. This will help to confirm that the information is factually correct and complete. This "review" step can also help gain the employee's acceptance of the job analysis data and conclusions by giving that person a chance to review and modify your description of his or her job activities.

Step 6: Develop a job description and job specification. A job description and a job specification are usually two concrete products of the job analysis. The *job description* is a, written statement that describes the activities and responsibilities of the job, as well as important features of the job such as working conditions and safety hazards. The *job specification* summarizes the personal

qualities, skills, and background required for getting the job done; it may be either a separate document or on the same document as the job description.
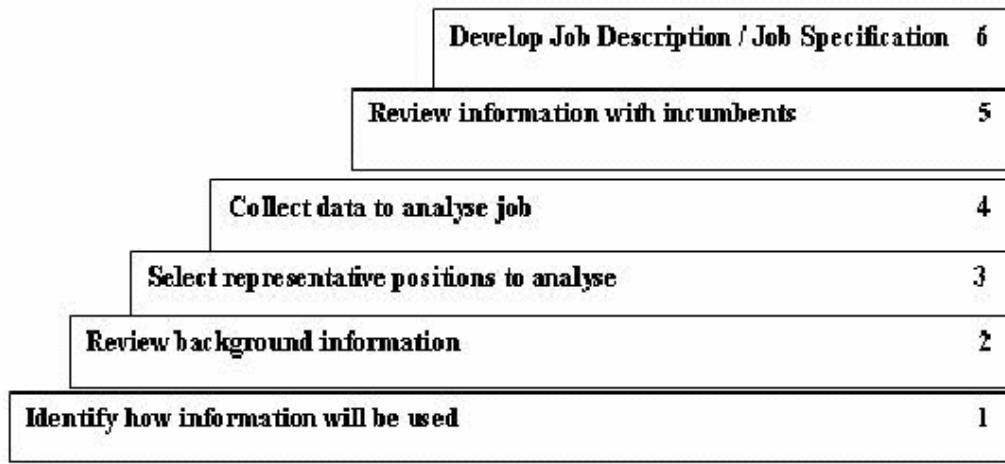

Develop Job Description / Job Specification	6
Review information with incumbents	5
Collect data to analyse job	4
Select representative positions to analyse	3
Review background information	2
Identify how information will be used	1

Fig 4.1 Six Steps in Job Analysis

4.4 JOB ANALYSIS OUTCOMES

Job Description: A job description is a written statement of what the jobholder actually does, how he or she does it, and under what conditions the job is performed. There is no standard format for writing job descriptions, but most descriptions include sections on:

- Job Identification
- Job Summary
- Relationships, Responsibilities, and Duties
- Authority of Incumbent
- Standards of Performance
- Working Condition
- Job Specifications

Job Specification: A job specification is a document containing the minimum acceptable qualifications that a person should possess in order to perform a particular job. Items typically included in the job specification are educational requirements, experience, personality traits, and physical abilities.

Job Evaluation: In Job Evaluation process the worth of job is identified based upon job comparability and according to worth, importance of job and relative value Compensation is designed and selected

4.4.1 Job Description Vs Job Specification

Job descriptions describe the job and not the individual who fills the job. They are the result of job analysis within a given organization and are essential to the selection and evaluation of employees. Job advertisements or postings are based on the job description.

The character of the organization is the basis for the description of positions. It also prescribes the working conditions, hazards, stress and relationship with other jobs. Information about the organization might include:

- Job title, code number, and department / division.
- Job contents in terms of activities or tasks performed.
- Job responsibilities towards effective performance of the job.
- Working conditions specifying specific hazards/stress.
- Social environment prevailing at the workplace.
- Extent of supervision given and received.
- Relationship with other jobs-vertical, horizontal, and diagonal.

Job Specification is an analysis of the kind of person it takes to do the job, that is to say, it lists the qualifications. Also known as man or employee specifications, is prepared on the basis of job specification. It specifies the qualities required in a job incumbent for the effective performance of the job. Normally, this would include is an analysis of the kind of person it takes to do the job, that is to say, it lists the qualifications. Typically this would include:

- Personal characteristics such as education, job experience, age, sex, and extra co-curricular activities.
- Physical characteristics such as height, weight, chest, vision, hearing, health, voice poise, and hand and foot coordination, (for specific positions only).
- Mental characteristics such as general intelligence, memory, judgment, foresight, ability to concentrate, etc.
- Social and psychological characteristics such as emotional ability, flexibility, manners, drive, conversational ability, interpersonal ability, attitude, values, creativity etc.

Various contents of a job specification can be prescribed in three terms:

- Essential qualities which a person must possess;
- Desirable qualities which a person may possess; and
- Contra-indicators which are likely to become a handicap to successful job performance.

Based on job description and job specification, employing organizations insert advertisements in newspaper, other publications, internet etc. in order to minimize the size of the advertisements, most of the organizations prefer to include various contents of the job description and job specification only briefly; the details of such contents may be mentioned in the application forms to be filled-in by the prospective candidate or may be communicated to the candidate at the time of interview. In cases where candidates are selected not for specific jobs but for a pool of jobs like IAS, PCS, etc. in government service; management trainees in business organizations;

probationary officers in commercial banks/financial institutions, etc.; positions existing in various ministries/departments, business functions (production, marketing, finance, human resource, etc.) are notified.

4.5 METHODS OF COLLECTING JOB ANALYSIS INFORMATION

The Interview: The three types of interviews managers use to collect job analysis data are: individual (to get the employee's perspective on the job's duties and responsibilities, group (when large numbers of employees perform the same job), and supervisor (to get his/her perspective on the job's duties and responsibilities). The pros of using an interview are that it is: simple, quick, and more comprehensive because the interviewer can unearth activities that may never appear in written form. The following questions are some examples of typical questions. "What is the job being performed?" "In what activities do you participate?" "What are the health and safety conditions?"

The following are interview guidelines: The job analyst and supervisor should identify the workers who know the job best and would be objective; Establish a rapport with the interviewee; Follow a structured guide or checklist; Ask worker to list duties in order of importance and frequency of occurrence; and Review and verify the data.

Questionnaire: Structured or unstructured questionnaires may be used to obtain job analysis information; Questionnaires can be a quick, efficient way of gathering information from a large number of employees. But, developing and testing a questionnaire can be expensive and time consuming.

Observation
1. Direct observations are useful when jobs consist of mainly observable physical activity as opposed to mental activity.
2. Reactivity can be a problem with direct observations, which is where the worker changes what he/she normally does because he/she is being watched.
3. Managers often use direct observation and interviewing together.

Participant Diary / Logs
1. The employee records every activity he/she engages in, in a diary or log along with the amount of time to perform each activity to produce a complete picture of the job.
2. Employees may try to exaggerate some activities and underplay others.

Quantitative Job Analysis Techniques
1. Position Analysis Questionnaire (PAQ) is a questionnaire used to collect quantifiable data concerning the duties and responsibilities of various jobs, on five basic activities: (i) Having decision-making/communication/social responsibilities, (ii) Performing skilled activities, (iii) Being physically active, (iv) Operating vehicles/equipment, and (v) Processing information.
2. Department of Labor Procedure (DOL) is a standardized method for rating, classifying, and comparing virtually every kind of job based on data, people, and things.

3. Functional job analysis: rates a job on data; people; things; the extent to which specific instructions are necessary to perform the task; the extent to which reasoning and judgment are required to perform the task; and mathematical ability required to perform the task; and Identifies performance standards and training requirements.

Using Multiple Sources of Information

Likely, no one job analysis method will be used exclusively. A combination is often more appropriate.

1. Where possible, collect job analysis data using several types of collection techniques and respondents.
2. Potential inaccuracies in peoples' judgments could lead to inaccurate conclusions

Source of Data

Main sources of collection of data for job analysis are as following:
- Employees
- Supervisor
- Manager
- Job Analyst
- Job Analyst (HR)
- Outside consultant
- Supervisor/Manager

4.6 RECRUITMENT

Recruitment refers to the process of screening, and selecting qualified people for a job at an organization or firm, or for a vacancy in a volunteer-based some components of the recruitment process, mid- and large-size organizations and companies often retain professional recruiters or outsource some of the process to recruitment agencies.

Recruiting refers to the process of attracting potential job applicants from the available labor force. Every organization must be able to attract a sufficient number of the job candidates who have the abilities and aptitudes needed to help the organization to achieve its objectives. An effective employee selection procedure is limited by the effectiveness of recruiting process. Outstanding job candidates cannot be selected if they are not included in the applicant pool. The recruitment process also interacts with other personnel functions, especially performance evaluation compensation training and development and employee relations. Recruiting is typically a human resource function.

In planning recruiting activities, an organization needs to know how many applicants must be recruited. Since some applicants may not be satisfactory an others may not accept the job offers, an organization must recruit more applicants than it expects to hire. **Yield Ratios** help organizations decide how many employees to recruit for each job opening. These ratios express the relationship between the numbers of people at one step of the recruitment process relative to the number of people who will move to the next step.

4.6.1 Goals of Recruitment

Mainly there are two recruitment goals:

To attract qualified applicants: Recruiting process is used to create the pool of qualified applicants. By qualified applicants we mean those applicants who are having abilities that are perfect match with the job requirements.

To discourage non qualified applicants: Second goal of recruitment is to avoid nonqualified applicants. When recruiting is based upon careful designing of the job disruption and job specification most of the applicants having irrelevant qualifications are eliminated fro the list of potential applicants which makes recruiting process more effective and easier.

4.7 SOURCE OF RECRUITMENT

Basically organizations are available by the two main sources of recruitment which are:

- **Internal Recruitment**
- **External Recruitment**

Vacancies in upper level management can be filled either by hiring people from outside the organization or by promoting lower level mangers. Both strategies have advantages and disadvantages. We will consider both internal and external recruitment sources in detail:

Internal Recruiting Sources: When job vacancies exist, the first place that an organization should look for placement is within itself. An organization's present employees generally feel that they deserve opportunities to be promoted to higher level positions because of their service and commitment to organization. More over organizations have opportunities to examine the track records of its present employees and to estimate which of them would be successful. Also recruiting among present employees is less expensive than recruiting from outside the organization. The major forms of the internal recruiting include:

- Promotion from within.
- Job posting.
- Contacts and referrals

Promotion from within: Promoting entry level employees to more responsible positions is one of the best ways to fill job vacancies and important reason why company should have a human resource planning system. An organization that has human resource planning system uses succession plans and replacement charts to identify and prepare individuals for upper level positions. Skills inventories are useful in identifying individuals who have the potential for advancement, and individual's desire to be promoted can be assessed in the performance appraisal review. A promotion from within policy is intrinsic to career development and human resource planning. A promotion from within policy can stimulate great motivation among employee, and this motivation is often accompanied by a general improvement in the employee morale.

Job posting: An organization can also use the policy of job posting as an internal recruitment source. In the job posting system the organization notifies its present employees about job openings through the use of bulletin boards, company publications, or personal letters. The purpose of the job posting is to communicate that the job opening exists. An effective job posting system involves the following guidelines:

- Job posting should be prominent.
- Clear job specification should be communicated so that applicants assess themselves either they are eligible to apply or not.
- Once the decision is made, all applicants should be informed about the decision.
- Job posting systems generally work quite well.

Contacts and Referrals: Many firms have found that their employees can assist in the recruitment process. Employees may actively solicit applications from their friends and associates. Before going outside to recruit employees, many organizations ask present employees to encourage friends or relatives to apply for the job openings. Contacts and referrals from the present employees are valuable sources of recruits. Employee referrals are relatively inexpensive and usually produce quick responses. However some organizations are concerned about problems that result from hiring friends of employees for example, the practice of hiring friends and relatives favoritisms, cliques etc.

Advantages of Internal Recruitment:

1. Provides greater motivation for good performance.
2. Provides greater opportunities for present employees
3. Provides better opportunity to assess abilities
4. Improves morale and organizational loyalty
5. Enables employees to perform the new job with little lost time

Disadvantages of Internal Recruitment:

1. Creates a narrowing thinking and stale ideas
2. Creates pressures to compete
3. Creates homogeneous workforce
4. Chances to miss good outside talent Requires strong management development programs specially to train for technology.

External Recruiting Sources: A broad variety of methods are available for external recruiting. An organization should carefully assess the kinds of positions it wants to fill and select the recruiting methods that are likely to produce the best results. There are some employee needs that a firm must fill through external recruitment. Among them are: Filling entry-level jobs, acquiring skills not possessed by current employees, and obtaining employees with different backgrounds to provide new ideas.

1. **High Schools and Vocational Schools:** Organizations concerned with recruiting clerical and entry-level operative employees often depend on high schools and vocational schools.

2. **Community Colleges:** A number of community colleges are sensitive to the specific employment needs in their local labor market and graduate highly sought-after students with marketable skills.

3. **Colleges and Universities:** Colleges and universities represent a major source of recruitment for many organizations. Potential professional, technical, and management employees are typically found in these institutions. Different institutes use to publish booklets having information about the graduates that can be communicated to organization who are in search of applicants.

4. **Competitors and other Firms:** Competitors and other firms in the industry or geographic area may be the most important source of recruits for positions in which recent experience is highly desired.

5. **Unemployed:** Individuals, who are unemployed, regardless of the reason, often provide a valuable source of recruitment.

6. **Older Individuals:** Older workers, including those retired, may also comprise a valuable source of employees.

7. **Military Personnel:** Using this source may make sense to many employers because these individuals typically have a proven work history, and are flexible, motivated, and drug free.

8. **Self-Employed Workers:** These individuals may provide a source of applicants to fill any number of jobs requiring technical, professional, administrative, or entrepreneurial expertise.

Advantages of External Recruitment:

1. Provides new ideas and new insights.
2. Provides greater diversity and help achieve EEO goals by making affirmative action easy.
3. Provides opportunities to handle rapid growth if the organization.
4. Opportunities to get people with up-to-date knowledge education and training.

Disadvantages of External Recruitment:

1. It is more expensive and time consuming
2. Destroys incentives of present employees to strive for promotion
3. More chances to commit hiring mistakes due to difficult applicant assessment that will lead to wastage of resources.

4.8 EXTERNAL RECRUITMENT METHODS

Recruitment methods are the specific means through which potential employees are attracted to the firm.

Advertising: A way of communicating the employment needs within the firm to the public through media such as radio, newspaper, television, industry publications, and the Internet. Some times organizations can perform the recruitment function through blind advertisements in blind advertisements no identification about the company is provided to applicants. Companies can use blind advertisements for many reasons e.g.

1. Company wants to keep the recruitment in low profile so that lesser number of applicants should apply in order to discourage the irrelevant people.
2. Due to bad reputation or image of the organization.
3. Advertisement is made just for the purpose of test marketing fro example just to have knowledge about the supply of applicants in labor market etc

Employment Agencies: An organization that helps firms recruits employees and, at the same time, aids individuals in their attempt to locate jobs. There are two types of the employment agencies i.e.

1. Public Employment Agencies.
2. Private Employment Agencies

Both of these sources provide coordination between the organizations and applicants who are searching for jobs, for this service they use to charge a fee .Employment agencies are able to tailor their services to the specific needs of the clients For example some agencies Specialize in a particular employment areas, such as engineering, human resource or Computer programming, etc.

Recruiters: The most common use of recruiters is with technical and vocational schools, community colleges, colleges, and universities.

Special Events: It is a recruiting method that involves an effort on the part of a single employer or group of employers to attract a large number of applicants for interviews.

Internships: A special form of recruiting that involves placing a student in a temporary job. There is no obligation on the part of the company to permanently hire the student and no obligation on the part of the student to accept a permanent position with the firm. Hiring college students to work as student interns is typically viewed as training activity rather than as a recruiting activity. However, organizations that sponsor internship programs have found that such programs represent an excellent means of recruiting outstanding employees.

Executive Search Firms: Executive search firms sometimes called **HEAD HUNTERS** are specialized form of private employment agencies that place top level executives and experienced

professionals. These are the organizations that seek the most-qualified executive available for a specific position and are generally retained by the company needing a specific type of individual.

Professional Associations: Associations in many business professions such as finance, marketing, information technology, and human resources provide recruitment and placement services for their members. Professional associations and trade organizations provide a valuable service in bringing together professional and professional job openings. Most professional organizations have newsletters, annual meetings and trade publications that advertise job openings. The annual meetings of these organizations are good occasion for professionals to learn about available job openings and for employers to interview potential applicants.

Unsolicited Walk-In Applicants: If an organization has the reputation of being a good place to work, it may be able to attract good prospective employees without extensive recruitment efforts.

Open Houses: Firms pair potential hires and managers in a warm, causal environment that encourages on-the-spot job offers.

Event Recruiting: Attend the events that the people you are seeking go to.

Virtual Job Fairs: Individuals meet recruiters face-to-face in interviews conducted over special computers that have lenses that transmit head-and-shoulder images of both parties.

Cyber Recruiting: Organizations can also use web sites and internet sources to recruit people application submission test and interview and other recruitment and selection activities can be performed online.

4.9 SITUATIONAL AUDIT FOR RECRUITMENT

We must remember that recruitment provides employees, the most productive of all resources, to an organization. This has two important aspects: the first is to find out the number of vacancies to be notified and the type of applicants needed to fill them; the second is to appeal to potential applicants through novel advertising, to apply for such vacancies. Both the steps are, thus, closely related to the environment (economic, social, technological and political) in which the company operates. No organization is likely to recruit successfully without taking care of these aspects.

The Economic Environment: Economic conditions quietly influence the recruitment process in all organizations. The sudden boom in the financial services sector in India, especially from 1991 onwards, has contributed to the growing demand for MBA/CA/CFA/CWA students. The demand for engineers, especially in the manufacturing sector, has not kept pace and most engineers had to make a beeline for finance/marketing degrees or diploma to encash the job opportunities. Companies had to resort to extensive advertising (newspaper ads, media ads, campus recruitment, search firms, employee referrals, contractors, etc.) for hiring people with specific fund-management skills in a big way. However, by the late 90s the rules of the game have changed completely. Recession in almost all sectors - barring software and pharmaceutical

sectors - has forced companies to cut down their recruitment costs drastically, by resorting to less expensive media advertising only.

The Social Environment: Major social changes in the past two decades have caused organizations to place increased emphasis on recruitment. Modem employees look for a satisfying career in place of 'just a job'. If the opportunities for career growth are missing in an organization, they do not hesitate to leave and go in search of greener pastures outside. To ward off such threats, companies nowadays emphasize opportunities for training and development and progression through a series of jobs within the same organization. They also try to present a more realistic picture of the job and the encouraging career openings to prospective employees through innovative recruitment campaigns. If the organization is not aware of and is insensitive to prevailing social values and norms, the recruitment efforts could go off the track.

The Technological Environment: New technologies create new jobs. The existing jobs undergo a rapid change. As a result, applicants with unusual combination of skills and knowledge must be found. The Liberalization Program after 1991 brought about rapid changes in the fields of banking, electronics, telecommunications, automobiles, software and Pharma industries, etc. Several old jobs have disappeared almost suddenly. At the same time, there is a chronic shortage of people with requisite skills and knowledge especially in the fields of software, telecommunication, insurance, etc. In such a scenario companies have to step up their recruitment efforts to compete successfully for a small number of suitable candidates.

The Political Environment: In the late 80s" equal employment opportunity" has become a major slogan in corporate circles. Companies have realized that employment need must be defined in terms of ability to perform the job, not in terms of race, color, religion, sex or national origin. Phrases such as "only men need apply"; and" age 25- 35 group preferred" no longer appeared in advertisement for job vacancies. Organizations have taken a number of steps to find and attract women and minority applicants (e.g. advertisements in related journals; sending recumbent teams to women's college; college run by minority group, etc.). Political compulsions, constitutional provisions covering reservations for special groups, providing employment to "sons of the soil" especially in states like Andhra Pradesh, Tamilnadu, Arunachal Pradesh; offering jobs to displaced persons whose lands have been acquired in order to set up projects of national importance - also come in the way of recruiting people, based solely on qualifications, skills and experience. Factors such as influence of unions, recommendations of friends and relatives of management also play an important role in influencing recruitment policies followed by a firm.

The Legal Environment: The different legislative policies governing child labor, night shift work, bonded labor, contract labor, reservation, 'sons of the soil' have brought the legal environment to be a major item to be looked into carefully by all companies intending to recruit people for various positions. Let us examine the issues more elaborately:

- **The Factories Act, 1948:** The Act prohibits the employment of women (night work, underground work, carrying heavy loads, etc.) and child labor (below 14 years of age) in certain jobs.

- **The Apprentices Act, 1961:** The Act provides for a machinery to lay down syllabi and specify period of training, mutual obligations of apprentices and employees, etc. The responsibility for engagement of apprentice lies solely with the employer. The apprentice, after serving a contractual term of training, can be taken on regular rolls. The Act, as amended in 1986, provides for revised rates of compensation during the apprenticeship period and for failure on the part of the employer to execute the terms of the contract.

- **The Employment Exchanges Act, 1959:** The Act requires all employers to notify the vacancies arising in their establishments to prescribed employment exchange before they are filled. The Act covers all establishments in Public Sector and nonagricultural establishments employing 25 or more workers in the private sector.

- **The Contract Labor Act, 1970:** The Act is applicable to every establishment (contractor) employing 20 or more persons. It tries to regulate the employment conditions of contract labor in certain establishments and also provides for the abolition of contract labor in certain circumstances.

- **Bonded Labor System (Abolition) Act, 1976:** The Act provides for the abolition of bonded labor (system of forced labor to liquidate debts payable to parties who are bent on exploiting the vulnerability of the victim) or his family members

- **The Child Labor Act, 1986:** The Act prohibits the employment of children below 14 years of age in certain employments. This has become a serious issue in India recently when German firms refused to accept carpets exported from Uttar Pradesh, objecting to the employment of child labor in the carpet industry.

Situational factor	Important issues
Economic environment	• Demand and supply for skills • Sudden boom in specific sectors
Social environment	• Opportunities for growth • Monetary compensation Image of the firm
Technological environment	• New technologies; new jobs • Fight for rare skills • Equal employment opportunity • Reservations for special groups
Political environment	• "Sons of the soil" policies • Displaced persons • Power of unions • Recommendations
Legal environment	• Recruitment through employment exchanges • Obligations toward apprentices and contract labor • Factories Act and Child Labor Act, Bonded Labor

Table 4.1 Situational Factors in Recruitment

4.10 RECRUITMENT POLICY

In today's rapidly changing business environment, a well defined **Recruitment Policy** is necessary for organizations to respond to its human resource requirements in time. Therefore, it is important to have a clear and concise recruitment policy in place, which can be executed effectively to recruit the best talent pool for the selection of the right candidate at the right place quickly. Creating a **suitable recruitment policy** is the first step in the efficient hiring process. A clear and concise recruitment policy helps ensure a sound **recruitment process**. It specifies the objectives of recruitment and provides a framework for implementation of recruitment program. It may involve organizational system to be developed for implementing recruitment programmes and procedures by filling up vacancies with best qualified people.

Components of the Recruitment Policy

- The general recruitment policies and terms of the organization
- Recruitment services of consultants
- Recruitment of temporary employees

- Unique recruitment situations
- The selection process
- The job descriptions
- The terms and conditions of the employment

A recruitment policy of an organization should be such that:

- It should focus on recruiting the best potential people.
- To ensure that every applicant and employee is treated equally with dignity and respect.
- Unbiased policy.
- To aid and encourage employees in realizing their full potential.
- Transparent, task oriented and merit based selection.
- Weight-age during selection given to factors that suit organization needs.
- Optimization of manpower at the time of selection process.
- Defining the competent authority to approve each selection.
- Abides by relevant public policy and legislation on hiring and employment relationship.
- Integrates employee needs with the organizational needs.

Factors Affecting Recruitment Policy

- Organizational objectives
- Personnel policies of the organization and its competitors.
- Government policies on reservations.
- Preferred sources of recruitment.
- Need of the organization.
- Recruitment costs and financial implications.

4.11 SELECTION PROCESS

Selection is the process of choosing from a group of applicants those individuals best suited for a particular position. Most managers recognize that employee selection is one of their most difficult, and most important, business decisions. This process involves making a judgment -not about the applicant, but about the fit between the applicant and the job by considering knowledge, skills and abilities and other characteristics required to perform the job. Selection procedures are not carried out through standard pattern and steps in this. Process can vary from organization to organization some steps performed and considered important by one organization can be skipped by other organization

4.11.1 Aims of the selection process

a) Gather as much relevant information as possible
b) Organize and evaluate the information

c) Assess each candidate in order to: (i) Forecast performance on the job, and (ii) Give information to applicants, so that they can judge whether or not they wish to accept an offer of employment

So now we can say that selection is about collecting evidence to enable you to make an accurate judgment about a candidate's strengths and weaknesses in relation to the job.

4.12 TYPES OF SELECTION DEVICE

Managers can use a number of selection devices to reduce accept and reject errors. The best-known devices include an analysis of the applicant's completed application form, written and performance-simulation tests, interviews, background investigations, and in some cases, a physical examination. Let's briefly review each of devices. Following chart lists the strengths and weaknesses of each.

The Application Form

- **Strengths:** Relevant biographical data and facts that can be verified have been shown to be valid performance measures for some jobs. When items on the form have been weighted to reflect job relatedness, this device has proved to be a valid predictor for diverse groups.
- **Weaknesses:** Usually only a couple of items on the form prove to be valid predictors of job performance and then only for a specific job. Weighted-item applications are difficult and expensive to create and maintain.

Written Tests

- **Strengths:** Tests of intellectual ability, spatial and mechanical ability, perceptual accuracy, and motor ability are moderately valid predictors for many semiskilled and unskilled lower-level jobs in industrial organizations. Intelligence tests are reasonably good predictors for supervisory positions.
- **Weaknesses:** Intelligence and other tested characteristics can be somewhat removed from actual job performance, thus reducing their validity.

Performance-Simulation Tests

- **Strengths:** Based on job analysis data and easily meet the requirement of job relatedness. Have proven to be valid predictors of job performance.
- **Weaknesses:** Expensive to create and administer.

The Interview

- **Strengths:** Must be structured and well organized to be effective predictors. Interviewers must use common questioning to be effective predictors.
- **Weaknesses:** Interviewers must be aware of legality of certain questions. Subject to potential biases, especially if interviews are not well structured and standardized.

Background Investigations

- **Strengths:** Verifications of background data are valuable sources of information.
- **Weaknesses:** Reference checks are essentially worthless as a selection tool.

Physical Examination

- **Strengths:** Has some validity for jobs with certain physical requirements. Done primarily for insurance purposes.
- **Weaknesses:** Must be sure that physical requirements are job related and do not discriminate.

4.13 STEPS IN THE SELECTION PROCESS

The selection process typically begins with the preliminary interview; next, candidates complete the application for employment. They progress through a series of selection tests, the employment interview, and reference and background checks. The successful applicant receives a company physical examination and is employed if the results are satisfactory. Typically selection process consists of the following steps but it is not necessary that all organization go through all these steps as per requirement of the organization some steps can be skipped while performing the selection process:

The basic idea is to collect maximum possible information about the candidates to ascertain their suitability for employment. Below is a discussion of the various steps:

- **Screening of Applications:** Prospective employees have to fill up some sort of application form. These forms have a variety of information about the applicants like their bio-data, achievements, experience, etc.
- **Selection Tests:** Many organizations hold different kinds of selection tests to know more about the candidates or to reject the candidates who cannot be called for interview, etc. Selection tests normally supplement the information provided in application forms. Such forms may contain factual information about candidates. Selection tests may give information about their aptitude, interest, personality etc, which cannot be known by application forms.

Types of Test

1. **Achievement Test** It is also called performance test or trade test. Achievement is concerned with what one has accomplished. When candidates claim that they have done certain things and know these, the achievement test may be conducted to measure how well the candidates know these. A candidate's knowledge may be measured through his answers to certain questions or his performance at a practical test. For example, a typing test may measure the typing performance of a typist in terms of speed, accuracy and efficiency. Performance test may be administered for selecting employees at operative level as well as junior management level

2. **Intelligence Test** Intelligence test tries to measure the level of intelligence of a candidate. This test generally includes verbal comprehension, word fluency, memory, inductive, reasoning, number facility, speed of perception, spatial, visualization, etc. The scores on the test are usually expressed numerically as Intelligence Quotient (IQ), which can be calculated as follows:

   $$IQ = \frac{Mental\ age}{Actual\ age} \times 100$$

   It means that the IQ is derived by converting actual age into mental age and multiplying it by 100 in order to facilitate comparison. Higher is the figure; higher is the level of intelligence. Intelligence test is designed on the basis of age groups. Thus, each age group may have different intelligence tests. The basic idea behind intelligence test is that if the organization is able to get people with higher intelligence, its training and learning process will be easier because intelligent employees learn faster than dull employees.

3. **Personality Test**. The personality test is administered to predict performance success for jobs that require dealing with people, or jobs that are essentially supervisory or managerial in character. Dimensions of personality such as interpersonal competence, dominance-submission, extroversion introversion, self-confidence, leadership ability, patience, and ambition can be measured through personality tests. Personality test is essentially a projective test because it projects the personality of the individual who may be employed by the organization. Among the most widely used personality test is Thematic Apperception Test (TAT) and its more improved version Thematic Evaluation of Management Potential (TEMP).

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

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

The above discussion shows that different tests are used for different purposes. Each of them has the usefulness and limitations in specified areas. Therefore, a combination of tests should be used

for selection purpose. Moreover, these tests should be related with the nature of posts to be filled up.

Advantages of Selection Tests: Various steps of selection process including selection tests are meant to solicit information about the candidates so as to arrive at a decision to select the most desirable candidates out of the several available. Since only some information is available from other sources like application forms, references, etc., selection tests are used to solicit more information about the candidates. Therefore, the use of selection tests has many advantages:

1. Selection tests are standardized and unbiased methods of soliciting information about the prospective employees. Thus, a person who does not get selected on the basis of selection tests cannot argue for the partiality in selection process. It is to be noted that in many organizations, impartiality in selection process is of prime importance like public sector organizations.
2. Selection tests can be used to weed out the large number of candidates who may not be considered for employment in the organization. Normally, organizations receive applications from large number of candidates seeking jobs in the organization. They all meet the basic requirements of the jobs, but all cannot be called for interview because it is a very time-consuming process. Selection tests will provide the cutoff point above which candidates can be called for interview. Thus, the tests will save lot of time and money.
3. The tests are able to uncover the qualities and potentials of prospective employees, which cannot be known by other methods including personal interview. Since the people are taken in the organization not only for the present jobs but they are promoted over the period of time, tests provide good opportunities to test their potentials for such promotions also. Thus, tests are more reliable source for predicting the overall suitability of candidates for the employment.

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

1. Selection test cannot make a 100% prediction of an individual's on the job success. At best, they just reveal about those who have scored above cut-off points and those who have scored below cut-off points. Hence it is desirable to use test as only as supplementary method of selection.
2. If the number of candidate is small the use of test is not economical. In such a case it is desirable to select persons on the basis of interview only.

Interviews: Selection tests are normally followed by personal interview of the candidates. The basic idea is to find out overall suitability of candidates for the jobs. It also provides opportunity to give relevant information about the organization to the candidates. In many cases, interview of preliminary nature can be conducted before the selection tests.

Role of Interview: We must try and understand that interviews are so essential in the selection process that many times, selection of the candidates is made on the basis of interview alone. If handled properly, interview contributes in, the following, ways:

1. It is the only method of direct contact between the candidates and the employer in which the employer can see a candidate in" action-how he looks, his manner, his wearing, his appearance, etc., method of interaction and answering, etc.
2. Many of the information can be sought through the interview, which may not be available in application form, or cannot be disclosed by the selection tests, such as: family background, future plans; etc.
3. The 'interview can be used as a tool for giving information about the organization, its policies, nature of the work to be performed by the candidate salary and other benefits to be offered. Negotiations, if any, about the salary and- perks to be offered to the candidate can also are undertaken. Hence we should remember that interview can be used 'as a method to promote goodwill among the candidates by offering courtesy, by providing vocational literature, by constructive suggestions, and by showing interest in them.

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

Physical Examination: Physical examination is carried out to ascertain the physical standards and fitness of prospective employees. The practice of physical examination varies a great deal both in terms of coverage and timing. While many organizations do not carry physical examinations at all, others carry on a very comprehensive basis. Some organizations only have general check up of applicants to find the major physical problems, which, may come in the way of effective discharge of duties. In the context of timing also, some organizations locate the physical examination near the end of the selection process, others place it relatively early in the process. This latter course is generally followed when there is high demand for physical fitness.

Approval by Appropriate Authority: On the basis of the above steps, suitable candidates are recommended for selection by the selection committee or personnel department. Though such a, committee or personnel department may have authority to select the candidates finally, often it has staff authority to recommend the candidates for selection to the appropriate authority. Organizations may designate the various authorities for approval of final selection of candidates for different categories of candidates. Thus, for top-level managers, Board of Directors may be approving authority; for lower levels, even functional heads concerned may be approving authority. In university, it may be syndicate/executive committee. When the approvals received, the candidate are informed about their selection and asked to report for duty to specified persons.

Placement: After all the formalities are completed, the candidates are placed on their jobs initially on probation basis. The probation period may range from three months to two years.

During this period, they are observed keenly, and when they complete this period successfully, they become the permanent employees of the organization. After a candidate is selected for employment, he is placed on the job. Initially, the placement may be on probation, the period of which may range from six months to two years. After selecting a candidate, he should be placed on a suitable job. Placement is the actual posting of an employee to a specific job. It involves assigning a specific rank and responsibility to an employee. The line manager takes the placement decisions after matching the requirements of a job with the qualification of a candidate. Most organizations put new recruits on probation for a given period of time, after which their services are confirmed. During this period, the performance of the probationer is closely monitored. If the new recruit fails to adjust himself to the job and turns out poor performance, the organization may consider his name for placement elsewhere. Such second placement is called 'differential placement. Usually the employees' supervisor, in consultation with the higher levels of line management, takes decisions regarding the future placement of each employee. Placement is an important human resource activity. If neglected, it may create employee adjustment problems leading to absenteeism, turnover, accidents, poor performance, etc. The employee will also suffer seriously. He may quit the organization in frustration, complaining bitterly about everything. Proper placement is, therefore, important to both the employee and the organization. The benefits of placements may be summarized thus,

Major Benefits of Proper Placement: The employee is able to:

- Show good results on the job.
- Get along with people easily.
- Keep his spirits high, report for duty regularly.
- Avoid mistakes and accidents.

4.14 STRUCTURED INTERVIEW GUIDE

Applicant Interview Guide: To the interviewer: This Applicant Interview Guide is, intended to assist in employee selection and placement. If it is used for all applicants for a position, it will help you to compare them, and it will provide more objective information than you will obtain from unstructured interviews. Because this is a general guide, all of the items may not apply in every instance. Skip those that are not applicable and add questions appropriate to the specific position. Space for additional questions will be found at the end of the form. Federal law prohibits discrimination in employment on the basis of sex, race, color, national origin, religion, disability, and, in most instances, age. The laws of most states also ban some or all of the above types of discrimination in employment as well as discrimination based on marital status or ancestry. Interviewers should take care to avoid any questions that suggest that an employment decision will be made on the basis of any such factors. Everybody let us now try to fill up this form

Job Interest

Name

_____

Position applied for

_____

What do you think the job (position) involves?

_____

Why do you want the job (position)?

_____

Why are you qualified for it?

_____

What would your salary requirements be?

_____

What do you know about our company?

_____

Why do you want to work for us?

_____

Current Work Status

Are you now employed? _____ Yes - _____ No. If not, how long have you been Unemployed?

_____

Why are you unemployed?

_____

If you are working, why are you applying for this position?

_____

When would you be available to start work with us?

_____

Work Experience

(Start with the applicant's current or last position and work back. All periods of time should be accounted for. Go back at least 12 years, depending upon the applicant's age. Military service should be treated as a job.)

Current or last Employer

_____

Address_____

_____

Dates of employment:
from_____to_____

Current or last job title
_____

What are (were) your duties?

Have you held the same job throughout your employment with that company? Yes ____ No____
If not, describe the various jobs you have had with that employer, how long you held each of them, and the main duties of each.

What was your starting salary?
_____

What are you earning now?
_____

Name of your last or current supervisor
_____

What did you like most about that job?
_____

What did you like least about it?

_____

Why are you thinking of leaving?
_____

Why are you leaving right now?
_____

Interviewer's comments or observations
_____

What did you do before you took your last job?
_____

Where were you employed?

_____

Location_____

Job title_____

Duties_____

Did you, hold the same job throughout your employment with that company? _____Yes –
No _____If not, describe the jobs you held, when you held them and the duties of each

_____
_____

What was your starting salary?

_____

What was your final salary?

_____

Name of your last supervisor

_____

May we contact that company? _____Yes _____ No

What did you like most about that job?

_____

What did you like least about that job?

_____
Why did you leave that job?

_____

Would you consider working there again?

_____

Interviewer comments or Observations

_____

What other jobs or experience have you had? Describe them briefly and explain the general
duties of each.

_____

Have you been unemployed at any time in the last five years_____ Yes _____ No.
What efforts did you make to find work?

_____

What other experience- or training do you have that would help qualify you for the job you applied for? Explain how and where you obtained this experience or_____ Training.

_____

Educational Background
What education or training do you have that would help you in the job for which you
Have applied?

_____

Describe any formal education you have had (Interviewer may substitute technical training, if relevant.)

_____

Off-Job Activities
What do you do in your Off-hours? - Part-time job - Athletics - Spectator sports - Clubs –Other. Please explain

_____

Interviewer's Specific Questions
Interviewer: Add any questions to the particular job for which you are interviewing, leaving space for brief answers (Be careful to avoid questions which may be viewed as discriminatory)

_____
_____
_____

Personal
Would you be willing to relocate? _____ Yes _____ No
Are you willing to travel? _____Yes_____ No

4.15 REVIEW QUESTIONS
---

1. Bring out the external and internal sources of recruitment
2. How are yield ratios used in recruitment
3. What are the philosophies of recruitment
4. What are the common interview problems? How can they be overcome?
5. What is the relationship between selection, recruitment and job analysis?

TRAINING AND DEVELOPMENT

Structure

5.1 Introduction to Orientation
      5.1.1 Objective
      5.1.2 Steps in Induction Program
      5.1.3 Purposes of Orientation
      5.1.4 Topics Covered in Employee Orientation Program

5.2 Training and Development
      5.2.1 Training, Development, and Education

5.3 Purposes of Training & Development

5.4 Selecting T & D Program

5.5 The Steps in Training Process

5.6 Issues in Employee Training
      5.6.1 General Benefits from Employee Training and Development

5.7 Career Management
      5.7.1 Career Planning
      5.7.2 Need for Career Planning
      5.7.3 Career Paths
      5.7.4 Career Development
      5.7.5 Career-Impacted Life Stages

5.8 Career Planning and Development Methods
      5.8.1 Challenges in Career Development
      5.8.2 Advantages of Career Planning and Development
      5.8.3 Limitations of Career Planning

5.9 Succession Planning
      5.9.1 Case Discussions on Succession Planning

5.10 Review Questions

5.1 INTRODUCTION TO ORIENTATION

We must all know that after a candidate joins the firm, he or she goes through the firm's orientation program. **Orientation** is the process of acquainting new employees with the organization. Orientation topics range from such basic items as the location of the company cafeteria to such concerns as various career paths within the firm.

Hence we can say that induction or orientation is the process through which a new employee is introduced to the job and the organization. In the words of *Armstrong,* induction is "the process of receiving and welcoming an employee when he first joins a company and giving him the basic information he needs to settle down quickly and start work.

5.1.1 Objective
Induction serves the following purposes:

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

- The job, its content, policies, rules and regulations.
- The people with whom he is supposed to interact.
- The terms and conditions of employment.

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

- Adjust and adapt to new demands of the job.
- Get along with people.
- Get off to a good start.

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

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

5.1.2 Steps in Induction Program
The HR department may initiate the following steps while organizing the induction program:

- Welcome to the organization
- Explain about the company.
- Show the location, department where the new recruit will work. .
- Give the company's manual to the new recruit.
- Provide details about various work groups and the extent of unionism within the company.

- Give details about pay, benefits, holidays, leave, etc.
- Emphasize the importance of attendance or punctuality.
- Explain about future training opportunities and career prospects.
- Clarify doubts, by encouraging the employee to come out with questions.
- Take the employee on a guided tour of buildings, facilities, etc. Hand him over to his supervisor.

5.1.3 Purposes of Orientation

Employers have to realize that orientation isn't just a nice gesture put on by the organization. It serves as an important element of the recruitment and retention process. Some key purposes are:

- **To Reduce Startup Costs**: Proper orientation can help the employee get "up to speed" much more quickly, thereby reducing the costs associated with learning the job.
- **To Reduce Anxiety:** Any employee, when put into a new, strange situation, will experience anxiety that can impede his or her ability to learn to do the job. Proper orientation helps to reduce anxiety that results from entering into an unknown situation, and helps provide guidelines for behavior and conduct, so the employee doesn't have to experience the stress of guessing.
- **To Reduce Employee Turnover:** Employee turnover increases as employees feel they are not valued, or are put in positions where they can't possibly do their jobs. Orientation shows that the organization values the employee, and helps provide the tools necessary for succeeding in the job**.**
- **To Save Time for the Supervisor:** Simply put, the better the initial orientation, the less likely supervisors and co-workers will have to spend time teaching the employee.
- **To Develop Realistic Job Expectations, Positive Attitudes and Job Satisfaction:** It is important that employees learn as soon as possible what is expected of them, and what to expect from others, in addition to learning about the values and attitudes of the organization. While people can learn from experience, they will make many mistakes that are unnecessary and potentially damaging. The main reasons orientation programs fail: The program was not planned; the employee was unaware of the job requirements; the employee does not feel welcome.

Employee orientation is important - orientation provides a lot of benefits, and you can use feedback to make your orientations even better. All new employees should complete a new employment orientation program that is designed to assist them in adjusting to their jobs and work environment and to instill a positive work attitude and motivation at the onset. A thoughtful new employee orientation program can reduce turnover and save an organization thousands of dollars. One reason people change jobs is because they never feel welcome or part of the organization they join. The most important principle to convey during an orientation is your commitment to continuous improvement and continual learning. That way, new employees become comfortable with asking questions to obtain the information they need to learn, problem solve and make decisions.

5.1.4 Topics covered in Employee Orientation Program

Following topics are covered in orientation process.

1. **Introduction:** Regarding the organization, supervisor, trainers, and coworkers and to system
2. **Job Duties:** It provides job related information like, Job location Job tasks Job safety requirements Overview of job, Job objectives Relationship to other jobs
3. **Organizational Issues:** This provides the information about the overall organization it may include; History of employer, organization of employer, name & titles of key executive, employee's titles and departments, layout of physical facilities, probationary period, overview of production process, company policies and rules, disciplinary regulations, employee handbook, safety procedures etc
4. **Employee Benefits:** This part provides the information about the benefits that are offered by the organization like; Pay scales & paydays, vacations rest break, training & education benefits, counseling, housing facilities, insurance benefits, retirement program, employee-provided services for employees, rehabilitation program.

1.	Organisational issues
	o History of company
	o Names and titles of key executives.
	o Employees' title and department.
	o Layout of physical facilities
	o Probationary period
	o Products/services offered
	o Overview of production process
	o Company policy and rules
	o Disciplinary procedures
	o Safety steps
	o Employees' handbook
2.	Employee benefits
	o Pay scales, pay days
	o Vacations, holidays
	o Rest pauses
	o Training Avenues
	o Counseling
	o Insurance, medical, recreation, retirement benefit
3.	Introductions
	o To supervisors
	o To co-workers
	o To trainers
	o To employee counselor
4.	Job duties
	o Job location
	o Job tasks
	o Job safety needs
	o Overview of jobs
	o Job objectives
	o Relationship with other jobs

Fig 5.1 Areas covered in employee induction Program

Let us try to understand the process of orientation better by going step by step through the following orientation program being followed in "Toyota Motor Manufacturing, USA"

Orientation (it is called "assimilation") at Toyota Motor Manufacturing, USA is a case in point. While it covers traditional topics such as company benefits, it's mostly intended to socialize new employees, that is, to convert Toyota's new employees to the firm's ideology of quality, teamwork, personal development, open communication, and mutual respect. It lasts four days, as follows:

Day One - The first day begins at 6:30 a.m. with an overview of the program, a welcome to the company, and a discussion of the firm's organization structure and human resource department by the firm's vice president for human resources. The vice president devotes about an hour and a half to discussing Toyota history and culture, and about two hours to employee benefits. Another two hours are then spent discussing Toyota's policies about the importance of quality and teamwork.

Day Two - The second day starts with about two hours devoted to "communication training-the Toyota Motor Manufacturing way of listening." Here the importance of mutual respect, teamwork, and open communication is emphasized. The rest of the day is then devoted to general orientation issues. These include safety, environmental affairs, the Toyota production system, and the firm's library.

Day Three - This day also begins with two-and-a-half to three hours devoted to communication training, in this case "making requests and giving feedback." The rest of the day is spent covering matters such as Toyota's problem-solving methods, quality assurance, hazard communications, and safety.

Day Four - Teamwork is stressed in the morning session. Topics include teamwork training, Toyota's suggestion system, and the Toyota Team Member Activities Association. This session also covers what work teams are responsible for and how to work together as a team. The afternoon specifically covers fire prevention and fire extinguishers training. Employees thus complete the four-day orientation/assimilation/ socialization process having been steeped in-and it is hoped converted to— Toyota's ideology, in particular its mission of quality and its values of teamwork, kaizen/continuous improvement, and problem solving. That is a big step toward winning new employees' commitment to Toyota and its goals and values.

Summary

After a candidate is selected for employment, he is placed on the job. Initially, the placement may be on probation, the period of which may range from six months to two years. After successful completion of the probation period, the candidate may be offered permanent employment. Now we know why after the initial placement of the candidate on the job, his induction is necessary. Induction is a technique by which a new employee is rehabilitated into the changed surroundings and introduced to the purposes, policies and practices of the organization, employee's job and working conditions, salary, perks, etc. In other words, it is the process of introducing the employee to the organization and vice versa.

Case Study 5.1 The Process of Orientation

5.2 TRAINING AND DEVELOPMENT

'Training is the formal and systematic modification of behavior through learning which occurs as a result of education, instruction, development and planned experience." (Armstrong, 2001: 543) Development is any learning activity, which is directed towards future, needs rather than present needs, and which is concerned more with career growth than immediate performance.

Nature of Training and Development: In simple terms, training and development refer to the imparting of specific skills, abilities and knowledge to an employee. A formal definition of training and development is - it is any attempt to improve current or future employee performance by increasing an employee's ability to perform through learning, usually by changing the employee's attitude or increasing his or her skills and knowledge.

The need for training and development is determined by the employee's performance deficiency, computed as follows:
Training and Development need = Standard Performance Actual Performance

5.2.1 Training, Development, and Education

HRD programs are divided into three main categories: Training, Development, and Education. Although some organizations lump all learning under "Training" or "Training and Development," dividing it into three distinct categories makes the desired goals and objects more meaningful and precise. As discussed earlier - **Training** is the acquisition of technology, which permits employees to perform their present job to standards. It improves human performance on the job the employee is presently doing or is being hired to do. Also, it is given when new technology in introduced into the workplace. Training is event specific, of short term duration and with focused objectives. Example: training for selling skills, training to operate a specific production system or process etc. Training is **FORMAL**

Education is training people to do a different job. It is often given to people who have been identified as being promotable, being considered for a new job either lateral or upward, or to increase their potential. Unlike training, which can be fully evaluated immediately upon the learners returning to work, education can only be completely evaluated when the learners move on to their future jobs or tasks. We can test them on what they learned while in training, but we cannot be fully satisfied with the evaluation until we see how well they perform their new jobs. Education is the **FORMAL** phase of learning described above. It is a combination of both training and development. The texts we study, the assignments we perform are part of the formal training phase, while the changes in our attitudes, values, behavior and culture is the informal, developmental part.

Development is training people to acquire new horizons, technologies, or viewpoints. It enables leaders to guide their organizations onto new expectations by being proactive rather than reactive. It enables workers to create better products, faster services, and more competitive organizations. It is learning for growth of the individual, but not related to a specific present or future job. Unlike training and education, which can be completely evaluated, development cannot always be fully evaluated. This does not mean that we should abandon development

programs, as helping people to grow and develop is what keeps an organization in the cutting edge of competitive environments. Development can be considered the forefront of what many now call the Learning Organization. Development involves changes in an organism that are systematic, organized, and successive and are thought to serve an adaptive function. Development is a larger canvass which envisages modification of behavior and personality. For example we can have a project to develop the leadership skills of a selected group of persons. This may involve formal training sessions also but is more expanded and deeper than training. Development is mostly **INFORMAL** and at a behavioral plan. We can make a distinction among training, education and development. Such distinction enables us to acquire a better perspective about the meaning of the terms. Training, as was stated earlier, refers to the process of imparting specific skills. Education, on the other hand, is confined to theoretical learning in classroom.

Training	*Education*
Application	Theoretical orientation
Job Experience	Classroom learning
Specific Tasks	General concepts
Narrow perspective	Broad perspective

Table 5.1 Distinction between Training and Education

Though training and education differ in nature and orientation, they are complementary. An employee, for example, who undergoes training, is presumed to have had some formal education. Furthermore, no training program is complete without an element of education. In fact, the distinction between training and education is getting increasingly blurred nowadays. As more and more employees are called upon to exercise judgment and to choose alternative solutions to the job problem, Training Programmes seek to broaden and develop the individual through education.

Learning Dimension	Training	Development
Meant for	Operatives	Executives
Focus	Current Job	Current and Future Jobs
Scope	Individual Employee	Work Group or Organization
Goal	Fix current skill deficit	Prepare for future work demands
Initiated By	Management	The Individual
Content	Specific Job Related information	General Knowledge
Time- Frame	Immediate	Long Term

Table 5.2 Distinction between Training and Development

To bring the distinction among training, education and development into sharp focus, it may be stated that the training is offered to operatives, whereas developmental programs are meant for employees, their grades notwithstanding. Although training is often used with development, the terms are not synonymous. Training typically focuses on providing employees with specific skills or helping them to correct deficiencies in their performance. In contrast, development is an effort to provide employees with the abilities that the organization will need in the future

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5.3 PURPOSES OF TRAINING & DEVELOPMENT

The most prominent changes affecting T&D that have been prophesied and that are actually occurring today in business include:

- Orient new employees and preparing them for promotion
- Satisfy personal growth needs
- Improve performance
- Avoid Managerial Obsolescence
- Solve organizational problems
- Changes in organization structure caused by mergers, acquisitions, rapid growth, downsizing, and outsourcing
- Changes in technology and the need for more highly skilled workers
- Changes in the educational level of employees
- Changes in human resources; a diverse workforce consisting of many groups
- Competitive pressures necessitating flexible courses and just-in-time and just-what's-needed
- Increase productivity and quality
- To promote versatility and adaptability to new methods
- To reduce the number of accidents
- To reduce labor turnover
- To increase job satisfaction displaying itself in lower labor turn-over and less absenteeism

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5.4 SELECTING T & D PROGRAM

While selecting the training and development programs and selecting training and development methods to be used, following factors should be kept in mind in order to have more effective utilization of resources that are supposed to be spent on proposed training and development programs.

Cost Effectiveness: Any training or development implemented in an organization must cost effective. That is the benefits gained by such programs must outweigh the cost associated with providing the learning experience. If measured the effectiveness of the training process, there should be air justification of assigning training programs in the organization because if organizations are not able to have advantages or development and enhancement of the performance after training it is only wastages of the resources.

Desired Program Content: Contents of the training program and the methods used to deliver the training should be in relevance to training objectives and need assessed for training.

Learning Principles: Learning principals should be implemented to have more effective training.

Appropriateness of the Facilities: Factors that are supposed to facilitate the training program should be appropriate and available.

Trainee Performance and Capabilities: There is chance and enough probability that training will lead to the enhancement of the trainees.

Trainer Performance and Capabilities: Trainers or people who are assigned responsibility to train the trainees are having enough experience, skills, capabilities and past trends that show that they can be effective trainers. Trainers themselves are required to be well trained in order to provide the training.

5.5 THE STEPS IN TRAINING PROCESS

Training is one of the most profitable investments an organization can make. No matter what business or industry you are in the steps for an effective training process are the same and may be adapted anywhere.

If you have ever thought about developing a training program within your organization consider the following four basic training steps. You will find that all four of these steps are mutually necessary for any training program to be effective and efficient.

Steps in the Training Process

1. Organizational objectives
2. Assessment of Training needs
3. Establishment of Training goals
4. Devising training programme
5. Implementation of training programme
6. Evaluation of results

Let us go through the steps in training process in detail:

Step 1: Organizational Objectives and Strategies: The first step in the training process in an organization is the assessment of its objectives and strategies. What business are we in? At what level of quality do we wish to provide this product or service? Where do we want to be in the future? It is only after answering these related questions that the organization must assess the strengths and weaknesses of its human resources.

Step 2: Needs Assessment: Needs assessment diagnosis present problems and future challenges to be met through training and development? Organizations spend vast sums of money (usually as a percentage on turnover) on training and development. Before committing such huge resources, organizations that implement training programs without conducting needs assessment may be making errors. This step identifies activities to justify an investment for training. The techniques necessary for the data collection are surveys, observations, interviews, and customer comment cards. Several examples of an analysis outlining specific training needs are customer dissatisfaction, low morale, low productivity, and high turnover.

The objective in establishing a needs analysis / or need assessment is to find out the answers to the following questions:

- "Why" is training needed?
- "What" type of training is needed?
- "When" is the training needed?
- "Where" is the training needed?
- "Who" needs the training? And "Who" will conduct the training?
- "How" will the training be performed?

By determining training needs, an organization can decide what specific knowledge, skills, and attitudes are needed to improve the employee's performance in accordance with the company's standards.

The needs analysis is the starting point for all training. The primary objective of all training is to improve individual and organizational performance. Establishing a needs analysis is, and should always be the first step of the training process.

Step 2: Designing Training Programs and Manuals: This step establishes the designing & development of current job descriptions and standards and procedures. Job descriptions should be clear and concise and may serve as a major training tool for the identification of guidelines. Once the job description is completed, a complete list of standards and procedures should be established from each responsibility outlined in the job description. This will standardize the necessary guidelines for any future training. Every training and development programme must address certain vital issues:

- Who participates in the programme?
- Who are the trainers?
- What methods and techniques are to be used for training?
- What should be the level of training?
- What learning principles are needed?
- Where is the program conducted?

Who are the trainers: Trainers should be selected on the basis of self-nomination, recommendations of supervisors or by the HR department itself. Whatever is the basis, it is advisable to have two or more target audience. For example rank-and-file employees and their supervisors or by the HR department itself. Several people, including the following may conduct Training and Development Programmes:

1. Immediate supervisors

2. Co-workers, as in buddy systems,
3. Members of the personnel staff,
4. Specialists in other parts of the company,
5. Outside consultants,
6. Industry associations, and faculty members at universities.

Step 3: Deliver The Training Program: This step is responsible for the instruction and delivery of the training program. Once you have designated your trainers, the training technique must be decided. On the job training, off-the-job training, group training, seminars, and workshops are the most popular methods. Before presenting a training session, make sure you have a thorough understanding of the following characteristics of an effective trainer. The trainer should have:

- A desire to teach the subject being taught.
- A working knowledge of the subject being taught.
- An ability to motivate participants to "want" to learn.
- A good sense of humor.
- A dynamic appearance and good posture.
- A strong passion for their topic.
- A strong compassion towards their participants.
- Appropriate audio/visual equipment to enhance the training session.

On the Job Training

- Orientation training
- Job-instruction training
- Apprentice training
- Internships and assistantships
- Job rotation
- Coaching

Off-the –job training: are used away from workplaces.

- Vestibule
- Lecture
- Special study
- Films
- Television
- Conference or discussion
- Case study
- Role playing
- Simulation
- Programmed instruction
- Laboratory training

For a training program to be successful, the trainer should be conscious of several essential elements, including a controlled environment, good planning, and the use of various training methods, good communication skills, and trainee participation.

Step 4: Evaluate The Training Program: This step will determine how effective and profitable your training program has been. Methods for evaluation are pre-and post- surveys of customer comments cards, the establishment of a cost/benefit analysis outlining your expenses and returns, and an increase in customer satisfaction and profits. There are several obvious benefits for evaluating a training program. First, evaluations will provide feedback on the trainer's performance, allowing them to improve themselves for future programs. Second, evaluations will indicate its cost-effectiveness. Third, evaluations are an efficient way to determine the overall effectiveness of the training program for the employees as well as the organization. The importance of the evaluation process after the training is critical. Without it, the trainer does not have a true indication of the effectiveness of the training. Various methods can be used to collect data on the outcomes of training. Some of these are:

- **Questionnaires:** Comprehensive questionnaires could be used to obtain opinion reactions, views of trainees.

- **Tests:** Standard tests could be used to find out whether trainees have learnt anything during and after the training.

- **Interviews:** Interviews could be conducted to find the usefulness of training offered to operatives.

- **Studies:** Comprehensive studies could be carried out eliciting the opinions and judgments of trainers, superiors and peer groups about the training.

- **Human resource factors:** Training can also be evaluated on the basis of employee satisfaction, which in turn can be examined on the basis of decrease in employee turnover, absenteeism, accidents, grievances, discharges, dismissals, etc.

- **Cost benefit analysis:** The costs of training (cost of hiring trainers, tools to learn training centre, wastage, production stoppage, opportunity cost of trainers and trainees) could be compared with its value (in terms of reduced learning time improved learning, superior performance) in order to evaluate a training programme.

- **Feedback:** After the evaluation, the situation should be examined to identify the probable causes for gaps in performance. The training evaluation information (about costs, time spent, outcomes, etc.) should be provided to the instructors' trainees and other parties concerned for control, correction and improvement of trainees' activities. The training evaluator should follow it up sincerely so as to ensure effective implementation of the feedback report at every stage.

Please note that no training is complete without its evaluation. That is, the follow up of a training programme is very essential. The need for training your employees has never been greater. As

business and industry continues to grow, more jobs will become created and available. Customer demands, employee morale, employee productivity, and employee turnover as well as the current economic realties of a highly competitive workforce are just some of the reasons for establishing and implementing training in an organization. To be successful, all training must receive support from the top management as well as from the middle and supervisory levels of management.

5.6 ISSUES IN EMPLOYEE TRAINING

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1. **Communications:** The increasing diversity of today's workforce brings a wide variety of languages and customs.
2. **Computer skills:** Computer skills are becoming a necessity for conducting administrative and office tasks.
3. **Customer service:** Increased competition in today's global marketplace makes it critical that employees understand and meet the needs of customers.
4. **Diversity:** Diversity training usually includes explanation about how people have different perspectives and views, and includes techniques to value diversity
5. **Ethics:** Today's society has increasing expectations about corporate social responsibility. Also, today's diverse workforce brings a wide variety of values and morals to the workplace.
6. **Human relations:** The increased stresses of today's workplace can include misunderstandings and conflict. Training can people to get along in the workplace.
7. **Quality initiatives:** Initiatives such as Total Quality Management, Quality Circles, benchmarking, etc., require basic training about quality concepts, guidelines and standards for quality, etc.
8. **Safety:** Safety training is critical where working with heavy equipment, hazardous chemicals, repetitive activities, etc., but can also be useful with practical advice for avoiding assaults, etc.
9. **Sexual harassment:** Sexual harassment training usually includes careful description of the organization's policies about sexual harassment, especially about what are inappropriate behaviors.

5.6.1 General Benefits from Employee Training and Development

- Increased job satisfaction and morale among employees
- Increased employee motivation
- Increased efficiencies in processes, resulting in financial gain
- Increased capacity to adopt new technologies and methods
- Increased innovation in strategies and products
- Reduced employee turnover
- Enhanced company image, e.g., conducting ethics training (not good reason for ethics training!)
- Risk management, e.g., training about sexual harassment, diversity training

The Role of the Trainer -- How to begin

In the *ASTD Handbook of Training Design and Delivery* (2nd edition, 1999), Nancy Maresh argues that trainers should capitalize on the innate nature of the brain to:

Seek and perceive patterns

Create meanings

 Integrate sensory experience

Make connections

The trainer should aim to:

Become proficient at designing and delivering a dynamic curriculum

Assess learning

Effectively administer true education

Maresh argues, "In the process trainers will release learner's intrinsic drive to acquire knowledge, an admirable outcome from any training." People come to learn with a variety of previous experiences, needs and skills, so Maresh advises us to create common ground as a first step in the training process - and every subsequent learning segment. By this she means entering into a dialogue with the members of the training group, acknowledging their experience and speaking directly to "the familiar frustrations, joys, and challenges that link up to the learning task at hand." This is done through a series of questions that highlight the backgrounds of individual members, identify their concerns and gain commitment to the learning process. Maresh suggests 'enrollment' questions beginning with "How many people have ever but not relying on just a show of hands. It is essential to elicit information and comments. Moreover, the trainer should repeat what members have said so that everyone hears and to validate the members who made those statements.

For example, a training session on selection interviewing could begin with enrollment questions such as:

How many people here have been trained as interviewers?

How many of you have a lot of experience as interviewers, whether or not you have been trained?

And how many have very little experience of interviewing?

Any with none at all?

But surely you all been interviewed by someone else?

Questions such as these should involve everyone in the room and also bring out comments, questions and friendly banter - as well as telling the trainer what level of training will be needed for the group. The common ground acts as a basis for group awareness. When the audience begins to see themselves as a group, they begin to relax and feel comfortable entering into the learning process together. The stage is now set for the trainer to address what Maresh calls the 'big why' in the trainees' minds. Remember that we are building connections and relating to previous experiences. So the purpose, method and intended results of the training need to be explained in relation to the answers given to the enrollment questions. The importance of the subject - especially in relation to trainees' own experience - and what can be done with the learned skills when trainees get back to work should be explored. Then, Maresh advises, the trainer should say something about his or her own background, ideally using a personal story involving the subject of the training session. According to Maresh: "This connects the leader to the participants in an essential way. People's experiences are dramatic. They include emotions, mystery, tension, climaxes and humor. When personal stories are recounted, learners emotionally identify with the parts that have meaning to them, and this confirms their

commitment to participate. Personal stories bond the audience to the instructor, the course content, and other participants." She also addresses the logical component of the adult learner's mind by stressing the need to provide an agenda or list of learning objectives at this point. The team members need to know what the outcomes of the course will be.
References Armstrong, M (2001) A Handbook of Human Resource Management Practice. 8th edition, Kogan Page, London.

Case Study 5.2 The Role of the Trainer -- How to begin

5.7 CAREER MANAGEMENT

Career can be defined as a general course of action a person chooses to pursue throughout his or her working life.

Career management is defined by (Ball 1997) as:

1. Making career choices and decisions – the traditional focus of careers interventions. The changed nature of work means that individuals may now have to revisit this process more frequently now and in the future, more than in the past.
2. Managing the organizational career – concerns the career management tasks of individuals within the workplace, such as decision-making, life-stage transitions, dealing with stress etc.
3. Managing 'boundary less' careers – refers to skills needed by workers whose employment is beyond the boundaries of a single organization, a work style common among, for example, artists and designers.
4. Taking control of one's personal development – as employers take less responsibility, employees need to take control of their own development in order to maintain and enhance their employability.

5.7.1 Career planning
Career planning is an ongoing process through which an individual sets career goals and identifies the means to achieve them. The process by which individuals plan their life's work is referred to as career planning. Through career planning, a person evaluates his or her own abilities and interests, considers alternative career opportunities, establishes career goals, and plans practical developmental activities. Career planning is the process by which one selects career goals and the path to these goals. Career development is those personal improvements one undertakes to achieve a personal career plan. Career management is the process of designing and implementing goals, plans and strategies to enable the organization to satisfy employee needs while allowing individuals to achieve their career goals. So, due to this career planning and development is necessary to each and every employee in an organization. The need of career planning and development is felt in each and every organization of today's global world.

Usually, career planning programs are expected to achieve one or more of the following objectives:

1. More effective development of available talent.

2. Self-appraisal opportunities for employees considering new or nontraditional career paths.
3. More efficient development of human resources within and among divisions and/or geographic locations.
4. A demonstration of a tangible commitment to EEO and affirmative action.
5. Satisfaction of employees' personal development needs.
6. Improvement of performance through on-the-job training experiences provided by horizontal and vertical career moves.
7. Increased employee loyalty and motivation, leading to decreased turnover.
8. A method of determining training and development needs.

5.7.2 Need for Career Planning
Career Planning is necessary due to the following reasons:

1. To attract competent persons and to retain them in the organization.
2. To provide suitable promotional opportunities.
3. To enable the employees to develop and take them ready to meet the future challenges.
4. To increase the utilization of managerial reserves within an organization.
5. To correct employee placement.
6. To reduce employee dissatisfaction and turnover.
7. To improve motivation and morale.

5.7.3 Career Paths
Career paths have historically focused on upward mobility within a particular occupation. One of four types of career paths may be used: traditional, network, lateral, and dual.

1. **Traditional Career Path** — an employee progresses vertically upward in the organization from one specific job to the next.

2. **Network Career Path** — A method of career path that contains both a vertical sequence of jobs and a series of horizontal opportunities.

3. **Lateral Skill Path** — traditionally, a career path was viewed as moving upward to higher levels of management in the organization. The availability of the previous two options has diminished considerably in recent years. But this does not mean that an individual has to remain in the same job for life. There are often lateral moves within the firm that can be taken to allow an employee to become revitalized and find new challenges.

4. **d. Dual-Career Path** — A career-path method, that recognizes that technical specialists can and should be allowed to continue to contribute their expertise to a company without having to become managers.

5. **Adding Value to Retain Present Job** — Regardless of the career path pursued, today's workers need to develop a plan whereby they are viewed as continually adding value to the organization. If employees cannot add value, the company does not need them, and

much of the evolving work environments cannot use them either. Workers must anticipate what tools will be needed for success in the future and obtain these skills. These workers must look across company lines to other organizations to determine what skills are transferable, and then go and get them. Essentially, today's workers must manage their own careers as never before.

6. **Demotion**—Demotions have long been associated with failure, but limited promotional opportunities in the future and the fast pace of technological change may make them more legitimate career options.

5.7.4 Career Development

A formal approach taken by an organization to help its people acquire the skills and experiences needed to perform current and future jobs is termed as career development. Company's policies especially policies regarding promotion, counseling the employees, opportunities to excel in future help employees to develop their career. Career development consists of skills, education and experiences as well as behavioral modification and refinement techniques that allow individuals to work better and add value.

Career development is an ongoing organized and formalized effort that recognizes people as a vital organizational resource. It differs from training in that it has a wider focus, longer time frame, and broader scope. The goal of training is improvement in performance; the goal of development is enrichment and more capable workers. Recently, career development has come to be seen as a means for meeting both organizational and employee needs, as opposed to solely meeting the needs of the organization as it had done in the past. Now, organizations see career development as a way of preventing job burnout, providing career information to employees, improving the quality of work lives and meeting affirmative action goals. That is, career development must be seen as a key business strategy if an organization wants to survive in an increasingly competitive and global business environment.

5.7.5 Career-Impacted Life Stages

Each person's career goes through stages that influence an individual's knowledge of, and preference for, various occupations. People change constantly and, thus, view their careers differently at various stages of their lives. Some of these changes result from the aging process and others from opportunities for growth and status. The main stages of the career cycle include the growth, exploration, establishment, maintenance, and decline.

1. **Growth Stage:** The growth stage is roughly from birth to age 14 and is a period during which an individual develops a self-concept by identifying and interacting with other people. Basically, during this stage an individual establishes his or her identity.

2. **Exploration Stage:** The exploration stage is the period roughly from ages 15 to 24, during which an individual seriously explores various occupational alternatives. The person attempts to match these occupational alternatives with his or her own interests and abilities resulting from education, leisure activities, and work.

3. **Establishment Stage:** The establishment stage is roughly from ages 25 to 44 and is the primary part of most people's work lives. Hopefully, during this period, a suitable occupation is found and the person engages in those activities that help earn a permanent career. During this period, the individual is continually testing personal capabilities and ambitions against those of the initial occupational choice.

4. **Maintenance Stage:** Between the ages of 45 to 65, many people move from the stabilization sub stage into the maintenance stage. During maintenance, the individual has usually created a place in the work world, and most efforts are directed at maintaining the career gains earned.

5. **Decline Stage:** As retirement becomes an inevitable reality, in the decline stage, there is frequently a period of adjustment, where many begin to accept reduced levels of power and responsibility.
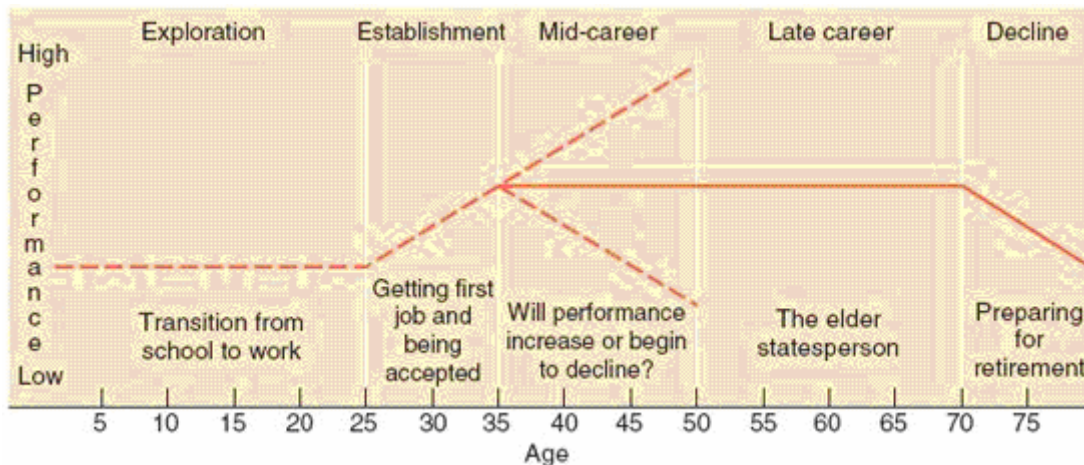
Fig 5.2 Stages in Career

5.8 CAREER PLANNING AND DEVELOPMENT METHODS

There are numerous methods for career planning and development. Some currently utilized methods, most of which are used in various combinations are discussed as following:

1. **Discussions with Knowledgeable Individuals** — In a formal discussion, the superior and subordinate may jointly agree on what type of career planning and development activities are best. In other instances, psychologists and guidance counselors provide this service. In an academic setting, colleges and universities often provide career planning and development information to students. Students often go to their professors for career advice.

2. **Company Material** — Some firms provide material specifically developed to assist their workers in career planning and development. Such material is tailored to the firm's special needs. In addition, job descriptions provide valuable insight for individuals to personally determine if a match exists with their strengths and weaknesses and specific positions considered.

3. **Performance Appraisal System —** The firm's performance appraisal system can also be a valuable tool in career planning and development. Noting and discussing an employee's strengths and weaknesses with his or her supervisor can uncover developmental needs. If overcoming a particular weakness seems difficult or even impossible, an alternate career path may be the solution.
4. **Workshops —** Some organizations conduct workshops lasting two or three days for the purpose of helping workers develop careers within the company. Employees define and match their specific career objectives with the needs of the company. At other times, workshops are available in the community that the company may send the worker to or workers may initiate the visit themselves.
5. **Personal Development Plans (PDP) —** Many employers encourage employees to write their own personal development plans. This is a summary of a person's personal development needs and an action plan to achieve them. Workers are encouraged to analyze their strengths and weaknesses.
6. **Software Packages —** Some software packages assist employees in navigating their careers.
7. **Career Planning Web Sites —** There are numerous Web sites available that provide career planning and career counseling as well as career testing and assessment.

5.8.1 Challenges in Career Development

While most business people today agree that their organizations should invest in career development, it is not always clear exactly what form this investment should take. Before putting a career development program in place, management needs to consider three major challenges.

1. **Who will be Responsible?** Many modern organizations have concluded that employees must take an active role in planning and implementing their own personal development plans. Situations have led companies to encourage their employees to take responsibility for their own development; these may include mergers, acquisitions, downsizing, and employee empowerment. However, employees need at least general guidance regarding the steps they can take to develop their careers, both within and outside the company.
2. **How Much Emphasis is Appropriate?** Too much emphasis on career enhancement can harm an organization's effectiveness. Employees with extreme career orientation can become more concerned about their image than their performance. Some warning signs a manager should be on the lookout for include a heavy focus on advancement opportunities, managing impressions, and socializing versus job performance. Serious side effects of career development programs include employee dissatisfaction, poor performance, and turnover in the event that it fosters unrealistic expectations for advancement.
3. **How Will the Needs of a Diverse Work Force be met?** Companies need to break down the barriers some employees face in achieving advancement in order to meet the career development needs of today's diverse work force. In 1991, a government study revealed that women and minorities are frequently excluded from the informal career development activities like networking, mentoring, and participation in policy-making committees. Perhaps the best way a company can ensure that women and minorities have a fair chance at managerial and executive positions is to design a broad-based approach to employee development that is anchored in education and training. Another employee group that

may need special consideration consists of dual-career couples. Common organizational approaches that are becoming increasingly popular in dealing with the needs of dual career couples are flexible work schedules, telecommuting, and the offering of child-care services. Some companies have also been counseling couples in career management.

5.8.2 Advantages of Career Planning and Development

After learning about all the above things, we have to have a look on advantages of career planning and development. Both individuals and the organization are going to benefit from career planning and development. So the advantages are described below:

For Individuals:
1. The process of career planning helps the individual to have the knowledge of various career opportunities, his priorities etc.
2. This knowledge helps him select the career that is suitable to his life styles, preferences, family environment, scope for self development etc.
3. It helps the organization identify internal employees who can be promoted.
4. Internal promotions, up gradation and transfers motivate the employees, boost up their morale and also result in increased job satisfaction.
5. Increased job satisfaction enhances employee commitment and creates a sense of belongingness and loyalty to the organization.
6. Employee will await his turn of promotion rather than changing to another organization. This will lower employee turnover.
7. It improves employee's performance on the job by taping their potential abilities and further employee turnover.
8. It satisfies employee esteem needs.

For Organizations:

A long-term focus of career planning and development will increase the effectiveness of human resource management. More specifically, the advantages of career planning and development for an organization include:

- Efficient career planning and development ensures the availability of human resources with required skill, knowledge and talent.
- The efficient policies and practices improve the organization's ability to attract and retain highly skilled and talent employees.
- The proper career planning ensures that the women and people belong to backward communities get opportunities for growth and development.
- The career plan continuously tries to satisfy the employee expectations and as such minimizes employee frustration.
- By attracting and retaining the people from different cultures, enhances cultural diversity.
- Protecting employees' interest results in promoting organizational goodwill.

5.8.3 Limitations of career planning

Apart from advantages, there are some limitations. So, let us have a look at the limitations of career planning? Despite planning the career, employees face certain career problems. They are:

1. **Dual Career Families: -** With the increase in career orientation among women, number of female employees in on increase. With this, the dual career families have also been on increase. Consequently, one of those family members might face the problem of transfer. This has become a complicated problem to organizations. Consequently other employees may be at disadvantage.

2. **Low ceiling careers:** -Some careers do not have scope for much advancement. Employees cannot get promotions despite their career plans and development in such jobs.

3. **Declining Career Opportunities:** -Career opportunities for certain categories reach the declining stage due to the influence of the technological or economic factors. Solution for such problem is career shift.

4. **Downsizing/Delayering and careers:** - Business process re-engineering, technological changes and business environmental factors force the business firms to restructure the organizations by delayering and downsizing. Downsizing activities result in fixing some employees, and degrading some other employees.

CAREER CONCEPT	DESCRIPTION
CAREER MANAGEMENT	The ongoing process whereby the employee obtains (1) Self-knowledge; (2) knowledge of employment opportunities; (3) develop career goals; (4) develop a strategy; (5) implement and experiment; and (6) obtain feedback on the effectiveness of the strategy and the relevance of the goals.
CAREER PLANNING	Process by which individuals obtain knowledge about themselves (their values, personality, preferences, interests, abilities), information about employment opportunities, formulate goals and develop a plan for reaching those goals.
CAREER DEVELOPMENT	The ongoing process by which individuals progress through a series of stages, each of which is characterised by a relatively unique set of issues, themes or tasks.
CAREER PATHS	Objective descriptions of sequential work experiences, as opposed to subjective, personal feelings about career progress, personal development or satisfaction.
CAREER SELF-MANAGEMENT	The ability to keep pace with the speed at which change occurs within the organization and the industry and to prepare for the future through continuous learning and career planning efforts.
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CAREER SELF-MANAGEMENT	The ability to keep pace with the speed at which change occurs within the organization and the industry and to prepare for the future through continuous learning and career planning efforts.

Table5.3 Key Concepts of Career Planning

5.9 SUCCESSION PLANNING

The process of ensuring that a qualified person is available to assume a managerial position once the position is vacant. It may be from internal employees or external people. Succession from internal employees is advantageous to the organization as well as to the internal employees. Organization can buy the employees loyalty and commitment, belongingness, shared feeling of development along with the organization by promoting the internal employees. Employees get the benefits of growth in the organization. The organization mostly prefers to encourage the growth and development of its employees and as such tends to prefer succession from within. Organizations, appraise employee's potentialities, identify training gaps for future vacancies, and develop them for higher and varied jobs. The scope of succession plan would be more when the organization grows steadily and employees have potentialities to take up higher responsibilities. Professionally run organizations ask their managers to identify the internal employees having potentialities and develop them in order to occupy their positions as and when they feel vacant. However, it is necessary to allow the inflow of new blood also. Hence, organizations should also search for outside talent in certain cases like when competent internal people are not available, when major expansion, diversification and growth plans are in offing, complete dependence on either internal source or external source not advisable to any organization.

Succession Development: It is the process of determining a comprehensive job profile of the key positions and then ensuring that key prospects are properly developed to match these qualifications.

Case Study 5.3 "In the Dark"Could you come to my office for a minute, Rao" asked Mehta, the plant manager. "Sure, be right there," said Rao. Rao was the plant's control director. He had been with the company for four years. After completing his degree in mechanical engineering, he worked as a production supervisor and then as maintenance supervisor, prior to moving to his present job. Rao thought he knew what the call was about. "Your letter of resignation catches me by surprise," began Mehta. "I know that Malhotra products will be getting a good person, but we sure need you here, too." "I thought about it a lot," said
Rao, "but there doesn't seem to be a future for me here." "Why do you say that?" asked Mehta. "Well," replied Rao, "the next position above mine is yours. With you being only 39, I don't think it slightly that you'll be leaving soon," said Mehta. "That's why it's even more of a shock to learn that you are resigning. I think I'll be moving to the corporate office in June of next year. Besides, the company has several plants that are larger than this one, and we need good people in

those plants from time to time, both in quality control and in general management." "Well, I heard about an opening in the Daruhera plant last year,' said Rao, but by the time I checked, the job had already been filled. We never know about opportunities in other plants until we read about incumbent in the company paper." "All this is beside the point now. What would it take to get you to change your mind?" asked Mehta. "I don't think I will change my mind now," replied Rao, "because I have given my word that I am going to join them."

Questions
1. Evaluate the career planning and the development programme at this company.
2. What actions might have prevented Rao's resignation?

5.9.1 Case Discussions on Succession Planning
Careers and Recruitment
Succession planning: Putting an organization's knowledge to work Kevin Butler & Dona E. Roche-Tarry
Kevin Butler is managing partner in the global health care practice and Dona E. Roche-Tarry is managing partner and a member of the international technology practice at Heidrick & Struggles, 3 Greenwich Office Park, Greenwich, CT 06831. From recruiting the right candidate to developing new leadership from within, succession planning is essential for an organization to meet its strategic goals. In today's highly competitive global environment, human capital is an organization's most important asset, often differentiating highly successful businesses from those that struggle. Yet, in the ongoing effort to develop a strong and capable workforce, many organizations focus almost entirely on hiring and training. They neglect succession planning-perhaps the most essential ingredient in building an organization that is capable of achieving its strategic goals.

Today, **succession planning** requires more than just an organizational chart showing who holds what job within the enterprise. Best practice organizations use succession planning to develop and maintain strong leadership and to ensure that they address all the skills and competencies required for today's business environment. Succession planning can also be an extremely powerful tool in motivating and retaining top leadership. Succession planning is an ongoing, dynamic process that helps an organization to align its business goals and its human capital needs. It also ensures that an enterprise can keep pace with changes to the business, industry, and overall marketplace. To achieve outstanding results using succession planning, an organization must develop an effective and highly focused strategy that centers on organizational excellence.

Understanding the need: In most cases, succession planning focuses on three main areas. First, it addresses the needs of the organization as senior management ages. It is not unusual for a management team, particularly a CEO, to spend years leading an organization. During that time, business practices and procedures become increasingly entrenched and daily issues take precedence. Too often, the enterprise neglects succession planning and does not have people available who are fully prepared to assume the top posts. Although large organizations are at risk, the problem can prove especially severe at small companies, which often flounder, and sometimes collapse, after the founder or CEO leaves. At many businesses, having little or no succession planning wreaks havoc when the organization's leader retires. Nobody is fully prepared to assume the top post. Second, succession planning helps an organization to prepare

for .an unexpected event. It is often difficult to plan for the unimaginable. Yet, the sudden illness or death of a key executive can reverberate throughout an organization, paralyzing both management and staff and-impeding the organization's ability to execute its business plan. Unfortunately, diseases, automobile accidents, plane crashes, and other disasters are an ongoing reality. Although it is not feasible to plan for every possible scenario, and' particularly for the loss of several key leaders at the same time, it is entirely realistic to map out a chain of command and understand who will assume control if and when a key executive is lost. Recent world events illustrate how important succession planning is. When the World Trade Center Attacks took place, dozens of companies lost key executives, including CEOs and CFOs, who were on the planes or in the buildings that were destroyed. Finally, succession planning ensures that an organization has the right personnel to function at peak efficiency. Today, many organizations strive to identify key objectives and business goals and shape a work force accordingly. Although executives and senior managers playa crucial role in defining such organizations, there is a need for specific skills and competencies throughout the enterprise. Not only does succession planning serve as a way to create an organizational hierarchy, but it can also help organizations conduct an inventory of human capital and better understand gaps." It can also help organizations manage change in a more holistic way.

Some organizations, such as the military, have considerable experience and expertise with succession planning. In the event of a personnel change or a loss, the leadership knows exactly who will take over and what his or her role will be-from the newest recruit all the way up to the commandeering-chief. What's more, these organizations typically understand the strengths and weaknesses that particular individuals within the organization possess and what is required to - rill gaps in skills and competencies. Then they train workers appropriately. In business, however, the opposite is far too common. Many CEOs and senior management teams fail to develop in their successors the high-level skills and competencies they will require. Too often, leaders are too absorbed in day-to-day issues! Overly focused on short-term results or unable to adapt to change. Sometimes internal political issues prompt a CEO to get rid of the second in command or other high-ranking officials. This is especially' true at organization where the CEO has molded the company and engineered a specific vision Another problem is that even the best training program cannot always supply the talent needed to run an organization at peak efficiency. This is particularly common accompanies that are growing rapidly. Sometimes, it is essential to find talent from the outside. But this, too, can pose a formidable challenge. An executive search, for example, can require six months or longer. Even then, an organization might require several additional months to "groom" and train the individual for a key petitioner a position higher on the corporate ladder. Most companies can ill afford to take a year to replace key personnel and the skills they offer.

A strategic approach: Although successful organizations usually focus on training to develop leadership from within the executive circle, they also understand that-it is sometimes wise to look outside for particular skills and knowledge. Of course, the more prominent a position within an organization, the tougher it is to find a suitable candidate. Thus, some turn to outside consultants to manage recruiting and, sometimes, the entire succession planning process. Consultants can provide objectivity and help develop a strategic plan that encompasses all levels of the enterprise. This approach is useful to a wide range of organizations. Universities, public agencies, and non-profit organizations, which lack-the financial resources to keep extra talent on

the payroll' are prime candidates for outside consulting services. Trying to find key personnel, such as a chancellor for a university or a chief financial officer for a large charitable organization, can require a considerable investment of time and resources.

In fact, organizations both large and small are increasingly looking to outside expertise to bolster, their capabilities. Consultants can provide specific expertise that matches an organization's requirements. By assessing best-in-class candidates and understanding an organization's existing internal talent pool and needs, it is possible to identify specific skills, competencies, and candidates from within and across industries ranging-from medicine to financial services, semiconductor manufacturing to freight shipping. Ultimately, this allows the enterprise to focus on its core business while the partner analyzes organizational needs. A consultant or outsourcing provider contract wages and ensure that its client is paying appropriate compensation and benefits to attract and retain top-notch talent. It can also en-sure that hitting takes place cat the right time. For example, if an organization knows that the CFO will retire within the next year, it can hire a highly qualified candidate well in advance and seamlessly integrate him or her into the company. Without such planning and coordination, the new executive might not be willing to make the leap to a new company

Building a framework: There is of simple template for putting a succession planning process in place. Every organization is different, and each organization must develop a succession plan that fits its specific needs. Management must, guide this "process and the "human resources department must oversee it. And both must focus heavily on organizational culture what exists and what is required in order to succeed. Effective succession planning also demands assessment systems that can measure the development of skills, competencies, and knowledge within the enterprise. More than anything else, succession planning requires that an enterprise detail the structure of the entire organization, from top to bottom. Typically, the process requires several steps that lead through design, development, and implementation of the actual succession plan:

- An organization identifies its existing competencies, related to both its leadership needs and the industry it competes in.

- It evaluates and assesses current employees to determine how they match up to organizational needs

- The organization introduces coaching, mentoring, training, and recruiting methods that match personnel requirements-and future needs.

- It develops the actual plan. Although some companies, particularly smaller ones, can store an Organization chart and succession plan on paper, many large organizations require succession's planning application or human resources management systems (HRMS) that provides visibility across the company; This is particularly crucial for global organizations, where talent reside in dozen & of different countries.

5.10 REVIEW QUESTIONS
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1. Explain the various inputs required for a training and development program
2. How is training and development program designed?
3. Bring out the need criteria and techniques of evaluation of training results
4. Give an account on the barriers of effective training. How do you overcome them?
5. Define the terms career, career planning and career development. Explain the career development initiatives

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COMPENSATION

Structure

6.1 INTRODUCTION

The total of all rewards provided employees in return for their services is called **compensation**. Compensation is what employees receive in exchange for their contribution to the organization. It is a systematic approach to providing monetary value to employees in exchange for work performed. Compensation may achieve several purposes assisting in recruitment, job performance, and job satisfaction. Generally, employees offer their services for three types of rewards. Pay refers to the base wages and salaries employees normally receive. Compensation forms such as bonuses, commissions and profit sharing plans are incentives designed to encourage employees to produce results beyond normal expectation. Benefits such as insurance, medical, recreational, retirement, etc; represent a more indirect type of compensation. So, the term compensation is a comprehensive one including pay, incentives and benefits offered by employers for hiring the services of employees. In addition to these, managers have to observe legal formalities that offer physical as well as financial security to employees. All these issue play an important role in any HR department's efforts to obtain, maintain and retain an effective workforce.

6.1.1 Meaning of Compensation

Compensation management, also known as wage and salary administration, remuneration management, or reward management, is concerned with designing and implementing total compensation package. The traditional concept of wage and salary administration emphasized on only determination of wage and salary structures in organizational settings. However, over the passage of time, many more forms of compensation entered the business field which necessitated to take wage and salary administration in comprehensive way with a suitable change in its nomenclature. Beach has defined wage and salary administration as follows: "wage and salary administration refers to the establishment and implementation of sound policies and practices of employee compensation. It includes such areas as job evaluation, surveys of wages and salaries, analysis of relevant organizational problems, development and maintenance of wage structure, establishing rules for administering wages. Wage payments, incentives, profit sharing, wage changes and adjustments, supplementary payments, control of compensation costs and other related items"

Based on above description of compensation, we may identify its various components as follows:

1. **Wage:** Wages are the most important component of compensation and these are essential irrespective of the type of organization. Wage is referred to as remuneration to workers particularly, hourly-rated payment. Aggregate earnings of a employee for his service for a day, or a week, or a month. It is the price paid for the services of labour in the process of production. It includes 2 parts- the basic wages & other allowance.
2. **Salary:** Salary refers to as remuneration paid to white-collar employees including managerial personnel. It is the compensation to an employee for service rendered on a weekly, monthly or annual basis. Wages and salary are paid on the basis of fixed period of time and normally not associated with productivity of an employee at a particular time.
3. **Incentives:** Incentives are the additional payment to employees besides the payment of wages and salaries. Often these are linked with productivity, either in terms of higher production or cost saving or both. These incentives may be given on individual basis or group basis.
4. **Fringe Benefits:** Fringe benefits include such benefits which are provided to the employees either having long-term impact like provident fund, gratuity, pension; or occurrence of certain events like medical benefits, accident relief, health and life insurance; or facilitation in performance of job like uniforms, Canteens, recreation, etc.
5. **Perquisites:** These are normally provided to managerial personnel either to facilitate their job performance or to retain them in the organization. Such perquisites include company car, club membership, free residential accommodation, paid holiday trips, stock options, etc.
6. **Nominal wages:** Wage expressed in terms of money.
7. **Real wages:** Goods & services which could be purchased with the help of money wage.
8. **Non-monetary benefits:** These include challenging job responsibilities, recognition of merit, growth prospects, competent supervision, comfortable working conditions, job sharing, and flextime.
9. **Rewards:** People join organizations expecting rewards. Firms distribute money and other benefits in exchange for the employee's availability, competencies and behaviors.

Types of Rewards

1. **Membership and seniority-based rewards:** Benefits an employee receives depend on firm which he or she joins. An MBA taking up a job in Wipro or Infosys gets more benefits than the boy or girls who join a state government undertaking. In the same firm, a senior employee receives more benefits than his or her junior employee. Advancement, pay raises, retirement benefits and perquisites depend on seniority of an employee.
2. **Job Status-based Rewards**: Every firm rewards employees for the status of the jobs they are holding. Firms use job evaluation system, which helps establish differentials in status of jobs. Status differentials are used as the basis for establishing salary/wages differentials. Jobs that require more skill and effort have more responsibility and have difficulty working conditions would have more value and consequently would be place in higher pay grades. Firms that do not use job evaluation system still reward job status based on pay survey information about the labour market. A supervisor will receive higher rewards than a purchasing assistant as the job of the former enjoys better status than a letter. It has move value to the organization (calculated by the job evaluation system or pay survey) and therefore employees in that job receive more status-based rewards in the organization. High status jobholders are also rewarded with more perquisites.

6.1.2 Objectives of Compensation Management

The basic objective of compensation management can be briefly termed as meeting the needs of both employees and the organisation. Since both these needs emerge from different sources, often, there is a conflict between the two. This conflict can be understood by agency theory which explains relationship between employees and employers. The theory suggests that employers and employees are two main stakeholders in a business unit, the former assuming the role of principals and the latter assuming the role of agents. The compensation paid to employees is agency consideration. Each party to agency tries to fix this consideration in its own favour. The employers want to pay as little as possible to keep their costs low. Employees want to get as high as possible. The compensation management tries to strike a balance between these two with following specific objectives:

1. **Attracting and Retaining Personnel:** From organization's point of view, the compensation management aims at attracting and retaining right personnel in the organization. In the Indian corporate scene, there is no dirth of personnel at operative levels but the problems come at the managerial and technical levels particularly for growing companies. Not only they require persons who are well qualified but they are also retained in the organization. In the present day context, managerial turnover is a big problem particularly in high knowledge based organizations. So, a better compensation package is going to attract the efficient employee who is very useful to an organization

2. **Motivating Personnel:** Compensation management aims at motivating personnel for higher productivity. Monetary compensation has its own limitations in motivating people for superior performance. Alfie Kohn has gone to the extent of arguing that corporate incentive plans not only fail to work as intended but also undermine the objectives they intend to achieve. He argues that this is due to inadequate psychological assumptions on

which reward systems are based. His conclusions are as follows: (i) Rewards punish people-their use confirms that someone else is in control of the employee. (ii) Rewards rupture relationships-they create competition where teamwork and collaboration are desired. (iii) Rewards ignore reasons-they relieve managers from the urgent need to explore why an employee is effective or ineffective. (iv) Rewards discourage risk taking-employees tend to do exactly what is required to earn the reward, and not any more. (v) Rewards undermine interest-they distract both manager and the employee from consideration of intrinsic motivation. Notwithstanding these arguments, compensation management can be designed to motivate people through monetary compensation to some extent.

The compensation that is going to be provided to the employees should include better salary, perks, increments, bonus etc. Even though the remaining components like promotion are going to motivate the employees, but the basic motivator is better compensation.

1. **Optimizing Cost of Compensation:** Compensation management aims at optimizing cost of compensation by establishing some kind of linkage with performance and compensation. It is not necessary that higher level of wages and salaries will bring higher performance automatically but depends on the kind of linkage that is established between performance and wages and salaries. Compensation management tries to attempt at this.
2. **Consistency in Compensation:** Compensation management tries to achieve consistency-both internal and external-in compensating employees. Internal consistency involves payment on the basis of criticality of jobs and employees' performance on jobs. Thus, higher compensation is attached to higher-level jobs. Similarly, higher compensation is attached to higher performers in the same job. Level of jobs within an organization is determined by job evaluation which will be discussed little later in this chapter. External consistency involves similar compensation for a job in all organizations. Though there are many factors involved in the determination of wage and salary structure for a job in an organization which may result into some kind of disparity in the compensation of a particular job as compared to other organizations, compensation management tries to reduce this disparity.

6.1.3 How is compensation used?
Compensation is a tool used by management for a variety of purposes to further the existence of the company. Compensation may be adjusted according the business needs, goals, and available resources. Compensation may be used to:

- Recruit and retain qualified employees.
- Increase or maintain morale/satisfaction.
- Reward and encourage peak performance.
- Achieve internal and external equity.
- Reduce turnover and encourage company loyalty.
- Modify (through negotiations) practices of unions.

Recruitment and retention of qualified employees is a common goal shared by many employers. To some extent, the availability and cost of qualified applicants for open positions is determined

by market factors beyond the control of the employer. While an employer may set compensation levels for new hires and advertise those salary ranges, it does so in the context of other employers seeking to hire from the same applicant pool. Morale and job satisfaction are affected by compensation. Often there is a balance (equity) that must be reached between the monetary value the employer is willing to pay and the sentiments of worth felt be the employee. In an attempt to save money, employers may opt to freeze salaries or salary levels at the expense of satisfaction and morale. Conversely, an employer wishing to reduce employee turnover may seek to increase salaries and salary levels. Compensation may also be used as a reward for exceptional job performance. Examples of such plans include: bonuses, commissions, stock, and profit sharing, gain sharing.

6.2 COMPONENTS OF A COMPENSATION SYSTEM

Compensation will be perceived by employees as fair if based on systematic components. Various compensation systems have developed to determine the value of positions. These systems utilize many similar components including job descriptions, salary ranges/structures, and written procedures.

1. **Job Descriptions:** A critical component of both compensation and selection systems, job descriptions define in writing the responsibilities, requirements, functions, duties, location, environment, conditions, and other aspects of jobs. Descriptions may be developed for jobs individually or for entire job families.
2. **Job Analysis**: The process of analyzing jobs from which job descriptions are developed. Job analysis techniques include the use of interviews, questionnaires, and observation.
3. **Job Evaluation**: A system for comparing jobs for the purpose of determining appropriate compensation levels for individual jobs or job elements. There are four main techniques: Ranking, Classification, Factor Comparison, and Point Method
4. **Pay Structures** : Useful for standardizing compensation practices. Most pay structures include several grades with each grade containing a minimum salary/wage and either step increments or grade range. Step increments are common with union positions where the pay for each job is pre-determined through collective bargaining.
5. **Salary Surveys**: Collections of salary and market data. May include average salaries, inflation indicators, cost of living indicators, salary budget averages. Companies may purchase results of surveys conducted by survey vendors or may conduct their own salary surveys. When purchasing the results of salary surveys conducted by other vendors, note that surveys may be conducted within a specific industry or across industries as well as within one geographical region or across different geographical regions. Know which industry or geographic location the salary results pertain to before comparing the results to your company.

6.3 COMPENSATION MANAGEMENT PROCESS

In order to achieve the objectives of compensation management, it should proceed as a process. This process has various sequential steps as shown:

- Organization's strategy

- Compensation policy
- Job analysis and evaluation
- Analysis of contingent factors
- Design and implementation of compensation plan
- Evaluation and review

Organization's Strategy: Organization's overall strategy though not a step of compensation management is the starting point in the total human resource management process including compensation management. Companies operating in different types of market/product having varying level of maturity, adopt different strategies and matching compensation strategy and blend of different compensation methods. Thus, it can be seen that organizations follow different strategies in different market situations and align their compensation strategy and contents with these strategies. In a growing market, an organization can expand its business through internal expansion or takeover and merger of other organizations in the same line of business or a combination of both. In such a growing market, the inputs, particularly human resources, do not grow in the same proportion as the business expands. Therefore, in order to make the growth strategy successful, the organization has to pay high cash to attract talents. For example, information technology is a fast growing business presently and we find maximum merger and higher managerial compensation in this industry. In mature market, the organization does not grow through additional investment but stabilizes and the growth comes through making the present investment more effective, known as learning curve growth. In such a situation, average cash and moderate incentives may work. The benefits which have been standardized have to be maintained. In the declining market, the organization has to harvest profit through cash generation and cost cutting and if this cannot be sustained over the long run, the possible retrenchment of business to invest somewhere else. In such a case, compensation strategy involves cost control with below average cash and incentive payments. Cascio has observed that in viewing the compensation from strategic point of view, the companies do the following:

1. They recognize remuneration as a pivotal control and incentive mechanism that can be used flexibly by the management to attain business objectives.
2. They make the pay system an integral part of strategy formulation.
3. They integrate pay considerations into strategic decision-making processes, such as those that involve planning and control.
4. They view the company's performance as the ultimate criterion of the success of the strategic pay decisions and operational remuneration programs.

Compensation Policy: Compensation policy is derived from organizational strategy and its policy on overall human resource management. In order to make compensation management to work effectively, the organization should clearly specify its compensation policy, which must include the basis for determining base compensation, incentives and benefits and various types of perquisites to various levels of employees. The policy should be linked with the organizational philosophy on human resources and strategy. Besides, many external factors which impinge on the policy must also be taken care of.

Job Analysis and Evaluation: Job analysis provides basis for defining job description and job specification with the former dealing with various characteristics and responsibilities involved in

a job and the latter dealing with qualities and skills required in job performer. Job analysis also provides base for job evaluation which determines the relative worth of various jobs in the organization. The relative worth of various jobs determines the compensation package attached with each job.

Analysis of Contingent Factors: Compensation plan is always formulated in the light of various factors, both external and internal, which affect the operation of human resource management system. Various external factors are conditions of human resource market, cost of living, level of economic development, social factors, pressure of trade unions and various labour laws dealing with compensation management. Various internal factors are organization's ability to pay and employees' related factors such as work performance, seniority, skills, etc. These factors may be analyzed through wage/salary survey.

Design and Implementation of Compensation Plan: After going through the above steps, the organization may be able to design its compensation plan incorporating base compensation with provision of wage/salary increase over the period of time, various incentive plans, benefits and perquisites. Sometimes, these are determined by external party, for example, pay commissions for Government employees as well as for public sector enterprises. After designing the compensation plan, it is implemented. Implementation of compensation plan requires its communication to employees and putting this into practice.

Evaluation and Review: A compensation plan is not a rigid and fixed one but is dynamic since it is affected by a variety of factors which are dynamic. Therefore, compensation management should have provision for evaluating and reviewing the compensation plan. After implementation of the plan, it will generate results either in terms of intervening variables like employee satisfaction and morale or in terms of end-result variable like increase of productivity. However, this latter variable is more important. The evaluation of compensation plan must be done in this light. If it does not work as intended, there should be review of the plan necessitating a fresh look.

How are wages determined? Economists have developed a number of theories which try to explain how wages are determined on a macro level. The Subsistence Theory of Wages, for example, states that the real wages of unskilled workers always remain at or very little above subsistence level. If real wages raise more than enough to provide a bare subsistence, the population would expand at a greater rate than the increase of food and other necessaries. The growth of population would increase the number of workers seeking jobs and the pressure of the big supply of labour would force wages down again to subsistence level. Thus improvement in real wages can only be temporary. This theory has considerable validity in a heavily populated country with high birth rate like India. The wages of the great majority of workers in our country are still on the subsistence level and may continue to be so until our development programs cause our rate of productivity growth to become considerably greater than the rate of population growth. According to the Marginal Productivity Theory of Wages, in every enterprise there is a point beyond which it will not pay the management to engage more laborers. At this point the laborer produces just enough to cover his cost to the employer. All the laborers being assumed to be of the same quality, they will all receive the same wages, i.e., the wages representing the product of the marginal laborer. This is also not correct. In actual practice wages of laborers,

even if they are of the same quality, differ. What then determines the wages of a worker? In actual practice it seems to be determined by a number of factors such as the philosophy of management towards wages, region-cum industry settlements, internal pricing through job evaluation, employer's capacity to pay, court judgments, local area going rates, collective bargaining and government laws.

6.4 PAY STRUCTURES

Common Pay Structures

- Hourly and salaried
- Office, plant, technical, professional, managerial
- Clerical, information technology, professional, supervisory, management, and executive

Factors that affect Remuneration/Pay Structure:

External:

- Labor Market
- Cost of Living
- Society
- The Economy
- Geographic Location

Internal Factor:

- Business Strategy
- Job Evaluation & Performance Appraisal
- The Employee
- Kind of Business

6.4.1 Factors Determining Pay Rates

- **Demand and supply:** Wage rates of workers depends upon demand and supply force in labour market. If the labour is in short supply, the workers will offer the services only if they are paid well. On the other hand, if the supply is more then workers available might get ready work at cheaper rates.

- **Bargaining Power:** Where labour unions are strong enough to force the hand of employers, the wages will be determined at a higher level in comparison to other units where unions are weak.

- **Cost of living:** Wages of workers also depends upon the cost of living of the worker so as to ensure him a decent living wage. Cost of living varies under deflationary and

inflationary pressures. Where labour unions are strong and employer do not show enough awareness, here wage are adjusted according to cost of living index numbers.

- **Condition of product market:** Degree of competitions prevailing in the market for the product of the industry will also influence the wage level. e.g. if there is perfect competition in the market the wage level may be at par with the value of net additions made by the workers to the total output, but may not reach this level in case of imperfect competition in the market.

Fig 6.1 Establishing Pay Structures

- **Comparative Wages:** Wages paid by the other firms for the same work also influence the wage levels. Wage rates must also be in consistent with the wages paid by the other firms in the same industry so as to increases the job satisfaction among the workers.

- **Ability to Pay:** Wage rates are influenced by the paying ability of industry or firms to its workers. Those firms which are earning huge profits may afford to pay high wages and can provide more facilities to its workers in comparison to the firms earning comparatively low profits.

- **Productivity of labour:** Higher productivity will automatically fetch more profit to the firm, where in turn workers will be paid high wages in comparison to other firms with low productivity.

- **Job Requirements:-** If a job require higher skill, greater responsibility and risk, the worker placed on that job will naturally get higher wages in comparison to other jobs which do not require the same degree of skill, responsibility or risk.

- **Govt. Policy:** Since the bargaining power of the workers is not enough to ensure fair wages in all industries, the Govt. has to interfere in regulating wage rate to guarantee minimum wage rates in order to cover the essentials of a decent living.

- **Goodwill of the company**: A few employers want to establish themselves as good employer in the society and fix higher wages for their workers. It attracts qualified employees.

In addition there are other important factors which affect the individual differences in wage rates. These are: (i) Worker's Capacity and Age (ii) Educational qualification. (iii) Work experience. (iv) Promotion possibilities. (v) Stability of employment (vi) Demand for product. (vii) Profits earned by the organization. (viii) Hazards involved in work etc.

6.5 PAY INCENTIVES

An Incentive or Reward can be anything that attracts a employee's attention, stimulates him to work; Other words it can define as "an incentive scheme is a plan or programme to motivate individual or group performance. In other terms, incentives are also called as 'payments by results'. Incentives are paid in addition to wages and salaries. Incentives depend upon productivity, sales, profit, or cost reduction efforts. Now, let us also see the different incentive schemes. There are: (i) Individual Incentive Schemes, (ii) Group Incentive Programs and (iii) Plant Wide Incentive Schemes.

Individual Incentives include:

- Merit Pay Plans (annual increase, based on performance)
- Piecework Plans (pay based on number of units produced typically in a specified time period.)
- Time-savings bonuses and commissions
- Work best where clear objectives can be set and tasks are independent.

Group Incentives include:

- Incentives can be offered to groups, rather than individuals, when employees' tasks are interdependent and require cooperation.
- Plant-wide Incentives include:
- Direct employee efforts toward organizational goals (such as cost reduction)
- Scanlon Plan - supervisor and employee committees suggest labor-saving improvements
- IMPROSHARE - formula is used to determine bonuses based on labor cost savings

6.5.1 Features of incentive plan

- These incentive plans usually consist of both monetary and non-monetary elements.
- The timing, accuracy and frequency of incentives are the basis of a successful incentive plans.
- These plans should be properly communicated to employees. So this will encourage individual performance, provide feedback and encourage redirection.

6.5.2 Types of Rewards/Incentives

We have seen what is an incentive, now we will discuss what are the types of incentives provided by the organizations, An incentive or reward can be anything that attracts a employee's attention, stimulates him to work; Other words it can define as "an incentive scheme is a plan or programme to motivate an individual or group performance. This incentive programme usually provides monetary rewards, but may also include a variety of non-monetary rewards or prizes.

The Rewards are classified into two:
- Direct compensation
- Indirect compensation

Direct Compensation: It includes the basic salary or wage that the individual is entitled for his job; this includes overtime work, holiday premium, bonuses based on performance etc.
Indirect Compensation: It includes protection programs; pay for time not worked, services and perquisites. But these are maintenance factors rather than reward.

INTRENSIC	EXTRINSIC		
	Direct Compensation	Indirect Compensation	Non financial Compensation
• Participation in Decision making	• Basic wage or salary	• Protection programme	• Preferred furniture
• Greater job freedom and direction	• Overtime and holiday premiums	• Pay for time not worked	• Preferred lunch hours
• More responsibility	• Performance sharing	• Services perquisites	• Assigned parking space
• More interest in work	• Stock option		• Business cards
• Opportunities for personal work			• Own secretary
• Diversity of activities			

Fig 6.2 Incentive (Structure of incentives)

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6.6 EMPLOYEE BENEFITS AND SERVICES

We have seen various types of incentives given to the employees, now we will discuss about various **benefits and services** that employees will get from an organization. These are available to all employees based in their membership in the organization. The purpose of such benefits and services is to retain people in the organization and not to stimulate them to greater effort and higher performance. These benefits are usually known as "**fringe benefits**", & the employer offers these to the employee. The term fringe benefits are – paid vacation, pension, health insurance plan etc.

There are five categories of services and benefits under the term **Fringe Benefits.**

- **Legally Required Payments:** Old age pension, survivor benefits, disability pension and payments made under the Workmen's Compensation Act.
- **Pension and Group Insurance**
- **Paid Rest Periods, Waste-Up Time**
- **Payment for Time Not Worked**
- **Festival Bonus**

6.6.1 Classification of Fringe Benefits

- **Premium Payments: -** This is the period of time a worker has worked, and payment is based on daily or weekly.
- **Payment for special duties: -** Such as working on grievance redressal procedures and labour contract negotiations.
- **Payments for health & Security benefits: -** These include retirement plans, social security payments, saving plans, Profit sharing plans, Group Life Insurance etc.
- **Payment for time not worked: -** Which include payment for sick leave and for time during which an employee is under medical care. Payments for holiday, vacations, call back time, dressing time, portal-to portal time and wet time.
- **Payment for employee service: -** This includes Cafeteria subsidies, union credit, house financing etc.
- **Other expenditure: -** Like holiday bonus, on educational reimbursements, employee uniforms, work cloths, supper money or meal allowance etc.

6.6.2 Employee Services

In addition to the benefits, organizations also provide a wealth of services that employees find desirable. These services are usually provided by the organization at no cost to employee or at a significant reduction from what might have to be paid without the organization's support.

The employee services include

Services related to the types of work performed; this including subsidies for purchase and upkeep of work, clothing and uniforms and of various types of tools, used by a worker in the course of his work;

- Eating facilities: - Which include the provision of company restaurants, cafeterias, canteens, lunchrooms etc.
- Transportation facilities: - Like parking lot and bus services
- Child Care facilities: - Comprising nurses and day care centers for children
- Housing Services: - It includes company owned housing projects and subsidies.
- Financial and legal services: - This includes sponsoring of loan funds, credit unions, income tax services, saving plans and group insurance plans.
- Purchasing Services: - This includes company operated stores and discount on company products and services.
- Education Services: - Which include sponsorship for off duty courses, educational leave, tuition fee, refunds and scholarship for employees and their children.
- Medical Services: - Including plant infirmaries, (clinics and hospitals, counseling and referrals to community to social services.)
- Outplacement Services: - This include, contact with other employers in the area, help in writing up resumes and secretarial services.
- Flexi time: - The employees are permitted to build up their flexible workday: It is called flexi time because the workers themselves determine their own starting and stopping time.

The number of companies offering generous employee benefits is increasing according to a recent Deloitte & Touche survey of Irish business leaders. Over four-fifths (82 per cent) of respondents stated that their company offered a pension scheme to employees (an increase of 10 per cent over 12 months ago). Almost three-quarters (73 per cent) said that their companies supplemented state maternity benefit and two-thirds (66 per cent) stated that their companies provided a company car or car allowance John McGarry, Director of Deloitte & Touche Human Capital Advisory Services said: "Increases in pension provision and maternity benefit illustrate the greater commitment from employers to retention of employees that has emerged in recent time." Other popular benefits mentioned by respondents included profit sharing and share option schemes (41 per cent). Mahon Murphy, Partner within Deloitte & Touche Management Consultants commented, "This is a notable positive trend which reflects increased support for enterprise within Irish business culture. The results of the survey demonstrate increased support for new 'work life balance' initiatives designed to help individuals balance work and home responsibilities. Almost three-quarters (73 per cent) of respondents work for companies that offer flexible work arrangements. This varied from 'flexi-time' (58 per cent) to part-time hours (52 per cent) to teleworking (33 per cent) and job-sharing (23 per cent). Availability of various 'work-life balance' initiatives varied significantly across industry sectors with the technology and public sectors leading on many fronts.

6.7 CASE STUDY: COMPARING INDUSTRY TRENDS IN PAY RATES SUCH AS FMCG

As rapid socio-economic changes sweep across India, the country is witnessing the creation of many new markets and a further expansion of the existing ones. With over 300 million people moving up from the category of rural poor to rural lower middle class between 2005 and 2025, rural consumption levels are expected to rise to current urban levels by 2017.

According to a study by the McKinsey Global Institute (MGI), Indian incomes are likely to grow three-fold over the next two decades and India will become the world's fifth largest consumer market by 2025, moving up from its position in 2007 as the 12th largest consumer market.

The next decade belongs to Indian and Chinese consumers as Asian consumers will continue to splurge owing to improving economic conditions, forecasts the economic outlook report by Canadian Imperial Bank of Commerce (CIBC). Also, households will be confident that their newfound wealth is not ephemeral, allowing them to reduce precautionary savings.

Moreover, approximately 315 hypermarkets are expected to come into existence in tier-I and tier-II cities across India by the end of 2011, riding on the boom in organized retail sector, says a joint study by consultancy firm KPMG and industry body, ASSOCHAM.

Marks & Spencer and Reliance Retail joint venture is planning to open 35 more stores over the next five years. It already has 15 stores in India.

Bharti Wal-Mart Pvt. Ltd, the joint venture between Bharti Enterprises and retail giant Wal-Mart, opened its first cash-and-carry (wholesale) store in India at Amritsar in Punjab. The joint venture plans to invest over US$ 100 million in setting up 15 more such outlets in the next three-four years.

Rural Consumers: FMCGs have seen over 20 per cent demand in rural markets ahead of the 17-18 per cent growth in urban India. According to AC Nielsen, mainstay categories like hair oils, toothpastes, shampoos, skin creams and lotions, and even candies saw more growth in rural markets than urban. The overall number of rural households is estimated to grow to 153 million in 2009-10 from 135 million in 2001-02. Further, as per an NCAER report, compared to urban areas, the 'lower middle income' group in rural areas has nearly doubled. This major consumer base accounts for 41 per cent of the Indian middle class having access to 58 per cent of the total disposable income.

FMCG: Despite the economic slowdown, India's Fast Moving Consumer Goods (FMCG) sector has grown consistently during the last three to four years, reaching a size of US$ 25 billion at retail sales in 2008. The industry is poised to grow 10-12 per cent yearly for the next 10 years to reach US$ 43 billion by 2013 and US$ 74 billion by 2018. Implementation of the proposed Goods and Services Tax (GST) and opening of Foreign Direct Investment (FDI) are expected to fuel growth further and raise the industry's size to US$ 47 billion by 2013 and US$ 95 billion by 2018, according to a FICCI-Technopak report.

The food and beverages (F&B) market in India holds great potential. AT Kearney estimates the market sales of F&B retailing in India at US$ 135 billion and growing at 10-15 per cent annually.

Coca Cola India Ltd, for instance, reported solid first quarter 2009 results despite a challenging economic environment, with unit case volume increasing 31 per cent with eight quarters out of the 11 quarters delivering double-digit growth.

PepsiCo is doubling its investment in its Indian beverage business for calendar 2009. The company will invest over US$ 220 million to increase the capacity of the business.

The Ministry of Food Processing Industries is also planning to double the market size of the food processing industry to US$ 165.1 billion by 2009-10 and trebling it to US$ 271.8 billion by 2014-15. The Indian market researchers RNOS's report on the cosmetics market in the country predicts annual growth of nearly 7 per cent between 2009 and 2012. Defining the cosmetics market as comprising of skin care, hair care, color cosmetics, fragrances and oral care, RNOS said it is currently worth US$ 2.5 billion.

Luxury Products: With the rapidly increasing number of millionaires in India, the market for luxury brands is growing annually at a compound average growth rate (CAGR) of about 35 per cent. According to a FICCI-Yes Bank report, India is set to become a manufacturing hub for global luxury brands over the next four to five years and the manufacture of luxury items in India can grow to US$ 500 million. The luxury products market in India is likely to grow at a CAGR of 28 per cent to reach US$ 1.2 billion by 2010. The market is expected to double by 2015, touching US$ 2.5 billion. The latest entrant is DKNY which will set up exclusive stores in India.

Consumer Durables: A combination of changing lifestyles, higher disposable income, greater product awareness and affordable pricing have been instrumental in changing the pattern and amount of consumer expenditure leading to robust growth of consumer durables industry.
A healthy rise in demand have spurred consumer durables firms such as LG, Samsung, Whirlpool and Godrej & Boyce to line up investments amounting to about US$ 208 million over the next few months for product launches, research and development (R&D) and for upgrading capacity at their existing manufacturing plants.

For South Korean consumer electronics major LG Electronics, India could graph the highest growth rate in terms of sales compared with its other markets in the last five months, beating global trends of slackened consumer spending due to recessionary fears. LG Electronics India Ltd (LGEIL) clocked a growth rate of 18 per cent in the last five months compared with the corresponding period of 2008, mostly driven by increase in sale of products in the refrigeration and AC segments. The company is aiming at a 25 per cent growth in turnover for 2009 to touch about US$ 2.68 billion.

Automobiles: Presently, India is the second largest two-wheeler market in the world, the fourth largest commercial vehicle market, the 11th largest passenger car market and is expected to be the third largest automobile market by 2030.

Global auto makers are still bullish on India. Describing India as one of the promising emerging markets Toyota Motor Corporation is going ahead with its US$ 655.60 million second plant at Bidadi, near Bangalore. Moreover, Honda has identified India as the launch pad for its global small car which will debut during the next two to three years.
Exchange rate used: 1 USD = 48.43 INR (as on June 2009)

6.8 REVIEW QUESTIONS
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1. Define incentives. Bring out their advantages and limitations.
2. Bring out the prerequisites for the success of incentive payments
3. Explain the different types of incentive systems
4. Bring out the steps in the introduction of incentive payments
5. Bring out the salient features of the incentive schemes followed in Indian Industries.

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PERFORMANCE APPRAISAL
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Structure

7.1 Meaning of Performance Appraisal
        7.1.1 The Performance Appraisal Process
        7.1.2 Uses of Performance Appraisal

7.2 Methods of Performance Appraisal
        7.2.1 360 Degree Feedback

7.3 Problems in Performance Appraisal
        7.3.1 Challenges of Performance Appraisal

7.4 Potential Appraisal
        7.4.1 Steps of Potential Appraisal System

7.5 Case Study: Performance Appraisal Systems in Indian Banks
        7.5.1 Models of Performance Appraisal

7.6 Review Questions

7.1 MEANING OF PERFORMANCE APPRAISAL

Performance appraisal is a system of review and evaluation of an individual or team's job performance. An effective system assesses accomplishments and evolves plans for development. Performance management is a process that significantly affects organizational success by having managers and employees work together to set expectations, review results, and reward performance. Its goal is to provide an accurate picture of past and / or future employee performance. To achieve this, performance standards are established. It is also known as **Employee Appraisal**, is a method by which the job performance of an employee is evaluated (generally in terms of quality, quantity, cost and time). Performance appraisal is a part of career development.

Performance appraisals are regular reviews of employee performance within organizations. Generally, the aims of a performance appraisal are to:

- Give feedback on performance to employees.
- Identify employee training needs.
- Document criteria used to allocate organizational rewards.
- Form a basis for personnel decisions: salary increases, promotions, disciplinary actions, etc.
- Provide the opportunity for organizational diagnosis and development.
- Facilitate communication between employee and administration

- Validate selection techniques and human resource policies to meet federal Equal Employment Opportunity requirements.

7.1.1 The Performance Appraisal Process

Many of the external and internal environmental factors previously discussed can influence the appraisal process. Legislation requires that the appraisal systems be nondiscriminatory. The labor union might affect the appraisal process by stressing seniority as the basis for promotions and pay increases. Factors within the internal environment can also affect the performance appraisal process. The type of corporate culture can serve to help or hinder the process. Identification of specific goals is the starting point for the PA process. After specific appraisal goals have been established, workers and teams must understand what is expected from them in their tasks. Informing employees of what is expected of them is a most important employee relations task. At the end of the appraisal period, the appraiser observes work performance and evaluates it against established performance standards. The evaluation results are then communicated to the workers. The performance evaluation discussion with the supervisor serves to reestablish job requirements.

Steps in the Performance Appraisal Process

- Identify the specific performance appraisal goals.
- Establish job expectations (job analysis).
- Examine work performed.
- Appraise performance.
- Discuss appraisal with employee.

7.1.2 Uses of Performance Appraisal

Performance appraisal serves two types of the objectives one is to make the evaluation decisions and other is to provide the need assessment source for the training and development if there is a gap between actual and expected performance. For many organizations, the primary goal of an appraisal system is to improve performance. A system that is properly designed and communicated can help achieve organizational objectives and enhance employee performance. In fact, PA data are potentially valuable for use in numerous human resource functional areas.

- **Human Resource Planning** — In assessing a firm's human resources, data must be available that describe the promotability and potential of all employees, especially key executives.
- **Recruitment and Selection** — Performance evaluation ratings may be helpful in predicting the future performance of job applicants.
- **Training and Development** — A performance appraisal should point out an employee's specific needs for training and development. By identifying deficiencies that adversely affect performance, human resource and line managers are able to develop T&D programs that permit individuals to build on their strengths and minimize their deficiencies.
- **Career Planning and Development** — Career planning and development may be viewed from either an individual or organizational viewpoint.

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- **Compensation Programs** — Performance appraisal results provide the basis for decisions regarding pay increases.
- **Internal Employee Relations** — Performance appraisal data are also frequently used for decisions in areas of internal employee relations including motivation, promotion, demotion, termination, layoff, and transfer.
- **Assessment of Employee Potential** — Some organizations attempt to assess employee potential as they appraise job performance.

7.2 METHODS OF PERFORMANCE APPRAISAL

The type of performance appraisal system utilized depends on its purpose. If the major emphasis is on selecting people for promotion, training, and merit pay increases, a traditional method such as rating scales may be most appropriate. Collaborative methods are designed to assist employees in developing and becoming more effective.

1. **360-Degree Feedback** — Involves input from multiple levels within the firm and external sources as well.
2. **Rating Scales —** Rates employees according to defined factors. The factors chosen for evaluation are typically of two types: job related and personal characteristics.
3. **Critical Incidents —** Requires written records be kept of highly favorable and highly unfavorable work actions.
4. **Essay —** The rater simply writes a brief narrative describing the employee's performance. This method tends to focus on extreme behavior in the employee's work rather than routine day-to-day performance.
5. **Work Standards —** Compares each employee's performance to a predetermined standard, or expected level of output.
6. **Ranking —** The rater simply places all employees in a given group in rank order on the basis of their overall performance. Paired comparison is a variation of the ranking method that involves comparing the performance of each employee with every other employee in the group**.**
7. **Forced Distribution —** An appraisal approach where the rater is required to assign individuals in the work group to a limited number of categories similar to a normal frequency distribution.
8. **Forced-Choice and Weighted Checklist Performance Reports —**The forced-choice performance report is a technique in which the appraiser is given a series of statements about an individual and the rater indicates which items are most or least descriptive of the employee. The weighted checklist performance report is a technique whereby the rater completes a form similar to the forced-choice performance report, but the various responses have been assigned different weights.
9. **Behaviorally Anchored Rating Scales**—A performance appraisal method that combines elements of the traditional rating scales and critical incidents methods**.**
10. **Results-Based Systems** — In a result-based system the superior and the subordinate jointly agree on objectives for the next appraisal period**.**
11. **Assessment Centers—Recognizing the differences in purposes, and the difficulty that a PA** system will have in achieving both aims, some firms opt to use an assessment center as an adjunct to their appraisal system

12. **Management by objectives (MBO) —** It is a goal-oriented performance appraisal method, requires that supervisors and employees determine objectives for employees to meet during the rating period, and the employees appraise how well they have achieved their objectives
13. **The Appraisal Interview.-** The appraisal interview is the Achilles' heel of the entire evaluation process.
14. **Scheduling the Interview** —Supervisors usually conduct a formal appraisal interview at the end of an employee's appraisal period.
15. **Interview Structure** —A successful appraisal interview should be structured in a way that allows both the supervisor and the subordinate to view it as a problem solving rather than a faultfinding session.
16. **Use of Praise and Criticism** — Praise should be provided when warranted, but it can have only limited value if not clearly deserved. Criticism, even if warranted, is especially difficult to give.
17. **Employees' Role** — Two weeks or so before the review, they should go through their diary or files and make a note of every project worked on, regardless of whether they were successful or not.
18. **Use of Software —** Computer software is available for recording the appraisal data.
19. **Concluding the Interview** — Ideally, employees will leave the interview with positive feelings about management, the company, the job, and themselves.

7.2.1 360 Degree Feedback

In human resources or industrial/organizational psychology, **360-degree feedback**, also known as "multi-rater feedback," "multisource feedback," or "multisource assessment," is feedback that comes from all around an employee. "360" refers to the 360 degrees in a circle, with an individual figuratively in the center of the circle. Feedback is provided by subordinates, peers, and supervisors. It also includes a self-assessment and, in some cases, feedback from external sources such as customers and suppliers or other interested stakeholders. It may be contrasted with "upward feedback," where managers are given feedback by their direct reports, or a "traditional performance appraisal," where the employees are most often reviewed only by their managers. It is a system or process in which employees receive confidential, anonymous feedback from the people who work around them. A mixture of about eight to twelve people fill out an anonymous online feedback form that asks questions covering a broad range of workplace competencies. The feedback forms include questions that are measured on a rating scale and also ask raters to provide written comments. The person receiving feedback also fills out a self-rating survey that includes the same survey questions that others receive in their forms. Managers and leaders within organizations use 360 feedback surveys to get a better understanding of their strengths and weaknesses. The 360 feedback system automatically tabulates the results and presents those in a format that helps the feedback recipient create a development plan. Individual responses are always combined with responses from other people in the same rater category (e.g. peer, direct report) in order to preserve anonymity and to give the employee a clear picture of his/her greatest overall strengths and weaknesses.

The results from 360-degree feedback are often used by the person receiving the feedback to plan their training and development. Results are also used by some organizations in making

administrative decisions, such as pay or promotion. When this is the case, the 360 assessment is for evaluation purposes, and is sometimes called a "360-degree review." However, there is a great deal of controversy as to whether 360-degree feedback should be used exclusively for development purposes, or should be used for appraisal purposes as well (Waldman et al., 1998). There is also controversy regarding whether 360-degree feedback improves employee performance, and it has even been suggested that it may decrease shareholder value

Recommendations for implementing 360-degree appraisal system:

Instrument Issues:

- Item should be directly linked to effectiveness on the job.
- Item should focus on specific observable behaviors.
- Item should be worded in positive terms rather negative terms.
- Raters should be asked only about issues for which they have first hand knowledge.

Administration Issues:
- Select raters carefully by using a representative sample of people most critical to the ratee and who had the greater opportunity to observe his or her performance.
- Use an adequate number of raters to ensure adequate sampling and to protect the confidentiality of respondents.
- Instruct respondents in how the data will be used and ensure confidentiality.
- To maintain confidentiality, rater should not indicate their names or other identifying characteristics and serves should be mailed back directly to the analyst in a sealed envelop.
- Alert and train raters regarding rater errors (halo, leniency, attribution bias).

Feedback report:

- Separate the results from the various sources. The ratee should see the average, aggregate results from peers, subordinates, higher level managers, customers, and all other sources that may be used.
- Show the rate's self-rating as compared to rating by others. This enables the ratee to see how his or her self-perception or similar or different from others perception.
- Compare the rate's rating with other groups. Provide feedback on items as well as scales so ratees can see how to improve.

Feedback sessions:

- Use a trained facilitator to provide feedback to ratees.
- Involve the ratee in interpret end his or her on results.
- Provide an overview of the individuals' strengths and areas for improvement.
- Provide feedback on recommendations and help him or her to develop an action plan.

Follow up activities:
- Provide opportunities for skill training in how to improve his/her behaviors.
- Provide support and coaching to help him/ her apply what has been learned.
- Overtime, evaluate the degree to which the ratee has changed behaviors.

How is 360 Degree Feedback Used?
Companies typically use a 360 feedback system in one of two ways:

360 Feedback as a Development Tool to help employees recognize strengths and weaknesses and become more effective
When done properly, 360 are highly effective as a development tool. The feedback process gives people an opportunity to provide anonymous feedback to a coworker that they might otherwise be uncomfortable giving. Feedback recipients gain insight into how others perceive them and have an opportunity to adjust behaviors and develop skills that will enable them to excel at their jobs.

360 Feedback as a Performance Appraisal Tool to measure employee performance
Using a 360 degree feedback system for Performance Appraisal is a common practice, but not always a good idea. It is difficult to properly structure a 360 feedback process that creates an atmosphere of trust when you use 360 evaluations to measure performance. Moreover, 360 feedbacks focus on behaviors and competencies more than on basic skills, job requirements, and performance objectives. These things are most appropriately addressed by an employee and his/her manager as part of an annual review and performance appraisal process. It is certainly possible and can be beneficial to incorporate 360 feedbacks into a larger performance management process, but only with clear communication on how the 360 feedback will be used.

Merits	Demerits
Evaluates methods applied to achieve targets	Ignores performance in terms of reaching goals
Reveals strength and weakness in management style	Colleague's responses tend to be biased
Forces inflexible managers to initiate self change	Assesssees deny the truth of negative feedback
Creates an atmosphere of teamwork and improvement	The system can be used to humiliate people
Unearths truths about organizational culture and ambience	Linking findings to rewards can prove to be unfair.

Table 7.1 Merits and Demerits of 360-degree Technique

Tips on 360 degree feedback and 360 appraisals

360 degree appraisals are a powerful developmental method and quite different to traditional manager-subordinate appraisals (which fulfill different purposes). As such a 360-degree process does not replace the traditional one-to-one process - it augments it, and can be used as a stand-alone development method. 360-degree appraisals involve the appraisee receiving feedback from people (named or anonymous) whose views are considered helpful and relevant. The feedback is typically provided on a form showing job skills/abilities/attitudinal/behavioral criteria and some sort of scoring or value judgment system. The appraisee should also assess himself or herself using the same feedback instrument or form. 360 degree respondents can be the appraisee's peers, up line managers/ execs, subordinate staff, team members, other staff, customers, suppliers - anyone who comes into contact with the appraisee and has opinions/views/reactions of and to the appraisee. Numerous systems and providers are available – I wouldn't recommend any in particular because my view about this process is that you should develop a process and materials for your own situation, preferably involving the appraisees in this, which like all participative approaches, often works well. You can develop your own 360-degree feedback system by running a half-day or full day workshop (depending on extent and complexity of the required process) involving the appraisees or a sample group, during which process and materials can be created and provisionally drafted. The participative workshop approach as ever will give you something that's wholly appropriate and 'owned' instead of something off-the-shelf or adapted, which would be arbitrary, mostly inappropriate and impracticable (in terms of criteria and process), and 'not invented here', i.e., imposed rather than owned. I would recommend against restricting the 360 feedbacks to peers and managers only - it's a waste of the potential of the 360-degree appraisal method. To use the feedback process for its fullest '360 degree' benefit involve customers (in the broadest sense – could be patients, students, users, depending on the organization), staff, suppliers, inspectors, contractors, and others for whom good working relationships and understanding with the appraisee affect overall job performance, quality, service, etc. Developing 360 degree appraisals systems process make ideal subjects for a workshops, which in itself contains some very helpful developmental benefits and experience for all involved. If you're not able to get everyone together for a workshop you should solicit input and ideas - particularly about appraisal criteria and respondents and anonymity - then draft out process and materials - then issue for approval, then pilot, review, adapt and then implement. Adapt, improve and develop on an ongoing basis. It is my view that no aspects of 360 feedbacks should ever be mandatory for any appraisee or respondent. Given more than three or four similar role-types being appraised it's not sensible to produce individually tailored criteria, in which case when it comes to the respondents completing the feedback not all the criteria will be applicable for all respondents, nor for all appraisees either. By the same when designing the feedback instruments (whether hardcopy documents or online materials), it's useful to allow space for several 'other' aspects that the appraisee might wish to add to the standard criteria, and space for respondents to add 'other' comments.

Open honest feedback can touch sensitivities, so be sure that appraisees understand and agree to the criteria, respondents (by type, if not named) and process. Ensure suitable and sensitive counseling is provided as part of the informing of feedback results. If 360 degree feedback results are to be analyzed collectively to indicate the overall/total situation (i.e., to assist in determining organizational training and development needs for instance), think carefully about the feedback form scoring system and particularly its suitability for input to some sort of analysis tool, which could be a spreadsheet, and therefore numerically based requiring numerical scores, rather than words, (words of course are more difficult to count and measure, and while words and description assessment enables more subtlety, they also allow more room for misunderstanding and is interpretation). For guidance have a look at the skills and behavioral assessment tool - it's not a 360-degree tool, but is an example of the basis of one. Similarly the training needs analysis tool is an example of a collective or organizational measurement tool, based on the input of a number of individual feedback assessments.

7.3 PROBLEMS IN PERFORMANCE APPRAISAL

Many performance appraisal methods have been severely criticized. Many of the problems commonly mentioned are not inherent in the method but, rather, reflect improper usage.

1. **Lack of Objectivity** — A potential weakness of traditional methods of performance appraisal is that they lack objectivity. Some subjectivity will always exist in appraisal methods. However, the use of job-related factors does increase objectivity.
2. **Halo Error** —Occurs when the evaluator perceives one factor as being of paramount importance and gives a good or bad overall rating to an employee based on this factor.
3. **Leniency/Strictness** —The giving of undeserved high or low ratings.
4. **Central Tendency** —Occurs when employees are incorrectly rated near the average or middle of the scale.
5. **Recent Behavior Bias** —It is only natural to remember recent behavior more clearly than actions from the more distant past. However, performance appraisals generally cover a specified period of time, and an individual's performance should be considered for the entire period.
6. **Personal Bias** —Supervisors doing performance appraisals may have biases related to their employees' personal characteristics such as race, religion, gender, disability, or age group.
7. **Manipulating the Evaluation** —In some instances, supervisors control virtually every aspect of the appraisal process and are therefore in a position to manipulate the system.
8. **Poor Appraisal Forms –** The appraisal processes might also 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 contain additional, irrelevant performance dimensions (iv) The forms may be too long and complex

7.3.1 Challenges of Performance Appraisal

An organization comes across various problems and **Challenges of Performance Appraisal** in order to make a performance appraisal system effective and successful.

The main **Performance Appraisal challenges** involved in the performance appraisal process are:

- **Determining the evaluation criteria:** Identification of the appraisal criteria is one of the biggest problems faced by the top management. The performance data to be considered for evaluation should be carefully selected. For the purpose of evaluation, the criteria selected should be in quantifiable or measurable terms.

- **Create a rating instrument:** The purpose of the Performance appraisal process is to judge the performance of the employees rather than the employee. The focus of the system should be on the development of the employees of the organization.

- **Lack of competence**: Top management should choose the raters or the evaluators carefully. They should have the required expertise and the knowledge to decide the criteria accurately. They should have the experience and the necessary training to carry out the appraisal process objectively.

- **Errors in rating and evaluation**: Many errors based on the personal bias like stereotyping, halo effect (i.e. one trait influencing the evaluator's rating for all other traits) etc. may creep in the appraisal process. Therefore the rater should exercise objectivity and fairness in evaluating and rating the **performance of the employees**.

- **Resistance:** The appraisal process may face resistance from the employees and the trade unions for the fear of negative ratings. Therefore, the employees should be communicated and clearly explained the purpose as well the **process of appraisal**. The standards should be clearly communicated and every employee should be made aware that what exactly is expected from him/her.

7.4 POTENTIAL APPRAISAL

The **potential appraisal** refers to the appraisal i.e. identification of the hidden talents and skills of a person. The person might or might not be aware of them. Potential appraisal is a future – oriented appraisal whose main objective is to identify and evaluate the potential of the employees to assume higher positions and responsibilities in the organizational hierarchy. Many organizations consider and use potential appraisal as a part of the performance appraisal processes.

Potential appraisal can serve the following purposes:

- To advise employees about their overall career development and future prospects.
- Help the organization to chalk out succession plans.
- Motivate the employees to further develop their skills and competencies.
- To identify the training needs.

Techniques of potential appraisal:

- Self – appraisals
- Peer appraisals
- Superior appraisals
- MBO
- Psychological and psychometric tests
- Management games like role playing
- Leadership exercises etc.

Potential appraisal helps to identify what can happen in future so that it can be guided and directed towards the achievement of individual and organizational growth and goals. Therefore, potential should be included as a part of the Performance appraisal in organizations. In most Indian organizations, people earn promotions on the basis of their past performance. The past performance is considered a good indicator of future job success. This could be true, if the jobs to be played by the promotee are similar. However, in actual practice, the roles that a role holder played in the past may not be the same he is expected to play if he assumes a different job after his transfer or promotion to a new position. Past performance, therefore, may not be a good indicator of the suitability of an indicator for a higher role. To overcome this inadequacy, organizations must think of a new system called potential appraisal. The objective of potential appraisal is to identify the potential of a given employee to occupy higher positions in the organizational hierarchy and undertake higher responsibilities.

7.4.1 Steps of Potential Appraisal System

The following are some of the steps required to be followed while introducing a potential appraisal system:

1. **Role Descriptions**: Organizational roles and functions must be defined clearly. To this end, job descriptions must be prepared for each job.
2. **Qualities needed to perform the roles**: Based on job descriptions, the roles to be played by people must be prepared (i.e., technical, managerial jobs and behavioral dimensions).
3. **Rating mechanisms**: Besides listing the functions and qualities, the potential appraisal system must list mechanisms of judging the qualities of employees such as: (i) **Rating by others**: The potential of a candidate could be rated by the immediate supervisor who is acquainted with the candidate's work in the past, especially his technical capabilities. (ii) **Tests:** Managerial and behavioral dimensions can be measured through a battery of psychological tests. (iii) **Games:** Simulation games and exercises (assessment centre, business games, in-basket, role play, etc.) could be used to uncover the potential of a candidate.(iv) **Records:** Performance records and ratings of a candidate on his previous jobs could be examined carefully on various dimensions such as initiative, creativity, risk taking ability, etc., which might play a key role in discharging his duties in a new job.
4. **Organizing the system:** After covering the above preliminaries, he must set up a system that will allow the introduction of the scheme smoothly giving answers to some puzzling questions: (i) How much weight age to merit in place of seniority in promotions? (ii) How much weight age to each of the performance dimensions – technical, managerial,

behavioral qualities? (iii) What are the mechanisms of assessing the individual on different indicators of his potential and with what reliability?

5. **Feedback:** The system must provide an opportunity for every employee to know the results of his assessment. "He should be helped to understand the qualities actually required for performing the role for which he thinks he has the potential, the mechanisms used by the organizations to appraise his potential and the results of such an appraisal".

APPRAISING PERFORMANCE

All progressive companies have some formal or informal appraising system for appraising the performance of their employees. The aim is to motivate employees, improve their performance, and encourage a better performance above par.

"AMBER PHARMACEUTICALS"

In a Pharma company manufacturing marketing drugs and medicines .The research staff has developed a number of new products and formulations that are effective but at the same time it has to meet severe competition from Stalwarts with foreign collaboration. Mr. shah Vice President Marketing has a very successful Pharma marketing background. He has been with the company for past four years. Mr. Shah had made an ambitious plan for capturing a sizable share of market in Gujarat. The company been medium seized, Mr. Shah had kept his Marketing team and the department lean and trim. The field sales staffs were given aggressive targets and were virtually pushed to reach the respective targets. The field staff worked to their best abilities to complete their targets. Mr. Shah had himself been working hard for 11-12 hours a day. There is no formal appraisal or reward system in the company. During last five years more than 60 Medical representative and the Area supervisors had left the company due to unsatisfactory increments and promotions. Those who left the company were star workers. But Mr. Shah did not care for this high turn over. He has over confident that he would be able to hire fresher and also select candidate who are not happy with their remunerations in their respective companies. Mr. Shah never communicated with his field officers about their performances or reasons for not recognizing their outstanding performance in a few cases.

i. What do you perceive the basic problem in "AMBER"?

ii. What are the steps you will take serially to correct the problem?

iii. In the event of your performance appraisal system)

How will you decide a suitable system of appraisal?

b) Will your system include merits, rewards and promotions?

iv. What type of training will be necessary before launching the appraisal system?

7.5 CASE STUDY: PERFORMANCE APPRAISAL SYSTEMS IN INDIAN BANKS

Banking services is one sector where a great degree of attention is being paid to Performance Appraisal Systems. Several of the public sector banks (PSBs) have changed their PAS or are in the process of changing them. State Bank of India has recently adopted an open system of appraisal. Its associate banks are likely to follow the same after detailed experiences of State

Bank of India are available. Several banks also have self-appraisal as a part of performance appraisal, although mostly such self-appraisal is more of a communication of achievements. Allahabad Bank has introduced a system that aims in helping officers to identify their strengths and weaknesses and encourage improvement of performance on the job. Indian Overseas Bank has a system in which a branch manager gives a self-appraisal on business growth, customer service, internal administration and training requirements in great detail. Union Bank of India has an appraisal system in which the reporting officer is required to assess each of his appraisee officers on technical skills, human skills and conceptual skills. All these are defined for different categories of roles and the assessment has to be made on a five-point scale. Corporation Bank, UCO Bank, Central Bank of India, Dena Bank and Bank of Baroda has introduced similar self-appraisal formats. Punjab National Bank has, primarily, a development-oriented appraisal form. There are ten different formats available for ten different categories of employees. The bank started the system with a self-appraisal by the appraisee. Studies of the operating system of the successful organizations, in general, reveal that a good PAS is the corner stone to navigate an organization successfully in this globalized environment of uncertainty and continuous change. They have, therefore, developed and employed such system and harnessing maximum benefits. But, like many fields of organizational development, the PSBs are lagging behind in this area too. Most of the PSBs have an Annual Appraisal System that is historic in nature and documents the past activities. It is a one time annual affair only. Study of the format of annual appraisal of many of the PSBs reveal that they are basically uniform in character with emphasis in historical events and little or no importance for future growth. In comparison with the new generation banks and progressive organizations, the appraisal system in PSBs, thus, is basically dysfunctional. The PAS, as an important component of Performance Management System, is yet to be conceived and made operational. But developing and implementing a PAS seems overdue and vitally important. In performance appraisal, a model is a guide that indicates how best competencies could be fit into a Performance Appraisal Process. There are one-dimensional models, mixed models and three-dimensional models. One dimensional model or the traditional model is based on the single factor of performance and the entire focus is on what to be achieved. The 'How' factor of achievement is not looked into in this type of model and is perhaps not fit for today's world of business where short term survival and long term survival is equally important.

7.5.1 Models of Performance Appraisal

One Dimensional Model: In one-dimensional model people are not aware whether an achievement is one time and situational. Employees can adopt practices that can boost their performance in the short run making colossal losses for the future. There are enough examples of the loopholes of the one-dimensional model. The following is a one-dimensional model where the key stress is on what is to be performed.
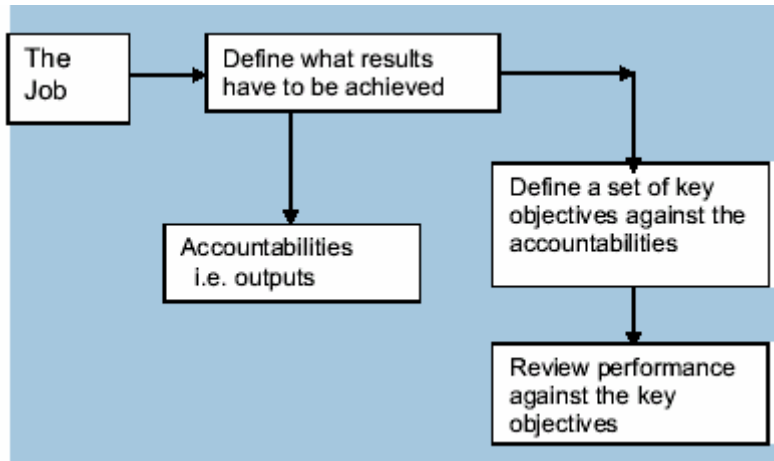
Fig 7.1 One Dimensional Model

Mixed Model: A performance appraisal process that combines planning, managing and reviewing both results and competencies is called a mixed model. Mixed model or the competency based performance models for their added advantage are becoming the performance management model of the future. These mixed models assess and reward both results and competencies demonstrated on the job. It shows what the employees achieved and how they have achieved it. The mixed model represents a more powerful and long lasting approach to performance management than what one-dimensional objective-based approach. A 'competency based' approach brings a different perspective to performance management. It employs a wider, a more comprehensive tool to describe the performance expected from an individual. Here, performance is defined not only in terms of what is to be achieved but how it is to be achieved and what competencies must be utilized as is depicted in the following model.
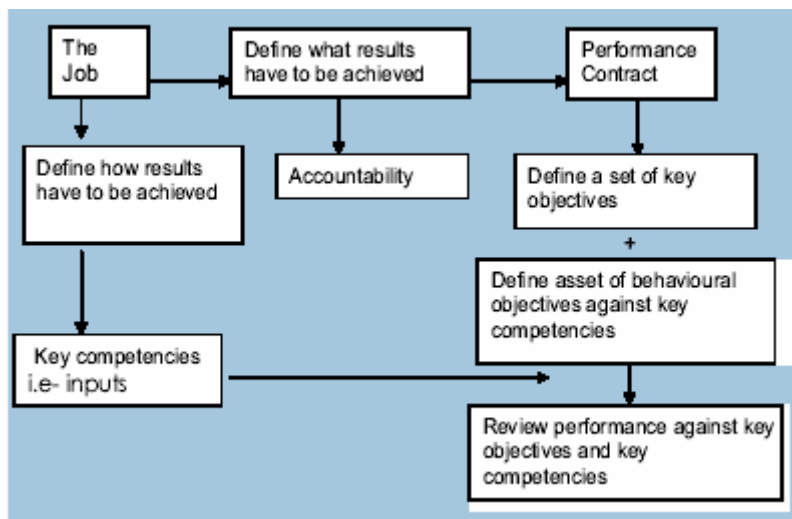
Fig 7.2 Mixed Model

Three Dimensional Model: The next model takes another dimension besides objectives and competencies. The most important dimension - customer - fits in this model. The customer is involved in setting the performance contract and on giving feedback to the performance review.

When the whole banking industry is going for CBS, its time to make PAS IT enabled in such a way that once submitted online, there will be no provision of editing or rectification after the date of submission. The objective portion of the PAS should generate immediate feedback and the system should be so oriented that within a specified time of say, seven days the entire feedback should reach the appraisee for developing weak (opportunity) areas. This will reduce the criticism of bias or alteration of opinion by the reviewer in subsequent period. Besides, the raters (appraiser and reviewer) should be adequately trained so that they are capable to overcome gender bias, personality bias and other sort of biases. They should focus more on performance and less on personality. The leniency error and the 'hallo' effect (a good perception in one area leads to rating good in all areas) and thorn effect (a biased perception in one area leading to bad rating in all areas) in appraisal system can be corrected only through appropriate training of the rater. Appraisees may also be trained suitably for providing accurate rating in their self appraisal.
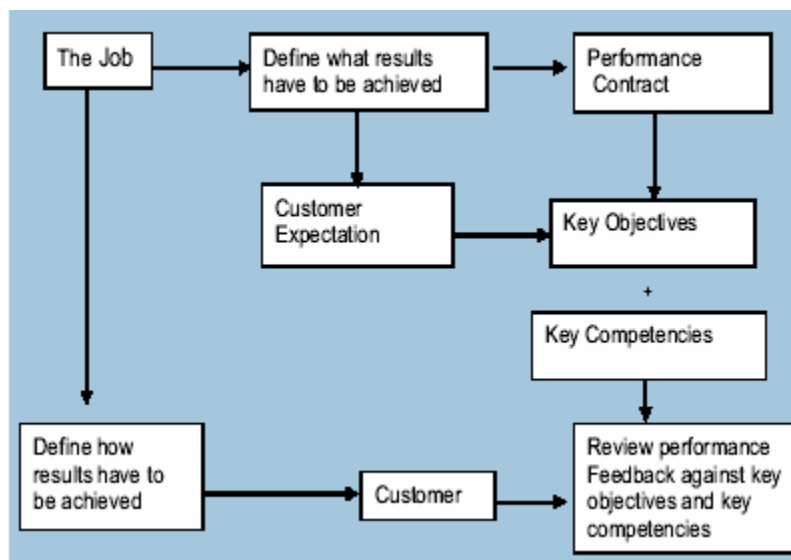
Fig 7.3 Three Dimensional Model

Guidelines for Building a Model Performance Appraisal System: Performance is concerned with means as well as ends, inputs (competence) as well as outputs (results). Performance is about everyday actions and behaviors which, as individuals, we take to reach planned objectives.

Performance Elements and Performance Standards: Performance elements tell us what we have to do and performance standards tell us how well we have to do. There are three performance elements.

Critical Elements (CE): CE is an assignment or responsibility of such critical importance that unacceptable performance in these elements would make our (appraisees) performance altogether unacceptable. The number of CEs ranges from a minimum of three (3) and a maximum of eight (8).

Non Critical Elements (NCE): NCE is an assignment or responsibility of such importance that unacceptable performance in these elements would make our (Group or Unit) performance altogether unacceptable. This is non critical at individual level but critical at group level.

Additional Performance Elements (APE): An APE is a dimension or aspect of an individual, team, or organizational performance that is not critical element for individual or group performance evaluation but successful performance may earn credit at individual and group performance level. Example of APE: an employee/officer volunteered to work in a new project that requires new skills, such assignments are non-threatening and an intelligent failure would not be minus mark on performance.

Activity Trap: Many employees/officers remain busy and active but the ultimate outcome seldom adds to any value addition to the organization. The people who are entrapped in activities without understanding the purpose of business are said to be in activity trap.

Concept of Ideal Performance Plan (IPA): An ideal performance plan should have a proper blend of critical, non-critical, and additional performance elements. Such plans should have provisions of apprising employee performance against planned agreement on elements at five levels based on (elements to be weighted) according to specific needs of the organization:

- Outstanding Performance Level (OPL) : who scores 100%
- Standard Performance Level (SPL): who scores 60% or above
- Acceptable But Poor Performance Level (ABPPL): who scores 50% or above
- Unacceptable Performance Level (UPL): who scores less than 50%

All appraisees should perform at least Standard Performance Level. However, every bank would want most of her employees and officers endeavor to reach Outstanding Performance Level so that the bank becomes a high performing and high value organization as embodied in its Mission and Vision statement.

In the competency evaluation, the following skills may be evaluated with the bank deciding on the number of marks to be allotted on factors as under or may be altered to suit to its specific needs and objectives.

Typical Planning & Evaluation Sheet for Various Performance Elements

- CPE : Critical Performance Elements (Minimum 3 & Maximum 5)
- NCPE : Non Critical Performance Elements (Minimum 2 & Maximum 5)
- APE : Additional Performance Elements

Depending on the strategic HR plan, CPE, NCPE and APE should be determined by the specific bank to suit their need and appropriate weight age may be fixed. The allotment of performance elements to different departments/units may be different for different banks based on their own strategy. Each bank may devise a general template to suit its specific needs. Templates for evaluation of CPEs for branch office as well as administrative staff may be developed depending on the specific circumstances of a bank. Appraisal should be at least quarterly so as to take corrective feedback for performance improvement.

Conclusion: The typical traditional Performance Appraisal Process of the 1990s focused almost entirely on defining what is to be achieved. However, today competency based Performance Management Schemes are plentiful and becoming the model for the future. These mixed models assess and reward both results and demonstration of competencies; both what employees actually deliver and how they do it. The mixed model represents a more powerful and long lasting approach to performance management than just an objective based approach. Competency-based approach brings a different perspective to performance management. It uses a wider, more comprehensive language to describe the performance expected from an employee. Performance is defined in terms of the results and also in terms of behaviors employees use to achieve the job results. The Performance Appraisal System must lead to action. Appraisal for its own sake should be abandoned. The Performance Appraisal System must not be considered as perfect and to remain so in the long term. Appraisal should be on parameters which are important to the organization and really needed, not which are easy to measure. Multiple feedback system including feedback from peers, subordinates, customers may give vital clue for development.

7.6 REVIEW QUESTIONS

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1. What is performance appraisal? What are its objectives?
2. Outline the appraisal process.
3. Bring out the methods of appraisal
4. What are the common raters problems? How can they be overcome?
5. How do the results of performance appraisal affect other HR activities
6. Describe the use of job valuation in practice. Why is there such a difference between theory and practice?

INDUSTRIAL RELATIONS

8.1 CONCEPT OF INDUSTRIAL RELATIONS

Industrial relations has become one of the most delicate and complex problems of modern industrial society. Industrial progress is impossible without cooperation of labors and harmonious relationships. Therefore, it is in the interest of all to create and maintain good relations between employees (labor) and employers (management).

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 explain the relationship between employees and management which stem directly or indirectly from union-employer relationship. Industrial relations are basically the interactions between employers, employees and the government, and the institutions and associations through which such interactions are mediated. From this perspective, industrial relations cover 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 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 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. Traditionally, the term industrial relations is used to cover such aspects of industrial life as trade unionism, collective bargaining, workers' participation in management, discipline and grievance handling, industrial disputes and interpretation of labor laws and rules and code of conduct.

In the words of Lester, "Industrial relations involve attempts at arriving at solutions between the conflicting objectives and values; between the profit motive and social gain; between discipline and freedom, between authority and industrial democracy; between bargaining and co-operation; and between conflicting interests of the individual, the group and the community".

The **National Commission on Labor (NCL)** also emphasize on the same concept. According to NCL, industrial relations affect not merely the interests of the two participants- labor and management, but also the economic and social goals to which the State addresses itself. To regulate these relations in socially desirable channels is a function, which the state is in the best position to perform. In fact, industrial relation encompasses all such factors that influence behavior of people at work. A few such important factors are below:

Institution: It includes government, employers, trade unions, union federations or associations, government bodies, labor courts, tribunals and other organizations which have direct or indirect impact on the industrial relations systems.

Characters: It aims to study the role of workers unions and employers' federations officials, shop stewards, industrial relations officers/ manager, mediator/conciliators / arbitrator, judges of labor court, tribunal etc.

Methods: Methods focus on collective bargaining, workers' participation in the industrial relations schemes, discipline procedure, grievance redressal machinery, dispute settlements machinery working of closed shops, union reorganization, organizations of protests through methods like revisions of existing rules, regulations, policies, procedures, hearing of labor courts, tribunals etc.

Contents: It includes matter pertaining to employment conditions like pay, hours of works, leave with wages, health, and safety disciplinary actions, lay-off, dismissals retirements etc., laws relating to such activities, regulations governing labor welfare, social security, industrial relations, issues concerning with workers' participation in management, collective bargaining, etc.

8.1.1 Related Terms

For better understanding of Industrial Relations, various terms need to be defined here:

Industry:-Industrial Disputes Act 1947 defines an industry as any systematic activity carried on by co-operation between an employer and his workmen for the production, supply or distribution of goods or services with a view to satisfy human wants or wishes whether or not any capital has been invested for the purpose of carrying on such activity; or such activity is carried on with a motive to make any gain or profit. Thus, an industry is a whole gamut of activities that are carried on by an employer with the help of his employees and labors for production and distribution of goods to earn profits.

Employer:-An employer can be defined from different perspectives as:-

- A person or business that pays a wage or fixed payment to other person(s) in exchange for the services of such persons.
- A person who directly engages a worker/employee in employment.
- Any person who employs, whether directly or through another person or agency, one or more employees in any scheduled employment in respect of which minimum rates of wages have been fixed.

As per Industrial Disputes Act 1947 an employer means:-

- in relation to an industry carried on by or under the authority of any department of [the Central Government or a State Government], the authority prescribed in this behalf, or where no authority is prescribed, the head of the department;
- in relation to an industry carried on by or on behalf of a local authority, the chief executive officer of that authority;

Employee: -

- Employee is a person who is hired by another person or business for a wage or fixed payment in exchange for personal services and who does not provide the services as part of an independent business.
- An employee is any individual employed by an employer.

- A person who works for a public or private employer and receives remuneration in wages or salary by his employer while working on a commission basis, piece-rates or time rate.
- Employee, as per Employee State Insurance Act 1948, is any person employed for wages in or in connection with work of a factory or establishment to which the act applies.

In order to qualify to be an employee, under ESI Act, a person should belong to any of the categories:

- Those who are directly employed for wages by the principal employer within the premises or outside in connection with work of the factory or establishment.
- Those employed for wages by or through an immediate employer in the premises of the factory or establishment in connection with the work thereof
- Those employed for wages by or through an immediate employer in connection with the factory or establishment outside the premises of such factory or establishment under the supervision and control of the principal employer or his agent.
- Employees whose services are temporarily lent or let on hire to the principal employer by an immediate employer under a contract of service (employees of security contractors, labor contractors, house keeping contractors etc. come under this category).

Employment:- The state of being employed or having a job.

Labor market: -The market in which workers compete for jobs and employers compete for workers. It acts as the external source from which organizations attract employees. These markets occur because different conditions characterize different geographical areas, industries, occupations, and professions at any given time.
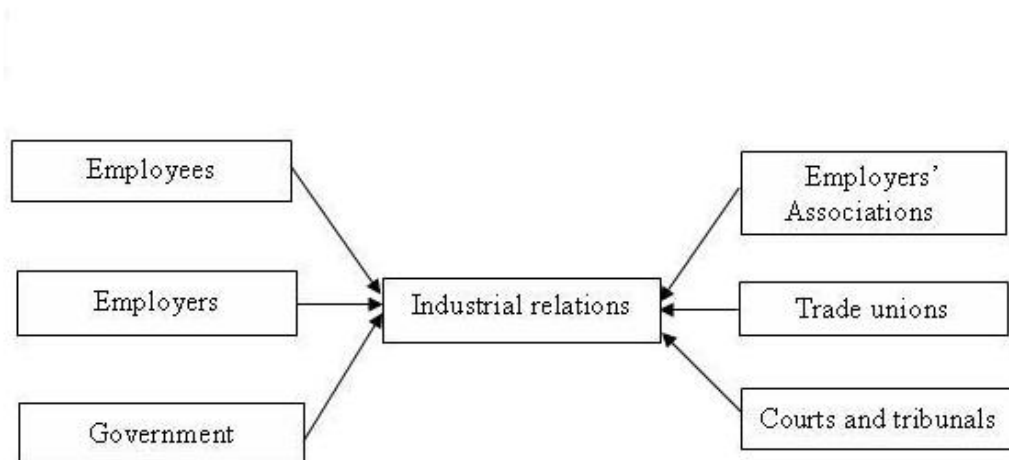

Fig 8.1 Industrial Relation System

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8.1.2 Features of Industrial Relations

A few notable features pertaining to industrial relations are as under:

1. Industrial relations are born out of **Employment Relationship** in an industrial setting. Without the existence of two parties i.e. labor and management, this relationship cannot exist. It is the industry, which provides the environment for industrial relations.

2. Industrial relations are characterized by both **conflict** and **cooperation**. So the focus of industrial relations is on the study of the attitudes, relationships, practices and procedures developed by the contending parties to resolve or at least minimize conflicts.

3. As the labor and management do not operate in isolation but are a part of the large system, so the study of industrial relations also includes vital **environmental issues** like technology of the workplace, country's socio-economic and political environment, nation's labor policy, attitude of trade unions, workers and employers.

4. Industrial relations also involve the study of **conditions conducive to the labor**, **management co-operation** as well as the practices and procedures required to elicit the desired co-operation from both the parties.

5. Industrial relations also study the laws, rules, regulations, agreements, awards of court, customs and traditions, as well as **policy framework** laid down by the government for eliciting co-operation between labor and management. Besides this, it makes an in-depth analysis of the **intervening patterns** of the executive and judiciary in the regulation of labor management relations.

8.2 PARTIES TO INDUSTRIAL RELATIONS

There are **three main parties in Industrial Relations**:

1. **Workers and their Organizations:** The personal characteristics of workers, their culture, educational attainments, qualifications, skills, attitude towards work, etc. play an important role in industrial relations. **Trade unions** are formed for safeguarding the economic and social interests of the workers. They put pressure on the management for the achievement of these objectives.

2. **Employers and their Organization:** The employers are a very important variable in industrial relations. They provide employment to workers and try to regulate their behavior for getting high productivity from them. In order to increase their bargaining power, employers in several industries have organized employers' associations. These associations put pressure on the trade unions and the Government.

3. **Government:** The Government or State exerts an important influence on industrial relations through such measures as providing employment, intervening in working relationships and regulating wages, bonus and working conditions through various laws

relating to labor. The Government keeps an eye on. Both the trade unions and employers' organizations to regulate their behaviors in the interest of the nation.
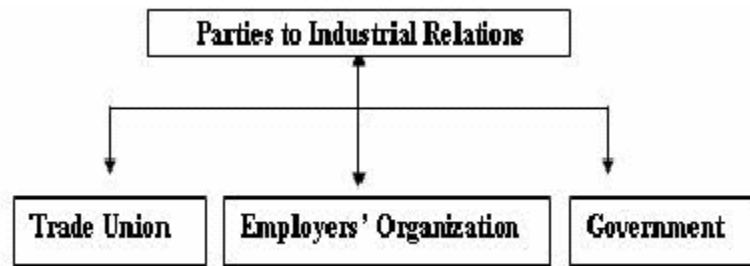

Fig 8.2 Parties to Industrial Relations

8.3 IMPORTANCE OF INDUSTRIAL RELATIONS

The healthy industrial relations are key to the progress and success. Their significance may be discussed as under –

- **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.
- **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.
- **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.
- **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.

- **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 Relations are 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.

8.4 CONTEMPORARY ISSUES IN INDUSTRIAL RELATIONS
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1. **Low Wages** Low wages have been a perennial problem and have been a source of industrial dispute for years despite the existence of Payment of Wages Act and the Minimum Wages Act. The acts do not seem to be solving the problem due to their poor implementation. In many of the factories, workers are still given wages below subsistence level, which leads to high degree of dissatisfaction and subsequent decrease in productivity. In many industries, the minimum wages have not been revised at par to compensate for it.

2. **Employment of Women** In the Indian cultural setup, the employment of women is a major problem even though things have started changing in the recent times. There are special provisions regarding the employment of women in the Factories Act, which prohibit employment of women during the night shift and also on heavy machinery. Under the Equal Remuneration Act, women are entitled to equality of wages at par with the male workers. Some employers don't follow the above provisions in letter and spirit and continue to exploit the women workers by virtue of their strong position and because of mass illiteracy and superstition among the women workers.

3. **Ignorance and illiteracy** Various labor laws that have been made would be beneficial to the workers if implemented properly. For this it is important that the workers themselves understand the underlying principles and provisions of the law and demand whatever is due to them. With high rate of ignorance and illiteracy prevailing among the workers, it can be imagined how many of them know about the laws. It is here that the exploitation of workers takes place and legal provisions are ignored totally.

4. **Industrial Housing** Another burning issue in the industrial relations field is that of accommodation to the industrial employees. Here the problem is that the firms are not able to provide accommodation to the employees and further that the house rent

allowance (HRA) that they provide is not sufficient to keep pace with the ever rising demands of the landlords

5. **Child Labor** The law requires that no child below the age of 14 is allowed to work in any factory and the adolescent is not allowed to work in hazardous conditions. The Supreme Court has passed a ruling strictly prohibiting the employment of children in any kind of factory. But still one finds instances of violation of law.

8.5 INDUSTRIAL DISPUTES

An industrial dispute may be defined as a conflict or difference of opinion between management and workers on the terms of employment. It is a disagreement between an employer and employees' representative; usually a trade union, over pay and other working conditions and can result in industrial actions. When an industrial dispute occurs, both the parties, that is the management and the workmen, try to pressurize each other. The management may resort to lockouts while the workers may resort to strikes, picketing or gheraos.

As per Section 2(k) of Industrial Disputes Act, 1947, an industrial dispute is defined as any dispute or difference between employers and employers, or between employers and workmen, or between workmen and which is connected with the employment or non-employment or the terms of employment or with the conditions of labor, of any person.

This definition includes all the aspects of a dispute. It, not only includes the disagreement between employees and employers, but also emphasizes the difference of opinion between worker and worker. The disputes generally arise on account of poor wage structure or poor working conditions. This disagreement or difference could be on any matter concerning the workers individually or collectively. It must be connected with employment or non-employment or with the conditions of labor.

For the employee, an industrial dispute entails loss of income. The regular income by way of wages and allowance ceases, and great hardship may be caused to the worker and his family. Employees also suffer from personal injury if they indulge into strikes and picketing; and the psychological and physical consequences of forced idleness. The threat of loss of employment in case of failure to settle the dispute advantageously, or the threat of reprisal action by employers also exists. Prolonged stoppages of work have also an adverse effect on the **national** productivity, national income. They cause wastage of national resources. Class hatred may be generated resulting in political unrest and disrupting amicable social relations or community attitudes.

8.5.1 Cause of Industrial Disputes
The disputes between the management and the workers may arise on account of the following factors:

Economic Cause: These causes may be classified as:

- Demand for increase in wages on account of increase in all-India Consumer Price Index for Industrial Workers.
- Demand for higher gratuity and other retirement benefits.
- Demand for higher bonus.
- Demand for certain allowances such as:
- House rent allowance
- Medical allowance
- Night shift allowance
- Conveyance allowance
- Demand for paid holidays.
- Reduction of working hours.
- Better working conditions, etc.

Political Causes: Various political parties control Trade unions in India. In many cases, their leadership vests in the hands of persons who are more interested in achieving their political interests rather than the interests of the workers.

Personnel Causes: Sometimes, industrial disputes arise because of personnel problems like dismissal, retrenchment, layoff, transfer, promotion, etc.

Indiscipline: Industrial disputes also take place because of indiscipline and violence on the part of the workforce. The managements to curb indiscipline and violence resort to lockouts.

Misc. causes: Some of the other causes of industrial disputes can be:

- Workers' resistance to rationalization introduction of new machinery and change of place.
- Non- recognition of trade union
- Rumors spread out by undesirable elements
- Working conditions and working methods
- Lack of proper communication
- Behavior of supervisors
- Inter trade union Rivalry etc.

8.5.2 Severity of Industrial Disputes

It is self-evident that industrial disputes and industrial unrest are symptoms of a lack of co-operative spirit and of harmonious relations in industry. The continued and prolonged industrial unrest also has serious consequences for the **employees** and also for the **economy** at large.

From the point of view of the **employer**, an industrial dispute resulting in stoppage of work means a stoppage of production. This results in the increase in the average cost of production since fixed expenses continue to be incurred. It also leads to a fall in sales and the rate of turnover, leading to a fall in profits. The **employer** may also be liable to compensate his customers with whom he may have contracted for regular supply. Apart from the immediate

economic effects, loss of prestige and credit, alienation of the labor force, and other non-economic, psychological and social consequences may also arise. Loss due to destruction of property, personal injury and physical intimidation or inconvenience also arises.

For the **employee**, an industrial dispute entails loss of income. The regular income by way of wages and allowance ceases, and great hardship may be caused to the worker and his family, many times resulting in deprivation, mal-nutrition, even starvation or near-starvation. The ability of trade unions to provide for the needs of striking workers, particularly in India, is very limited. Employees also suffer from personal injury, and the psychological and physical consequences of forced idleness. The threat of loss of employment in case of failure to settle the dispute advantageously, or the threat of reprisal action by employers also exists.

8.6 WEAPONS USED BY LABOUR AND MANAGEMENT DURING TIMES OF INDUSTRIAL DISPUTES

Weapons Used By Labor

Whenever industrial disputes arise, workers generally resort to one or more of the following weapons, namely, strike, boycott, picketing and gherao. Let us discuss them one by one:

Strike When workers collectively cease to work in an industry, it is known as strike. Strike can be defined according to the Industrial Disputes Act, 1947 as: "It means a cessation (stoppage) of work by a body of persons employed in industry acting in combination; or a concerted refusal of any number of persons who are or have been so employed to continue to work or to accept employment; or a refusal under common understanding of any number of such persons to continue to work or to accept employment".

For trade unions, strike is the most powerful weapon for forcing the management to accept their demands. Strikes can be divided into two categories. They are:

- Primary strikes
- Secondary strikes

The primary strikes are:

- **Economic Strike** Most of the strikes of workers are for more facilities and increase in wage levels. In economic strike, the laborers demand increase in wages, traveling allowance, and house rent allowance, dearness allowance and other facilities such as increase in privilege leave and casual leave.

- **General Strike** It means a strike by members of all or most of the unions in a region or an industry. It may be a strike of all the workers in a particular region of industry to force demands common to all the workers. It may also be an extension of the sympathetic strike to express generalized protest by the workers.

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- **Stay-in Strike** In this case, workers do not absent themselves from their place of work when they are on strike. They keep control over production facilities. But do not work. Such a strike is also known as 'pen down' or 'tool down' strike.

- **Slow Down Strike** Employees remain on their jobs under this type of strike. They do not stop work, but restrict the rate of output in an organized manner. They adopt go-slow tactics to put pressure on the employers. These are some of the primary strikes. A few more will come up in the diagram that we will be discussing shortly.

The secondary strike is:

- **Sympathetic Strike** When workers of one unit or industry go on strike in sympathy with workers of another unit or industry who are already on strike, it is called a sympathetic strike. The workers of sugar industry may go on strike in sympathy with their fellow workers of the textile industry who may already be on strike.

- **Boycott** The workers may decide to boycott the company in two ways. Firstly by not using its products and secondly by making an appeal to the public in general. In the former case, the boycott is known as *primary* and in the latter *secondary* If is a coercive method whereby the management is forced to accept their demands.

- **Picketing** When workers are dissuaded from work by stationing certain men at the factory gates, such a step is known as picketing. If picketing does not involve any violence, it is perfectly legal

- **Gherao** Gherao in Hindi means to surround. The workers may gherao the members of the management by blocking their exits and forcing them to stay inside their cabins. The main object of gherao is to inflict-physical and mental torture to the person being gheraoed and hence this weapon disturbs me industrial peace to a great extent.

Weapons Used By the Management

1. **Employers' Association**. The employers may form their unions to collectively oppose the working class and put pressure on the trade unions.

2. **Lock-out** An employer may close down the place of employment temporarily. Such a step is technically known as lock -out. It is the reverse of a strike and is a very powerful weapon in the hands of an employer to pressurize the workers to return to the place of work.

According to the **Industrial Disputes Act, 1947**, "lock-out means the closing of a place of employment or the suspension of work, or the refusal by an employer to continue employ any number of persons employed by him.

Termination of Service The employers may terminate the services of those workers who are on strike by blacklisting them. Their lists may be circulated to other employers so as to restrict their chances of getting employment with those employers.
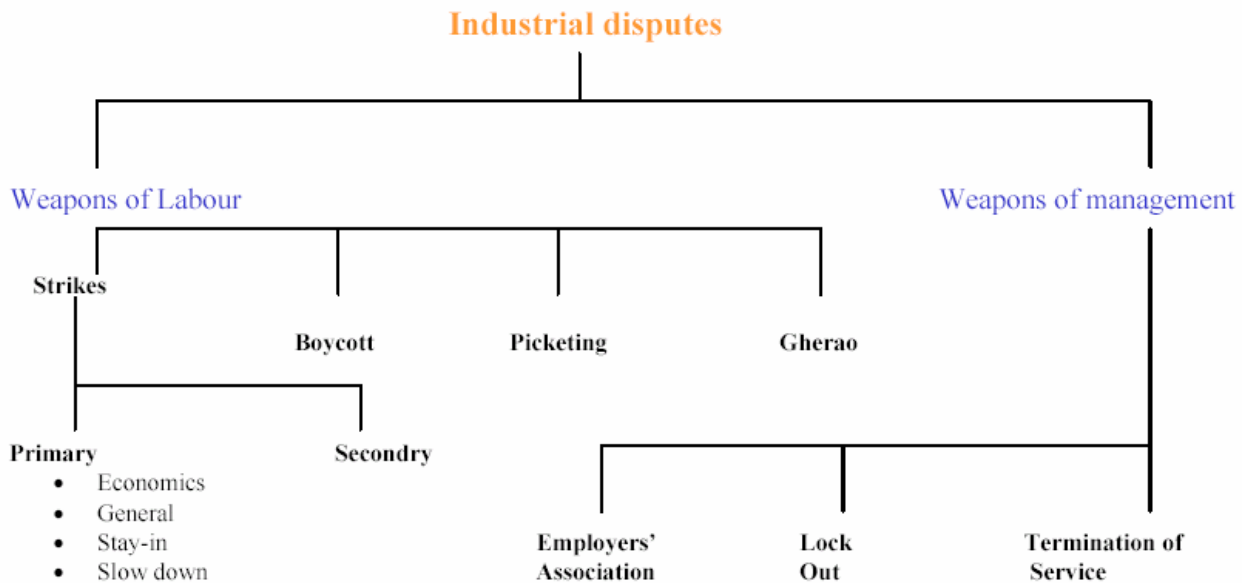

Fig 8.3 Industrial Disputes

8.7 MEASURES TO IMPROVE INDUSTRIAL RELATIONS

The following measures should be taken to achieve good industrial relations:

1. **Progressive Management Outlook.** There should be progressive outlook of the management of each industrial enterprise. It should be conscious of its obligations and responsibilities to the owners of the business, the employees, the consumers and the nation. The management must recognize the rights of workers to organize unions to protect their economic and social interests.
2. **Strong and Stable Union.** A strong and stable union in each industrial enterprise is essential for good industrial relations. The employers can easily ignore a weak union on the plea that it hardly represents the workers. The agreement with such a union will hardly be honored by a large section of workforce. Therefore, there must be a strong and stable union in every enterprise to represent the majority of workers and negotiate with the management about the terms and conditions of service. The workers should realize that they have to be united and represent themselves strongly.
3. **Atmosphere of Mutual Trust.** Both management and labor should help in the development of an atmosphere of mutual cooperation, confidence, and respect. Management should adopt a progressive outlook and should recognize the rights of workers. Similarly, labor unions should persuade their members to work for the common objectives of the organization. Both the management and the unions should have faith in collective bargaining and other peaceful methods of settling disputes.

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4. **Mutual Accommodation.** The employers must recognize the right of collective bargaining of the trade unions. In any organization, there must be a great emphasis on mutual accommodation rather than conflict or uncompromising attitude. One must clearly understand that conflicting attitude does not lead to amicable labor relations; it may foster union militancy as the union reacts by engaging in pressure tactics. The approach must be of mutual "give and take rather than "Take or leave." The management should be willing to cooperate rather than blackmail the workers.

5. **Sincere Implementation of Agreements.** The management should sincerely implement the settlements reached with the trade unions. The agreements between the management and the unions should be enforced both in letter and spirit. If the agreements are not implemented then both the union and management stop trusting each other. An environment of uncertainty is created. To avoid this, efforts should be made at both ends to ensure the follow up of the agreements.

6. **Workers' Participation in Management.** The participation of workers in the management of the industrial unit should be encouraged by making effective use of works committees, joint consultation and other methods. This will improve communication between managers and workers, increase productivity and lead to greater effectiveness.

7. **Sound Personnel Policies.** The following points should be noted regarding the personnel policies**.** The policies should be: (i) Formulated in consultation with the workers and their representatives if they are to be implemented effectively. (ii) Clearly stated so that there is no confusion in the mind of anybody. (iii) Implementation of the policies should be uniform throughout the organization to ensure fair treatment to each worker. (iv) Last but not the least, is the role of the government.

8. **Government's Role.** The Government should play an active role for promoting industrial peace. It should make law for the compulsory recognition of a representative union in each industrial unit. It should intervene to settle disputes if the management and the workers are unable to settle their disputes. This will restore industrial harmony.

8.8 DISPUTE RESOLUTION

Industrial Relations Machinery: Cordial industrial relations and lasting industrial peace require that the causes of industrial disputes should be eliminated. In other words, **preventive** steps should be taken so that industrial disputes do not occur. But if preventive machinery fails then the Government should activate the industrial **Settlement** machinery because non-settlement of disputes proves to be harmful not only for the workers, but also the management and the society as a whole. The machinery for handling the industrial disputes has been shown in the following figure:

The preventive machinery ensures that there are no disputes. It aims at creating an environment in which the employees are allowed to participate and there are very less chances of conflicts. It is thus proactive in nature. The settlement machinery on the other hand is reactive in nature. After there is a problem or a dispute, the settlement machinery comes into the picture.

8.8.1 Prevention of Industrial Disputes

The preventive machinery has been set up with a view to creating harmonious relations between labor and management so that disputes do not arise. It comprises the following measures:

1. Schemes of workers' participation in management such as works committees, joint management councils and shop councils and joint councils.
2. Collective bargaining.
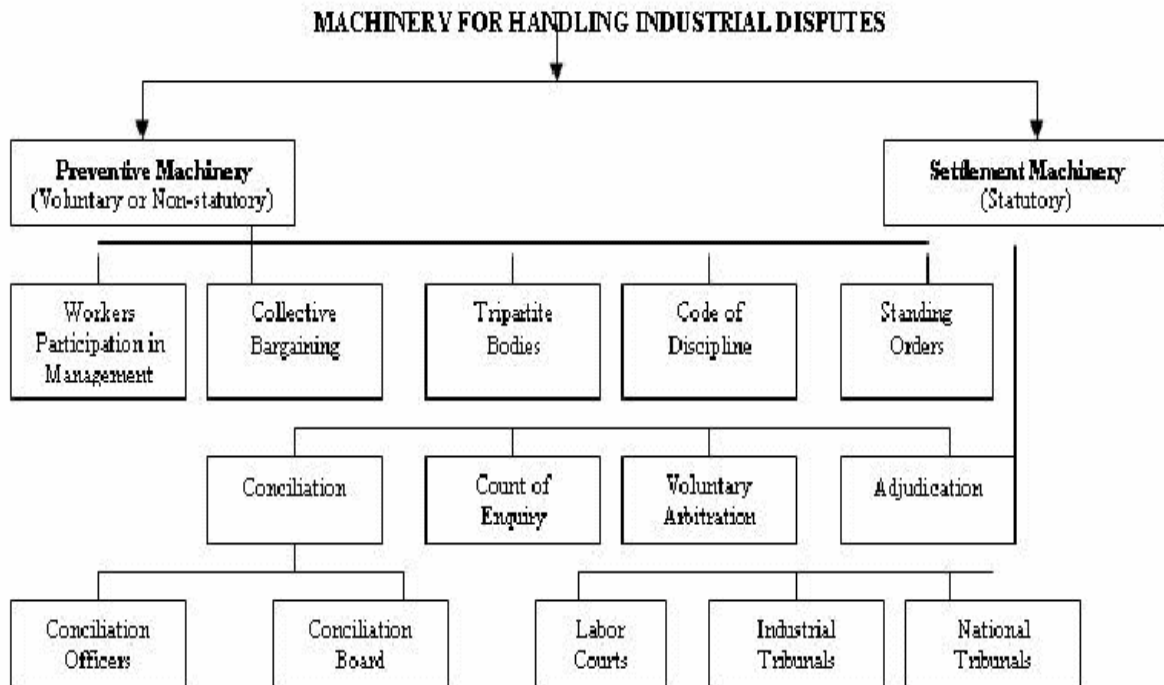3. Tripartite bodies
4. Code of discipline.
5. Standing orders.

Fig 8.4 Industrial Relations Machinery

Tripartite Bodies: Industrial relations in India have been shaped largely by principles and policies evolved through tripartite consultative machinery at industry and national levels. The aim of the consultative machinery is "to bring the parties together for mutual settlement of differences in a spirit of cooperation goodwill"

Thus these bodies play the role of consultants!Indian Labor Conference (ILC) and Standing Labor Committee (SLC) have been constituted to suggest ways and means to prevent disputes. The representatives of the workers and employers are nominated to these bodies by the Central Government in consultation with the All India organizations of workers and employers.

The Labor Ministry settles the agenda for ILC/SLC meetings after taking into consideration the suggestions sent to it by member organizations. These two bodies work with minimum

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procedural rules to facilitate free and fuller discussions among the members. Please note that the ILC meets once a year, whereas the SLC meets as and when necessary.

The functions of ILC are:

- To promote uniformity in labor legislation
- To lay down a procedure for the settlement of industrial disputes
- To discuss matters of All-India importance as between employers and employees.

The ILC advises the Government on any matter referred to it for advice, taking into account suggestions made by the States and representatives of the organizations of workers and employers.

The Standing Labor Committee's main function is to consider and determine 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.

Code of Discipline: The Code of Discipline is a set of self-imposed mutually agreed voluntary principles of discipline and relations between the management and workers in the industry. In view of growing industrial conflict, the Fifteenth Indian Labor Conference agreed that there should be a set of general principles of discipline, which should be adopted by labor and management voluntarily. To evolve such a set of principles, a tripartite sub-committee was set up. The resulting draft was discussed at Standing Labor Committee meeting in October 1957. At the Sixteenth Indian Labor Conference held in 1958, the final form of the Code of Discipline was approved. The Code of Discipline is written in three parts. The first part lays down a common set of rules for the **management and the union**. The second set of rules applies to the **management** and the third set of rules applies to the **union**.

Contents of Code of Discipline
Management and Union agree:

1. That no unilateral action should be taken in connection with any industrial matter and that disputes should be settled at appropriate levels.
2. That the existing machinery for settlement of disputes should be utilized with the utmost expedition.
3. That there should be no strike or lockout without notice.
4. That affirming their faith in democrat principles, they bind themselves to settle all future differences. Disputes and grievances by mutual negotiation, conciliation and voluntary arbitration
5. That neither party will have recourse (i) Coercion (ii) Intimidation (iii) Victimization (iv) Go-slow
6. That they will promote constructive co-operation between their representatives at all levels and as between workers themselves and abide by the spirit or agreements mutually entered into.
7. That they will establish, upon a mutually agreed basis, a grievance procedure, which will ensure a speedy and full investigation leading to settlement.

8. That they will abide by various stages sin the grievance procedure
9. That they will educate the management personnel and workers regarding their obligations to each other.

Management agrees:

1. Not to increase work-loads unless agreed upon or settled otherwise
2. Not to support or encourage any unfair labor practice such as: (i) Interference with the right of employees to enroll or continue as union members. (ii) Discrimination, restraint or coercion against any employee because of recognized activity of trade unions and (iii) Victimization of an employee and abuse of authority in any form.
3. To take prompt action for settlement of grievances and implementation of settlements, awards, decisions and orders.
4. To display in conspicuous places in the undertaking the provisions of this code in the local language(s).
5. To distinguish between actions justifying immediate discharge and those where discharge must be preceded by a warning, reprimand, suspension or some form of disciplinary action and to arrange that all such disciplinary actions should be subject to an appeal through normal grievance procedures.
6. To take appropriate disciplinary action against any officers and managers in cases where enquiries reveal that they were responsible for precipitating action by workers leading to indiscipline
7. To recognize the union in accordance with the criteria evolved at the 16th session of the Indian Labor Conference held in March 1958.

Unions agree:
1. Not to engage in any form of physical duress.
2. Not to permit demonstrations which are not peaceful and not to permit rowdyism in demonstrations
3. That their members will not engage or cause other employees to engage in any union activity during working hours, unless as provide for by law agreement or practice To discourage unfair labor practices such as: (i) Negligence of duty (ii) Careless operation (iii) Insubordination
4. To take prompt action to implement awards, agreements, settlements and decisions
5. To display at conspicuous places in the union offices, the provisions of this code in the local language (s); and
6. To express disapproval and to take appropriate action against office-bearers and members of the union for indulging in action against the spirit of this code.

The code symbolizes the policy of the Government to build up an industrial democracy on voluntary basis. It tries to preserve industrial peace with the help of the employers and the employees. The Code of Discipline is the basis of non-violent relations between the union and the management. It should be followed in letter and spirit.

Standing Orders: The Standing Orders regulate the conditions of employment from the stage of entry to the organization to the stage of exit from the organization. Thus, they form the

regulatory pattern for industrial relations. Since the Standing Orders provide Do's and Don'ts, they act as a code of conduct for the employees during their working life within the organization. The purpose of having Standing Orders at the plant level is to regulate industrial relations. They define with sufficient precision the conditions of employment under the employers and hold them liable to make the said conditions known to workmen employed by them. These orders regulate the following:

- Conditions of employment
- Discharge
- Grievances
- Misconduct
- Disciplinary action etc.

On a closer examination you will be able to conclude that the Standing Orders are much **wider in scope** as compared to the Code of Discipline. The Code of Discipline just applies to the management and union and that also a specific work related area. The Standing Orders on the other hand apply to all the aspects of an employees working life. It encompasses all the rules and regulations from his entry to exit.

8.8.2 Settlement of Industrial Disputes
(JUDICIAL MACHINERY)
Preventive measures seek to create an environment where industrial disputes do not arise. The machinery for the settlement of industrial disputes has been provided under the Industrial Disputes Act, 1947. This machinery comprises:

- Conciliation,
- Court of Enquiry,
- Arbitration, and
- Adjudication.

These are discussed below.
Conciliation: Conciliation or mediation signifies **third party intervention** in promoting the voluntary settlement of disputes. The International Labor Organization has defined conciliation as: "The practice by which the services of a neutral third party are used in a dispute as a means of helping the disputing parties to reduce the extent of their differences and to arrive at an amicable settlement or agreed solution. **It is a process of rational and orderly discussion of differences between the parties to a dispute under the guidance of a conciliator."**The conciliator assists the parties to dispute in their negotiations by removing bottlenecks in communication between them. Conciliation machinery as provided under the Industrial Disputes Act, 1947is as under:

1. **Conciliation Officers.** The Act provides for the appointment of conciliation officers, permanently or for a limited period, for specific area or for a specific industry, to which the industrial disputes shall be referred for conciliation. The conciliation officer enjoys the powers of a civil court; he can call and witness parties on oath. The conciliation officer examines all facts relevant to the disputed matter and then gives his judgment.
2. **Board of Conciliation.** The Act also empowers the Government to appoint a Board of Conciliation for promoting the settlement of disputes where the Conciliation Officer fails

to do so within 14 days. The Conciliation Board is a tripartite **adhoc body** consisting of a chairman and two to four other members nominated by the parties to the dispute. The mode and procedure of the functioning of the Board are similar to those of the Conciliation Officer.

Court of Inquiry: In case the conciliation proceedings fail to settle an industrial dispute, the Government has yet another option of referring the disputed to the Court of Inquiry. The Court is expected to give its report within six months. The performance of conciliation machinery cannot be said to be satisfactory. Only 25% of cases are annually handled. Besides a very large number of disputes are filed and then withdrawn later on by workers or unions. It means petty issues are taken up for conciliation. Finally, a substantial number of cases remain pending. The ineffectiveness of conciliation machinery can be attributed largely to inefficient Conciliation officer! "Either they do not have the necessary educational background, training and experience, and knowledge of industrial relations, since most of them are promoted from the ranks of clerks and labor inspectors, or they lack interest and initiative because conciliation is devoid of conciliation machinery because of the parties' attitude of casualness towards it. Besides, the political pressures on the conciliators also cause the weakening of conciliation machinery.

Arbitration: Voluntary arbitration became popular as a method of settling difference between workers and management with the advocacy Mahatma Gandhi, who had applied it very successfully in the Textile industry of Ahmedabad. However, voluntary arbitration was lent legal identity only in 1956 when Industrial Disputes Act, 1947 was amended to include a provision relating to it. On failure of conciliation proceedings, the conciliation officer may persuade the parties to refer the dispute to a voluntary arbitrator. Voluntary arbitration refers to getting the disputes settle through an **independent person** chosen by the parties involved **mutually and voluntarily**.

The provision for voluntary arbitration was made because of the lengthy legal proceedings and formalities and resulting delays involved in adjudication. It may, however, be noted that arbitrator is not vested with any judicial powers. He derives his powers to decide the dispute from the agreement that parties have made between themselves regarding the referring of dispute to the arbitrator. The arbitrator submits his award to the government. The government then publishes it within 30 days of its submission.

Regarding the performance of voluntary arbitration as a method of resolving disputes, it can be said at the very outset that it has failed to make much progress. There exists general indifference among parties to use voluntary arbitration as a method of settling disputes. Hardly 2 to 3 percent of the disputes not settled by conciliation are referred to voluntary arbitration. The Voluntary Arbitration has not been able to achieve a lot of success in this regard. National Commission on Labor (1969) identified following causes for the failure of voluntary arbitration:

- Lack of arbitrators who command the confidence of the parties to the disputes.
- Law provides no appeal against the award given by arbitrator
- Easy availability of adjudication on the failure of negotiation or conciliation.
- The absence of simplified procedure to followed in voluntary arbitration.

Adjudication: The ultimate remedy for the settlement of an unresolved dispute is its reference by the Government to adjudication. Adjudication may be described as process which involves intervention in the dispute by a third party appointed by the government, with or without the consent of the parties to the dispute, for the purpose of settling the dispute. The reference of dispute to adjudication is **voluntary** when both parties agree to reference of dispute to adjudication at their own accord, and it is **compulsory** when reference is made to adjudication by the Government without the consent of either or both the parties to the dispute. The Industrial Disputes Act, 1947 provides a three-tier adjudication machinery comprising:

1. Labor Courts,
2. Industrial Tribunals, and
3. National Tribunals
.

Labor Courts: The Labor Courts can deal with disputes relating to:

1. The propriety or legality of an order passed by an employer under the standing Orders.
2. The application and interpretation of Standing Orders.
3. Discharge and dismissal of workmen and grant of relief to them.
4. Withdrawal of any statutory concession or privilege.
5. Illegality or otherwise of any strike or lock-out
6. All matters not specified in the third schedule of Industrial Disputes Act, 1947, (it deals with the jurisdiction of Industrial Tribunals).

Industrial Tribunals: The Industrial Tribunals can deal with the following matters

1. Wages including the 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. Rules of discipline
8. Rationalization
9. Retrenchment.
10. Any other matter that may be prescribed.

National Tribunals. These tribunals are meant for those disputes which, as the name suggest; involve the questions of national importance or issues which are likely to affect the industrial establishments of more than one state. The employers and unions use adjudication as a primary measure of resolving disputes. About 90 to 95 per cent of disputes are referred to adjudication machinery on an average annually. However, the functioning of adjudication machinery has not been very satisfactory, particularly because of the delays involved and the inefficient implementation of the awards. The proceedings at adjudication take unduly long period. About 50 to 60 per cent of the cases are decided in more than a year. And 25% of the cases take between 6 to 12 months. The state of the implementation of awards (requiring implementation) is also not very commendable. 30 to 40 per cent awards are not implemented by the date of

enforcement. Incomplete and abrupt implementation of awards creates suspicions in the minds of workers and shakes their faith in the machinery. Adjudication has been the most popular measure of resolving disputes accounting for more than 90 per cent of the disputes every year. However, adjudication is not a democratic method and may create bitterness among the parties. It tends to encourage litigation and irresponsible behavior among employers and labor. The functioning of the adjudication machinery has in practice been unsatisfactory. Adjudication is preferred more by employers who can afford to spend more on the legal proceedings.

8.9 COLLECTIVE BARGAINING

Collective bargaining is a type of negotiation used by employees to work with their employers. During a collective bargaining period, workers' representatives approach the employer and attempt to negotiate a contract which both sides can agree with. Typical issues covered in a labor contract are hours, wages, benefits, working conditions, and the rules of the workplace. Once both sides have reached a contract that they find agreeable, it is signed and kept in place for a set period of time, most commonly three years. The final contract is called a collective bargaining agreement, to reflect the fact that it is the result of a collective bargaining effort. Collective bargaining is concerned with the relations between employers acting through management and organized labor. It is concerned not only with the negotiation of a formal labor agreement but also with the day-to-day dealings between management and the union.

Definition: According to **Dale Yoder**, "Collective bargaining is the term used to describe a situation in which the essential conditions of employment are determined by bargaining process undertaken by representatives of a group of workers on the one hand and of one or more employers on the other."

In the words of **Flippo**, "Collective bargaining is a process in which the representatives of a labor organization and the representatives of business organization meet and attempt to negotiate a contract or agreement, which specifies the nature of employee employer union relationship."

8.9.1 Features of Collective Bargaining
The features of collective bargaining are as under:

1. It is a **Collective** process. The representatives of both workers and management participate in bargaining.
2. It is a **Continuous** process. It establishes regular and stable relationship between the parties involved. It involves not only the negotiation of the contract, but also the administration of the contract.
3. It is a **Flexible and Dynamic** process. The parties have to adopt a flexible attitude through the process of bargaining.
4. It is a method of **Partnership of Workers in Management**

8.9.2 Characteristics of Collective Bargaining
- It is a group process, wherein one group, representing the employers, and the other, representing the employees, sit together to negotiate terms of employment.

- Negotiations form an important aspect of the process of collective bargaining i.e., there is considerable scope for discussion, compromise or mutual give and take in collective bargaining.
- Collective bargaining is a formalized process by which employers and independent trade unions negotiate terms and conditions of employment and the ways in which certain employment-related issues are to be regulated at national, organizational and workplace levels. Collective bargaining is a process in the sense that it consists of a number of steps. It begins with the presentation of the charter of demands and ends with reaching an agreement, which would serve as the basic law governing labor management relations over a period of time in an enterprise. Moreover, it is flexible process and not fixed or static. Mutual trust and understanding serve as the by products of harmonious relations between the two parties.
- It a bipartite process. This means there are always two parties involved in the process of collective bargaining. The negotiations generally take place between the employees and the management. It is a form of participation.
- Collective bargaining is a complementary process i.e. each party needs something that the other party has; labor can increase productivity and management can pay better for their efforts.
- Collective bargaining tends to improve the relations between workers and the union on the one hand and the employer on the other.
- Collective Bargaining is continuous process. It enables industrial democracy to be effective. It uses cooperation and consensus for settling disputes rather than conflict and confrontation.
- Collective bargaining takes into account day to day changes, policies, potentialities, capacities and interests.
- It is a political activity frequently undertaken by professional negotiators.

8.9.3 Importance of Collective Bargaining

Collective bargaining includes not only negotiations between the employers and unions but also includes the process of resolving labor-management conflicts. Thus, collective bargaining is, essentially, a recognized way of creating a system of industrial jurisprudence. It acts as a method of introducing civil rights in the industry, that is, the management should be conducted by rules rather than arbitrary decision making. It establishes rules which define and restrict the traditional authority exercised by the management.

Importance to employees

- Collective bargaining develops a sense of self respect and responsibility among the employees.
- It increases the strength of the workforce, thereby, increasing their bargaining capacity as a group.
- Collective bargaining increases the morale and productivity of employees.
- It restricts management's freedom for arbitrary action against the employees. Moreover, unilateral actions by the employer are also discouraged.
- Effective collective bargaining machinery strengthens the trade unions movement.

- The workers feel motivated as they can approach the management on various matters and bargain for higher benefits.
- It helps in securing a prompt and fair settlement of grievances. It provides a flexible means for the adjustment of wages and employment conditions to economic and technological changes in the industry, as a result of which the chances for conflicts are reduced.

Importance to employers: It becomes easier for the management to resolve issues at the bargaining level rather than taking up complaints of individual workers.

- Collective bargaining tends to promote a sense of job security among employees and thereby tends to reduce the cost of labor turnover to management.
- Collective bargaining opens up the channel of communication between the workers and the management and increases worker participation in decision making.
- Collective bargaining plays a vital role in settling and preventing industrial disputes.

Importance to society
- Collective bargaining leads to industrial peace in the country
- It results in establishment of a harmonious industrial climate which supports which helps the pace of a nation's efforts towards economic and social development since the obstacles to such a development can be reduced considerably.
- The discrimination and exploitation of workers is constantly being checked.
- It provides a method or the regulation of the conditions of employment of those who are directly concerned about them.

8.9.4 Collective Bargaining Process

Collective bargaining generally includes negotiations between the two parties (employees' representatives and employer's representatives). Collective bargaining consists of negotiations between an employer and a group of employees that determine the conditions of employment. Often employees are represented in the bargaining by a union or other labor organization. The result of collective bargaining procedure is called the collective bargaining agreement (CBA). Collective agreements may be in the form of procedural agreements or substantive agreements. **Procedural Agreements** deal with the relationship between workers and management and the procedures to be adopted for resolving individual or group disputes. This will normally include procedures in respect of individual grievances, disputes and discipline. Frequently, procedural agreements are put into the company rule book which provides information on the overall terms and conditions of employment and codes of behavior. A **Substantive Agreement** deals with specific issues, such as basic pay, overtime premiums, bonus arrangements, holiday entitlements, hours of work, etc. In many companies, agreements have a fixed time scale and a collective bargaining process will review the procedural agreement when negotiations take place on pay and conditions of employment.

The collective bargaining process comprises of five core steps:
1. **Prepare:** This phase involves composition of a negotiation team. The negotiation team should consist of representatives of both the parties with adequate knowledge and skills for negotiation. In this phase both the employer's representatives and the union examine

their own situation in order to develop the issues that they believe will be most important. The first thing to be done is to determine whether there is actually any reason to negotiate at all. A correct understanding of the main issues to be covered and intimate knowledge of operations, working conditions, production norms and other relevant conditions is required.

2. **Discuss:** Here, the parties decide the ground rules that will guide the negotiations. A process well begun is half done and this is no less true in case of collective bargaining. An environment of mutual trust and understanding is also created so that the collective bargaining agreement would be reached.

3. **Propose:** This phase involves the initial opening statements and the possible options that exist to resolve them. In a word, this phase could be described as 'brainstorming'. The exchange of messages takes place and opinion of both the parties is sought.

4. **Bargain:** negotiations are easy if a problem solving attitude is adopted. This stage comprises the time when 'what ifs' and 'supposals' are set forth and the drafting of agreements take place.

5. **Settlement:** Once the parties are through with the bargaining process, a consensual agreement is reached upon wherein both the parties agree to a common decision regarding the problem or the issue. This stage is described as consisting of effective joint implementation of the agreement through shared visions, strategic planning and negotiated change.
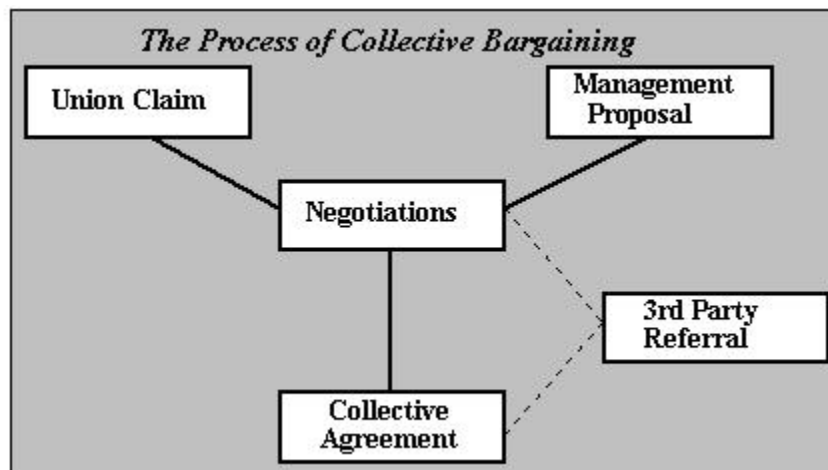

Fig 8.5 Collective Bargaining Process

8.10 TYPES OF COLLECTIVE AGREEMENTS IN INDIA

Collective bargaining as it is practiced in India can be divided into three classes. First is, the bipartite agreement drawn up in voluntary negotiation between management and union. The second type is known as a settlement, while the third type of collective agreement is consent award. These are discussed below:

- **Bipartite Agreements:** These are most important types of collective agreements because they represent a dynamic relationship that is evolving in establishment concerned without any pressure from outside. The bipartite agreements are drawn up in voluntary negotiation between management and union. Usually the agreement reached by the bipartite voluntarily has the same binding force as settlement reached in conciliation proceedings. The implementations of these types of agreements are also not a problem because both the parties feel confident of their ability to reach the agreement.
- **Settlements:** It is tripartite in nature because usually it is reached by conciliation, i.e. it arises out of dispute referred to the appropriate labor department and the conciliation officer plays an important role in bringing about conciliation of the differing view points of the parties. And if during the process of conciliation, the conciliation officer feels that there is possibility of reaching a settlement, he withdraws himself from the scene. Then the parties are to finalize the terms of the agreement and should report back to conciliation officer within a specified time. But the forms of settlement are more limited in nature than bipartite voluntary agreements, because they strictly relate to the issues referred to the conciliation officer.
- **Consent Award:** Here the negotiation takes place between the parties when the dispute is actually pending before one of the compulsory ad judicatory authorities and the agreement is incorporated to the authorities, award. Thus though the agreement is reached voluntarily between the parties, it becomes part of the binding award pronounced by an authority constituted for the purpose.

The idea of national or industry-wide agreements and that too on a particular pattern may appear to be a more ideal system to active industrial relation through collective bargaining, but the experience of various countries shows that it is not possible to be dogmatic about the ideal type of collective bargaining, because it largely depends upon the background, traditions and local factors of a particular region or country.

8.11 CASE STUDY

Abstract: The case study discusses the problems faced by leading document management company, Xerox, as a result of a change in the leadership and work culture. The case explores in detail the problems that arose during the tenures of Paul Allaire as well as Rick Thoman. The case also mentions briefly the steps taken by the current CEO Anne Mulcahy to bring back the company to its erstwhile glory and restore employee confidence.

Issues: "Importance of treating HR as an integral part of the organizational setup"

Key Words: Leading, document management, company, Xerox, leadership, work culture, problems, tenures, Paul Allaire, Rick Thoman, steps, CEO, Anne Mulcahy, glory, restore, employee confidence

Introduction: In August 2000, Paul Allaire (Allaire), chairman of the leading document management company Xerox, fired the company's CEO Rick Thoman (Thoman).

Commenting on his decision, Allaire said, "We are grateful for Rick's contributions in leading the company through a period of major repositioning. However, both Rick and the board felt it best for the company to move forward with an experienced Xerox team that will lead Xerox people and efficiently execute the strategy." The move attracted a lot of media attention with analysts commenting how Allaire had himself persuaded Thoman to leave a top position at IBM in 1998 and join Xerox.

Thoman, who was second only to IBM head Lou Gerstner, had also been the Senior Vice President and General Manager of IBM's Personal Systems Group, one of IBM's most troubled operating units, which he helped turn around. Prior to this, he had also been the President and CEO of Nabisco International, President and CEO of American Express International, and Chairman and co-CEO of American Express Travel Related Services Co.

However, company observers were not very surprised by Allaire's decision, as from the time Thoman had joined Xerox in May 2000, the company had lost around $ 20 billion in market value. Thoman was reportedly made to resign for his apparent failure to arrest this massive decline.

Allaire made Anne M. Mulcahy (Mulcahy) the President and Chief Operating Officer and reinstated himself as the CEO, though he was past the company's mandatory retirement age for executives. Though analysts agreed that Thoman had failed to a certain extent at Xerox, they also argued that he seemed to have been made a scapegoat.

Allaire's return as the CEO sparked off a round of heated debates regarding Thoman being blamed for the company's troubles, while Allaire himself was being blamed for being party to the deterioration of Xerox's work culture over the decades.

Background Note: The Xerox story goes back to 1938, when Chester Carlson, a patent attorney and part-time inventor, made the first xerographic image in the US. Carlson struggled for over five years to sell the invention, as many companies did not believe there was a market for it.

Finally, in 1944, the Battelle Memorial Institute in Columbus, Ohio, contracted with Carlson to refine his new process, which Carlson called 'electro photography.' Three years later, The Haloid Company, maker of photographic paper, approached Battelle and obtained a license to develop and market a copying machine based on Carlson's technology.

Haloid later obtained all rights to Carlson's invention and registered the 'Xerox' trademark in 1948. Buoyed by the success of the Xerox copiers, Haloid changed its name to Haloid Xerox Inc in 1958 and to The Xerox Corporation in 1961.

Xerox was listed on the New York Stock Exchange in 1961 and on the Chicago Stock Exchange in 1990. It is also traded on the Boston, Cincinnati, Pacific Coast, Philadelphia, London and Switzerland exchanges. The strong demand for Xerox's products led the company from strength to strength and revenues soared from $37 million in 1960 to $268 million in 1965.

Throughout the 1960s, Xerox grew by acquiring many companies including University Microfilms, Micro-Systems, Electro-Optical Systems, Basic Systems and Ginn and Company. In 1962, Fuji Xerox Co., Ltd. was launched as a joint venture of Xerox and Fuji Photo Film. Xerox acquired a majority stake (51.2%) in Rank Xerox in 1969.

During the late 1960s and the early 1970s, Xerox diversified into information technology business by acquiring Scientific Data Systems (makers of time-sharing and scientific computers), Daconics (which made shared logic and word processing systems using minicomputers), and Vesetec (producers of electrostatic printers and plotters).

In 1969, it set up a corporate R&D facility, the Palo Alto Research Center (PARC), to develop in-house technologies. In the 1970s, Xerox focused on introducing new and more efficient models to retain its share of the reprographic market and meet competition from US and Japanese companies. While the company's revenues increased from $ 698 million in 1966 to $ 4.4 billion in 1976, profits increased five-fold from $ 83 million in 1966 to $ 407 million in 1977...

People Problems – I: In the initial years, Xerox's work culture was reported to be the 'envy of the corporate world.' The company's chairman Joseph C. Wilson (Wilson) and his successor Kearns were lauded for forming a positive culture at the company that went on to play a major part in establishing the company's supremacy in the copier business.

A former Xerox HR executive said, "Wilson brought in progressive HR people schooled in HR at outstanding institutions. They helped him build a very people-oriented tradition that became famous for its training, development and sales selection policies."

People Problems – II: Based on his findings, Thoman decided to set things right at Xerox by focusing more strongly on digital equipment rather than the analog ones and by reorganizing the sales force to sell digital solutions instead of copying machines in the existing setup. For the first time in Xerox's history, sales personnel had to focus on industry based targets (such as the automobile industry customers) instead of individual clients. This also meant that their commissions reduced significantly.

Much to Thoman's chagrin, the reorganization plan met with severe criticism despite the fact that it had been endorsed by a committee of senior executives...

The Future: Mulcahy's first concern was to put in place 'retention programs' to arrest the abnormally high sales force attrition rate. This included increasing their pay and other incentives. Soon, the attrition dropped back to normal levels. The company also decided to offer training and education via e-learning to the personnel. Mulcahy and Allaire got in touch personally with thousands of employees to restore their confidence in the company. However, Xerox continued to face a fall in its profitability, which indicated that the company would have to keep the options of downsizing, consolidating and cost cutting open. The company reported a loss of $ 384 million for the year 2000. By January 2001, its stock had dropped 72% over the previous year...

8.12   REVIEW QUESTIONS
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1. Define the term industrial relations and bring out its importance.
2. Bring out the parties and their roles in IR
3. Describe an IR strategy
4. Explain the different approaches to IR

EMPLOYEE EMPOWERMENT

Structure

9.1 Introduction

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9.8 Review Questions

9.1 INTRODUCTION

Employee Empowerment is a strategy and philosophy that enables employees to make decisions about their jobs. Employee empowerment helps employees own their work and take responsibility for their results. Employee empowerment helps employees serve customers at the level of the organization where the customer interface exists. Empowerments is the process of enabling or authorizing an individual to think, behave, take action, and control work and decision making in autonomous ways. It is the state of feeling self-empowered to take control of one's own destiny.

When thinking about empowerment in human relations terms, try to avoid thinking of it as something that one individual does for another. This is one of the problems organizations have experienced with the concept of empowerment. People think that "someone," usually the

manager, has to bestow empowerment on the people who report to him. Consequently, the reporting staff members "wait" for the bestowing of empowerment, and the manager asks why people won't act in empowered ways. This led to a general unhappiness, mostly undeserved, with the concept of empowerment in many organizations.

Think of empowerment, instead, as the process of an individual enabling himself to take action and control work and decision making in autonomous ways. Empowerment comes from the individual. The organization has the responsibility to create a work environment which helps foster the ability and desire of employees to act in empowered ways. The work organization has the responsibility to remove barriers that limit the ability of staff to act in empowered ways.

9.2 WORKERS' PARTICIPATION IN MANAGEMENT

9.2.1 Industrial Democracy and Participative Management
The concept of 'industrial democracy' is an extension of the concept of democracy to the sphere of industrial activity. It is democracy in the industrial world. Industrial Democracy can be understood better as two separate words that are Industrial and Democracy. Industrial would obviously mean the sum of various organisations operating in a particular field. As far as democracy is concerned, it is a state in which the citizens are allowed to be a part of the whole gamut. Earlier we used to define democracy…….Of the people, By the people and For the People!!

John Leitch has defined Industrial Democracy as "the organization of any factory or other business institution into a little democratic state with a representative government which shall have both the legislative and executive phases". In the same manner as political democracy has converted subjects into citizens, with right of self-determination and self-government, industrial democracy converts the workers from the mere subjects obeying the orders of the employers, into citizens of the industrial world, with a right to self-determination and self-government, that is, representative participation in making rules and enforcing them. This is known as **Workers' Participation in Management.**

Workers' participation in management means giving scope for workers to influence the managerial decision-making process at different levels by various forms in the organization. The principal forms of workers' participation are information sharing, joint consultation, suggestion schemes, etc.

9.2.2 Scope of Workers' Participation in Management
Elton Mayo who first advocated the idea or workers' participation in management in his famous Hawthorne Studies (1927-32). Since then three points of view on participation have emerged .Let us discuss them one by one:

- **Information Sharing**. Share the information! That says it all. According to this view, participation takes place when the management solicits the opinion of workers before taking a decision. The management ultimately takes the decision. Workers are given a say or an opportunity to influence decisions, they play a passive role in the process of decision-making, but have no final say in the matter.

- **Sharing Decision-Making**. This school holds that participation of an individual in something occurs when he actively takes part. The focus here is that there must exist taking part actively. Workers sit with the representatives of management to take important decisions particularly on matters affecting the workers. Workers may be members of Works Committees, Joint Management Council, etc. along with the representatives of management. The decisions are taken through mutual discussions between the representatives of the workers and those of the management.
- **Self-control.** The essential feature of self-control (or management) is that management and workers are not visualized as two distinct groups but as active members with equal voting rights. Participation in Yugoslavia is an example of self-control. Self-control implies a process in which subordinates exercise control on the mechanism of decision-making as full and active members. It is formal involvement of workers in the determination of the course of action.

9.2.3 Significance of Workers Participation

The need of workers' participation is felt because of the following reasons:

1. **Higher Productivity:** The increased productivity is possible only when there exists fullest co-operation between labor and management. It has been found that poor labor management relations do not encourage the workers to contribute anything more than the minimum desirable to retain their jobs. Thus participation of workers in management is essential to increase industrial productivity.

2. **Greater Commitment:** An important prerequisite for forging greater individual commitment is the individual's involvement and opportunity to express himself. Participation allows individuals to express themselves at the work place rather than being absorbed into a complex system of rules, procedures and systems. If an individual knows that he can express his opinion and ideas, a personal sense of gratification and involvement takes place within him, participation increases the level of commitment and the employees start relating to the organization.

3. **Reduced Industrial Unrest:** Industrial conflict is a struggle between two organized groups, which are motivated by the belief that their respective interests are endangered by the self-interested behavior of the other. Participation cuts at the very root of industrial conflict. It tries to remove or at least minimize the diverse and conflicting interests between the parties, by substituting it with cooperation, homogeneity and common interests. Both sides are integrated and decision arrived at are mutual rather than individual.

4. **Improved Decisions:** Communication is never a one way process. It is seldom, if ever, possible for managers to have knowledge of all alternatives and all consequences related to the decisions which they must make. Because of the existence of barriers to the upward flow of information in most enterprises, much valuable information possessed by subordinates never reaches their managers. Participation tends to break down the barriers, and makes the information available to managers. To the extent such information alters the decisions; the quality of decisions is improved.

5. **Human Resource Development:** Participation provides education to workers in the management of industry. It fosters initiative and creativity among them. It develops a sense of responsibility. Informal leaders get an opportunity to reinforce their position and

status by playing an active role in decision-making and by inducing the members of the group to abide by them.

6. **Reduced Resistance to Change:** Last but not the least, it should be noted that changes are arbitrarily introduced from above without explanation. Subordinates tend to feel insecure and take counter measures aimed at sabotage of changes. But when they have participated in the decision making process, they have had an opportunity to be heard. They know what to expect and why. Their resistance to change is reduced.

9.2.4 Pre–requisites for the success of Workers' Participation in Management

1. **The overall climate** in the organization should be favorable to workers' participation. There should be an attitude of mutual co-operation, confidence, and respect for each other. Management, in particular, should be genuinely receptive to the labor's ideas so that the latter can perceive that their ideas are useful.
2. There must be **sufficient time to participate** before action is required; because participation in emergent situations is hardly advisable.
3. The **subject of participation** must be relevant to the enterprise; it must concern something in which both the parties are interested, otherwise the parties are likely to become indifferent to the process of participation.
4. The workers' representatives should have the **ability** such as intelligence and knowledge, to participate. It is not appropriate to ask workers to participate in technical aspects of the machinery; but they can participate successfully in problems relating to their work. The contributions made by the workers should be worthwhile and should benefit the workers in the long run. It should be in the interest of the management as well! Now maintaining that balance is not that easy but that is what experience is all about!!
5. There must be **effective system of communication**. Both labor's representatives and management's representatives must be able to understand each other and express themselves without any inhibitions. The whole idea after all is to be able to speak out one's mind and listen to the counterpart's point of view!
6. Participation **should not adversely affect the status or authority** of the participants. Managers will not participate, if their authority is threatened. Workers will hesitate in participating if they think that their status is being adversely affected. In fact for worker's participation to be effective, both the management and the labor should get rid of their ego problems and share their ideas.
7. The **financial cost of participation** should always be lesser than the benefits-both economic and non-economic-of participation. We all can understand the economic aspect but as far as the non-economic part is concerned, it will depend on the organisations.
8. Participation should be **within the framework of overall policy** of the enterprise in question.
9. Participation should be **an ongoing activity** in the organization, and should not be restricted to unfavorable situations only. The management and the labor should meet on a continuous basis so as to exchange ideas so as to better the overall scenario.

9.3 TRADE UNION

A trade union is an organization of employees formed on a continuous basis for the purpose of securing diverse range of benefits. It is a continuous association of wage earners for the purpose of maintaining and improving the conditions of their working lives.

The Trade Union Act 1926 defines a trade union as a combination, whether temporary or permanent, formed primarily for the purpose of regulating the relations between workmen and employers or between workmen and workmen, or between employers and employers, or for imposing restrictive condition on the conduct of any trade or business, and includes any federation of two or more trade unions. This definition is very exhaustive as it includes associations of both the workers and employers and the federations of their associations. Here, the relationships that have been talked about are both temporary and permanent. This means it applies to temporary workers (or contractual employees) as well. Then this definition, primarily, talks about three relationships. They are the relationships between the:

- Workmen and Workmen,
- Workmen and Employers, and
- Employers and Employers.

Thus, a trade union can be seen as a group of employees in a particular sector, whose aim is to negotiate with employers over pay, job security, working hours, etc, using the collective power of its members. In general, a union is there to represent the interests of its members, and may even engage in political activity where legislation affects their members. Trade unions are voluntary associations formed for the pursuit of protecting the common interests of its members and also promote welfare. They protect the economic, political and social interests of their members.

Let us look at another definition by Dale Yoder. Dale Yoder has defined trade union as a continuing long – term association of employees formed and maintained for the specific purpose of advancing and protecting the interests of members in their working relationships. He quotes: "A trade union is a continuous association of workers which is formed with the purpose of protecting the interests of workers."

According to Flippo "A labor union or trade union is an organization of workers formed to promote, protect, and improve, through collective action, the social, economic, and political interests of its members".

9.3.1 Features of Trade Unions
- It is an association either of employers or employees or of independent workers. They may consist of :- (i) Employers' association (e.g., Employer's Federation of India, Indian paper mill association, etc.) (ii) General labor unions (iii) Friendly societies(iv) Unions of intellectual labor (e.g., All India Teachers Association)
- It is formed on a continuous basis. It is a permanent body and not a casual or temporary one. They persist throughout the year.

- It is formed to protect and promote all kinds of interests –economic, political and social-of its members. The dominant interest with which a union is concerned is, however, economic.
- It achieves its objectives through collective action and group effort. Negotiations and collective bargaining are the tools for accomplishing objectives.
- Trade unions have shown remarkable progress since their inception; moreover, the character of trade unions has also been changing. In spite of only focusing on the economic benefits of workers, the trade unions are also working towards raising the status of labors as a part of industry.

9.3.2 Objectives of Trade Unions

Trade unions are formed to protect and promote the interests of their members. Their primary function is to protect the interests of workers against discrimination and unfair labor practices. Trade unions are formed to achieve the following objectives:

1. **Representation:** Trade unions represent individual workers when they have a problem at work. If an employee feels he is being unfairly treated, he can ask the union representative to help sort out the difficulty with the manager or employer. Unions also offer their members legal representation. Normally this is to help people get financial compensation for work-related injuries or to assist people who have to take their employer to court
2. **Negotiation:** Negotiation is where union representatives, discuss with management, the issues which affect people working in an organization. There may be a difference of opinion between management and union members. Trade unions negotiate with the employers to find out a solution to these differences. Pay, working hours, holidays and changes to working practices are the sorts of issues that are negotiated. In many workplaces there is a formal agreement between the union and the company which states that the union has the right to negotiate with the employer. In these organizations, unions are said to be recognized for collective bargaining purposes.
3. **Voice in decisions affecting workers:** The economic security of employees is determined not only by the level of wages and duration of their employment, but also by the management's personal policies which include selection of employees for lay offs, retrenchment, promotion and transfer. These policies directly affect workers. The evaluation criteria for such decisions may not be fair. So, the intervention of unions in such decision making is a way through which workers can have their say in the decision making to safeguard their interests.
4. **Member services:** During the last few years, trade unions have increased the range of services they offer their members. These include: (i) **Education and training -** Most unions run training courses for their members on employment rights, health and safety and other issues. Some unions also help members who have left school with little education by offering courses on basic skills and courses leading to professional qualifications. (ii) **Legal assistance** - As well as offering legal advice on employment issues, some unions give help with personal matters, like housing, wills and debt. (iii) **Financial discounts** - People can get discounts on mortgages, insurance and loans from unions. (iv) **Welfare benefits** - One of the earliest functions of trade unions was to look

after members who hit hard times. Some of the older unions offer financial help to their members when they are sick or unemployed.

9.3.3 Functions of Trade Unions

Trade unions perform a number of functions in order to achieve the objectives. These functions can be broadly classified into two categories:

1. Militant functions,
2. Fraternal functions

Militant Functions: One set of activities performed by trade unions leads to the betterment of the position of their members in relation to their employment. The aim of such activities is to ensure adequate wages secure better conditions of work and employment get better treatment from employers, etc. When the unions fail to accomplish these aims by the method of collective bargaining and negotiations, they adopt an approach and put up a fight with the management in the form of go-slow tactics, strike, boycott, gherao, etc. Hence, these functions of the trade unions are known as militant or fighting functions. Thus, the militant functions of trade unions can be summed up as:

- To achieve higher wages and better working conditions
- To raise the status of workers as a part of industry
- To protect labors against victimization and injustice

Fraternal Functions: Another set of activities performed by trade unions aims at rendering help to its members in times of need, and improving their efficiency. Trade unions try to foster a spirit of cooperation and promote friendly industrial relations and diffuse education and culture among their members. They take up welfare measures for improving the morale of workers and generate self confidence among them. They also arrange for legal assistance to its members, if necessary. Besides, these, they undertake many welfare measures for their members, e.g., school for the education of children, library, reading-rooms, in-door and out-door games, and other recreational facilities. Some trade unions even undertake publication of some magazine or journal. These activities, which may be called fraternal functions, depend on the availability of funds, which the unions raise by subscription from members and donations from outsiders, and also on their competent and enlightened leadership. Thus, the fraternal functions of trade unions can be summed up as:

- To take up welfare measures for improving the morale of workers
- To generate self confidence among workers
- To encourage sincerity and discipline among workers
- To provide opportunities for promotion and growth
- To protect women workers against discrimination

Another broad classification of the functions of unions may be as follows:

- Intra-mural activities
- Extra-mural activities
- Political activities.

Intra-mural activities. These consist of those functions of the unions that lead to the **betterment of employment conditions** such as ensuring adequate wages and salaries, etc. for which the methods adopted may be collective bargaining, negotiations, strikes, etc.

Extra-mural activities. These activities help the employees to **maintain and improve their efficiency or productivity**, e.g., measures intended to foster a spirit of cooperation, promote friendly relations, and diffuse education among members and various other types of welfare measures.

Political activities. Modern trade unions also take up **political activities** to achieve their objectives. Such activities may be related to the formation of a political party or those reflecting an attempt to seek influence on public policy relating to matters connected with the interests of working class.

9.4 MOTIVATION TO JOIN UNIONS

Why do Workers Join Unions? Since human behavior is goal directed, the employees will join a union if some of their wants can be fulfilled by membership in a union. The important forces that make the employees join a union are as follows:

1. **Greater Bargaining Power.** The individual employee possesses very little bargaining power as compared to that of his employer. If he is not satisfied with the wage and other conditions of employment, he can leave the job. It is not practicable to continually resign from one job after another when he is dissatisfied. This imposes a great financial and emotional burden upon the worker. The better course for him is to join a union that can take concerted action against the employer. The threat or actuality of a strike by a union is a powerful tool that often causes the employer to accept the demands of the workers for better conditions of employment.
2. **Make their Voices Heard.** The desire for self-expression is a fundamental human drive for most people. Similarly the workers also want the management to listen to them. A trade union provides such a forum where the feelings, ideas and opinions of the workers could be discussed. It can also transmit the feelings, ideas, opinions and complaints of the workers to the management. The collective voice of the workers is heard by the management and give due consideration while taking policy decisions by the management.
3. **Minimize Discrimination.** The decisions regarding pay, work, transfer, promotion, etc. are highly subjective in nature. The personal relationships existing between the supervisor and each of his subordinates may influence the management. Thus, there are chances of favoritisms and discriminations. A trade union can compel the management to formulate personnel policies that press for equality of treatment to the workers. All the

labor decisions of the management are under close scrutiny of the labor union. This has the effect of minimizing favoritism and discrimination.

4. **Sense of Security.** The employees may join the unions because of their belief that it is an effective way to secure adequate protection from various types of hazards and income insecurity such as accident, injury, illness, unemployment, etc. The trade union secure retirement benefits of the workers and compel the management to invest in welfare services for the benefit of the workers.

5. **Sense of Participation.** The employees can participate in management of matters affecting their interests only if they join trade unions. They can influence the decisions that are taken as a result of collective bargaining between the union and the management.

6. **Sense of Belongingness.** Many employees join a union because their co-workers are the members of the union. At times, an employee joins a union under group pressure; if he does not, he often has a very difficult time at work. On the other hand, those who are members of a union feel that they gain respect in the eyes of their fellow workers. They can also discuss their problem with' the trade union leaders.

9.5 TRADE UNIONISM IN INDIA

The trade unionism in India developed quite slowly as compared to the western nations. Indian trade union movement can be divided into three phases

The first phase (1850 to 1900): During this phase the inception of trade unions took place. During this period, the working and living conditions of the labor were poor and their working hours were long. Capitalists were only interested in their productivity and profitability. In addition, the wages were also low and general economic conditions were poor in industries. In order to regulate the working hours and other service conditions of the Indian textile laborers, the Indian Factories Act was enacted in 1881. As a result, employment of child labor was prohibited. The growth of trade union movement was slow in this phase and later on the Indian Factory Act of 1881 was amended in 1891. Many strikes took place in the two decades following 1880 in all industrial cities. These strikes taught workers to understand the power of united action even though there was no union in real terms. Small associations like Bombay Mill-Hands Association came up by this time.

The second phase (1900 to 1946): This phase was characterized by the development of organized trade unions and political movements of the working class. Between 1918 and 1923, many unions came into existence in the country. At Ahmedabad, under the guidance of Mahatma Gandhi, occupational unions like spinners' unions and weavers' unions were formed. A strike was launched by these unions under the leadership of Mahatma Gandhi who turned it into a satyagrah. These unions federated into industrial union known as Textile Labor Association in 1920.In 1920, the First National Trade union organization (The All India Trade Union Congress (AITUC)) was established. Many of the leaders of this organization were leaders of the national Movement. In 1926, Trade union law came up with the efforts of Mr. N.N Joshi that became operative from 1927. During 1928, All India Trade Union Federation (AITUF) was formed.

The third phase began with the emergence of independent India **(in 1947).** The partition of country affected the trade union movement particularly Bengal and Punjab. By 1949, four central trade union organizations were functioning in the country:

1. The All India Trade Union Congress,
2. The Indian National Trade Union Congress,
3. The Hindu Mazdoor Sangh, and
4. The United Trade Union Congress

The working class movement was also politicized along the lines of political parties. For instance Indian National Trade Union Congress (INTUC) is the trade union arm of the Congress Party. The AITUC is the trade union arm of the Communist Party of India. Besides workers, white-collar employees, supervisors and managers are also organized by the trade unions, as for example in the Banking, Insurance and Petroleum industries.

Trade unions in India
The Indian workforce consists of 430 million workers, growing 2% annually. The Indian labor markets consist of three sectors:

1. The rural workers, who constitute about 60 per cent of the workforce.
2. Organized sector, which employs 8 per cent of workforce, and
3. The urban informal sector (which includes the growing software industry and other services, not included in the formal sector) which constitutes the rest 32 per cent of the workforce.

At present there are twelve Central Trade Union Organizations in India:

- All India Trade Union Congress (AITUC)
- Bharatiya Mazdoor Sangh (BMS)
- Centre of Indian Trade Unions (CITU)
- Hind Mazdoor Kisan Panchayat (HMKP)
- Hind Mazdoor Sabha (HMS)
- Indian Federation of Free Trade Unions (IFFTU)
- Indian National Trade Union Congress (INTUC)
- National Front of Indian Trade Unions (NFITU)
- National Labor Organization (NLO)
- Trade Unions Co-ordination Centre (TUCC)
- United Trade Union Congress (UTUC) and
- United Trade Union Congress - Lenin Sarani (UTUC - LS)

9.6 EMPLOYEE GRIEVANCES

A grievance is any dispute or difference arising between any employee and management or between the union and management. Most collective bargaining agreements define, in general, what the parties have agreed to consider being a grievance. Unions usually prefer a broad definition that recognizes any dispute, while management prefers to limit grievances to the

meaning or application of a particular clause. The primary function of the definition is to outline the parameters of what types of disputes may be grieved.

According to Michael Jucius, " A grievance can be any discontent or dissatisfaction, whether expressed or not, whether valid or not, and arising out of anything connected with the company that an employee thinks, believes, or even feels as unfair, unjust, or inequitable."

Let us understand this definition. A grievance means **any discontentment or dissatisfaction in an employee arising out of anything related to the enterprise where he is working.** It may not be expressed and even may not be valid. It arises when an employee feels that something has happened or is going to happen which is unfair, unjust or inequitable. Thus, a grievance represents a situation in which an employee feels that something unfavorable to him has happened or is going to happen. In an industrial enterprise, an employee may have grievance because of long hours of work, non fulfillment of terms of service by the management, unfair treatment in promotion, poor working facilities, etc.

In an organization, a grievance may arise due to several factors such as:

- Violation of management's responsibility such as poor working conditions
- Violation of company's rules and regulations
- Violation of labor laws
- Violation of natural rules of justice such as unfair treatment in promotion, etc.

Various sources of grievance may be categorized under three heads: (i) management policies, (ii) working conditions, and (iii) personal factors

Grievance resulting from **Management Policies** include:
- Wage rates
- Leave policy
- Overtime
- Lack of career planning
- Role conflicts
- Lack of regard for collective agreement
- Disparity between skill of worker and job responsibility

Grievance resulting from **Working Conditions** include:
- Poor safety and bad physical conditions
- Unavailability of tools and proper machinery
- Negative approach to discipline
- Unrealistic targets

Grievance resulting from **Inter-Personal Factors** include:
- Poor relationships with team members
- Autocratic leadership style of superiors
- Poor relations with seniors
- Conflicts with peers and colleagues

It is necessary to distinguish a complaint from grievance. A complaint is an indication of employee dissatisfaction that has not been submitted in written. On the other hand, a grievance is a complaint that has been put in writing and made formal. Grievances are symptoms of conflicts in industry. Therefore, management should be concerned with both complaints and grievances, because both may be important indicators of potential problems within the workforce. Without a grievance procedure, management may be unable to respond to employee concerns since managers are unaware of them. Therefore, a formal grievance procedure is a valuable communication tool for the organization.

9.6.1 Forms of Grievances

A grievance may take any of the following forms:

- Factual,
- Imaginary,
- Disguised.

Factual: When an employee is dissatisfied with his job, for genuine or factual reasons like a breach of terms of employment or any other reasons that are clearly attributed to the management, he is said to have a factual grievance. Thus, factual grievances arise when the legitimate needs are unfulfilled. The problem that he has is real and not virtual

Imaginary: When an employee's grievance or dissatisfaction is not because of any factual or valid reason but because of wrong perception, wrong attitude or wrong information he has. Such a grievance is called an imaginary grievance. Though it is not the fault of management, the responsibility of dealing with it still rests with the management. So the problem is not real. It is in the mind or just a feeling towards someone or something.

Disguised: An employee may have dissatisfaction for reasons that are unknown to him. This may be because of pressures and frustrations that an employee is feeling from other sources like his personal life. For example if you have had a bad day in the institute, that will reflect in the mood at home. We are all humans and are sensitive to the environment that we operate in! The managers have to detect the disguised grievances and attend to them by counseling the concerned employees. They have to find out the root cause of the problem rather than find quick fix solutions to them.

Forms of Grievances

Factual   Imaginary   Disguised
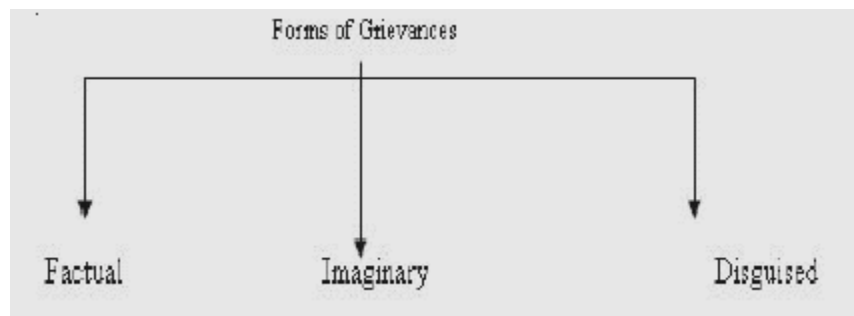
9.6.2 Identifying grievances

It is so beautifully described that good management redresses grievances as they arise; excellent management anticipates and prevents them from arising. An effective manager thus has to be proactive. A manager can know about the problems even before they turn into actual grievances through several means such as:

- Exit interviews
- Suggestions boxes
- Opinion surveys
- Open door policy.

Let us discuss this on by one in details:

1. **Exit interview:** Employees usually quit organizations due to dissatisfaction or better prospects elsewhere. Exit interviews, if conducted carefully, can provide important information about employees' grievances. This can help the management to gather feedback and to genuinely incorporate feedback. The management should carefully act upon the information drawn from such employees. It should be careful that the discontentment is reduced so that no more employees quit the organization because of similar reasons.

2. **Gripe Boxes:** These are boxes in which the employees can drop their anonymous complaints. They are different from the suggestion boxes in which employees drop their named suggestion with an intention to receive rewards It is normally said that if you want to progress in life, you should be close to critics. These gripe boxes can perform the role of critics for the organization. The management should carefully act upon the information thus gathered organization should be satisfied if the external customers are to be kept happy.

3. **Opinion Survey:** The management can be proactive by conducting group meetings, periodical interviews with employees, collective bargaining sessions etc. through which one can get information about employees' dissatisfaction before it turns into a grievance.

4. **Open-door Policy.** Some organization extends a general invitation to their employees to informally drop in the manager's room any time and talk over their grievances. This can be very effective because it can nip the evil in the bud. That is it can take care of the problem before it gets out of hand. In fact the management should hold formal and informal get together with the employees. The management should also remember that the employees might just need a patient hearing at times.
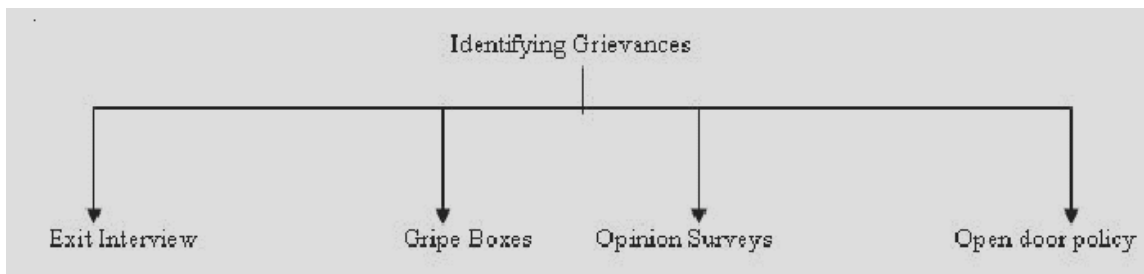
9.7 GRIEVANCE PROCEDURE

Grievance procedure is a formal communication between an employee and the management designed for the settlement of a grievance. The grievance procedures differ from organization to organization.

1. Open door policy
2. Step-ladder policy

Open door policy: Under this policy, any employee can take his grievance to the chief boss and talk over the problem. As the name suggests, the management keeps its doors open for the employees to share their problems. It is said that this policy can remove the cause of grievance quickly. Under this policy, the aggrieved employee is free to meet the top executives of the organization and get his grievances redressed. Such a policy works well only in small organizations. However, in bigger organizations, top management executives are usually busy with other concerned matters of the company. Moreover, it is believed that open door policy is suitable for executives; operational employees may feel shy to go to top management

Step ladder policy: Under this policy, the aggrieved employee has to follow a step by step procedure for getting his grievance redressed. In this procedure, whenever an employee is confronted with a grievance, he presents his problem to his immediate supervisor. If the employee is not satisfied with superior's decision, then he discusses his grievance with the departmental head. The departmental head discusses the problem with joint grievance committees to find a solution. However, if the committee also fails to redress the grievance, then it may be referred to chief executive. If the chief executive also fails to redress the grievance, then such a grievance is referred to voluntary arbitration where the award of arbitrator is binding on both the parties.

9.7.1 Grievance Procedure in Indian Industry
The 15th session of Indian Labor Conference held in 1957 emphasized the need of an established grievance procedure for the country which would be acceptable to unions as well as to management. In the 16th session of Indian Labor Conference, a model for grievance procedure was drawn up. This model helps in creation of grievance machinery. According to it, workers' representatives are to be elected for a department or their union is to nominate them. Management has to specify the persons in each department who are to be approached first and the departmental heads who are supposed to be approached in the second step. The Model Grievance Procedure specifies the details of all the steps that are to be followed while redressing grievances. These steps are:

STEP 1: In the first step the grievance is to be submitted to departmental representative, who is a representative of management. He has to give his answer within 48 hours.

STEP 2: If the departmental representative fails to provide a solution, the aggrieved employee can take his grievance to head of the department, who has to give his decision within 3 days.
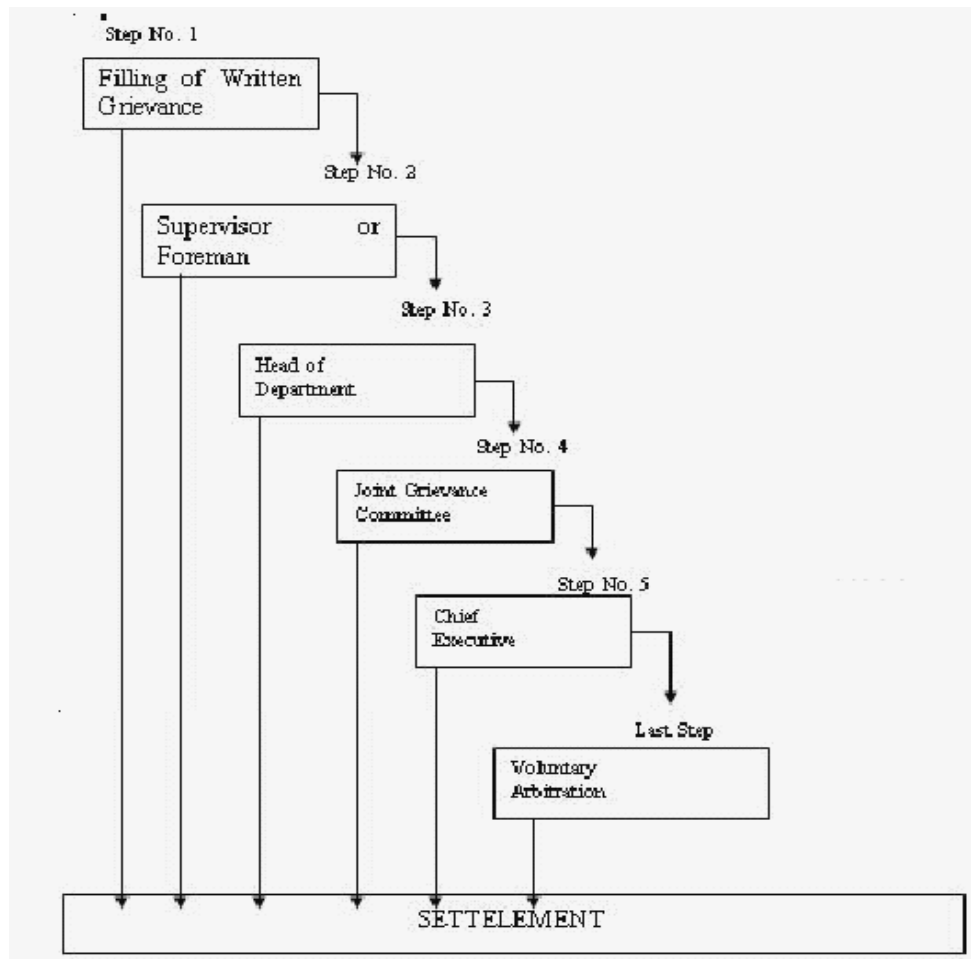
Fig 9.1 Step – ladder Grievance Procedure

STEP 3: If the aggrieved employee is not satisfied with the decision of departmental head, he can take the grievance to Grievance Committee. The Grievance Committee makes its recommendations to the manager within 7 days in the form of a report. The final decision of the management on the report of Grievance Committee must be communicated to the aggrieved employee within three days of the receipt of report. An appeal for revision of final decision can be made by the worker if he is not satisfied with it. The management must communicate its decision to the worker within 7 days.

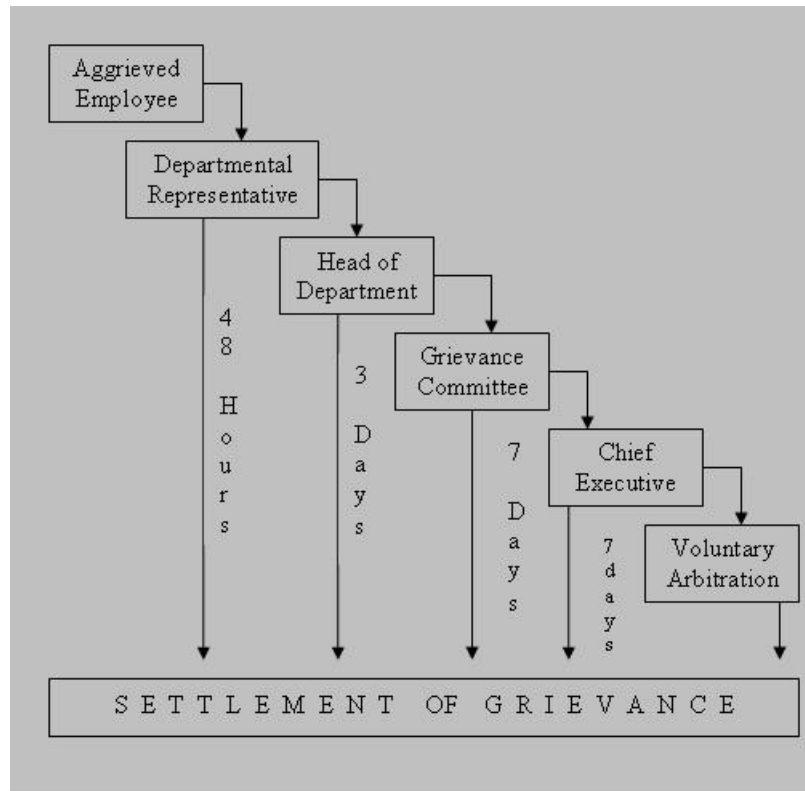**STEP 4:** If the grievance still remains unsettled, the case may be referred to voluntary arbitration.

Fig 9.2 Grievance Procedure

9.7.2 Guidelines for Effective Grievance Handling

While dealing with grievances, a manager cannot depend upon some ready-made, solutions. Every case has to be dealt with on merit. The following guidelines may help to deal effectively with the grievances:

1. The complaint should be given a patient hearing by his superior. He should be allowed to express himself completely. The management should be empathetic.
2. The superior should try to get at the root of the problem. It should be remembered that symptoms are not the problems. It should also be noted that if there are symptoms, there would be a problem as well.
3. The management must show it anxiety to remove the grievances of the workers. The workers should feel that the management is genuinely interested in solving its problems.
4. If the grievances are real and their causes located, attempts should be made to remove the causes.
5. If the grievances are imaginary or unfounded, attempts should be made to convince the workers.
6. Every grievance must be handled within the reasonable time limit.
7. All grievances should be put into writing. Some proofs required as well.
8. Relevant facts about the grievance must be gathered. The management should not haste!
9. Decision taken to redress the grievance of the worker must be communicated to him.
10. Follow up action should be taken to know the response of the forced employee.

9.7.3 Essentials of a Grievance Procedure

A grievance procedure should incorporate the following features:

Conformity with existing legislation: The procedure should be designed in conformity with the existing statutory provisions. Where practicable, the procedure can make use of such machinery as the law might have already provided for.

Acceptability: Everybody must accept the grievance procedure. In order to be generally acceptable, it must ensure the following:

- A sense of fair-play and justice to the worker,
- Reasonable exercise of authority to the manager, and
- Adequate participation of the union.

Simplicity: The following points should be noted in this regard:

- The procedure should be simple enough to be understood by every employee.
- The steps should be as few as possible.
- Channels for handling grievances should be carefully developed.
- Employees must know the authorities to be contacted at various levels.
- Information about the procedure should be thoroughly disseminated among all employees through pictures, charts, diagrams, etc.

Promptness: Speedy settlement of a grievance is the cornerstone of a sound personnel policy. It should be remembered that justice delayed is justice denied. The procedure should aim at a rapid disposal of the grievance. This can be achieved by incorporating the following feature in the procedure:

- As far as possible, grievances should be settled at the lowest level
- No matter should ordinarily be taken up at more than two levels, i.e. normally there should be only one appeal.
- Different types of grievances may be referred to appropriate authorities.
- Time limit should be placed at each step and it should be rigidly followed at each level.

Training: In order to ensure effective working of the grievance procedure, it is necessary that supervisors and the union representatives should be given training in working of the grievance procedure. All the policies should be conveyed to the concerned parties. .

Follow-up: The personnel department should review the working of the grievance procedure periodically and necessary changes should be introduced to make it more effective. This is generally ignored by the organizations. A regular follow up of the system increase the faith of the people in the system. Therefore it is necessary that the grievance procedure should be reviewed whenever it is so required.

9.8 REVIEW QUESTIONS

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1. Define the term "workers" participation in management. Bring out the prerequisites for its success.
2. Describe the various methods for achieving employee participation. Suggest a suitable method for application in Indian conditions.
3. What is meant by participative management? Bring out its importance and Limitations.
4. Review the progress of participative management in India.

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