

MAR GREGORIOS COLLEGE OF ARTS & SCIENCE

Block No.8, College Road, Mogappair West, Chennai – 37

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DEPARTMENT OF BUSINESS ADMINISTRATION

SUBJECT NAME: HUMAN RESOURCE MANAGEMENT

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PREPARED BY: PROF.S.S.ONYX NATHANAEL NIRMAL RAJ

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BBA-DSC09

CORE-IX HUMAN RESOURCE MANAGEMENT

CREDITS:4

IV SEM/II YEAR

Learning Objective :

1. To understand fundamental concepts & practices in Human resource management
2. To know the role of human resource management in organization
3. To familiarize on labour relations & human resource audit.

UNIT I

Nature and scope of Human Resources Management – Differences between personnel management and HRM – Environment of HRM – Human resource planning – Recruitment – Selection – Methods of Selection – Uses of various tests – interview techniques in selection and placement.

UNIT II

Induction – Training – Methods – Techniques – Identification of the training needs – Training and Development – Performance appraisal – Transfer – Promotion and termination of services – Career development.

UNIT III

Remuneration – Components of remuneration – Incentives – Benefits – Motivation – Welfare and social security measures.

UNIT IV

Labour Relation – Functions of Trade Unions – Forms of collective bargaining- Workers' participation in management – Types and effectiveness – Industrial Disputes and Settlements (laws excluded)

UNIT V

Human Resource Audit – Nature – Benefits – Scope – Approaches.

REFERENCE BOOKS :

1. Human Resource Management – V S PRao
2. Human Resource Management – Ashwathappa
3. Human Resource Management – Garry Descler
4. Human Resource Management – L M Prasad
5. Human Resource Management – Tripathi.

UNIT-I

HUMAN RESOURCE MANAGEMENT

Introduction

Human Resource Management is the process of recruiting, selecting, inducting employees, providing orientation, imparting training and development, appraising the performance of employees, deciding compensation and providing benefits, motivating employees, maintaining proper relations with employees and their trade unions, ensuring employees safety, welfare and healthy measures in compliance with labour laws of the land and finally following the Orders / Judgements of the concern High Court and Supreme Court, if any.

Human Resource Management involves management functions like planning, organizing, directing and controlling

- It involves procurement, development, maintenance of human resource
- It helps to achieve individual, organizational and social objectives
- Human Resource Management is a multidisciplinary subject. It includes the study of management, psychology, communication, economics and sociology.
- It involves team spirit and team work.
- It is a continuous process.

IMPORTANCE OF HUMAN RESOURCE

Behind production of every product or service there is an human mind, effort and man hours (working hours). No product or service can be produced without help of human being. Human being is fundamental resource for making or construction of anything. Every organisation desire is to have skilled and competent people to make their organisation competent and best.

Among the five Ms of management, i.e., men, money, machines, materials, and methods, HRM deals about the first M, which is men. It is believed that in the five Ms, "men" is not so easy to manage. "every man is different from other" and they are totally different from the other Ms in the sense that men possess the power to manipulate the other Ms. Whereas, the other Ms are either lifeless or abstract and as such, do not have the power to think and decide what is good for them.

Why do we call it as Human Resource Management?

Human: refers to the skilled workforce in an organization.

Resource: refers to limited availability or scarce.

Management: refers how to optimize and make best use of such limited or scarce resource so as to meet the organization goals and objectives.

Therefore, human resource management is meant for proper utilisation of available skilled workforce and also to make efficient use of existing human resource in the organisation. The best example in present situation is, construction industry has been facing serious shortage of skilled workforce. It is expected to triple in the next decade from the present 30 per cent, will negatively impact the overall productivity of the sector, warn industry experts.

Today many experts claim that machines and technology are replacing human resource and minimizing their role or effort. However, machines and technology are built by the humans only and they need to be operated or at least monitored by humans and this is the reason why companies are always in hunt for talented, skilled and qualified professionals for continuous development of the organization.

Therefore humans are crucial assets for any organisation, although today many tasks have been handing over to the artificial intelligence but they lack judgement skills which cannot be matched with human mind.

Evolution of an employee

Past	Future
Work 9 to 5	Work anytime
Work in an office	Work anywhere and from anywhere
Use company equipment	Use your own modern gadgets and requirements
Focused on inputs	Focused on outputs
Climb the corporate ladder	Create your own ladder for career
Pre-defined work	Customized work
Hoards information	Shares information
No voice	Can become a leader
Focused on knowledge	Focused on adaptive learning

"The automation of factories has already decimated jobs in traditional manufacturing, and the rise of artificial intelligence is likely to extend this job destruction deep into the middle classes, with only the most caring, creative or supervisory roles remaining"

DEFINITIONS:

Edwin Flippo defines- Human Resource Management as “planning, organizing, directing, controlling of procurement, development, compensation, integration , maintenance and separation of human resources to the end that individual, organizational and social objectives are achieved.”

The National Institute of Personal Management (NIPM) of India has defined human resources – personal management as “that part of management which is concerned with people at work and with their relationship within an enterprise. Its aim is to bring together and develop into an effective organization of the men and women who make up enterprise and having regard for the well – being of the individuals and of working groups, to enable them to make their best contribution to its success”.

According to **Decenzo and Robbins**, “Human Resource Management is concerned with the people dimension” in management. Since every organization is made up of people, acquiring their services, developing their skills, motivating them to higher levels of performance and ensuring that they continue to maintain their commitment to the organization is essential to achieve organisational objectives. This is true, regardless of the type of organization – government, business, education, health or social action”

SCOPE OF HRM

Human Resources Planning

It is the process by which a company identifies how many positions are vacant and whether the company has excess staff or shortage of staff and subsequently deals with this need of excess or shortage.

Job Analysis Design

Job analysis can be defined as the process of noticing and regulating in detail the particular job duties and requirements and the relative importance of these duties for a given job.

Job analysis design is a process of designing jobs where evaluations are made regarding the data collected on a job. It gives an elaborate description about each and every job in the company.

Recruitment and Selection

With respect to the information collected from job analysis, the company prepares advertisements and publishes them on various social media platforms. This is known as **recruitment**.

A number of applications are received after the advertisement is presented, interviews are conducted and the deserving employees are selected. Thus, recruitment and selection is yet another essential area of HRM.

Orientation and Induction

After the employees are selected, an **induction** or **orientation program** is organized. The employees are updated about the background of the company as well as culture, values, and work ethics of the company and they are also introduced to the other employees.

Training and Development

Employees have to undergo a training program, which assists them to put up a better performance on the job. Sometimes, training is also conducted for currently working experienced staff so as to help them improve their skills further. This is known as **refresher training**.

Performance Appraisal

After the employees have put in around 1 year of service, performance appraisal is organized in order to check their performance. On the basis of these appraisals, future promotions, incentives, and increments in salary are decided.

Compensation Planning and Remuneration

Under compensation planning and remuneration, various rules and regulations regarding compensation and related aspects are taken care of. It is the duty of the HR department to look into remuneration and compensation planning.

Features of HRM

Human Resource Management as a discipline includes the following features –

- It is pervasive in nature, as it is present in all industries.
- It focuses on outcomes and not on rules.
- It helps employees develop and groom their potential completely.
- It motivates employees to give their best to the company.
- It is all about people at work, as individuals as well as in groups.
- It tries to put people on assigned tasks in order to have good production or results.
- It helps a company achieve its goals in the future by facilitating work for competent and well-motivated employees.
- It approaches to build and maintain cordial relationship among people working at various levels in the company

Integrating HR Strategy with Business Strategy

Today, human resource departments have a more precise, strategic role in companies, and an HR strategy affects the bottom line. Let us look into HR as part of a complete business strategy.

HR Strategy as Business Strategy

In real world, no margin in the sand is drawn between human resources strategy and business strategy. A successful business owner understands the strong connection between the two. Progressing human capital is essential to the longevity and success of a business.

Human resources strategy today includes executive leadership teams conferring with human resources experts to improvise complementary goals for human resources and the complete business.

HR Strategy and Business Productivity

The recruitment and selection process in human resources department is paramount to creating a productive workforce. Maintaining a workforce where employees enjoy high levels of job satisfaction and job security converts into a workforce that assists in achieving business goals.

TRENDS AFFECTING HR AND BUSINESS STRATEGY

Presently, we can say that HR technologies have become an integrated engine in advancing the broader needs of businesses, supporting far more than the basic transactions, and advancing HR and business agenda for future.

Human resources information system (HRIS) is integral to the progress of performance management, recruitment, selection. It also plays a vital role in the rejection of candidates, their promotions and postings, etc.

Interaction among Executive Leadership

The best way to cultivate a relationship between HR and C-level executives is by demonstrating the return on investment (ROI) in human resources activities and practices. This may include explaining the link between reduction in employee turnover and improvement in job satisfaction that improves the bottom line.

COMPONENTS OF HRP

The following are the components of human resource planning –

Current HR Supply

It involves a comprehensive study of human resource strength in the organization with respect to the numbers, skills, talents, competencies, qualifications, experiences, age, tenures, performance ratings, designations, grades, compensations, benefits, etc.

At this stage, the consultants may organize extensive interviews with the managers to understand the critical HR issues they face and basic workforce abilities as crucial for various business processes.

Future HR Demand

All the known HR variables like attrition, lay-offs, foreseeable vacancies, retirements, promotions, pre-set transfers, etc. are considered while selecting future HR demand. Further, specific unknown workforce temporaries like competitive factors, resignations, abrupt transfers or dismissals are also involved in the scope of analysis.

Demand Forecast

It is important to understand the business strategy and the objectives of the organization in the long run so that the workforce demand forecast is aligned to the organizational goals.

HR SOURCING STRATEGY AND IMPLEMENTATION

Sourcing strategy and implementation may involve conducting interaction programs with employees, relocation, talent acquisition, recruitment and outsourcing, talent management, training and coaching, and revision of policies. The plans are then executed taking into confidence the managers so as to make the process of execution smooth and efficient.

Even though HR Planning sounds quite simple as a process of managing the numbers in terms of human resource needs of the company, the actual exercise may include the HR manager to face many roadblocks owing to the effect of the current workforce in the company, pressure to meet the business objectives and prevailing workforce market condition.

Thus, a properly conducted process of HR Planning by an HR Consulting company helps the company in meeting its aims and objectives in a timely manner with the right HR strength in action.

Job Analysis

It is the process of identifying and choosing elaborated contents of a particular job, thus clearly defining duties, rules, responsibilities, accountabilities, and skills related to the job.

Job analysis is the process of analyzing the job — what is the demand and requirement for the job, *and not of the individual*.

The process of job analysis gives two sets of data –

- **Job description** – Job description is a written statement including complete information about what all a job holds, like job title, duties, tasks and responsibilities related to job, working conditions and hazards, reporting relationships, tools, machines and equipment to be used, and relationships with other designations.
- **Job specification** – Job specification includes particulars regarding the capabilities that an individual should possess to perform the assigned tasks efficiently. This includes educational qualification, experience, training, appropriate skills, knowledge, and abilities required to perform the job.

Job Design

Job design is a continuous and ever-evolving process that is targeted at helping employees in making adjustments with the changes at the workplace. The end goal is minimizing dissatisfaction and enhancing motivation and employee engagement at the workplace. There are various steps involved in job designing, but all these steps follow a logical sequence. Every step has its own importance and no step can be neglected during the designing process. **The sequence is given below –**

- What jobs are to be done or what jobs are a part of the job?
- How are the jobs performed?
- What amount of jobs is required to be done?
- What is the procedure of performing these tasks?

All these questions are considered while arriving upon a clear definition of a specific job, thereby making it less risky for the one performing the same. A well-defined job creates a feeling of achievement and a sense of high self-esteem among the employees.

Job Evaluation

In contrast to job specification, job evaluation specifies the relative value or worth of each job in a company by examining the task and ranking the jobs accordingly.

Job evaluation can be done by any of the following methods –

- **Points rating** – Different levels are allotted to the various elements of jobs and then the points allocated to different levels are summarized to get the point score of the jobs. It forms the basis of pay structure.
- **Factor comparison** – A comparison of different independent factors of jobs is done and points are given to each factor scale of individual job. These points are then aggregated to rank the jobs.
- **Job ranking** – A job is not broken into factors or elements; instead, it is evaluated as a complete process and is compared with other jobs. After proper evaluation, jobs are scaled accordingly.
- **Paired comparison** – Jobs are compared with each other and points are allocated depending on being 'higher, lesser or equal'. These points are added to prioritize the order of jobs. The jobs with higher priorities are given more attention as compared to others.

PERSONNEL MANAGEMENT

Personnel management deals with the managerial function of estimating and classifying human resources requirements for meeting organizational goals through people at work and their relationships with each other. Personnel Management involves strategies that ensure right number of staff, a right combination of talent, training, and performance in jobs.

DEFINITIONS

According to Edwin B. Flippo – “Personnel Management is the planning, organising, directing, and controlling of the procurement, development, compensation, integration and maintenance and separation of personnel to the end that individual, organisational and societal objectives are accomplished.”

Human Resource Management considers ‘personnel’ or ‘employees’ as ‘human resources’ and attaches them utmost importance. Besides performing the personnel functions, Human Resource Management is also concerned with development of human resources, provision of health, safety and welfare measures and ensuring better human relations.

PERSONNEL MANAGEMENT – SCOPE

The scope of personnel management is very wide and it is as follows:

1. Organizational Planning and Development
2. Staffing and Employment
3. Training and Development
4. Compensation, Wage and Salary Administration
5. Employee Services and Benefits
6. Employee Records
7. Labour Relations, and
8. Personnel Research and Personnel Audit

1. Organizational Planning and Development:

Organisational planning relates with the division of all the works to be performed at various position, department and division in such a way that they become manageable and efficient units. The integration and the coordination among the various departments and employees are the pre-requisitions. Differentiation and integration are necessary for the achievement of organisational predetermined objectives.

(i) The determination of an organisations’ needs in terms of long-term and short-term objectives, development of technology (industrial psychology and mechanical engineering) of production, deciding about the nature of product, keeping in mind the external environment.

(ii) Designing of an organisational structure by providing the authority and responsibility among the employees so that organisational goals can be effectively and efficiently achieved, and

(iii) Developing interpersonal relationship through a division of task and the formation of a homogeneous, cohesive and interactive informal group.

2. Staffing and Employment:

The staffing process is a series of events which leads to a continuous filling of positions at all levels in the organisation. This process includes manpower planning, recruitment, selection, placement, induction and orientation, promotion, upgradation, transfer, demotion and separations (resignation, retirement, discharge, disability, death, etc.).

(i) Manpower planning is a forward looking function. Manpower planning is a process of analysing the present and future vacancies that occur, may be due to sick leave, leave of absence, discharge, retirement, promotion, transfer, and an analysis of present and future expansion or contraction in the various departments. Plans are then formulated for internal shifts or contraction in manpower for advertising openings, or for recruiting and selecting new personnel, or for the training and development of present employees.

(ii) Recruitment is concerned with the process of attracting qualified and competent personnel for different jobs. This consist the identification of existing sources of the labour market, the development of new sources and the need for attracting a large number of potential applicants for a good selection.

(iii) Selection process is concerned with the evaluation of potential employees in terms of job specification. This process includes the reception of application, development of application bank, psychological test, comprehensive interview, background investigation, physical examination, final employment decision, placement and induction.

(iv) Placement is concerned with providing the position according to job description; his/her job specification and personality needs.

(v) By induction/orientation it means the introduction of an employee to the organisation and the job by giving him all the possible information about the organisation's history, philosophy, objectives, policies, and procedures, methods of production, future development opportunities, goodwill of the company in the market, authority and responsibility as well as superior and subordinates of that particular employee.

(vi) Transfer process is concerned with the shifting of an employee from one position to another in which his ability can be best utilised. This is done by developing transfer policy, counselling employees and line management on transfers and evaluating transfer policies and procedures.

(vii) Promotion is concerned with rewarding capable employees by providing them higher position, responsibility and high pay scale. They are providing promotion either on merit basis or on performance basis. For this, a fair, just and equitable promotion policy and procedure have to be developed. Line managers and employees have to be advised on these policies, and

(viii) Separation process is concerned with the resignation; lay-off, disability, discharge or retirement. Exit interviews of employees are arranged and advice is given to the line management on the causes of reduction in labour turnover.

3. Training and Development:

It is a very difficult process and it is concerned with increasing knowledge, capabilities, skills, talent, thinking power, decision making ability, logical ability of individuals and groups so that they may contribute effectively and efficiently to the achievement of an organisational goals.

This process covers the following aspects:

- (i) Training is a learning experience, in that it seeks a relatively permanent change in an individual that will improve his or her ability to perform on the job.
- (ii) Management development activities attempt to instil sound reasoning process to enhance one's ability to understand and interpret knowledge rather than imparting a body of serial facts or teaching a specific set of motor skills. So, development focuses more on the employee's personal growth.
- (iii) The determination of training needs at all levels, employee counselling and communication and programmes for managerial, professional and employee development, and
- (iv) Self-initiated developmental activities (formal education), reading and participation in the activities (seminar and conference), school/college/professional institutions.

This area covers the training needs of the company that are identified at each level, suitable training programmes are developed, the services of trainers are enlisted, workers and executives are identified for training, motivation and guidance are provided for joining training programmes, the line manager is advised in conducting training programmes. The effectiveness of training programmes has to be evaluated by follow-up.

4. Compensation, Wage and Salary Administration:

It is concerned with the remuneration to the employees for services rendered and motivating them to attain the performance.

The components of these processes are as follows:

- (i) Job evaluation through which the relative worth of a job is determined. This is done by selecting perfect job evaluation technique, analysing and dividing jobs into various categories and then determines their relative value in various categories.
- (ii) Wage and salary programme consists of developing and conveying a suitable wage and salary programme. There are several factors influencing wage and salary administration such as organisation's ability to pay, supply and demand of labour, the cost of living, prevailing market rate, the living wage, productivity, trade union's bargaining power, job requirement, managerial attitudes, skill levels available in the market and psychological and social factors. On the basis of these factors, wage and salary rates have to be determined and implemented and their effectiveness evaluated.
- (iii) The incentive plan includes non-monetary incentives which have to be developed, administered and reviewed time-to-time for motivating the employee. Non-monetary incentives include housing facility, canteens, school and recreational facility, transportation facility, etc.
- (iv) The performance appraisal is related with evaluating employee performance at work in terms of predetermined standards in order to develop a sound and effective system of rewards, punishment and identifying employees' eligibility for promotions. For this purpose, performance appraisal plans,

programmes and techniques are identified, their implementation evaluated and reports are submitted to the concerned authorities.

(v) Motivation is concerned with motivating employees by creating such a condition that they may get social and psychological satisfaction. For that, a programme for non-monetary incentives (like higher responsibility, recognition, symbol of status) is formulated, communication system is developed to solve the problems and for building of a healthy interpersonal relationship, morale and attitude surveys are undertaken and the health of human organisation diagnosed. The line management has to be advised on the implementation of the plan and the way of improving the morale of employees.

5. Employee Services and Benefits:

These aspects are concerned with the process of sustaining and maintaining the workforce in an organisation.

They include the following areas:

(i) Safety provision inside the factory. For this purpose, policies, techniques, procedures for the health and safety of the employees are developed, the line management is advised on implementation of safety programmes, and training has to be given to workers in safety practices, the causes of accidents have to be investigated and the effectiveness of the safety programmes evaluated periodically.

(ii) Employee counselling and communicating are the process through which employees are given counsel in solving their work-related problems, mental problems and personal problems. The line management has to be advised on the problems which may occur frequently.

(iii) The medical services include the provision of preventive medical, safety and health improvement facilities for employees. A periodical medical check-up of employees, training in hygienic and preventive measures are undertaken. Safety measures are also provided like glove, goggles, helmet, etc.

(iv) The welfare facilities include recreational services like entertainment activities, sports and games, film show, etc. Welfare facilities also covers housing, educational facility, canteen, transport. Suitable policies and programmes are framed and efforts are made to administer these services satisfactorily. The effectiveness of such programmes has to be assessed.

(v) Fringe benefits and other additional items are made available to employees are as follows-

a. Old-age benefit like pension, gratuities, provident fund, unemployment and women's maternity compensation,

b. Sickness benefit, accident benefit, insurance, medical facility, hospitalisation facility, voluntary retirement benefits,

c. Paid rest periods, travel time, etc.

d. Paid vacation or bonus in lieu of vacation, paid sick and maternity leave, payment for holidays, and

e. Profit-sharing benefits, employees' educational and training expenditure and special wage payments ordered by the labour courts.

These benefits are given to employees for maintaining employees, to provide them social security and to reduce absenteeism and labour turnover. Policies and programmes for implementing these have to be properly assessed.

6. Employee Records:

Complete and up to date information is maintained about employees so that these records may be utilised at the time of transfer, promotion, demotion, giving merit pay or sanctioning leave at the time of termination of service/retirement.

Such records covers information regarding education and qualification, performance of psychological test and interviews, job performance, leave, present, absent, number of hours worked, promotions, rewards and punishments.

7. Labour Relations:

Labour relations means the maintenance of healthy and peaceful labour-management relations in order to run smooth and uninterrupted flow of work/production.

Labour relations area covers the following aspects:

- (i) Grievance handling policy and procedures are developed, after finding out the nature and causes of grievances/problems and locating the area of dissatisfaction. Collective bargaining has to be developed so that all the grievances may be settled through mutual understanding and discussion. Such bargaining and administering agreement relating to wages, working conditions and living conditions, leave, non-monetary facilities and employee-employer relationship.
- (ii) Rules and regulations are framed for the maintenance of discipline in the organisation and a proper system of reward and punishment can be developed.
- (iii) Efforts are made to acquire knowledge of the labour laws of the country and acquaint the line management with the provisions which are directly concerned with organisation.

8. Personnel Research and Personnel Audit:

These aspects are concerned with the following areas:

- (i) A systematic inquiry into any aspect like how to enhance an organisation's personnel programmes consisting of recruitment, selection, placement, training and development, wages and salary, etc.
- (ii) Data relating to quality, productivity, labour turnover, grievances, absenteeism, strike, lockout, wages, accidents, etc., which are observed and supplied to the top managements.
- (iii) Policy, procedures, findings and feedback submitted to the top executives so that it may alter or improve existing personnel policies and procedures.
- (iv) Morale, attitude and interest surveys.

In large organisations, some of these functions are performed by persons other than personnel department.

Personnel Management – Nature and Characteristics

a. Continuous Nature:

Personnel function is of a continuous nature. "It cannot be turned on and off like water from a faucet; it cannot be practiced only one hour each day or one day a week. Personnel Management requires a constant alertness and awareness to human relations and their importance in everyday operation." —

Terry

Some persons require constant reminders for taking work from them. There are some others who would work efficiently after receiving a word of praise or a pat on the back. Besides, it is necessary that there should be a system which continuously guides the workers in the proper use of technological innovations.

b. Principles:

Personnel Management is based on certain guiding principles. These principles form the basis of organising and treating the workers and also provide a set of techniques for the various activities of the Personnel Department. These techniques help in recruitment, selection, training, wage payment systems, incentives, etc.

c. Team Spirit:

Personnel Management aims at strengthening the team spirit. Isolated individuals cannot contribute substantially towards the achievement of the objectives. Personnel Management infuses team spirit among workers and managers.

d. Optimum Output:

Personnel Management helps in getting the most suitable persons for various jobs in the organisation, arranges for their training and places them at jobs for which they are most suited. It is concerned with improving efficiency of the employees and getting the best results from the human efforts.

Objective: Primary and Secondary Objectives

One of the principles of management is that all the work performed in an organisation should, in some way, directly or indirectly, contribute to the objectives of that organisation. This means that the determination of objectives, purposes or goals is of prime importance and is a prerequisite to the solution of most management problems. Objectives are pre-determined ends or goals at which individual or group activity in an organisation is aimed.

The formulation of the objectives of an organisation is necessary for the following reasons:

- (i) Human beings are goal-directed. People must have a purpose to do some work. Announced organisational goals invest work with meaning.
- (ii) Objectives serve as standards against which performance is measured.
- (iii) The setting of goals and their acceptance by employees promotes voluntary co-operation and co-ordination; self-regulated behaviour is achieved.
- (iv) The objectives stand out as guidelines for organisational performance. They help in setting the pace for action by participants. They also help in establishing the “character” of an organisation. Ralph C. Davis has divided the objectives of an organisation into two categories- (a) Primary objectives, and (b) Secondary objectives.

Objective # 1. Primary Objectives:

Primary objectives, in the first instance, relate to the creation and distribution of some goods or services. The personnel department assists those who are engaged in production, in sales, in distribution and in

finance. The goal of personnel function is the creation of a work force with the ability and motivation to accomplish the basic organisational goals.

Secondly; they relate to the satisfaction of the personal objectives of the members of an organisation through monetary and non-monetary devices. Monetary objectives include profits for owners; salaries and other compensation for executives; wages and other compensation for employees; rent for the landowners and interest for share/stock-holders.

Non-monetary objectives include prestige, recognition, security, status, Thirdly, they relate to the satisfaction of community and social objectives, such as serving the customers honestly, promoting a higher standard of living in the community, bringing comfort and happiness to society, protecting women and children, and providing for aged personnel.

Objective # 2. Secondary Objectives:

The secondary objectives aim at achieving the primary objectives economically, efficiently and effectively.

The fulfilment of the primary objectives is contingent upon:

- (i) The economic need for, or usefulness of, the goods and services required by the community/society.
- (ii) Conditions of employment for all the members of an organisation which provide for satisfaction in relation to their needs, so that they may be motivated to work for the success of the enterprise.
- (iii) The effective utilization of people and materials in productive work.
- (iv) The continuity of the enterprise.

The methods adopted by business organisations in fulfilling the primary purposes must be consistent with the ethical and moral values of society and with the policies and regulations established by legislative action.

On the personnel men lies the responsibility for ensuring a satisfactory accomplishment of the objectives of an organisation and of its employees, for if they are not reasonably achieved, the basic objectives of the organisation will suffer. It is for this reason that, while framing company personnel objectives care is taken to consider the interests and needs of the employees and of employee goals. This is done by integrating the employee interests and the management interests with a view to achieving the objectives of the entire organisation.

Personnel Management – Role of Personnel Manager

Personnel Department comes into the picture as a service department to the management in recruitment, induction, placement, merit rating, promotions, transfers and training. The personnel manager is a staff officer whose function is to provide specialised services to the line officers and advice and counsel them on personnel problems. Looked at in this light, a personnel manager has to advise the line manager, the final decision resting with the latter.

The classical or traditional view, therefore, is that the staff shall advice and the line shall decide. But the line of demarcation between line and staff functions, that is to say between deciding and advising is a thin one. When advice is accepted it becomes the basis of decision-making. The staff advisory authority really assumes the role of decision-making when the line has known from experience the sanctity and practicality of the advice.

Most of the time the line executives have no time to decide on staff advice and generally accept it as decision in toto because of the staff advisers' technical competence in their specialities. In this manner, the personnel officer, by virtue of his sound and practical advice, acquires the status of a decision maker on behalf of the line officer concerned who will welcome such technical assistance.

In organisations where the personnel function has established its technical competence and professional expertise, the advisory relationship at the plant and corporate levels has almost always resulted in decision-making authority on behalf of line management and general management of the organisation. In studies at Princeton University by Helen Baker and Robert France and at MIT by Charles Myers and John Turnbull, it was found that personnel officers would define their capacity as one of giving advice, assistance and counsel to the line organisation, but when questioned about their specific actions, it became apparent that they were actually making the decisions.

When this is the situation in an advanced management setting such as the USA, it is much more relevant in our own developing management practice. Here, personnel function cannot afford to remain merely advisory but has to assume many diverse roles in working with the line according to the exigencies of the organisation, its management philosophy and the industrial environment.

The activities of personnel department are thus directed towards making line control of the human element stronger and more effective. The personnel manager should rank equally with the other executives, operating under the supervision and directly responsible to the Chief executive.

Personnel Management–Functions: Managerial and Operative Functions

The functions of personnel management are broadly divided into two categories such as managerial functions and operative functions.

1. Managerial Functions:

Management is a process of allocating the organization's inputs both economic and human by planning, organizing, leading, and controlling for the purpose of producing goods and services as desired by the customers so that the organization becomes able to achieve its goal. The managerial functions include planning, organizing, leading and controlling.

i. Planning:

A plan refers to a pre-determined course of action to accomplish the set of objectives of the organization. It specifies what and how operative personnel functions are to be performed and who is to perform it. This function deals with the determination of the future course of action to achieve desired results.

Planning of personnel today prevents crisis tomorrow. Planning is the foundation of most successful actions of the enterprise. The personnel manager is expected to determine the personnel programme regarding recruitment, selection, and training of employees.

ii. Organizing:

This function is concerned with proper grouping of personnel activities, assigning of different activities to different individuals and delegation of authority.

iii. Directing:

This involves supervising and guiding the personnel. In other words it involves managing managers, managing workers and the work through the means of motivation, proper leadership, effective communication as well as co-ordination. While achieving results, the personnel managers must, invariably take care of the concerns and expectations of employees at all levels. A personnel manager must develop the ability to command and direct others.

iv. Motivating:

Motivation is the key to successful management of any enterprise. A personnel manager must inculcate in the workers a keen appreciation, respect and love for organizational policies.

v. Controlling:

Control is the process of measuring actual results with some standard of performance, finding the reason for deviations of actual from desired results and taking corrective actions if necessary. This function ensures that the activities are being carried out in accordance with stated plans to achieve the objectives of the organization.

2. Operative Functions:

The operative functions essentially belong to activities concerned with procuring, developing compensating, utilizing and maintaining an efficient workforce.

i. Procurement:

Procurement function deals with recruiting the required number of employees with necessary qualification, skill and experience in order to achieve the goal of the organization effectively. It is mainly concerned with hiring the right people, in the right place, at the right time.

This function involves various sub functions such as:

a. Human Resource Planning:

It is the process by which the management determines how the organization should move from its current manpower position to its desired manpower position. Through planning, management strives to have the right number and the right kinds of people, at the right places, at the right time, doing things which result in both organization and the individual receiving maximum long-run benefit.

b. Job Analysis:

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

c. Recruitment:

It is the process of identifying and generating a pool of potential candidates and motivating them to apply for existing or anticipated job openings.

d. Selection:

Selection refers to the process of picking individuals, from the pool of qualified candidates, who have required qualifications to fill jobs in an organization. It is the way by which an organization chooses from a list of applicants the person (s) who best meets the selection criteria for the position available, considering current environmental conditions.

e. Placement:

It is the process of assigning a specific job, rank and responsibility to each of the selected candidates. It implies matching the requirements of a job with the candidate's qualifications, skills, abilities, and their expectations towards the organization.

f. Induction/Orientation:

After an employee is selected and placed on an appropriate job, the process of familiarizing him with the job and the organization starts. This is known as induction/orientation, the process through which a new recruit is introduced into the job.

g. Internal Mobility:

It involves the movement of employees from one job to another in the same organization. Internal movements are basically of two types horizontal and vertical. Horizontal movements are between locations and divisions within the same category or level of manpower which are caused by transfer. Vertical movements are caused by either promotion or demotion.

ii. Development:

Development functions deal with the personal and professional development of the employees. It is concerned with activities meant to improve, mould, change and enhance the knowledge, skills, and efficiency of the workers based upon the current and future requirement of the organization.

a. Training:

Training is the act of increasing the knowledge and skills of an employee for performing a particular job by updating the knowledge, developing skills, bringing about attitudinal and behavioural changes, and improving the ability of the trainee to perform his/her tasks efficiently and effectively.

Hence personnel management is concerned with drafting and directing training programmes for all levels of employees, arranging for their on- the-job and off-the-job training, holding seminar and conferences etc.

b. Executive Development:

It is a planned, systematic and continuous process of learning and growth by which managers are able to enhance their conceptual and analytical skills, which help them in managing their employees in a better way. It is primarily concerned with improving the performance of managers by giving them stimulating opportunities for growth and development.

c. Career Planning and Development:

A Career is the pattern of work-related experiences (i.e. job positions, job duties, decisions, and subjective interpretations about work-related events) and activities over the span of the person's work life. Career planning involves planning of an employee's career and implementing career plans by means of education, learning and training.

Career development refers to a set of activities or programme designed to match an employee's needs, abilities and goals with current or future opportunities within organization.

d. Human Resource Development (HRD):

HRD is a process by which the employees of an organization are helped to help themselves and develop the organization.

iii. Motivation and Compensation:

Motivation (both intrinsic and extrinsic) and compensation have the greatest role to play for employees in the organization. It is said that the employee who is highly motivated and adequately compensated (cash or kind) can give the best effort to achieve organizational effectiveness and efficiency.

This function includes various sub functions such as:

a. Job Design:

It is the work arrangement (or rearrangement) aimed at reducing or overcoming job dissatisfaction and employee alienation arising from repetitive, monotonous and mechanistic tasks.

Through job design, organizations try to raise productivity levels by offering non-monetary rewards such as greater satisfaction from a sense of personal achievement in meeting the increased challenge and responsibility of one's work. Job enlargement, job enrichment, job rotation, and job simplification are the various techniques used in a job design exercise.

b. Work Scheduling:

Redesigning the nature of the work itself is not the only way to motivate the employees. Alternation of the work arrangement (work scheduling) is another way to motivate the employees. There are basically three ways to alter the work arrangement which are-flexitime, job sharing and telecommuting.

c. Job Evaluation:

It is the process of analysing and assessing the various jobs systematically to ascertain their relative worth in an organization. Jobs are evaluated on the basis of their contents and are placed in the order of their importance.

d. Performance Management:

It is the process of planning performance, appraising/ evaluating performance, giving its feedback, and counselling an employee to improve his/ her performance.

e. Compensation Administration:

It is the process of deciding how much an employee should be paid (basic wage, incentives and benefits like fringe benefits, social security measures, workmen's compensation and welfare amenities) on the basis of his/her skill, experience, nature of the job, position in the organizational hierarchy and work load.

One of the important objectives of compensation administration is to attract, develop, motivate and retain competent employees for achieving the goals of organization in an effective and efficient manner.

iv. Maintenance:

This function deals with sustaining and improving the conditions in the organization that have become established. The objectives of maintenance function are to protect and preserve the physical and psychological health of employees through various welfare measures.

This function includes various sub functions such as:**a. Health and Safety:**

A healthy organization is free from illness and follows all the safety norms and regulations strictly. Hence this function requires that managers at all levels are expected to know and enforce safety and health standards throughout the organization for maintaining the well being of the employees.

b. Employee Welfare:

This function includes the efforts to make life worth living for workmen by providing both intramural and extramural welfare facilities. Intramural facilities include canteen, drinking water, first aid, creche, common room etc. Extra mural welfare facilities include housing, transportation, education, schooling, theater etc.

c. Social Security Measures:

This function includes provision of social security measures to the employees in addition to fringe benefits. Social Security is an instrument for social transformation and progress and must be preserved, supported and developed as such. It helps men and women get social benefits and get free from anxiety for tomorrow, which in turn make them more productive.

The various measures are workmen's compensation to those workers(or their dependents) who are involved in accidents (Workmen's Compensation Act, 1923), maternity benefits to women employees (Maternity Benefit Act,1961),sickness and medical benefits (Employment State Insurance Scheme,1948),measures for old age, invalidity and death (Employment Provident Fund Scheme,1925,- Coal Mines Provident Fund Bonus Scheme, 1948; Employees Provident Fund Act,1952; Employees Family Pension Scheme, 1971; The Assam Tea Plantation Provident Fund Act, 1965; and The Seamen's Provident Fund Act,1966), and other measures [The Survivorship Pension Scheme, 1971;The Lay-off and Retrenchment Compensation (Industrial Dispute Act, 1947 with amendment in 1953)]

v. Integration Function:

This tries to integrate the goals of an organization with employees' aspirations through various employee-oriented programmes with the objective of achieving goal compatibility. Hence personnel management tries to achieve reconciliation of individual, societal, and organisation interests.

This function includes various sub functions such as:

a. Grievances Redressal:

A grievance is an employee's dissatisfaction or feeling of personal injustice relating to his/her employment. Organizations try their level best to reduce the intensity of grievance among the employees either by open door policy or step ladder method.

b. Discipline:

It is the force or instrument that induces the group or the individual to follow rules, regulations, standards and procedures necessary for the smooth running of an organization. Discipline can be positive (employees comply with rules and regulations out of an inherent desire to cooperate with the system of the organization) or negative (employees follow rules and regulations out of fear of punishment).

c. Collective Bargaining:

It is a methodology adopted by the organizations, in which both the employers and the workers collectively resolve their differences with or without the intervention of a third party. Collective bargaining is a procedure by which the terms and conditions of workers are regulated by agreements between their bargaining agents and employers.

Both the employer and the employees usually begin the process with divergent views but ultimately try to reach a compromise, making some sacrifices. As soon as a compromise is reached, the terms of agreement are put into operation.

d. Trade Unionism:

It is a continuous association of wage earners with the objective 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 employees and employers or between employees and employees, or between employers and employees, or for imposing restrictive conditions on the conduct of any trade or business, and includes any federation of two or more trade unions.

e. Employee Participation and Empowerment:

It is the process whereby employees are involved in decision making processes, rather than simply acting on orders. Employee participation is a part of process of empowerment in the workplace. Empowerment involves decentralizing power within the organization to individual decision makers further down the line.

f. Team and Team work:

Team is a group whose individual efforts result in performance that is greater than the sum of the individual inputs. The various types of team that operate in organizations are problem-solving teams, self-managed work teams, cross-functional teams, and virtual teams. Organizations believe in team work to enhance their productivity.

g. Industrial Relations:

It involves harmonious relations between employers and employees, employees and employees and employers and government. Improper industrial relations lead to dissatisfaction and discontent among the parties and require intervention of various dispute prevention and settlement mechanisms.

vi. Upcoming Issues:

Human resource management is a continuous and dynamic process. It requires constant up-gradation as per the industry demands.

Personnel Management – Policies (With Characteristics and Advantages)

Personnel policy statements are detailed guidelines regarding the manpower management principles and practices pertaining to an organization. The personnel policies of an organization tend to vary from industry to industry and the nature of the business.

They provide the fundamental guidelines regarding the procurement, management, retention, development of manpower in the organization and facilitate the organization to maintain cordial employee relationships, welfare activities of the employees and effective trade union management relationships at the workplace.

Characteristics of an Effective Personnel Policy:

The personnel policies of an organization have the following features, namely:

1. Relatedness to Objectives – The personnel policies help organizational members and managers to have their focus on the organizational objectives and help them to achieve the organizational goals by having the right people with right form of skills and capabilities for the right positions in the organizations.

2. **Preciseness** – Personnel policies like any other organizational policies and strictly precise, objective in nature. They aim to realize the best potential of human resources in the organization, by encouraging them to higher performance levels, fostering training and development. They also decide the framework for reward and incentive schemes for employees catering to their motivation and retention in the organization.
3. **Factual** – The personnel policies are based on facts and figures that are relevant to the organization and the industry standards, norms, rules and regulations. Personnel policies also take into consideration the statutory compliance frameworks and develop comprehensive guidelines for the organizations to adhere to the same.
4. **Easily Understandable** – Personnel policies are generally simple; easily understandable to employees at all levels in an organization.
5. **Stable and Flexible** – Personnel policies are generally stable in nature; yet they are flexible to changes in cases of impending organizations changes and administrative requirements.
6. **Appropriateness** – All personnel policies are appropriate and factual in nature. They form the basis of managerial decision making with respect to personnel decisions as well as disciplinary guidelines for the employees in the organization. The personnel manual as maintained by most organization is based on such appropriate and factual information regarding the company's personnel activities.
7. **Just, Fair and Equitable** – Any personnel policy by their very nature attempt to be fair, justifiable, rational, equitable and transparent in their very design and applicability.
8. **Reasonable** – Personnel policies are reasonable in terms of decisions taken by the management based on actions or fact and figures related to an organization.
9. **Reviewable** – Personnel policies are reviewable and changeable as and when required by the organization.
10. **Development Oriented** – Personnel policies should emphasize on the overall development of the employees, catering to their training as well as career related development needs.

Advantages of Personnel Policy:

The common advantages of having a personnel policy involve the following benefits:

1. **Delegation** – Personnel policies ensure a framework for delegation of authority in terms of responsibilities of employees working at various levels of the organization.
2. **Uniformity** – Personnel policies also facilitate the uniformity of personnel related decisions in organizations and provide a guideline for line managers and supervisors for managing employees at the workplace. They also form the basis of discipline and grievance management and help the managers of an organization to take decisions with respect to dispute settlement and union related problems.
3. **Better Control** – Personnel policies facilitate better control to managers in terms of solving work related problems, settling grievances, disputes and maintaining a uniform code of conduct and discipline in the workplace.
4. **Standards of Efficiency** – Many personnel policies also determine the standards of employee performance and efficiency indicators in organizations.

5. Confidence – Personnel policies can instil an element of confidence amongst the employees by indicating the guidelines for various reward, incentive schemes and promotional as well as career upliftment opportunities in the organization.

6. Speedy Decision Making – Personnel policies also promote speedy decision making with respect to manpower related decisions like payment of increments, bonus, promotions, transfers etc.

7. Coordination – Personnel policies facilitate interdepartmental coordination, delegation of authority. It also acts as a guideline for managing union relations.

Difference Between Personnel Management and Human Resource Management

BASIS FOR PERSONNEL COMPARISON	PERSONNEL MANAGEMENT	HUMAN RESOURCE MANAGEMENT
Meaning	The aspect of management that is concerned with the work force and their relationship with the entity is known as Personnel Management.	The branch of management that focuses on the most effective use of the manpower of an entity, to achieve the organizational goals is known as Human Resource Management.
Approach	Traditional	Modern
Treatment of manpower	Machines or Tools	Asset
Type of function	Routine function	Strategic function
Basis of Pay	Job Evaluation	Performance Evaluation
Management Role	Transactional	Transformational
Communication	Indirect	Direct

**BASIS FOR PERSONNEL
COMPARISON MANAGEMENT**

HUMAN RESOURCE MANAGEMENT

Labor Management	Collective Bargaining Contracts	Individual Contracts
Initiatives	Piecemeal	Integrated
Management Actions	Procedure	Business needs
Decision Making	Slow	Fast
Job Design	Division of Labor	Groups/Teams
Focus	Primarily on mundane activities like employee hiring, remunerating, training, and harmony.	Treat manpower of the organization as valued assets, to be valued, used and preserved.

Environment of HRM

Environment comprises all those forces which have their bearing on the functioning of various activities, including human resource activities. Environment scanning helps HR manager to become pro-active to the environment which is characterized by change and intense competition. There are two types of environment which operates and have bearing on human resources.

Internal Environment

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

Trade Union:

Trade Unions are formed to safeguard the interest of its member workers, HR activities like recruitment, selection, training, compensation, industrial relations and separation are carried out in consultation with trade union leaders. Various activities of trade unions have a bearing on the HRM.

Organizational culture and conflict:

As individuals have personality, organizations have cultures. Each organization has its own culture, which it cherishes and wants to retain and follow faithfully. Culture is some core values and beliefs cherished by the members of the organization. The Reliance Industries Ltd., has “value for time”, as its core culture. Tatas have the core culture of “get the best people and set them free”. HR practices that best fit the organization’s culture need to be implemented. Conflict usually surfaces because of dualities such as personal goal, vs. organizational goal, discipline vs. duties etc. Such conflicts have their bearings on HR activities in an organization.

External Environment

External environment also exerts considerable influence on HRM. External environment includes economic, political, technological and demographic factors.

Economic Factors

Economic forces such as growth rate and strategy, industrial production, national and per-capita incomes, money and capital markets, competitions, industrial labour and globalization have impact on HRM policies. Growing unemployment and reservations in employment also affect the choice for recruitment and selection of employees in organizations.

Political Factors

The total political environment is composed of legislature, executive and judiciary and all of them have impact on placement, training retention and maintenance of employees.

HRP: HUMAN RESOURCE PLANNING

Meaning Human Resource Planning:

Human resource is the most important asset of an organisation. Human resources planning are the important managerial function. It ensures the right type of people, in the right number, at the right time and place, who are trained and motivated to do the right kind of work at the right time, there is generally a shortage of suitable persons.

Definition Human Resource Planning:

According to **Coleman**, "Manpower planning is the process of determining manpower requirements and the means for meeting those requirements in order to carry out the integrated plan of the organisation".

According to **Jeisler**, "Manpower planning is the process including forecasting, developing and controlling— by which a firm ensures, it has the right number of people and the right kind of people and at the right places at the right time doing things for which they are economically most useful"

According to **Dale S. Beach**, "Human resource planning is a process of determining and assuring that the organisation will have an adequate number of qualified persons, available at the proper times, performing jobs which meet the needs of the enterprise and which provide satisfaction for the individuals involved."

Features of Human Resource Planning:

From the study of various definitions, the following features of human resource planning can be derived:

1. Well Defined Objectives:

Enterprise's objectives and goals in its strategic planning and operating planning may form the objectives of human resource planning. Human resource needs are planned on the basis of company's goals. Besides, human resource planning has its own objectives like developing human resources, updating technical expertise, career planning of individual executives and people, ensuring better commitment of people and so on.

2. Determining Human Resource Needs:

Human resource plan must incorporate the human resource needs of the enterprise. The thinking will have to be done in advance so that the persons are available at a time when they are required. For this purpose, an enterprise will have to undertake recruiting, selecting and training process also.

3. Keeping Manpower Inventory:

It includes the inventory of present manpower in the organisation. The executive should know the persons who will be available to him for undertaking higher responsibilities in the near future.

4. Adjusting Demand and Supply:

Manpower needs have to be planned well in advance as suitable persons are available in future. If sufficient persons will not be available in future then efforts should be made to start recruitment process well in advance. The demand and supply of personnel should be planned in advance.

5. Creating Proper Work Environment:

Besides estimating and employing personnel, human resource planning also ensures that working conditions are created. Employees should like to work in the organisation and they should get proper job satisfaction.

HR Planning Process Involves the Following Steps

1. Define the HR Planning Goal

It is fundamental to align the HR practices to the business goals at large. Human resource planning that does not encompass the holistic vision and mission of the business function is unstructured and unreliable.

So the best practice involves setting out a clear objective guideline to know what are your Human Resource Planning goals. This may include:

- Goals around building a strong recruitment strategy.
- Fostering positive **employee relations**
- Enabling positive work culture.
- Creating an attractive **employee benefit** plan.

A SWOT analyzing your organization's employee capability is also a beneficial exercise at the beginning to map your Human Resource Plan accordingly.

2. Analyze The Current HR Supply

The foremost step in an effective Human Resource Planning is to analyze and assess the current resource availability and strength. It involves an exhaustive study of the human resource of the organization in terms of skills, qualifications, experience, age, tenure, performance, designations, compensation, benefits, etc.

Extensive meeting sessions with managers and top leaders can help you identify the critical HR issues that they face and the impact on the business growth consequently.

3. Forecast the HR Demand

Analyzing the future manpower requirements of the business is a significant step in HR Planning. There are no absolute and objective conclusions to it but a forecast can be built around known factors like attrition, lay-offs, retirements, promotions, etc. Further, there could also be uncertain factors and situations like resignations, abrupt transfers, etc affection your employee **retention rate**, which are integral to study from the scope of analysis.

There are broadly two types of forecasting analysis that can help understand the future workforce demands.

- **Qualitative:** This includes analyzing behavioral and performance-related issues and impacts. Forecasting through manager discussions and perspectives around **employee engagement** and involvement.
- **Quantitative:** This is more statistical and objective analysis. e.g demand as the ratio of production achieved divided by the number of workers deployed, work-study analysis, etc.

Here, it is also essential to understand the business strategy and objectives in the long run so that the workforce demand forecast is aligned to the organizational goals.

4. Know the Gaps

Once the demand forecast is complete and you are ready with the blueprint of future needs, you will be able to identify the gaps against the previous study of the availability of resources. Study the gaps and identify if you need to fulfill the manpower needs through hiring full time, part-time or contractual labors according to the business goal strategy.

5. Human Resource Planning Strategy And Implementation

(a). Planning Stage

After reviewing the existent gaps between the demand and supply, it is time to create a sound plan of action that determines to fill the needs and meet the forecasts. Determine

whether to hire, train or outsource manpower to meet the requirement and also create a buffer. To manage surplus, you can consider voluntary retirement, internal transfers, relocation or redeployment.

Training and up-gradation can also be used as an additional strategy to build internal capability resource. Training is not only an **effective retention strategy** but also serves your purpose to create a future-ready workforce with the required skill set.

A Simple Plan will include:

- Defining goals and objectives
- Action required with desired outcomes and the resources to be used.
- Defining timelines to achieve the outcomes.
- Scope of periodic review of the plan to know the progress.

(b). Implementation Stage

Implementing any strategy from paper to practice is the most challenging and daunting task. Many organizations fail to deliver when it comes to execution. Take your managers into confidence to make the implementation process smooth. Follow one step at a time to absorb and handle any unexpected resistance or challenge that you may face from employees. Give gradual conditioning to the execution plan so that your employees get to acclimate to the changes.

Also, ensure that all necessary legal compliances and regulations are taken into consideration while implementing the Human Resource planning strategy to avoid any glitches.

6. Review, Feedback, and Control

The process of successful Human Resource Planning is ongoing. It is important to have a frequent review of the actionable plan to know if your strategy is moving in the right direction and meeting the goals and objectives. Monitor the progress of your plan regularly to mitigate any risks of failure. Create a handy and objective **project management** sheet to analyze and monitor the action plan to achieve this.

PROBLEMS IN HRP PROCESS

- a) **Inaccuracy:** Human Resource Planning is entirely dependent on the HR forecasting and supply, which cannot be a cent per cent accurate process.
- b) **Employee resistance:** Employees and their unions feel that by Human Resource Planning, their workload increases so they resist the process.
- c) **Uncertainties:** Labour absenteeism, labour turnover, seasonal employment, technological changes and market fluctuations are the uncertainties which Human Resource Planning process might have to face.
- d) **Inefficient information system:** In Indian industries, HRIS is not much strong. In the absence of reliable data it is not possible to develop effective Human Resource Planning.
- e) **Time and expense:** Human Resource Planning is time consuming and expensive exercise, so industries avoid.

Human Resource Planning Methods

To achieve organizational goals, human resource planning must use employee recruiting, development and retention. It must also analyze the current workforce and consider how it aligns with future employment needs. Attracting, training and retaining quality employees allows human resources to use different types of planning to meet future workforce requirements.

Workforce Forecasting

To satisfy the organization's strategic objectives, human resources needs to consider what kind of workforce will be needed in the future. Workforce forecasting is a major component of human resource planning, and involves analyzing its current workforce and comparing it to future requirements to discover what gaps and surpluses exist.

Recruiting

Achieving strategic objectives through the human resource element involves attracting and recruiting quality employees. Benefits, compensation, organizational structure and employee growth or advancement are key elements for finding and hiring good employees. Planning the recruiting process with these elements in mind will assist with future employee selection.

Development

Development, or training, is a type of human resource planning that focuses on how it can improve the current and future workforce. Training and development programs improve both specific work-related skills and more general skills like customer service or sales training. Training and retraining programs can also focus on reducing current and future liability issues related to workplace safety.

Retaining

Planning for the retention of employees can be an arduous task, as it is difficult to prevent employees from looking at other employment opportunities. Human resources can help to reduce this likelihood by planning retention programs that focus on employee recognition, rewards, advancement or growth, a work-life balance and employee benefits.

Advantages of Human Resource Planning

1. Improvement of Labour Productivity:

Manpower or human resources as a factor of production differs from other factors of production. As it is subject to its free will, the productivity of labour can be improved if the workers are kept satisfied.

In other words, just as satisfied workers can be productive, dissatisfied workers can be destructive. Therefore, through proper human resource planning we can improve the morale of the labour and improve labour productivity.

2. Recruitment of Qualified Human Resources:

Talented and skilled labour has become a scarce resource especially in developing countries. Therefore, for the long run survival of the firm, it is essential to recruit the best labour force through proper manpower planning.

3. Adjusting with the Rapid Technological Change:

With the change in technology, the job and job requirements are also changing. Therefore, it is necessary to forecast and meet the changing manpower, which can withstand the challenges of the technological revolution. This can be done only through effective manpower planning.

4. Reducing Labour Turnover:

The labour turnover refers to the mobility of labour out of the organisation due to various factors such as dissatisfaction, retirement, death etc.

Due to labour turnover, a firm will be losing experienced and skilled labour force. This loss can be minimised only through efficient manpower planning.

5. Control over Recruitment and Training Cost:

Highly skilled personnel are in short supply and it is very costly to hire, train, and maintain them. A company has to incur heavy costs in processing the applications, conducting written tests, interviews etc., and in the process of providing adequate training facilities.

6. Mobility of Labour:

Today, it is very difficult to maintain the qualified personnel in an organisation as they will be moving from one job to another in search of better prospects. In a free society, human beings enjoy unrestricted mobility from one part of the country to the other. Therefore, in order to reduce the loss of experienced and skilled labour, every organisation must have a sound system of manpower planning.

7. It can Facilitate Expansion Programmes:

In these days of rapid industrial development, every company goes for expansion of its activities. As a result of the increasing company size, the demand for human resources also increases. This necessitates proper manpower planning so as to ensure the continued supply of the required manpower for the firms' activities.

8. To Treat the Manpower like Real Corporate Assets:

Today it is being increasingly felt by the practising managers and psychologists that men in an organisation must be treated like the most significant assets. The productivity of a company can be improved only through manpower planning, recognizing the significance of the human factor in business. Proper manpower planning considers the fact that satisfied workers can contribute a lot to the overall profitability of the firm through improved productivity.

Major Limitations of Human Resource Management

1. Recent Origin:

HRM is of recent origin. So it lacks universally approved academic base. Different people try to define the term differently. Some thinkers consider it as a new name to personnel management. Some enterprises have named their traditional personnel management department as human resource management department.

Such superficial actions may not bear much fruit. What is actually required is a fundamental change in attitudes, approaches and the very management philosophy. Without such a change, particularly at the top management level, renaming of personnel department or redesignating the personnel officer may not serve the purpose. With the passage of time an acceptable approach will be developed.

2. Lack of Support of Top Management:

HRM should have the support of top level management. The change in attitude at the top can bring good results while implementing HRM. Owing to passive attitude at the top, this work is handled by personnel management people. Unless there is a change in approach and attitude of top management nothing remarkable will happen.

3. Improper Actualisation:

HRM should be implemented by assessing the training and development requirements of employees. The aspirations and needs of people should be taken into account while making human resource policies. HRM is actuated half-heartedly. The organising of some training programmes is considered as the implementation of HRM. With this, management's productivity and profitability approach remains undisturbed in many organisations.

4. Inadequate Development Programmes:

HRM needs implementation of programmes such as career planning, on the job training, development programmes, MBO, counselling etc. There is a need to create an atmosphere of learning in the organisation. In reality HRM programmes are confined to class room lectures and expected results are not coming out of this approach.

5. Inadequate Information:

Some enterprises do not have requisite information about their employees. In the absence of adequate information and data base, this system cannot be properly implemented. So there is a need to collect, store and retrieval of information before implementing human resource management.

In many organisations, even the professionals misunderstand HRM as synonymous with HRD. Some class room training programmes are generally arranged, which are called HRD programmes. These programmes are understood as human resources management. Such casual class room programmes are not the actual HRM programmes.

RECRUITMENT

Meaning:

Recruitment is a positive process of searching for prospective employees and stimulating them to apply for the jobs in the organisation. When more persons apply for jobs then there will be a scope for recruiting better persons.

Recruitment is concerned with reaching out, attracting, and ensuring a supply of qualified personnel and making out selection of requisite manpower both in their quantitative and qualitative aspect. It is the development and maintenance of adequate man- power resources. This is the first stage of the process of selection and is completed with placement.

Definition:

According to Edwin B. Flippo, “It is a process of searching for prospective employees and stimulating and encouraging them to apply for jobs in an organisation.”

In the words of Dale Yoder, Recruitment is the process to “discover the sources of manpower to meet the requirements of the staffing schedule and to employ effective measures for attracting that manpower in adequate numbers to facilitate effective selection of an efficient working force.”

Kempner writes, “Recruitment forms the first stage in the process which continues with selection and ceases with the placement of the candidates.”

In personnel recruitment, management tries to do far more than merely fill job openings. As a routine the formula for personnel recruitment would be simple i.e., just fill the job with any applicant who comes along.

Factors Influencing Recruitment:

All enterprises, big or small, have to engage themselves in recruitment of persons. A number of factors influence this process.

Some Of The Main Factors Are Being Discussed Below:

1. Size of the Enterprise:

The number of persons to be recruited will depend upon the size of an enterprise. A big enterprise requires more persons at regular intervals while a small undertaking employs only a few employees. A big business house will always be in touch with sources of supply and shall try to attract more and more persons for making a proper selection. It can afford to spend more

amounts in locating prospective candidates. So the size of an enterprise will affect the process of recruitment.

2. Employment Conditions:

The employment conditions in an economy greatly affect recruitment process. In under-developed economies, employment opportunities are limited and there is no dearth of prospective candidates. At the same time suitable candidates may not be available because of lack of educational and technical facilities. If the availability of persons is more, then selection from large number becomes easy. On the other hand, if there is a shortage of qualified technical persons, then it will be difficult to locate suitable persons.

3. Salary Structure and Working Conditions:

The wages offered and working conditions prevailing in an enterprise greatly influence the availability of personnel. If higher wages are paid as compared to similar concerns, the enterprise will not face any difficulty in making recruitments. An organisation offering low wages can face the problem of labour turnover.

The working conditions in an enterprise will determine job satisfaction of employees. An enterprise offering good working conditions like proper sanitation, lighting, ventilation, etc. would give more job satisfaction to employees and they may not leave their present job. On the other hand, if employees leave the jobs due to unsatisfactory working conditions, it will lead to fresh recruitment of new persons.

4. Rate of Growth:

The growth rate of an enterprise also affects recruitment process. An expanding concern will require regular employment of new employees. There will also be promotions of existing employees necessitating the filling up of those vacancies. A stagnant enterprise can recruit persons only when present incumbent vacates his position on retirement, etc.

IMPORTANCE OF RECRUITMENT

The following points will help to understand the importance of Recruiting:

1. The process is important to encourage and attract candidates and get ample amount of application for the job vacancies.
2. It is an effective way to create information pool about the prospective candidates who are suitable for the talent needs of the organization.

3. It is very important step of planning and analysis about the present and future manpower requirement of the organization.
4. It bridges the gap between employers and their future employee.
5. It is a less expensive way of gathering information about the talented manpower in the industry.
6. It helps to improve the selection process by proper sorting of suitable candidate for the job.
7. It reduces the turnover of employees due to correct matching of candidate expectations and the rewards offered by the organization.
8. It also helps the organization to meet the social and legal obligation of maintaining the manpower composition.
9. It determines the appropriate candidates through the different channels of recruitment.
10. It helps the organization to create different sources of attracting the right candidate for the job profile.

RECRUITMENT STEPS

The process of recruitment consists of three Major Steps or phases -

- a. **Before posting job advertisement**
- b. **Selection process**
- c. **Formalities after selection of the candidate.**

Here are the common steps of recruiting followed by the HRM department of various organizations:

1) Preparation- It is step in which the HRM department prepare a frame of ideal candidate for the vacant position. The skills and competencies required to perform the job are identified, also a qualification and level of experience required execute the job responsibilities is determined. Once the framework is ready, the HR identifies the proper communication channel through which the information about job vacancy can be conveyed to the suitable candidates.

2) Receive applications- Once the advertisement about the job vacancy is posted through internal and external source of recruitment, the HR department starts receiving the applications for the job opening. Most of the time the HR department confirms the candidate that their application is received by the organization and the further sorting process is going on. Many companies used application tracking system (ATS) which helps to automatically communicate with the applicant that their job application is received and is in process.

3) Selection stage 1: Cancel out unqualified applicants

Here the selection process begins- In this stage the application which are not suitable for the job are cancel out by the HRM department. The application can be weed out based on the un-matching qualification or experience of the candidate.

4) Selection stage 2: Arrangement of candidates

The applicants who are matching to the requirement of the job vacancy are then rated based on their on-paper experience and qualification. The ratings convey how well the applicant is fit of the vacant job profile. It is time consuming process and many times excel sheets are used to sort out the application and rank them based on their suitability to the job profile.

5) Selection stage 3: Interview rounds

The ranked and selected candidates are called for the interview round. There are several interview rounds which can vary from 2-6 based on the selection process adopted by the organization. Mostly the HR round includes the background verification, personality check and behavioral suitability of the candidate. The manager interview round is often used to check the actual work suitability of the candidate.

6) Selection stage 4: Future work situation

This is considered as a last round of selection in which a simulated work exercise is given to the candidate. It includes the question or tasks related to the area of expertise of the candidate. It provides actual result about the ability of the candidate to perform as a future employee of the organization.

7) Offer and Joining formalities

Generally 2-3 top selected candidates gets joining offer from the organization. The joining formalities include the submission of relevant papers and signing the work contract with the organization. After the documentation formalities the joining date of the employee is decided and a new recruit joins the organization.

SELECTION PROCESS

Selection is the process of choosing the most suitable candidates from those who apply for the job. It is a process of offering jobs to desired candidates. Once the potential applicants are identified, the next step is to evaluate their qualification, qualities, experience, capabilities, etc. & make the selection. It is the process of offering jobs to the desired applicants. Selection means choosing a few from those who apply. It is picking up of applicants or candidates with requisite qualifications and qualities to fill jobs in the organization.

Definition of Selection

According to Harold Koontz, “Selection is the process of choosing from the candidates, from within the organization or from outside, the most suitable person for the current position or for the future positions.”

Dale Yoder said, “Selection is the process by which candidates for employment are divided into classes those who will be offered employment and those who will not.”

Steps in Selection Process

The selection process typically begins with the preliminary interview; next, candidates complete the application for employment.



1. Initial Screening.
2. Completion of the Application Form.
3. Employment Tests.
4. Job Interview.
5. Conditional Job Offer.
6. Background Investigation.
7. Medical Examination.
8. Permanent Job Offer.

1. Initial Screening

The selection process often begins with an initial screening of applicants to remove individuals who obviously do not meet the position requirements. At this stage, a few straight forward

questions are asked. An applicant may obviously be unqualified to fill the advertised position, but be well qualified to work in other open positions. The Purpose of Screening is to decrease the number of applicants being considered for selection.

Sources utilized in the screening effort

Personal Resume presented with the job application is considered a source of information that can be used for the initial screening process. It mainly includes information in the following areas:

- Employment & education history.
- Evaluation of character.
- Evaluation of job performance.

Advantages of Successful Screening

If the screening effort is successful, those applicants that do not meet the minimum required qualifications will not move to the next stage in the selection process. Companies utilizing expensive selection procedures put more effort into screening to reduce costs.

2. Completion of the Application Form

Application Blank is a formal record of an individual's application for employment. The next step in the selection process may involve having the prospective employee complete an application for employment. This may be as brief as requiring only an applicant's name, address, and telephone number. In general terms, the application form gives a job-performance-related synopsis of applicants' life, skills and accomplishments. The specific type of information may vary from firm to firm and even by job type within an organization. Application forms are a good way to quickly collect verifiable and fairly accurate historical data from the candidate.

3. Employment Tests

Personnel testing is a valuable way to measure individual characteristics. Hundreds of tests have been developed to measure various dimensions of behavior. The tests measure mental abilities, knowledge, physical abilities, personality, interest, temperament, and other attitudes and behaviors.

Evidence suggests that the use of tests is becoming more prevalent for assessing an applicant's qualifications and potential for success. Tests are used more in the public sector than in the private sector and in medium-sized and large companies than in small companies. Large organizations are likely to have trained specialists to run their testing programs.

Advantages of using tests

Selection testing can be a reliable and accurate means of selecting qualified candidates from a pool of applicants. As with all selection procedures, it is important to identify the essential functions of each job and determine the skills needed to perform them.

Potential Problems using Selection tests

Selection tests may accurately predict an applicant's ability to perform the job, but they are less successful in indicating the extent to which the individual will want to perform it. Another potential problem, related primarily to personality tests and interest inventories, has to do with applicants honesty. Also, there is the problem of test anxiety.

Applicants often become quite anxious when confronting yet another hurdle that might eliminate them from consideration.

4. Job Interview

An interview is a goal-oriented conversation in which the interviewer and applicant exchange information. The employment interview is especially significant because the applicants who reach this stage are considered to be the most promising candidates.

Interview Planning

Interview planning is essential to effective employment interviews. The physical location of the interview should be both pleasant and private, providing for a minimum of interruptions. The interviewer should possess a pleasant personality, empathy and the ability to listen and communicate effectively.

Content of the Interview

The specific content of employment interviews varies greatly by an organization and the level of the job concerned.

1. **Occupational experience:** Exploring an individual's occupational experience requires determining the applicant's skills, abilities, and willingness to handle responsibility.
2. **Academic achievement:** In the absence of significant work experience, a person's academic background takes on greater importance.
3. **Interpersonal skills:** If an individual cannot work well with other employees, chances for success are slim. This is especially true in today's world with increasing emphasis being placed on the use of teams.
4. **Personal qualities:** Personal qualities normally observed during the interview include physical appearance, speaking ability, vocabulary, poise, adaptability, and assertiveness.
5. **Organizational fit:** A hiring criterion that is not prominently mentioned in the literature is organizational fit. Organizational fit is ill-defined but refers to management's perception of the degree to which the prospective employee will fit in with, for example, the firm's culture or value system.

5. Conditional Job Offer

Conditional job offer means a tentative job offer that becomes permanent after certain conditions are met. If a job applicant has passed each step of the selection process so far, a conditional job offer is usually made.

In essence, the conditional job offer implies that if everything checks out – such as passing a certain medical, physical or substance abuse test – the conditional nature of the job offer will be removed and the offer will be permanent.

6. Background Investigation

Background Investigation is intended to verify that information on the application form is correct and accurate.

This step is used to check the accuracy of application form through former employers and references. Verification of education and legal status to work, credit history and criminal record are also made.

Personal reference checks may provide additional insight into the information furnished by the applicant and allow verification of its accuracy.

Past behavior is the best predictor of future behavior. It is important to gain as much information as possible about past behavior to understand what kinds of behavior one can expect in the future.

Knowledge about attendance problems, insubordination issues, theft, or other behavioral problems can certainly help one avoid hiring someone who is likely to repeat those behaviors.

Background investigations primarily seek data from references supplied by the applicant including his or her previous employers. The intensity of background investigations depends on the level of responsibility inherent in the position to be filled.

Common sources of background information include:

- References are provided by the applicant and are usually very positive.
- Former employers should be called to confirm the candidate's work record and to obtain their performance appraisal.
- Educational accomplishments can be verified by asking for transcripts.
- Legal status to work.
- Credit references, if job-related.
- Criminal records can be checked by third-party investigators.
- Background checks are conducted by third-party investigators.
- Online searches as simple as "Google" search of a candidate can turn up information on press releases or news items about a candidate that was left off the application or resume.

7. Medical/Physical Examination

After the decision has been made to extend a job offer, the next phase of the selection process involves the completion of a medical/physical examination.

This is an examination to determine an applicant's physical fitness for essential job performance.

Typically, a job offer is contingent on successfully passing this examination.

For example, firefighters must perform activities that require a certain physical condition. Whether it is climbing a ladder, lugging a water-filled four-inch hose or carrying an injured victim, these individuals must demonstrate that they are fit for the job.

8. Permanent Job Offer

Individuals who perform successfully in the preceding steps are now considered eligible to receive the employment offer. The actual hiring decision should be made by the manager in the department where the vacancy exists.

Notification to Candidates

The selection process results should be made known to candidates—successful and unsuccessful—as soon as possible.

Any delay may result in the firm losing a prime candidate, as top prospects often have other employment options. As a matter of courtesy and good public relations, the unsuccessful candidates should also be promptly notified.

Ways of Making an Effective Employee Selection

All companies, irrespective of size, make hiring mistakes, but here are few tips experts /suggest to help avoid making them.

Determine the criteria a candidate must meet

Before filling a position, the HR manager of a company must clearly define the skills, experience, character, 'educational background, work experience, technical skills and competencies, they must possess.

Hiring without testing

Skill testing is a must. Every job has some form of measurable, objective performance standard. Identify it and test for it. There are tests that can indicate if a job candidate meets the required criteria. With these pre-hire screening tools, a recruiter can test the knowledge of potential hires before they are extended an offer.

Hiring after the first interview

It is important to have several interviews with the same person — and not to hire from one interview. The person may not present the same later, and HR manager may get fresh insights from different meetings.

Poor or no reference checking

It is important to know how to conduct a detailed 'reference check. A proper reference check verifies job skills and the behavioral fit in which the person operates. It is essential to conduct an extensive background investigation and reference checks.

Avoid hiring out of desperation

Too many hiring decisions are made out of operation. The following scenarios occur repeatedly; a key manager quits and must be replaced now; rapid growth forces a company to fill positions without enough forethought; programmers are so scarce that anyone will do.

If we hire employees in haste, we may find out later that the new recruits are not trustworthy or competent.

If an HR manager is unable to conduct a thorough, timely hiring process, hire a temporary or leased employee or borrow an employee from another company.

Watch out for fascination

A series of surveys have revealed that during the hiring process, most interviewers made their decision-up or down within the first 10 minutes of the interview. They then spent the next 50 minutes internally justifying that decision. We buy cars in the same way.

First, we choose the car we want to buy from an emotional standpoint and then search for objective data to justify that emotional decision.

We all know that facts tell, but emotions sell. The recruiter can guard against obsession by having coworkers' interview prospects, having group interviews, and by conducting follow-up interviews.

Carefully evaluate candidates recommended by employees and associates.

Just because someone recommends a person they think would be highly capable for a particular position doesn't mean that person is qualified.

We have seen many occasions where someone was hired without going through the usual evaluation process simply because they were recommended by another employee or colleague

Follow the usual channels and requirements when anyone-no matter how highly recommended-seeks to work for the organization.

Do not blindly promote from within

It is widely believed that the HR manager should recruit employees from within the organization. The best performers are not necessarily always the most qualified candidates for a specific job. This is especially true when promoting to the management level.

Simply because someone is particularly adept at handling a certain function doesn't mean they are capable of managing others. It is important to remember the Peter Principle.

It is a concept in management theory in which the selection of a candidate for a position is based on their performance in the current role rather than on their abilities relevant to the intended role.

Peter suggests that people will tend to be promoted until they reach their "position of incompetence".

One's career may cripple after such a promotion. Promoting solely from within can create inbreeding and stagnate creativity.

To guard against these pitfalls, companies should consider filling at least one-third of all positions involving promotions with people from outside the organization.

Importance of the Selection Process

1. Proper selection and placement of employees lead to growth and development of the company. The company can similarly, only be as good as the capabilities of its employees.
2. The hiring of talented and skilled employees results in the swift achievement of company goals.
3. Industrial accidents will drastically reduce in numbers when the right technical staff is employed for the right jobs.
4. When people get jobs they are good at, it creates a sense of satisfaction with them and thus their work efficiency and quality improves.
5. People who are satisfied with their jobs often tend to have high morale and motivation to perform better.

SELECTION TESTS

The selection tests aim at measuring such skills and abilities in a worker that are decided by job analysis to be essential for successful job performance. A test is an instrument designed to measure selected psychological factors.

The basic assumption underlies the use of tests in personnel selection is that the individuals are different in their job-related abilities and skills and that these skills can be adequately and accurately measured for comparison. A great number of human abilities are complex and interrelated. Hence, these have to be understood in association with each other.

Selection tests are defined as under:

Cronbach defines it as, “A test is a systematic procedure for comparing the behaviour of two or more persons.”

Milton M. Blum opines, “A test is a sample of an aspect of an individual’s behaviour, performance and attitude.”

Important Categories of Selection Test

Tests used in selection can be classified into five categories, namely:

1. Achievement,
2. Aptitude,
3. Interest,
4. Personality and
5. Intelligence tests.

1. Achievement Tests:

Achievement tests measure the job knowledge of the applicants in the areas such as marketing, HR and economics. When an applicant claims to know something, an achievement test is given to measure how well he/she knows it. It is for this reason that achievement tests are also known as proficiency tests or performance tests.

Achievement tests are a refinement of the work sample technique and are used to measure what the applicant actually can do and what tasks he/she can perform right now. Adaptability tests, abstract reasoning tests, Stanford-Binet Scales, Miller Analogies Test and Purdue test for machinists and machine operators are some of the examples of such tests.

2. Aptitude Tests:

Aptitude tests are also known as potential ability tests and specific cognitive tests and are used to measure the latent ability of a candidate to learn a given job if he/she is given the required

training. Aptitude tests have special significance where the new recruit has little or very less experience along the lines of the job opening.

3. Interest Tests:

Interest in a job or task contributes to success on the job. A person interested in his/her job is likely to do better than one who is indifferent or uninterested. Interest tests have been designed to discover a person's field of interest and to identify the kind of work that will satisfy him/her. They are in a sense inventories of the likes and dislikes of the people of some occupations.

4. Personality Tests:

These tests aim at measuring the basic make-up or characteristics of an individual. They assess his/her introversion motivation, emotional reactions, emotional maturity, stability, mood, value system, ability to adjust, interpersonal relations, self-image, self-confidence, ambition, tact, optimism, decisiveness, sociability, objectivity, patience, fear, distrust, suspicion, judgement, dominance, impulsiveness, integrity, stability and so on. Industrial psychologists usually emphasise the 'big five' personality dimensions as they apply to personnel testing.

These dimensions are as follows:

- i. Extraversion (sociable, active, energy, zeal and so on)
- ii. Emotional stability/neuroticism (poor conditions, adjustment, insecurity, hostility, anxiety and so on)
- iii. Agreeableness (trust, caring, gentle and so on)
- iv. Conscientiousness (achievement and dependability)
- v. Openness to experience (imaginative, unconventional, autonomous).

These are normally conducted for selecting supervisors and higher executives. These are pen and paper tests.

5. Intelligence Tests:

These tests aim at measuring the general level of intelligence of the applicant. This is done by measuring the IQ of the applicant. In addition to this, they also measure a range of abilities such as numerical ability, vocabulary, memory and verbal fluency.

Motor and Physical Abilities Tests:

Such tests usually measure the speed and accuracy of simple judgement as well as the speed of fingers, hands and arms movement. Some of the popular tests in this regard include the Stromberg Dexterity Test, the Crawford Small Parts Dexterity Test, the Minnesota Rate of Manipulation Test and so on.

Tests are also divided into the following three categories:

1. Objective tests – These tests measure neurotic tendencies, self-sufficiency, dominance, submission and self-control.

2. Projective tests – The candidate is asked to project his/her own interpretation into certain standard stimulus situations. The way he/she responds to these stimuli depends on his/her own values, motives and personality (e.g., Rorschach Blot Test and Thematic Apperception Test).

3. Situation tests – These tests measure the applicant's reaction when he/she is placed in a peculiar situation. Normally, in a leaderless group, problem is posed and solution is to be found out. A situation test requires the examinees to respond to situations representative of jobs. Video-based simulation is a situational test in which an examinee responds to video simulations of a realistic job situation.

ESSENTIALS OF SELECTION PROCEDURE

- Someone should have the authority to select. The authority comes from the employment requisition, as developed by an analysis of the work-load and work-force
- There must be some standard of personnel with which a prospective employee may be compared thus a comprehensive job description and job specification should be available beforehand
- There must be a sufficient number of applicants from whom the required number of employees may be selected

Role of selection in Organization Efficiency

- Employee selection plays a vital role in achieving organizational efficiency due to the following points;
- Organizational efficiency is mostly determined by the productivity
- Organizational efficiency is influenced by production of high quality products, rendering superior services to the customer
- Globalization and international competitiveness led to the customization in production and distribution
- Human resources are knowledge, machine, technology, marketing, financing in the software industry

Selection Tests – Validation

Validity of a test is the degree to which its prediction is supported by evidence, that is, higher scorers are better job performers. Validation is the process of ensuring validity in a test. Validity in a test is necessary to improve selection decisions. If the test is not valid, decisions based on the test are no better than decisions without it. Validity in a test ensures equity, that

is, all applicants have been judged on fair basis; there is no unfair discrimination against any candidate or group of candidates. There are three types of validity that must be ensured in tests- content validity, construct validity, and criterion-related validity.

1. Content Validity:

Content validity is the degree to which a test measures the knowledge, skills, and abilities used on the job. All candidates for that job are given the same test so that applicants can be properly compared. A simple example of a content-valid test is a typing test.

2. Construct Validity:

Construct validity is the degree to which a test measures a particular trait related to successful performance on the job. A trait is usually abstract in nature such as intelligence or emotion, and is called construct. Unlike content validity, construct validity is quite complex and difficult because it deals with abstract.

3. Criterion-Related Validity:

Criterion-related validity is the degree to which a particular test accurately predicts the level of performance or important elements of work behaviour. This validity shows the relationship between some predictor (say, test score) and a criterion of job success (say, production output, managerial effectiveness, etc.).

4. Predictive Validity:

Predictive validity is the degree to which there is a relationship between test score and some future desirable behaviour on the job. Predictive validity validates a test by using prospective applicants as a study group. The test is administered with its unknown validity on all prospective candidates.

5. Concurrent Validity:

An alternative to predictive validity is concurrent validity which is the degree to which a test score is related to job behaviour measure that is available at the same time. Concurrent validation method validates a test using the present employees as the subjects. Test scores are immediately compared with the actual performance data of the employees to find out the relationship between the predictor and criterion.

6. Synthetic Validity:

Synthetic validity involves taking parts of several similar jobs rather than one job to validate a test. Thus, validity evidence is obtained by relating predictor scores to the same job dimension across several jobs, combining the employees into a larger sample. For example, a typing ability test might be validated against typing performance not only for typing clerks but other personnel involved in typing work in an organization.

Selection Tests – Reliability (With Methods)

Apart from validity, tests must have reliability, that is, they must have consistency in measurement whatever they measure. This implies that an applicant's performance on any given test should produce same score each time the test is administered to him. If an applicant scores significantly different on the same test at two points of time, the test cannot be considered reliable.

1. Test-Retest Method:

In test-retest method, a test is administered to an individual at two different time periods and the scores obtained are compared. If the scores at two points of time are similar, the test is said to be reliable.

2. Alternative Form Method:

In alternative form method, two similar forms of a test are administered to an individual. Their scores are recorded and compared to each other. If the two scores are similar, the test is treated as reliable.

3. Split Halves Method:

In this method, a test is divided into two similar and equal parts. The scores of both the parts are compared. If scores of both the parts are similar, the test is treated as reliable. This method measures the internal consistency of the test.

Selection Tests – Limitations

Selection tests may provide some 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 tests cannot make a hundred per cent prediction of an individual's on-the- job success. At best, they just reveal that those who have scored above the cut-off point (other things being equal) will be more successful than those who have scored below the cut-off point. Therefore, it is desirable to use tests only as supplementary method of selection.

2. These are suitable when there is large number of candidates for limited number of jobs or positions. If the number of candidates is small, the use of tests is not economical. In such a case, it is desirable to select persons on the basis of interview only.

Besides these two limitations, many people criticize tests on the basis that these discriminate against the deprived classes because affluent classes can know better how to defeat the tests. However, this limitation can be overcome by suitable design and administration of tests.

A further criticism is put against the tests that these invade privacy of people because these tests put many questions on the personal life of the candidates.

PLACEMENT

When once the candidate reports for duty, the organization has to place him initially in that job for which is selected; immediately the candidate will be trained in various related jobs during the periods of probation of training or trial. The organization generally decides the final placement after the initial training is over on the basis of the candidate's aptitude and performance during the training/ probation period.

A probation period ranges between six months and two years. If the performance is not satisfactory, the organization may extend the probation or ask the candidates to quite the job.

Placement is the determination of the job to which an accepted candidate is to be assigned and his assignment to that job. It is a matching of what the supervisor has reason to think he can do with the job demands , it is a matching of what he imposes and what he offers in the form of play roll, companionship with others, promotional possibilities etc. It is not easy to match all factors to the new employee who is still unknown to many. So, the new employee is placed as a probationer until the training period is over.

EMPLOYEE PLACEMENT PROCESS

- Collect details about the employee
- Construct the employee's profile
- Match between sub-group profile and individual's profile
- Compare sub-group profile to job family profile
- Match between job family profiles and sub-group profiles
- Assign the individual to the job family
- Assign the individual to specific job after further counselling and assessment

Methods of HR Selection Techniques

Human resources selection techniques vary, based on a company's staff and resources. The methods for selecting employees include preliminary screening, phone interviews, face-to-face meetings, and HR functions to determine whether a candidate is indeed suitable for the job. Small businesses, even if staff resources are limited, should use these steps to choose the right candidate. The result is a wise hiring decision, and possibly lower turnover and higher employee retention, all of which benefit small-business employers.

Preliminary Screening

Once an employer has received what it considers sufficient interest in the position, the recruiter starts screening the applications or resumes to determine which applicants to contact for the preliminary screening interview. Employers determine sufficient interest based on the number

of applications or the amount of time the job is posted. Many times, employers take down the job posting when they receive a manageable number of applications, such as 100, to review for a handful of qualified candidates. Small businesses that don't have a lot of time to devote to screening applicants should screen based on discrete criteria, such as minimum number of years' experience or verifiable credentials. Preliminary screening is an effective method for narrowing the selection to candidates who meet the basic requirements for the job.

Telephone Interviewing

Used as a first-round interview, telephone interviews give recruiters an opportunity to find out whether an applicant is still interested in the job. It also saves small businesses the money and time of conducting face-to-face interviews immediately after the preliminary screening step. A telephone interview also confirms whether the applicant has the requisite qualifications. Following the telephone interview, the recruiter typically selects the candidates who were able to articulate their skills and qualifications in a manner that meets the company's staffing needs.

In-Person Interviews

Face-to-face interviews take time, which is one of the reasons the applicant pool should be narrowed by conducting preliminary screening and telephone interviewing. The recruiter is a conduit for providing the hiring manager with the best-suited candidates, a process that streamlines the selection process. For example, out of 10 applicants interviewed by phone, the recruiter should select three to four candidates. The hiring manager further narrows the selection to two finalists. In a small business, although the hiring manager may be doing the work of a recruiter, best practices for HR selection methods dictate that at least one face-to-face interview be conducted before making a decision.

Cultural Fit Selection

In the third-round interview, often the decision round, the hiring manager asks questions that will help him determine which candidate fits the organisational culture. Qualifications aside, an important factor in the hiring decision is cultural fit. Cultural fit means the candidate's values align with the organisation's values. It's a subjective analysis, and one that hiring managers can only attribute to being a gut feeling, not objective criteria.

Interview in HRM

Everything you need to know about interview in human resource management. Interview" means "deliberate, active listening with a purpose to draw the other person out, to discover what he really wants to say, and to give a chance to express himself/herself freely.

The interview is used in practically every business and profession. Some activities call for a high degree of proficiency in interviewing; such as appointment of engineers, lawyers, managers, salesmen and supervisors.

The interview is also widely used in securing credit information, making loans, selling, and adjusting complaints as well as in personnel administration and management.

According to McFarland, “an interview is a purposeful two-way exchange of information between the participants. Both learn things of vital importance to their mutual decision, some intended and others not intended.”

Interview is one of the important steps in selection procedure. It is probably the most widely used selection tools.

Meaning

“Interview” means “deliberate, active listening with a purpose to draw the other person out, to discover what he really wants to say, and to give a chance to express himself/herself freely.”

“An interview is an attempt to secure maximum amount of information from the candidate concerning his suitability for the job under consideration.”

“An interview is a purposeful exchange of ideas, the answering of questions and communication between two or more persons.”

Interview in HRM – Definitions Defined by Oxford Dictionary and McFarland

According to Oxford Dictionary “interview is a face-to-face meeting, especially for the purpose of obtaining a statement or for assessing the qualities of a candidate”.

It is an attempt to secure maximum amount of information from the candidates to judge their ability and suitability for a vacant position in the organization.

Interview is conducted not only for selecting an employee; it is even conducted for placement, counselling, separation, disciplinary action and even for admitting students for higher learning.

According to McFarland, “an interview is a purposeful two-way exchange of information between the participants. Both learn things of vital importance to their mutual decision, some intended and others not intended.”

Objectives of a Well-Designed and an Effective Interview

Though interview is primarily meant for soliciting maximum possible information about the candidate, it may be used for other purposes too during the interview process.

The following are the objectives of a well-designed and an effective interview:

1. To seek more information about the candidate, which is not mentioned in “Application Blank.”
2. To judge an applicant’s qualities and characteristics as a basis for sound selection and placement.
3. To verify the information given in the application form and in the Application Blank.
4. To give essential and accurate facts about the job and the organisation such as nature of the job, hours of work, opportunities for advancement, employee welfare facilities, benefits and services available, organisation’s policies, plans, future prospects etc. to the candidate. So that

the candidate will be in a position to decide, whether to accept or not the employment in that organisation.

5. To establish rapport to create a feeling of mutual understanding, confidence and trust between the organisation (personnel department) and the applicant who is to be employed.

6. To create a good image and to promote goodwill towards the organisation, whether the interview culminates in employment or not.

7. To give an idea of disciplinary action, grievance handling and relations with unions to the candidate, because interview is a valuable tool for all these.

8. Interview is the only technique which seeks correct and factual information about the candidate.

Thus in brief, selection interviews give a chance to personally “size up” the candidate and to pursue questioning in a way employment tests can employ not. In other words interviews can be described as a very important screening tool of the candidate.

Importance:

(i) Helps in Selection of a suitable candidate – Candidates who have claimed different qualities in their application can be tested directly through face to face conversation and those who are suitable can be selected.

(ii) Exchange of information – Face to face conversation helps to exchange views and opinions between interviewer and interviewee and any doubt regarding the terms and conditions of the job can be cleared then and there only.

(iii) Helps to know the facilities – Interview helps to know the facilities offered and opportunities available to the employees and also the terms and conditions of employment. This helps the candidates to decide whether to offer their service or not to the organization.

(iv) Helps to tell about company – Interview helps to tell about company’s policy, rules, regulations, discipline and conditions of appointment. If the conditions are acceptable, candidates may accept the job and vice-versa.

(v) Widely accepted tool – Interview is the oldest and most commonly used device in selecting the employees. Though test and group discussion are conducted to select the employees, they do not provide complete information about the candidates. Under such circumstances interview acts as a great help to the organization.

TYPES OF SELECTION

Type # 1. One-to-One Interview:

a. This interview involves two participants — the interviewer and the interviewee.

b. This interview can be considered as a preliminary or interactive interview

Type # 2. Sequential Interview:

It involves a series of interviews, usually utilizing the strength and knowledge-base of each interviewer, so that each interviewer can ask questions in relation to his/her subject area of each candidate, as the candidate moves from one room to another room.

Type # 3. Panel Interview:

It consists of two or more interviewers who might come from different subject specializations.

TYPES OF INTERVIEW

Informal Interview:

This may take place anywhere. The employer or a manager in the personnel department, may ask a few questions, like name, place of birth, previous experience, etc. It is not planned and is used widely when the labour market is tight and you need workers very badly. A friend or a relative of the employer may take a candidate to the house of the employer or manager where this type of interview may be conducted.

Formal Interview: This is held in a more formal atmosphere in the employment office by the employment officer with the help of well-structured questions. The time and place of the interview are stipulated by the employment office.

Planned Interview: This is a formal interview carefully planned. The interviewer has a plan of action worked out in relation to time to be devoted to each candidate, type of information to be sought, information to be given, the modality of interview and so on. He may use the plan with some amount of flexibility.

Patterned Interview: This is also a planned interview but planned to a higher degree of accuracy, precision and exactitude. A list of questions and areas are carefully prepared. The interviewer goes down the list of questions, asking them one after another.

Non-directive Interview: This is designed to let the interviewee speak his mind freely. The interviewer is a careful and patient listener, prodding whenever the candidate is silent. The idea is to give the candidate complete freedom to 'sell' himself without encumbrances of the interviewer's questions.

Depth Interview: This is designed to intensively examine the candidate's background and thinking and to go into considerable detail on a particular subject of special interest to the candidate. The theory behind it is that if the candidate is found good in his area of special interest, the chances are high that if given a job he would take serious interest in it.

Stress Interview: This is designed to test the candidate and his conduct and behavior by putting him under conditions of stress and strain. This is very useful to test the behavior of individuals under disagreeable and trying situations.

Group Interview: This is designed to see how the candidates react to and against each other. All the candidates may be brought together in the office and they may be interviewed. The candidates may, alternatively, be given a topic for discussion and be observed as to who will lead the discussion, how they will participate in the discussion, how each will make his presentation and how they will react to each other's views and presentation.

Panel Interview: This is done by members of the interview board or a selection committee. This is done usually for supervisory and managerial positions. It pools the collective judgement and wisdom of members of the panel. The candidate may be asked to meet the panel individually for a fairly lengthy interview.

Guidelines for Interviewers:

Interview can be made more effective by observing the following guidelines:

1. The interviewers should have higher status, calibre, necessary skill and knowledge. They should be competent and trained.
2. The interviewers should adopt a personal approach towards the candidates. They should develop a friendly and cordial relationship with the candidates. They should create rapport by pleasantly greeting the candidates and showing active interest.
3. The interviewers should clearly inform the purpose of the interview and clarify all the points so as to remove any doubts of the candidates.
4. The interviewers should not have any prior personal views and opinions.
5. The interviewers should make the candidates feel at ease and free and encourage them to tell freely without any fear.
6. The interviewers should study the background information, data and various other details about the candidates from their applications before they take interview.
7. The interviewers should adopt uniform and proper method for interviewing the candidates. They should not put awkward, unwanted, unconcerned, humbug and irrelevant questions to the candidates.
8. All the interviewers should use a specific set of guidelines while interviewing the candidates.
9. The interviewers should have patience. They should listen carefully to what the candidate says and record carefully any extra information collected from the candidate.
10. The interviewers should not abruptly end the interview but close it tactfully.

STEPS INVOLVED IN THE INTERVIEW

An effective interview involves the following steps:

Step # 1. Preparation for the Interview:

Advance preparation is essential for a successful interview.

The following arrangements should be made before the interview begins:

- i. Determining the objectives of the interview.
- ii. Choosing the appropriate type of interview.
- iii. Acquainting oneself about the candidate.
- iv. Determining the type of information to be obtained.
- v. Selecting the right interviewers.
- vi. Selecting the candidates to be interviewed by checking and comparing their applications and test scores.
- vii. Finalizing the interview assessment forms.

Step # 2. The Physical Setting:

The place of interview should be both private and comfortable. It should be neat and clean, well-lighted. It should be free from noise and interruptions. The candidates should be properly received and should be guided into the interview room. The interview should start at the fixed time and the candidates should not be required to wait unnecessarily.

Step # 3. Conducting the Interview:

This step is heart of the interview process.

In this activities are follows:

- i. Establishing rapport with the candidate and gaining his confidence exchange of a smile, offering seat to the candidate, etc.
- ii. Getting complete information-for this purpose.
- iii. Ask open-close question.
- iv. Use the language which is clear to the candidate.
- v. Recording the observation – Such notes will indicate the interviewer's interest in the candidate and thereby encourage him to talk freely. These notes will also be helpful in evaluating the candidate later.

Step # 4. Closing the Interview:

The close of the interview is as significant as it beginning. The interview is a trying situation for the candidate. Therefore, it should end with a happy note without any awkward situation, before closing the interview the candidate should be asked whether he wants to make any comments in order to the interviewer may show some sign at an appropriate time.

Step # 5. Evaluation of Results:

Advantages in Interview

1. **On the spot correction** – Any misunderstanding and mistake can be rectified easily in an interview as the interviewer and interviewee physically present before the interview board.
2. **Development of relationship** – Relation between the interviewer and the interviewee can be developed through an interview. It increases mutual understanding and co-operation between the parties.
3. **Selection of suitable candidate** – Suitable candidates can be selected through interview because the interview can know a lot about the candidate by this process.
4. **Collection of primary information** – Interview can help to collect the fresh, new and primary information as needed.
5. **Sufficient information** – Sufficient information can be collected through the interview process. Because the interviewer can ask any question to the interviewee.
6. **Time saving** – Interview can help to save time to select the best suitable candidate. Within a very short time communication can be accomplished with the interview.
7. **Economical** – It is less costly than other process of communication. It is very simple, prompt and low cost method of communication.
8. **Knowledge increases** – Any interview increases the knowledge of both the interviewer and the interviewee. They can interchange their views and ideas.

9. **In depth analysis** – Through planned interviews detailed information can be collected which enables proper analysis of a problem. Abstract factors like attitudes, feelings, opinion etc. Can be successfully evaluated or analysed through interviews.

10. **Solving labour problems** – Labour unrest and other disputes are very common in the industries. Sometimes human resource managers use the interview as a means of revealing actual causes behind the labour disputes.

11. **Flexible** – One of the major advantages of interview is that it is flexible and based on a particular situation, it can be framed differently.

LIMITATIONS OF THE INTERVIEW PROCESS

1. **Personal bias** – interview like other people have personal biases. Their likes & dislikes about hairstyle, dress, fluency of speech, etc., affect their judgment.

2. **Halo effect** – under this type of error, a single prominent characteristics of the candidate affects the judgment of interviewer on all other traits. For example, an interviewer may conclude that a poorly groomed candidate is stupid or alternatively, he may overrate the candidate's qualifications just because of his pleasing personality.

3. **Constant error** – such error arises because the interview of previous candidate unduly influence the interviewer in favor or against the candidate. For example, a qualified candidate may be underrated just because the previous candidate was very brilliant.

4. **Projection error** – this error arises when an interviewer expects his own knowledge, skills and values in a candidate. Therefore, he is likely to select candidates who resemble him in terms of manners, background, voice, etc.

5. **Leniency** – it implies the tendency to assign high scores. It's normally associated with lack of confidence and interest in rating. The opposite of leniency is toughness, i.e., the tendency to constantly give low scores.

6. **Incomplete process** – Suitable candidate cannot be selected by interview only. The written test is more important than the interview.

7. **Lack of attention** – Much attention is required for a good interview. But sometimes it is observed that both the interviewer and the interviewee are less attentive. That is why real information cannot be collected.

8. **Disappointment** – Interviewee may be disappointed while she or he faces the interviewer's questions which are not related to the field. That is why suitable candidate may be neglected.

9. **Time consuming** – Time constrain is one of the major limitations of the interview process. Preparation for the interview, taking interviews and interpretation of the responses required much time, which makes the interview method time consuming.

10. **Costly** – Generally interview method is expensive and requires substantial expenses.

11. **Inefficiency of the interviewer** – Interview is a systematic process of data collection. The success of an interview depends on the efficiency of the interviewer. This inefficiency of an interviewer can lead to misleading results.

UNIT-II

INDUCTION

What is Induction?

Induction is the process of introducing a new employee to his/her job and organization and giving him all the necessary information required by him/her to start his work. The purpose of induction is to welcome a new employee and inform them about the organizational culture, introduce them to their team and co-workers, give them an understanding of their job, help them understand how their work will be connected to his co workers and informing him about the policies of the organization.

Induction covers the following:

History- The organization's traditions, customs, myths, background of founders and the present members in the top management.

Company Coals- Coals of the organization with rules, values or principles directing the organization.

Language- Jargons, slangs, and technical terms unique to the organization.

Politics- Ways and means to gain formal and informal information about jobs and relationships/power structures in the organization.

People- Nuances in initiating and maintaining relationships with peers.

Performance Proficiency- Effectiveness in acquiring and using knowledge, skills and abilities needed for the job.

In addition to the above, induction includes communication of HRM policies such as work hours, pay procedures, overtime requirements/company benefits, and duties and responsibilities of new members; In large organization the members are shown the various physical facilities available. Important aspect is introduction of the new employee to his supervisor and co-workers.

Induction is taken care of by the employee's supervisor/manager or the HRM personnel. Sometimes computer-based programmes are used.

CHARACTERISTICS OF INDUCTION

- (i) Encouraging employees to ask questions.
- (ii) Including information on both technical and social aspects of the job.
- (iii) Making the new employee's manager responsible for the orientation.
- (iv) Avoiding embarrassment to the new members.

- (v) Arranging formal and informal interaction with managers and peers.
- (vi) Providing relocation assistance such as house hunting, information about the local society, and etc.
- (vii) Giving information about the company's products, services and customers.
- (viii) Familiarizing adequately with the culture of the organization such as how work is done, what matters in the organization, which work-related behaviours are acceptable or unacceptable and etc.

OBJECTIVES:

- (i) To help the new employee to develop a close and cordial relation with the existing employees.
- (ii) To give the new employee necessary information such as – location of the different building, company rules, leave rules, rest periods etc.
- (iii) To help the new employee overcome his natural shyness and nervousness in meeting the new people in the organization.
- (iv) To develop a sense of belongingness and loyalty among new employees.
- (v) To help the employees know the different facilities and opportunities available in the organization.
- (vi) To help the new employees to minimize the “reality shock” that they may undergo after reporting to duty.

NEED FOR INDUCTION

As companies work hard to recruit the right candidate for their organization, it is equally important for them to carry out a well-planned and organized induction session for the new recruits. Proper training sessions can make these recruits invaluable assets to the organization. The induction programme is an ideal occasion for the managers to influence the candidates positively, in order to extract the best possible outcome from them. An induction process is also conducted for the benefit of the experienced employees, who have been either transferred or promoted.

The prime aim of an induction session is to guarantee a successful integration of the employees and the management. Research has also shown that a well-planned induction programme increases staff retention. It is important for the new employees to get a proper idea of the organization's values and objectives, and the job they are required to do. Induction helps in reducing the time period required for these functions.

The reasons for induction, therefore, are fairly simple and straightforward:

- i. Employees have the right to a proper orientation to any new job position. Fowler (1983) stated that, new employees need to have realistic expectations of their jobs.
- ii. They need to be helped to fit rapidly into the organization and into the working group.
- iii. They need to know clearly what is expected of them- the standards and style of the work they are to perform.
- iv. They need to understand their organization's rules and regulations.
- v. They must know who's who at work, and who can make decisions about which issues.
- vi. They should be helped to develop their aptitudes and talents.
- vii. They need to feel that their employer has a respect for them as individuals, as potentially resourceful humans rather than as a mechanistic human resource.

Once the objectives of induction are clear, it is wise to plan the content and duration of sessions carried out during the induction programme in order to get the best from the employees.

Induction Programme

Induction is the activity of introducing employees to the organization and its policies, procedures and rules. In a formal orientation/induction program, employee is provided with all the information about company's history, current position, its leave rules, its benefit programs to which he will also be a part.

In some organizations induction takes a week, whereas, in others it may take a day or two. Informal interactions are also held where the top executives give some guidance to new recruits about their career growth. New recruits are given films, CDs, handbooks etc. to know the organization well before they start the work.

Objectives:

The major purpose or objective of induction program is:

- (a) To make employee well informed with the rules, regulations, procedures and policies etc. of the company.
- (b) To build confidence in employees by telling them about job content, people with whom they have to work, terms and conditions of employment and names of superiors who can be contacted in times of any problem. This will enhance the impression of the company in the minds of newcomers. They will adapt themselves to the demands of the new job and will be more committed to their job.

Contents:

A formal induction programme may be arranged from a day to a fortnight depending upon a number of employees to be inducted, size of the organization, nature of the business etc. Induction or orientation programme may be arranged in different way like tour of the plant or

office, lecture or talk on the history or background of the organization, distribution of company hand book or manual, use of film slides or group seminar etc.

Generally a formal orientation or induction programme should provide the following information:

- i. Company history and its products and operation.
- ii. Organization structure of the company.
- iii. Policies, rules and regulations.
- iv. Location of the department and daily work routine.
- v. Facilities available and safety measures provided.
- vi. Terms and conditions of service.
- vii. Payment of salaries and wages, working hours, overtime, holidays etc.
- viii. Rules regarding disciplines.
- ix. Opportunities for training, promotion, transfer etc.
- x. Grievance procedures and suggestion schemes.

Importance of Induction Programme:

- (i) Helps to develop close and cordial relation – Induction helps new employees to develop close and cordial relation with present employees.
- (ii) Helps to get necessary information – Programme helps to get necessary information about location of plant, company rules and regulations, leave rules, rest periods etc.
- (iii) Helps to overcome natural shyness – It helps employees to overcome their natural shyness and nervousness in meeting people working in the organization.
- (iv) Helps to know different facilities – It helps to know the different facilities offered and opportunities available in the organization.
- (v) Helps to build confidence – It helps employees to build confidence and enables them to be efficient and sincere.
- (vi) Enables employees to develop team spirit – It helps employees to develop a sense of belongingness and team spirit among themselves.
- (vii) Provides opportunities to express difficulties – It provides employees an opportunity to express their difficulty and problem relating to work and helps them to avoid their fear and misconception about their company.
- (viii) Helps to maintain good communication – Proper communication can be maintained between workers and management through induction programme.

Evaluation of Induction Programme:

1. There must be an annual review to find out if the objectives of the induction programme are achieved and to identify future improvements.

2. To improve induction there must be candid, comprehensive feedback from everyone involved in the programme. Feedback is induction are received through many ways- in-depth interviews with randomly day one well forming selected employees and supervisors, questionnaires for coverage of all the new employees and round table discussions with the new employees after their first year.

Points to Ponder in Induction:

- (i) As first impression must be the best impression, day one is crucial. It must be managed well because employees remember it for years.
- (ii) The impressions formed during the first 60-90 days on a job are lasting reasonable.
- (iii) New employees are interested in learning about the organization as a whole and how they fit into it.
- (iv) Employees are given major responsibility for their own induction through guided self-learning with direction and support.
- (v) Overloading of information is to be avoided; information are to be induction provided in reasonable amounts.
- (vi) It must be recognized that community, social and family adjustments for improvement are critical aspects of induction productivity and that it is.
- (vii) The immediate supervisors are made responsible for the success of induction process.
- (viii) Thorough induction is a 'must' for improvement of productivity.
- (ix) Induction is a vital part of the total management system.

Making Induction Programme Effective:

Induction is the biggest event of the organizational life of a new employee. It is beneficial to both, employee as well as organization. But many organizations treat it as a formality and, therefore, take it lightly and not in its true perspective. Such organizations cannot create favourable image in the minds of new recruits and to that extent, their effectiveness is affected adversely.

In order to make an orientation programme effective, there are following prerequisites:

1. Involvement of Top Management:

Top management involvement is a pre-requisite for the success of any human resource management function. However, it has specific relevance for orientation programme because of two factors. First, involvement of top management in orientation process sends a right signal about the importance that the organization attaches to its human capital. Second, involvement of top management in orientation programme is quite significant from the point of view of the new recruits.

2. Preparation for New Employees:

No new employee feels himself a part of the organization unless he is fully inducted into it. The induction programme must focus on this and there must be proper preparation before the employees come to the organization. There must be someone to receive them and make them comfortable before the orientation programme begins.

3. Determination of Information Need of the New Employees:

What the new employees should know at the time of orientation must be worked out in advance. While determining the information need to new employees, two factors must be evaluated. First, the new employees should be provided all such information which is of their immediate relevance.

Second, there should not be information overload at the time of orientation as the employees go on learning something throughout their organizational life.

4. Planning the Presentation of Information:

It should be planned before the commencement of the orientation programme that 'who will provide what information'. There should be linkage in providing such information at various stages of the orientation with a view that all necessary information is provided and there is no unnecessary duplication of the information.

5. Concluding Session:

Towards the end of the induction programme, a concluding session should be organized; many companies call it special anxiety reduction session. The main objective of the session should be to identify whether the newcomers have understood all that was intended. They should be encouraged to raise queries about those aspects which are not clear to them and attempt should be made to clear the ambiguities. The session should be organized in a friendly way and not in the threatening way.

TRAINING

Training: Meaning

Training constitutes a basic concept in human resource development. It is concerned with developing a particular skill to a desired standard by instruction and practice. Training is a highly useful tool that can bring an employee into a position where they can do their job correctly, effectively, and conscientiously. Training is the act of increasing the knowledge and skill of an employee for doing a particular job.

Definition of Training:

Dale S. Beach defines training as 'the organized procedure by which people learn knowledge and/or skill for a definite purpose'. Training refers to the teaching and learning activities carried

on for the primary purpose of helping members of an organization acquire and apply the knowledge, skills, abilities, and attitudes needed by a particular job and organization.

According to Edwin Flippo, '**training is the act of increasing the skills of an employee for doing a particular job**'.

Need for Training:

1. Environmental changes: Mechanization, computerization, and automation have resulted in many changes that require trained staff possessing enough skills. The organization should train the employees to enrich them with the latest technology and knowledge.

2. Organizational complexity: With modern inventions, technological upgradation, and diversification most of the organizations have become very complex. This has aggravated the problems of coordination. So, in order to cope up with the complexities, training has become mandatory.

3. Human relations: Every management has to maintain very good human relations, and this has made training as one of the basic conditions to deal with human problems.

4. To match employee specifications with the job requirements and organizational needs: An employee's specification may not exactly suit to the requirements of the job and the organization, irrespective of past experience and skills. There is always a gap between an employee's present specifications and the organization's requirements. For filling this gap training is required.

5. Change in the job assignment: Training is also necessary when the existing employee is promoted to the higher level or transferred to another department. Training is also required to equip the old employees with new techniques and technologies.

Training in HRM – Features

I. Increases knowledge and skills for doing a particular job- Training bridges the gap between job needs and employee skills, knowledge and behaviours.

II. Focuses attention on the current job- It is job specific and provides employees with specific skills. Training helps employees' correct deficiencies in their performance.

III. Concentrates on individual employees- Training lays emphasis on changing what employees know, how they work, their attitudes toward their work or their interactions with their co-workers or supervisors.

IV. Narrow focus- Tends to be more narrowly focused and oriented toward short-term performance concerns. It tries to fix current skill deficit. The goal of training is a fairly quick

improvement in workers' performance. It is a job specific and individual-oriented effort aimed at improving short term performance fairly quickly.

V. Relatively permanent change in employee behaviour- Training is actually a learning experience that seeks a relatively permanent change in individuals that will improve their ability to perform on the job.

Importance of Training:

- Training of employees and managers are absolutely essential in this changing environment.
- It is an important activity of HRD which helps in improving the competency of employees.
- Training gives a lot of benefits to the employees such as improvement in efficiency and effectiveness, development of self confidence and assists every one in self management.
- The stability and progress of the organization always depends on the training imparted to the employees.
- Training becomes mandatory under each and every step of expansion and diversification. Only training can improve the quality and reduce the wastages to the minimum.
- Training and development is also very essential to adapt according to changing environment.

Methods: On-The-Job Training and Off-The-Job Training

Broadly speaking, there are two methods of training, viz., on-the-job training and off-the-job training.

A. On-The-Job Training:

In this method the employee learns by doing. He is exposed to the real work situation. An experienced employee will act as the friend, philosopher and guide. The new employee follows the orders, carries out instructions and adopts the right technique while doing the job. In this way, he is able to learn the work practically.

While doing so he can ask questions, seek clarifications on various job-related matters and obtain guidance from his senior employee. Important on-the-job methods of training include, job rotation, coaching or job instruction, working as an assistant or understudy under senior employees, temporary promotions etc.

Some of the widely used on the job training methods are discussed below:

1. Job Instruction Training (JIT):

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

The four steps followed in the JIT methods are:

- (i) The trainee receives an overview of the job, its purpose and its desired outcomes with a clear focus on the relevance of training.
- (ii) The trainer demonstrates the job to give the employee a model to copy. The trainer shows a right way to handle the job.
- (iii) Next, the employee is permitted to copy the trainer's way. Demonstrations by the trainer and practice by the trainee are repeated until the trainee masters the right way to handle the job.
- (iv) Finally, the employee does the job independently without supervision.

Merits and Demerits of Job Instruction Training:

Merits:

- (a) Trainee learns fast through practice and observation.
- (b) It is economical as it does not require any special settings. Also, mistakes can be corrected immediately.
- (c) The trainee gains confidence quickly as he does the work himself in actual settings with help from supervisor.
- (d) It is most suitable for unskilled and semi-skilled jobs where the job operations are simple; easy to explain and demonstrate within a short span of time.

Demerits:

- (a) The trainee should be as good as the trainer. If the trainer is not good, transference of knowledge and skill will be poor.
- (b) Trainee while learning may damage equipment, waste materials and cause accidents frequently.
- (c) Experienced workers cannot use the machinery while it is being used for training.

2. Coaching and Mentoring:

Coaching is a one-on-one relationship between trainees and supervisors which offers workers continued guidance and feedback on how well they are handling their tasks. Mentoring is a particular form of coaching used by experienced executives to groom junior employees.

Normally, mentoring involves one-on-one coaching for a period of several years until the individual is eventually capable of replacing the mentor.

Merits and Demerits of Coaching and Mentoring:

Merits:

- i. There is an excellent opportunity to learn quickly through continuous interaction.
- ii. Constant guidance helps the trainee to be on track, using facilities to good advantage.

Demerits:

- i. It may create feelings of jealousy among other workers who are not able to show equally good performance.
- ii. If mentors form overly strong bonds with trainees, unwarranted favouritism may result. This can have a demoralising effect on other workers, affecting their work performance in a negative way.

(3) Apprenticeship Training:

Apprenticeship training dates back to Biblical times and is frequently used to train personnel in some skilled trades such as electricians, mechanics, tailors, bricklayers, and carpenters. The period of training ranges from two to five years depending on the occupation in which the trainee is engaged.

Frankly speaking, apprenticeship refers to a combined on-the-job as well as off-the-job training approach in the sense that the trainee agrees to work for a salary below that a fully qualified employee gets, in exchange for a specified number of formal training hours in the organization. One advantage of apprenticeship training is its success; success because apprenticeship programmes employ many of the principles of learning—such as modelling, feedback, classroom training etc., and are often quite effective.

(4) Job Rotation:

Job rotation is also known as cross training. Job rotation is the process of training employees by rotating them through series of related tasks. In job rotation, an individual learns several different jobs within a work unit or department. He performs each for a specified time period.

The principal weakness of job rotation include:

- (i) It is very difficult to coordinate various assignments such as production, finance and marketing etc. (the jobs usually vary in content and the trainee might be moved from production to finance, to sales, to personnel etc.).
- (ii) Some of the coaches may not be motivated to concentrate on trainees assigned only for short period.
- (iii) Different coaches may espouse conflicting viewpoints of company policies and procedures.

(5) Refresher Training:

Rapid changes in technology may force companies to go in for this kind of training. By organising short-term courses which incorporate the latest developments in a particular field,

the company may keep its employees up-to-date and ready to take on emerging challenges. It is conducted at regular intervals by taking the help of outside consultants who specialise in a particular discipline.

(6) Orientation Training:

Orientation or induction training tries to put the new recruits at ease. Each new employee is usually taken on a formal tour of the facilities, introduced to key personnel and informed about company policies, procedures and benefits. To be effective, orientation training should be well planned and conducted within the first week of employment.

B. Off-the-Job Training:

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

Off the job training methods are as follows:

(a) Vestibule Training:

In this method, actual work conditions are simulated in a class room. Material, files and equipment those are used in actual job performance are also used in training. This type of training is commonly used for training personnel for electrical and semi-skilled jobs. The duration of this training ranges from a few days to a few weeks. Theory can be related to practice in this method.

(b) Role Playing:

It is defined as a method of human interaction that involves realistic behaviour in imaginary situations. This method of training involves action, doing and practice. The participants play the role of certain characters, such as the production manager, mechanical engineer, superintendents, maintenance engineers, quality control inspectors, foreman, workers and the like. This method is mostly used for developing interpersonal interactions and relations.

(c) Lecture Methods:

The lecture is a traditional and direct method of instruction. The instructor organises the material and gives it to a group of trainees in the form of a talk. To be effective, the lecture must motivate and create interest among the trainees.

(d) Conference/Discussion Approach:

In this method, the trainer delivers a lecture and involves the trainee in a discussion so that his doubts about the job get clarified. When big organizations use this method, the trainer uses audio-visual aids such as blackboards, mockups and slides; in some cases the lectures are videotaped or audio taped.

Even the trainee's presentation can be taped for self-confrontation and self-assessment. The conference is, thus, a group-centered approach where there is a clarification of ideas, communication of procedures and standards to the trainees.

Those individuals who have a general educational background and whatever specific skills are required—such as typing, shorthand, office equipment operation, filing, indexing, etc. may be provide with specific instructions to handle their respective jobs.

(e) Programmed Instruction:

In recent years this method has become popular. The subject-matter to be learned is presented in a series of carefully planned sequential units. These units are arranged from simple to more complex levels of instructions. The trainee goes through these units by answering questions or filling the blanks. This method is, thus, expensive and time-consuming.

The various types of training and development programmes can be broadly classified into two categories based on the purpose:

- (i) Training programmes for Non-managers to develop skills to perform a job
- (ii) Training and educational programmes for executives to develop the ability to manage

Accordingly, they can be called as:

- (i) Operative Training; and
- (ii) Management/Executive Development Programmes.

Operative training calls for specific increase in skill and knowledge to perform a particular job.

For this, four different types of training programmes can be arranged:

- (1) On-the-job training
- (2) Vestibule training
- (3) Apprenticeship training
- (4) Special courses.

On-the-job training is the most common type of training for the new employee who, under the guidance of an experienced employee, learns his work and masters his job.

Vestibule training utilizes the vestibule school where the trainee uses equipment and procedures similar to those he would use in on-the-job training but the equipment is setup at a place separate from the regular workplace with the clear intention of facilitating learning and not obtaining productive input.

Apprenticeship training programme tends more towards education than merely on the vocational training. Under this, both knowledge and skills in doing a job or a series of related jobs are involved. The usual apprenticeship programmes combine on-the-job training and experience with class-room instructions in particular subjects.

This type of training is used to prepare employees for a variety of skilled occupations, trades, crafts and technical fields (like electricians, tool and die makers, engravers, welders etc) in which proficiency can be acquired only after a relatively long period of time in direct association with the work and under the direct supervision of experts.

Special courses type of operative training is more associated with knowledge than skill and therefore class-room instructions are very useful in learning concepts, attitudes, theories and problem-solving abilities.

Management/Executive Development programmes are designed to cater to the types of needs like decision-making ability, achieving interpersonal success and influence, gaining organizational knowledge, etc this type of training can be imparted only through appropriate methods.

Decision-making skills are enhanced through business games, case studies and in-basket exercises. Interpersonal skills can be promoted through role playing behaviour modelling, T-group or sensitivity training, transactional analysis, and structured insight.

Job knowledge can be acquired through experience, coaching and understudy methods, while organizational knowledge can be developed through position rotation and multiple management. In addition, one's general educational background can be developed through special courses and committee assignments.

The various types of training and development programmes for the operatives as well as for the managers or executives depend for their success and effectiveness on the specific methods or techniques employed.

It is therefore desirable to have an overview of these methods / techniques.

Training in HRM – 6 Step Process

1. Identifying the Training Needs:

Attaining program should be established to assist in the solution of specific operational problems and improve performance of the trainee. Identification of training needs must contain three types of analyses-

(a) Organizational Analysis:

Organizational analysis is a systematic effort to understand exactly where training effort needs to be emphasized in an organization involving a detailed analysis of the organization structure, objectives, human resources and future plans, and an understanding of its culture milieu. An in-depth analysis of these factors would facilitate an understanding of deficiencies that need to be rectified.

(b) Operational Analysis:

Operational analysis involves a detailed examination of a job, its components, its various operations and the conditions under which it has to be performed. This analysis focuses on the “task” itself, rather than on the individual and the training required to perform it. Analysis of the operation and its various components will indicate the skills and training needed to perform at the job at the required standard.

(c) Man Analysis:

Man analysis focuses on the individual employee, his abilities, skills and the inputs required for job performance, or individual growth and development in terms of career planning. Man analysis identifies individual employee’s training needs.

2. Getting Ready for the Job:

Having identified the needs for training, the next step is to decide who is to be trained – the newcomer or the existing employee, or the supervisory staff, some or all of them selected from different departments.

3. Preparation of the Learner:

The next step requires that the learner remains prepared for learning.

This step involves-

- i. Putting the learner at ease so that he does not feel nervous because of the fact that he is on a new job;
- ii. State the importance and ingredients of the job, and its relationship to work flow;
- iii. Explain the learner reasons why he is being taught;
- iv. Create interest and encourage questions to find out what the learner already knows about his job or other jobs;
- v. Explain the ‘why’ of the whole job and relate it to some job the worker already knows;
- vi. Place the learner as close to his normal working position as possible;
- vii. Familiarize him with the equipment, materials, tools and trade terms.

4. Presentation of Operation and Knowledge:

The trainer should clearly tell, show, illustrate and question in order to put over the new knowledge and operations. The learner should be told of the sequence of the entire job, and why each step in its performance is necessary. Instruction should be given clearly, completely and patiently; there should be an emphasis on key points, and one point should be explained at a time.

For this purpose, the trainer should demonstrate or make use of audio-visual aids and should ask the trainee to repeat the operations. He should also be encouraged to ask questions in order to indicate that he really knows and understand the job.

5. Performance Try-Out:

Under this step, the trainee is required to go through the job several times slowly, explaining him each step. Mistakes are rectified, and if necessary, some complicated steps are done for the trainee the first time. The trainee is asked to do the job gradually building up skill and speed.

As soon as the trainee demonstrates that he can do the job in a right way, he is put on his own, but not abandoned. Then the trainee is put to test and the effectiveness of a training program evaluated.

6. Follow-Up and Evaluation of the Program:

The evaluation is undertaken with a view to testing the effectiveness of training efforts. This step can be accomplished by putting a trainee 'on his own', checking frequently to be sure that the trainee has followed instructions and tapering off extra supervision and close follow up until he is qualified to work with normal supervision.

Identifying Training Needs of Employees| Training Programmes

Training bridges gap between what employee has (in terms of skills and abilities) and what his/her job demands. This clearly underlines the need for proper identification of training needs of employee.

1. Views of the line manager
2. Performance appraisal
3. Company and departmental plans
4. Views of training manager
5. Analysis of job difficulties

Here our examination is based on McGhee and Thayer's model of training needs identification.

It consists of the following three components:

1. Organisational analysis
2. Task analysis
3. Man analysis

These are discussed in seriatim.

Organisational Analysis:

It involves a comprehensive analysis of organisation in terms of its objectives, resources, resource allocation and utilization, culture, environment, and so on. Such an analysis would help identify deficiencies and mechanisms that would be needed to make adjustments in those identified deficiencies.

Generally, organisational analysis includes the following steps:

(i) Analysis of Objectives:

Organisational analysis begins with achieving a clear understanding of both short and long-run goals and also the order of priorities accorded to various objectives. Long-run objectives are broken down into specific objectives and strategies for each of the department/division/unit.

Short-run objectives are constantly in need of adaptation to the changing environment, both external and internal. However, long-run goals, if carefully thought out, are expected to be much less subject to modification. General objectives are also needed to be translated into specific operational targets.

(ii) Resource Utilization Analysis:

Once the organisational objectives are analysed, the next step involved in identifying training needs is to analyse the allocation of human and other physical resources and evaluate their level of utilization in meeting operational objectives.

In order to examine the flow of the inputs and outputs of the total system, various efficiency indices can be developed and used. While using these efficiency indices, focus should be on the contribution of human resources in meeting the organisational goals.

(iii) Environmental Scanning:

Such an analysis is done to study the organisation as a subsystem operating in a distinct environment consisting of socio-cultural, economic and political components. This enables the organisation to identify the environmental factors which the organisation can influence and the constraints which cannot control.

(iv) Organisational climate analysis:

The organisational climate is a reflection of its members' attitudes towards various aspects of work, supervision, company procedure and so on. These have own bearing on affecting the effectiveness of a training programme in the organisation.

Task Analysis:

This is also called job or operational analysis. This involves a detailed analysis of various components of a job, its various operations, and the conditions under which it has to be performed. Task analysis will indicate the skills and training required to perform the job at the required standard. For almost all jobs have an expected standard of performance.

If these standards for the performance of the job are known, then it is possible to know whether the job is being performed at the desired level of output i.e., standard or not. Knowledge of task as gained through task analysis will help in understanding what skills, knowledge and attitudes an employee should have to fulfill the expected performance.

Man Analysis:

This is the third component in identifying employee training needs. The focus of man analysis is on the individual employee, his skills, abilities, knowledge and attitude. Of the three analyses, this is more complex one because of difficulties in assessing human contribution.

Through these, it is possible to get an indication of the training requirements of an employee. According to Dayal, a detailed study of jobs and skill analysis is absolutely necessary. The training accordingly imparted would help the employee adjust to their job requirements.

PERFORMANCE APPRAISAL

Performance Appraisal is the systematic evaluation of the performance of employees and to understand the abilities of a person for further growth and development. Performance appraisal is generally done in systematic ways which are as follows:

1. The supervisors measure the pay of employees and compare it with targets and plans.
2. The supervisor analyses the factors behind work performances of employees.
3. The employers are in position to guide the employees for a better performance.

PURPOSE OF A PERFORMANCE APPRAISAL

The purpose of a performance appraisal is two-fold: It helps the organization to determine the value and productivity that employees contribute, and it also helps employees to develop in their own roles.

Benefit for organization

Employee assessments can make a difference in the performance of an organization. They provide insight into how employees are contributing and enable organizations to:

- Identify where management can improve working conditions in order to increase productivity and work quality.
- Address behavioral issues before they impact departmental productivity.
- Encourage employees to contribute more by recognizing their talents and skills
- Support employees in skill and career development
- Improve strategic decision-making in situations that require layoffs, succession planning, or filling open roles internally

Benefit for employee

Performance appraisals are meant to provide a positive outcome for employees. The insights gained from assessing and discussing an employee's performance can help:

- Recognize and acknowledge the achievements and contributions made by an employee.
- Recognize the opportunity for promotion or bonus.
- Identify and support the need for additional training or education to continue career development.
- Determine the specific areas where skills can be improved.
- Motivate an employee and help them feel involved and invested in their career development.
- Open discussion to an employee's long-term goals.

How to organize a performance appraisal process

Conducting a performance review with an employee requires skill and training on the part of the appraiser. The negative perception that is often associated with the performance appraisal is due in part to a feeling of being criticized during the process. A performance appraisal is

meant to be the complete opposite. Often, the culprit is in the way the appraisal is conducted via the use of language.

The way the sender of a message uses language determines how the other person interprets the message once received. This can include tone of voice, choice of words, or even body language. Because a performance appraisal is meant to provide constructive feedback, it is crucial that appropriate language and behavior are used in the process.

The performance appraisal process:

1. The assessment process is usually facilitated by Human Resources, who assist managers and supervisors in conducting the individual appraisals within their departments.
2. An assessment method should be established.
3. Required competencies and job expectations need to be drafted for each employee.
4. Individual appraisals on employee performance are conducted.
5. A one on one interview is scheduled between the manager and employee to discuss the review.
6. Future goals should be discussed between employee and manager.
7. A signed-off version of the performance review is archived.
8. Appraisal information is utilized by human resources for appropriate organizational purposes, such as reporting, promotions, bonuses or succession planning.

Objectives of Performance Appraisal

1. To maintain records in order to determine compensation packages, wage structure, salaries raises, etc.
2. To identify the strengths and weaknesses of employees to place right men on right job.
3. To maintain and assess the potential present in a person for further growth and development.
4. To provide a feedback to employees regarding their performance and related status.
5. To provide a feedback to employees regarding their performance and related status.
6. It serves as a basis for influencing working habits of the employees.
7. To review and retain the promotional and other training programmes.

Advantages of Performance Appraisal

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

1. **Promotion:** Performance Appraisal helps the supervisors to chalk out the promotion programmes for efficient employees. In this regards, inefficient workers can be dismissed or demoted in case.
2. **Compensation:** Performance Appraisal helps in chalking out compensation packages for employees. Merit rating is possible through performance appraisal. Performance Appraisal tries to give worth to a performance. Compensation packages which includes bonus, high salary rates, extra benefits, allowances and pre-requisites are dependent on performance appraisal. The criteria should be merit rather than seniority.
3. **Employees Development:** The systematic procedure of performance appraisal helps the supervisors to frame training policies and programmes. It helps to analyse strengths and weaknesses of employees so that new jobs can be designed for efficient employees. It also helps in framing future development programmes.
4. **Selection Validation:** Performance Appraisal helps the supervisors to understand the validity and importance of the selection procedure. The supervisors come to know the validity and thereby the strengths and weaknesses of selection procedure. Future changes in selection methods can be made in this regard.
5. **Communication:** For an organization, effective communication between employees and employers is very important. Through performance appraisal, communication can be sought for in the following ways:
 - a. Through performance appraisal, the employers can understand and accept skills of subordinates.
 - b. The subordinates can also understand and create a trust and confidence in superiors.
 - c. It also helps in maintaining cordial and congenial labour management relationship.
 - d. It develops the spirit of work and boosts the morale of employees.
6. **Motivation:** Performance appraisal serves as a motivation tool. Through evaluating performance of employees, a person's efficiency can be determined if the targets are achieved. This very well motivates a person for better job and helps him to improve his performance in the future.

Techniques of Performance Appraisal

Techniques of Performance Appraisal – Traditional and Modern Techniques

Every method of performance appraisal is used for measuring different skills and qualities of employee. Some are simple and economical while others are costly and complex. Each organization adopts a technique which is most suitable for them.

1. Traditional Techniques:

Following are some of the traditional techniques used to assess the performance of employees:

i. Ranking Method:

It is a simple, less-time consuming & economical method used by small organizations. In this method, there are no clearly defined qualities, standards or skills on the basis of which employees are assessed. Every employee is ranked from best to worst depending on overall performance. With this method, it is difficult to identify reason for high/low ranking or specific areas of weakness or strength.

ii. Paired Comparison Method:

In this method, each employee is compared with every other employee in a group or who is performing the same kind of job. The total number of times an employee is rated better compared to others, determines the final ranking of employee. This method is simple but it is not suitable when the number of employees is large.

iii. Grading Method:

This method initially establishes the qualities on the basis of which employees are assessed. Then, the grades are established (A – stands for excellent, B – stands for good, C- stands for average, D – stands for poor). Finally, every employee is assessed on the qualities established and grades are given on basis of employee's performance. It is a simple method to evaluate performance.

iv. Forced Distribution Method:

Mostly, managers give average ratings to all employees. It is unfair for those who actually deserve high ratings. In order to overcome this limitation, forced distribution method is developed. In this method, evaluators are forced to place a certain percentage or number of employees in each of categories. For example, suppose a manager has to evaluate performance of 20 employees.

He will be instructed to place 3 employees in excellent category, 3 in poor category, 5 in above average category, 5 in below average category and 4 in average category. Here, the managers will be forced to consider the each employee's skill and competency and rate them

on the basis of actual performance. However, the drawback is few employees might always be placed in poor or below average category even when their performance is good.

v. Forced Choice Rating Method:

In this method, a set of descriptive statements are given to the evaluator. The statements are based on the qualities which are to be evaluated. The evaluator has to choose a statement that is most applicable & least applicable to the employee. Each statement is assigned a value or score which is not revealed to the evaluator in order to avoid personal bias. The drawback is evaluator is forced to select one option although none might be applicable.

Further, appraisal interviews / training process may be defective as the evaluator is unaware of the scores given to the employee. This is also an expensive method as trained personnel's are hired for preparing the statements on basis of which employees are assessed. The descriptive statements could be – He / she participate in group discussions, He / she take initiative, He / she completes task in assigned time and so on.

vi. Checklist Method:

In this method, a set of questions based on the qualities to be evaluated are prepared in advance. Each statement is assigned score which is not revealed to the evaluator. The evaluator has to select YES/NO. In certain cases where the question is not applicable to an employee, it can be left blank. Different set of questions are prepared for different jobs. This is an expensive method as trained personnel's are also required for preparing questions.

For example, following are some of the sample questions asked in appraisal sheet:

- a. Is he regular on the job? (YES/NO)
- b. Does he follow orders and instructions properly? (YES/NO)
- c. Is he willing to co-operate with his colleagues? (YES/NO)

vii. Critical Incident Appraisal Method:

In this method, the manager makes note of all important incidents (positive & negative) of the employee that occurred at job. The record helps the evaluator to rate the employees correctly as per actual performance. For example, the manager takes record of the incident where a difficult and unsatisfied customer was skilfully handled by an employee. He takes note of the attitude and the manner in which he dealt with the incident.

viii. Graphic Rating Scale Method:

This is the most popular method as it is less time consuming and economical. In this method, list of qualities, attitudes and behaviour to be evaluated is prepared in advance. It also involves preparation of difference performance categories (outstanding, good, average, and poor). The evaluator is required to select a performance category which is most relevant and applicable to the employee for each statement.

ix. Essay Appraisal Method:

In this method, evaluator is required to write a detailed report of employee's strength, weaknesses, potential, achievements and observations, if any. He is also required to state the manner in which the employee can improve his strength and overcome his weaknesses. As the employee's overall is not rated numerically, comparison of peer performance is not possible. The performance report can be shared with the employee to assist him in self-assessment/training purpose.

x. Field Review Method:

In this method, performance of employee is not evaluated by his immediate superior or manager. HR personnel conduct such type of interviews and appraisals. This method helps to overcome the problem of partiality and favouritism involved in evaluation process. In order to collect information and evaluate performance, the HR personnel ask questions to supervisor/manager regarding employee's performance, behaviour, attitudes, abilities etc.

2. Modern Techniques:

i. Human Resources Accounting Method:

This method aims to assess the value of organization's human resource in terms of money. The performance of each employee is measured in terms of cost and contribution to the organization in monetary terms. Cost includes all the expenses incurred for human resource planning, recruitment, selection, training, compensation, welfare benefits. Contribution includes employee's involvement in achieving goals and objectives of the organization. The difference between the cost and the contribution is the value of human resources.

ii. Management by Objectives Method (MBO) / Appraisal by Requests:

It measures the extent to which the objectives/goals set by the employees were achieved during a particular period. The manager and subordinate employees together establish these goals and design a plan to achieve them. During the appraisal, the actual performance is compared with the established goals.

iii. Assessment Centres:

This method is used to evaluate performance of managers. Assessment Centre is an artificial environment specially created for assessing skill, behaviour and potential of the managers. This assessment may require 2-3 days. During this period, the managers are given particular assignments, projects or exercises that are more or less similar to the situation that they may face at actual workplace.

iv. Behaviorally Anchored Rating Scales (Bars):

This method is used to rate the performance of employees based on their behaviour. It focuses on those aspect of behaviour which are important for completing any given task or job in efficient manner. In this method, a set of behaviour statements are prepared. Further, performance categories are established and assigned a specific value.

v. 360 Degree Appraisal:

360 degree appraisal is a feedback received from people working around or with the employee. Under this method, the performance is evaluated by the employee himself, his superiors, his peers and his subordinates. Sometimes, his clients and suppliers are also involved in the process. Some organizations also set up separate rating committee to evaluate its employees. This committee consists of skilled and trained group of superiors, peers and subordinates.

EMPLOYEE PROMOTION

In simpler terms, promotion refers to upward movement in present job leading to greater responsibilities, higher status and better salary. Promotion may be temporary or permanent depending upon the organizational requirement.

According to Clothier and Spriegel, “promotion is the transfer of an employee to a job which pays more money or one that carries some preferred status.”

In the corporate sector employee promotions doesn't make much difference as that of in government sector. In the government the word **promotion** is the ultimate desire for an employee for the service rendered by him in the organisation and this is the only way for an employee career development in the government sector. Promotion is the ultimate motivating factor for any employee because moves employee forward in hierarchy of concern organisation added with additional responsibility, higher respect, honour, with increase in grade pay and allowances.

PURPOSE AND ADVANTAGES OF PROMOTION

Promotion stimulates self-development and creates interest in the job. According to Yoder, “promotion provides incentive to initiative, enterprise and ambition; minimizes discontent and unrest; attracts capable individuals; necessitates logical training for advancement and forms an effective reward for loyalty and cooperation, long service etc.”

The purposes and advantages of promotions are to:

- recognize employee's performance and commitment and motivate him towards better performance;
- develop competitive spirit among employees for acquiring knowledge and skills for higher level jobs;
- retain skilled and talented employees;
- reduce discontent and unrest;
- To fill up job's vacant position that is created due to retirement, resignation or demise of an employee. In this case next senior employee will be promoted to the vacant job.
- utilize more effectively the knowledge and skills of employees; and
- attract suitable and competent employees.

TYPES OF PROMOTIONS

a) Up or Out Promotion: In this case, an employee either earns a promotion or seeks employment elsewhere. Out promotion usually leads to termination of employee and joining some other organization in a better position.

b) Dry Promotion: In this type, promotion is given in lieu of increase in salary. For example, when an university professor is made Head of the Department, there is no increase in salary.

c) Paper promotion: Paper promotion happens on seniority of employee in government sector having different departments. Paper promotion is an employee promotion given to the employee belonging to the parent department, but indeed working in another department on transfer, on request of employee or due to exigency of work. Paper promoted employee draws salary pertaining to job in another Department, but not according to promotion's job in the parent Department.

The main objective of a promotion is to protect the right, seniority of an employee and reserve his/her promotion seat in the parent department when an employee reverts to his/her parent department.

PROGRAM AND PROCEDURE

Every organization should make advance plans for promotion programme. A carefully planned promotion programme has four elements:

- a) formulation of promotion policy,
- b) identification of promotion channels,
- c) promotion appraisal, and
- d) centralized records. We shall discuss each element in detail.

a) Formulation of Promotion Policy:

Each organization needs to maintain a balance between the internal sources of personnel promotion and external sources by means of recruitment. Hence, promotion must be based on consistent, fair and clear cut policy. The National Institute of Personnel Management (NIPM) has suggested a promotion policy on the following lines:

- Encouragement of promotion within the organization instead of looking outside to fill vacancies in higher places.
- An understanding that ability as well as seniority will be taken into account in making promotions. Ability, efficiency, attitude, job performance, physical fitness, leadership, experience, and length of service are some of the factors considered in making promotions.
- Drawing up an organization chart to make clear to all the ladder of promotion. Where there is a job analysis and a planned wage policy, such chart is quite easy to prepare.
- Making the promotion system clear to all concerned who may initiate and handle cases of promotion. Though departmental heads may initiate promotion, the final approval must lie with the top management, after the personnel department has been asked to check from its knowledge whether any repercussion is likely to result from the proposed promotion.
- All promotions should be for a trial period to ascertain whether the promoted person is found capable of handling the job or not. Normally, during this trial period, he draws the pay of the higher post, but it should be clearly understood that if “he does not make the grade” he will be reverted to his former post and former pay scale.

b) Promotion Channels:

Promotion channels should be identified and recorded on paper. This process is related with job analysis and career planning of an organization.

c) Promotion Appraisals:

The promotion of an employee is entirely dependent upon his/her performance appraisal outcome.

d) Centralised Records:

The education, experience, skills, abilities and evaluation of all employees should be recorded and maintained in a centralised manner by the department of the organization, because basing on these attributes, promotion is given to an employee.

BASES FOR PROMOTION

Promotion is given on the basis of seniority or merit or a combination of both. Let us discuss each one as a basis of promotion.

Seniority as a basis: It implies relative length of service in the same organization. The advantages of this are: relatively easy to measure, simple to understand and operate, reduces labour turnover and provides sense of satisfaction to senior employees. It has also certain disadvantages: beyond a certain age a person may not learn, performance and potential of an employee is not recognized, it kills ambition and zeal to improve performance.

Merit as a basis: Merit implies the knowledge, skills and performance record of an employee. The advantages are: motivates competent employees to work hard, helps to maintain efficiency by recognizing talent and performance. It also suffers from certain disadvantages like: difficulty in judging merit, merit indicates past achievement, may not denote future potential and old employees feel insecure.

Seniority-cum-Merit as basis: As both seniority and merit as basis suffer from certain limitations, therefore, a sound promotion policy should be based on a combination of both seniority and merit. A proper balance between the two can be maintained by different ways: minimum length of service may be prescribed, relative weightage may be assigned to seniority and merit and employees with a minimum performance record and qualifications are treated eligible for promotion, seniority is used to choose from the eligible candidates.

Reservations in employee promotions for PWD (*Persons With Disabilities*) not prohibited
Employment is a key factor in the empowerment and inclusion of people with disabilities. It is an alarming reality that the disabled people are out of job not because their disability comes in the way of their functioning rather it is social and practical barriers that prevent them from joining the workforce. As a result, many disabled people live in poverty and in deplorable conditions. They are denied the right to make a useful contribution to their own lives and to the lives of their families and community.

Parliament passed **the Persons with Disabilities (Equal Opportunities, Protection of Rights and Full Participation) Act, 1995** being Act 1 of 1996. The statement of objects and reasons for the said Act states that a Conference held at Beijing, China, in December, 1992 had adopted the Proclamation on the Full Participation and Equality of People with Disabilities in the Asia and the Pacific region India being a signatory to the said proclamation found it necessary to

enact a suitable legislation to provide for the special care that is necessary to remove discrimination against persons with disabilities and to make special provision for the integration of such persons into the social mainstream.

Section 2(i) of the said Act defines “disability” as follows:-

“(i) “disability” means—

- blindness;
- low vision;
- leprosy-cured;
- hearing impairment;
- locomotor disability;
- mental retardation;
- mental illness;”

Section 2(t) defines “person with disability” as follows:-“(t) “person with disability” means a person suffering from not less than forty per cent of any disability as certified by a medical authority;”

Section - 32. Identification of posts which can be reserved for persons with disabilities.- Appropriate Governments shall-

- (a) identify posts, in the establishments, which can be reserved for the persons with disability;
- (b) at periodical intervals not exceeding three years, review the list of posts identified and up- date the list taking into consideration the developments in technology.

Section - 33. Reservation of posts.- Every appropriate Government shall appoint in every establishment such percentage of vacancies not less than three per cent for persons or class of persons with disability of which one per cent each shall be reserved for persons suffering from-

- (i) blindness or low vision;
- (ii) hearing impairment;
- (iii) locomotor disability or cerebral palsy, in the posts identified for each disability:

Provided that the appropriate Government may, having regard to the type of work carried on in any department or establishment, by notification subject to such conditions, if any, as may be specified in such notification, exempt any establishment from the provisions of this section.”

TRANSFER

Transfer– Meaning

Transfer means a change in job assignment. It refers to a horizontal or lateral movement of an employee from one job to another in the same organization without much change in his status or pay package. Transfer causes a shift of individual from one job to another without there being any marked change in his responsibilities, skills and other benefits.

Transfers are an important source for internal recruiting. Often the most suitable candidate for an existing opening may be someone already working in one or the other department of the working organisation. Transfer of such an employee to fill the job is preferred by managers of the organisation.

Definition

Transfer is a process of placing employees in positions where they are likely to be more effective or where they are to get more job satisfaction. In transfers, there is no change in the responsibility, designation, status or salary. It is a process of employee's adjustment with the work, time and place. Transfer may also be made as a disciplinary action. In Government service, employees are transferred due to administrative reasons. Transfer is a movement of the employee from one job to another job or some other place without change in status, responsibilities and salary.

According to Edwin Flippo, a transfer, "is a change in job where the new job is substantially equal to the old in terms of pay, status and responsibilities".

Yoder and Associates have defined transfer as, "a lateral shift causing movement of individuals from one position to another usually without involving any marked change in duties, responsibilities, skills needed or compensation".

Dale Yoder, "A transfer involves the shifting of an employee from any job to another without special reference to change responsibility or compensation".

Transfer involves change of job assignment. It is simply shifting of an employee from one job to another job without any change in status and pay.

In the words of **Edwin. B. Flippo** "transfer is a change in job where the new job is substantially the equal to the old in terms of pay, status and responsibilities."

Objectives

1. To meet or fulfill organizational needs – To fulfill organisational needs arising out of change in technology, volume of production, production schedule, quality of product etc., an employee may have to be transferred.

2. To satisfy employee needs – Sometimes employees themselves demand transfer due to their personal problems like ill health, family problem native attractiveness or non-co-operation from boss or fellow workers. To satisfy their needs employees may have to be transferred.
3. To adjust the workforce – Employees for excess or surplus in one department may have to be transferred to other department or section where there is shortage of workforce.
4. To reduce monotony and to make the employees versatile – If the employees have stayed on a job continuously for a longer duration, to reduce their monotony and to widen their knowledge and skill, employees are transferred.
5. For effective use of employees – If the management feels that the service of the able employee is to be used in different branches of the same organisation, then such employees will have to be transferred.
6. To punish Employees – If employees are found indulged in undesirable activities like fraud, bribery, duping etc., such employees are transferred to remote places as a disciplinary action.
7. To give the relief to the employees – Employees who are overburdened and doing complicated or risky work for long period are relieved from such work by transferring such employees to a place of their choice.
8. To improve employees background by placing them in different jobs of various departments and units.

Transfer– Purpose

Transfers are generally made to acquire some purposes that are as follows:

1. To Increase Productivity of Employees:

Transfer may be made for the proper utilisation of the services of an employee when he is not performing satisfactorily and ample and when the management feels that he may be more beneficial or suitable elsewhere, where his capacities would be better utilised.

2. To Fulfil Employee's Request:

Sometimes transfers is made to meet an employee's own request, when he feels uncomfortable on the job because of his dislike of his boss or his fellow workers or because better opportunities for his future advancement do not exist there or because of family circumstances which may compel him to change the place of his residence.

3. To Meet Organisational Requirements: Sometimes transfers are made to satisfy such needs of an organisation as may arise out of a change in the quantity of production, fluctuations in work requirements and changes in the organisational structure; the introduction of new lines of production, etc.

4. Maintenance of a Tenure System:

Transfer may be made for the maintenance of a tenure system. In senior administrative services of the government and also in industries or where there is a system of annual intake of management trainees such transfers are generally exist.

5. For Adjusting the Work Force:

Transfer may be made to adjust the workforce of one plant with that of another, particularly when one is closed down for reasons beyond the control of the employer.

6. For Penalising Employees:

Transfer may be made to penalise employee under which either a difficult trade union activist or sea lawyer may be transferred to a remote branch or office where he cannot continue his further activities.

7. For Adjusting the Employee's Timing:

Transfer may be made at the requests of the employees to help work according to their convenience so far as timings are concerned, e.g., an employee is transferred from night shift to morning shift or from the first to the second shift (as in the case of women workers who may like to look after their children and do the necessary household work in the morning hours).

8. To Make Employee's more Versatile:

Transfer may be made to increase the versatility of the employee, by shifting him from one job to another so that he may have sufficient chances for gaining a varied and broader experience of work.

IMPORTANT PRINCIPLES OF A TRANSFER

Transfers must be ordered based on certain company-specific principles or dogma. Transferring an employee without adhering to policies or norms may lead to deteriorated industrial relations. The management might think of issuing transfer orders, treating each case on its own merit. Even if management takes the right decisions, some employees may take exception to them. Thus, management must frame a transfer policy and follow the same.

Some principles of a transfer are as follows:

a. In a usual phenomenon, a transfer causes some disturbance to the transferee. Hence, a minimum period between transfers and the frequency of transfer must be decided upon by the HR department and made known to all the employees. A company should develop its administrative manual to endorse the policies and objectives relating to administration.

- b. Authorities of the manager who will handle transfer must be earmarked and responsibilities must be defined. In an organization, the authority to handle transfers should be centralized to ensure uniformity in practices.
- c. Transfers on individual employees' requests should be based on documented transfer system.
- d. Transfer orders must clearly specify whether the transfer is of permanent or temporary nature.
- e. Prior to transfer, the performance of an employee needs to be assessed. The assessment helps management to assign new tasks to the employee as per the job description.
- f. While developing the transfer policy, the interest of the organization must always be remembered.

PROCEDURE FOLLOWED FOR TRANSFER IN AN ORGANISATION

Transfers within the same section of the same department are decided by the foreman or plant manager, and they are effected without the use of any transfer order to the employee. He may be given oral instruction. The personnel manager must be inform such transfers.

Transfers from one department to another are decided by member consultation among the departments heads/plant manager when such transfers are of a permanent nature of long duration. Written orders signed by the personal manager are issued / informed to the employee. Transfers from one place or unit to another place or unit involving a considerable change in working conditioner cost to the company have to be made in writing after giving due notice to the employee.

1. Intra-departmental transfers or transfers within the same section of the same department are decided by the foreman or plant manager, and these are effected without the issue of any transfer order to the employee. He may be given oral instructions. The personnel manager, however, must be informed of such transfers.
2. Interdepartmental transfers or transfers from one department to another are decided by mutual consultations among the departmental heads/plant managers when such transfers are of a permanent nature or of long duration. Written orders, signed by the personnel manager are issued to the employee.

TYPES OF TRANSFER

Aswathappa (2006) proposed the following five types of transfers:

Type # 1. Production Transfer:

Employees are posted in different departments, based on their interests and qualifications. This also depends on the work load that a department possesses. However, this load keeps fluctuating, and the demand for manpower keeps changing with time.

Type # 2. Replacement Transfer:

When an employee leaves a department for a particular reason, the department needs a replacement. In such scenarios, especially in demanding situations, a senior employee might have to function in place of the junior employee, till the time a replacement is found. Senior employees are required to work in place of junior employees even in situations of declining production. Thus, replacement transfer also helps in reducing the organizational need for lay-off; particularly for long-service employee.

Type # 3. Versatility Transfer:

Some organizations believe that the workforce needs to have multiple skills capable to perform multiple tasks. People can achieve multiple skills only by working in different departments. In learning organizations such as ordnance factories, banks, and many private companies, people get the scope of working in different departments and can learn different systems, procedures, and rules and regulations.

Type # 4. Shift Transfer:

In order to enhance capacity utilization, industrial organizations, operate in multiple shifts—generally morning, evening, and night shifts. Some organizations allot employees to staggered shifts as well. Employees are engaged in all the shifts on a rotational basis. Requests of employees for transfers on a particular shift are also entertained, considering the importance of ground of requests. However, conformance to law and administrative procedures are essential requirements to avoid employee unrest.

Type # 5. Remedial Transfer:

After induction, employees are placed in a department and jobs are assigned to him/ her, and their performance and behavioural dispositions are recorded. Some employees may emerge as good performers, while many others may emerge as underperformers. In course of time, an employee's inclination to work is also observed. The objective of remedial transfer is therapeutic in nature, that is, to rectify the wrong placement. In other words, remedial transfer is an act of transferring an employee to a more suitable job after they have failed to perform well in their present position. Poor performance could be attributed to reasons such as an employee being uncomfortable in his job as he may not possess good relations with his senior or suffer from ill health.

PROBLEMS ASSOCIATED WITH TRANSFER

Despite these benefits, some problems are associated with transfer.

They are:

- i. Adjustment problems to the employee to the new job, place, environment, superiors and colleagues,

- ii. Transfers from one place to another cause much inconvenience and cost to the employee and his family members relating to housing, education of children etc.,
- iii. Transfer from one place to another result in loss of man-days,
- iv. Company initiated transfers result in reduction in employee contribution, and
- v. Discriminatory transfers affect employee morale, job satisfaction, commitment and contribution.

EMPLOYEE PROMOTION

PROMOTION – MEANING

Promotion mean advancement in terms of job designation, salary and benefits. The employee progresses to a better job with increased responsibility, more prestige and status.

It is basically a reward for efficiency promotion is conferment of additional benefits, usually in the form of higher pay, for an increase in responsibility or skill which is formalized by an increase in status or ranks which commands better wages, prestige and higher opportunities / challenges.

Promotion involves the following ingredients:

- (i) Improves job, status and prestige.
- (ii) Gives more responsibility.
- (iii) Brings increase in pay and perks.

A promotion may also require more work, which goes along with general increases in responsibility. This work may be more complex or interesting, however, so most employees are happy to take it on. In recognition of the increased workload and status of the employee, most employers offer a pay raise with a promotion, and employees may become eligible for additional benefits.

In a ranked system like the military or a fire department, the promotion may be called an increase in rank or grade, and the employee's pay will be adjusted according to a rigid scale.

DEFINITIONS

According to Scott and Clothier- "A promotion is the transfer of an employee to a job which pays more money or one that carries some preferred status."

According to Prof. Khanka, promotion is vertical movement of an employee within the organization. In other words, promotion refers to the upward movement of an employee from one job to another higher one, with increase in salary, status and responsibilities.

According to Paul Pigors and Charles A. Myers, Promotion is advancement of an employee to a better job-better in terms of greater responsibility, more prestige or status, greater skills and especially increased rate of pay or salary.

EMPLOYEE PROMOTION – NEED: ORGANIZATIONAL AND INDIVIDUAL NEEDS

Need for promotion arises because it serves the purpose of the organization as well as that of the individuals involved in the promotion. However, these purposes are served in different ways. Therefore, it is desirable to analyze how a promotion serves the needs of the organization and the individual.

1. Organizational Needs:

The most important need of an organization in the context of the management of human resources is to retain its human talents over a long period of time. One of the best way for doing this is to promote those who are promotable, and this process is to be undertaken on regular basis.

No organization can rely on outside recruitment to fill all its requirements. It is true that certain jobs are similar in most of the organizations but most jobs require some sort of specialization which is organization-specific. Even the jobs which are not quite unique may require familiarity with the people, processes, policies, and most importantly, the special characteristics of the organization which are contained in its culture and values.

2. Individual Needs:

Promotion is not only needed by the organization; it is equally needed by the individuals. Need hierarchy theory of motivation suggests that individuals attach very high importance to status and job responsibilities which they get out of the promotion. Numerous research studies have proved this fact.

Organizations provide several benefits to their employees in order to induce them for better performance. Out of these, promotions are highly desirable to individuals both for their intrinsic benefits as well as their symbolic connotations of success values.

Objectives and Purpose

- (i) For the optimum utilization of the employees' skill, knowledge at the appropriate level in the organizational hierarchy resulting in organizational effectiveness and employee satisfaction.
- (ii) For the development of competitive spirit and inculcate the enthusiasm in the employees to acquire the skill, knowledge etc. needed for the higher level jobs.
- (iii) To develop competent internal source of employees ready to take up jobs at higher levels in the changing environment.
- (iv) For the promotion of a feeling of content with the existing conditions of the company and a sense of belongingness to the company.
- (v) To promote employee's self-development and be ready for the promotion as and when their turn of promotion occurs.

- (vi) To promote interest in training, development programmes and in team development areas.
- (vii) To get rid of the problems created by the leaders of workers' unions by promoting them in the officers' levels where they are less effective in creating problems.

Purpose of Promotion:

A promotion is a vertical move in rank and responsibility.

Promotions are usually given:

- (a) To put the worker in a position where he will be of greater value to the company and where he may desire increased personal satisfaction and income from his work.
- (b) To recognize an individual's performance and reward him for his work so that he may have an incentive to forge ahead. Employees will have little motivation if better jobs are reserved for outsiders.
- (c) To increase an employee's organizational effectiveness.
- (d) To build up morale, loyalty and a sense of belonging on the part of the employees.
- (e) To promote job satisfaction among the employees and sure then an opportunity for unbroken continuous save.
- (f) To create among employees a feeling of continual with their present conditions and encourages them to succeed in the company.
- (g) To attract suitable and competent workers for the organisation.

IMPORTANT SIGNIFICANCE OF PROMOTION

(1) Promotion Handles the New Job Efficiently:

People working in the organisation will have no problem in handling the new job because they are intimately connected with the organisation structure, production process, products and different problems.

(2) Promotion Motivates Higher Morale:

A sound policy of promotion will keep the morale of the employees high because they know that they will be offered senior positions as and when there are vacancies. In this way it motivates the employees.

(3) It Ensures More Efficiency:

It will ensure sincere efforts on the part of the employees. They will try to increase their efficiency in order to get the chance for higher position.

(4) Cost in Training will be Less:

The cost to train the workers of the organisation on the senior post will be much lesser.

(5) It Solves Personnel Problems Easily and Efficiently:

If the organisation has a sound promotion policy, several personnel problems are solved easily. It creates the sense of loyalty and confidence in the organisation resulting in faithful service,

meritorious performance, outstanding ability on job, good attendance, accident avoidance, higher production and lower turnover.

PRINCIPLES OF PROMOTION

Principle # 1. It Must be Written:

The promotion policy should be in writing. It must be understood by all employees to avoid any suspicion regarding line or promotion in the minds of employees.

Principle # 2. Promotion Vacancies be Specified:

The promotion policy should lay down what percentages of vacancies in higher posts are to be filled up by promotion. It is better to incorporate a statement of management intention that higher paid and better jobs will be filled by promotion from within if possible, rather than by hiring from outside.

Principle # 3. The Basis of Promotion be Mentioned:

The promotion policy should mention the basis of promotion. A sound policy must be based on both the considerations i.e., seniority and merit. It should emphasise the merit giving due weightage to seniority. Seniority should be the basis of promotion of two persons who are equal in merit.

Principle # 4. Promotion should be Based on Job Analysis:

In promotion the job analysis decides the position of the jobs and their relationship to other positions. This should be done to provide clear recognition of the natural movement from one job to another. Position may be adjusted and arranged so that one position prepares workers for another. Natural course of advancement may be provided throughout the organisation or within each division or department. Employees should be fully aware of the plan so that they may prepare themselves for higher positions.

Principle # 5. Suitable Training Programme should be Developed:

A suitable training programme should be developed to prepare employees for promotion. Such programme may include special on-the-job training, provisions of vestibule schools, night classes or vocational courses. Special training programmes to meet fully the job requirements due to fast scientific and technological changes are necessary to help employees to qualify themselves for better jobs.

Principle # 6. It should be Based on Scientific Procedure:

A scientific procedure for evaluating employee performance should be followed to justify the promotion or super session. The assessment of the employee and his confidential report should be objective so that every employee has faith in the promotion policy and is induced for better performance of work to get promotion.

Principle # 7. Promotion should be Based on Recommendation by Immediate Boss:

It will be proper and better if the supervisor or the immediate boss should recommend the promotion. This is subject to approval by the immediate superior in the organisation. Final decision in this respect may be taken by the top executive in the line with the advice and assistance of the personnel department in a staff capacity. This ensures that the policy will be consistently administered.

Principle # 8. It Contains Provision for Challenge:

The promotion policy should contain provision for the challenge of a particular promotion by the employee or union within the limits of the promotion policy to ensure fairness in management decision.

Principle # 9. For Promotion Vacancy Advance Notice be Given:

A vacancy or a would be vacancy should be notified to employees in advance so that interested employees may apply within a specified period.

Principle # 10. Promotion Need not be Forced:

It has been seen that all people within an organisation do not want promotion. Some feel that they will leave a congenial work group or they will not be able to handle the responsibilities of higher job or they may have certain other reasons. Promotion should not be forced on such reluctant employees they should be allowed to continue their present assignment.

Principle # 11. Promotion be made on Probation:

At first the promotion should be made on probation. If he works satisfactorily during the probation period, he should be made permanent.

TYPES OF PROMOTIONS:*Type # 1. Horizontal Promotion:*

In this type of promotion, the position of the employee concerned has been upgraded with some pay increase but the nature of his job remains the same. This is known as upgradation of an employee.

In universities and other academic institutions, the system of this type of promotion is in the form of lecturer-senior lecturer-selection grade lecturer, etc. there is an increase in responsibility and pay with some change in the designation as well.

Type # 2. Vertical Promotion:

Most of the time, the term promotion, refers to vertical promotion. In vertical promotion, there is a change in the status, responsibilities, job classification and pay. To illustrate, the promotion of a marketing superintendent as marketing manager.

Type # 3. Dry Promotion:

An increase in responsibilities and status without any increase in pay or other financial benefits is termed as dry promotion. For example, a professor in a university becomes Head of the Department. It is just an elevation of the professor without any increase in monetary benefits.

Type # 4. Open Versus Closed Promotion:

An open promotion system is the system where it is willing to consider all individuals within its organisation as potential candidates and also announces internally such position openings.

METHODS OF PROMOTION

(1) Promotional Examination:

The first method of judging merit is examination. In many countries written examination is taken for promotion. It eliminates all kinds of favouritism and nepotism. It keeps the employees up-to-date about the new developments. It gives equal chance to everybody to aspire and compete for higher positions. In many countries departmental examinations are organised it is common in the banking services in India.

Promotional examinations are of three kinds:

(a) Open Competition:

Sometimes open competitions are held for the promotional post and any one whether in the service or not can compete for the post of promotion.

(b) Limited Competition:

The second type of examination is a limited examination for promotional posts among those who are already in the service. This is also known as “closed system” as opposed to the “open system” where everyone can compete.

(c) Pass Examination:

Every department organises many promotional tests every year. In these tests those individual who have passed the examination are qualified for promotion. Here a list of qualified candidates is prepared, and on the basis of these lists they are promoted. Under this system chances of favouritism and corruption are very less. However, this system of written examination cannot judge the personality of the candidate.

(2) Efficiency Rating:

It is the system under which efficiency of an employee is rated on the basis of his service records. A record of service of the employees is kept and his capability for the performance of the job is evaluated by his superiors on the basis of his service record. In the USA, there are three major types of efficiency rating which are production records, the graphics rating scale and the personality inventory.

(i) Production Records:

A Production Record is applicable in such types of works, which is repetitive in nature and involve little judgement.

(ii) The Graphics Rating Scale:

The graphic rating scale was one of the early forms of efficiency rating. The form included fifteen traits or qualities against each of which was placed a horizontal line along which were fixed subdivisions with appropriate adjectives under each, indicating the degree in which characteristic to be checked was possessed.

A check on each line 'rated' the employee on the corresponding trait For different type of work, different combinations of four or five traits were specified for use by the rating officer, the single sheet serving for a wide variety of occupations.

The resulting score expressed in a numerical figure carried out to two decimal places, was worked out by clerks and was subject to review by one or more supervisor. This system was employed in the US federal government for about a decade and then was abandoned in 1935.

(iii) The Personality Inventory System:

The personality inventory system seeks to get a record of service by different mentis. Mr. J.B. Probst, former chief examiner of the St. Paul Civil Service Bureau, invented and developed twenty trails of human being which is relevant to employment From among these qualities of personality the rating officer selects the particular items descriptive of the employee in question.

From ten to twenty-five such items are picked up without difficulty. A number of special forms have been devised for different types of employees, such as policeman, fireman, librarians and teachers, in addition to the basic form which is adaptable to a wide variety of employment.

(3) Personal Judgement of the Head of the Department:

In the system merit is determined by the head of the department. The head of the department knows the qualities of an employee who has worked with him for many years. This method of promotion encourages dictatorial tendency. It is based on nepotism and favouritism.

Here only 'yes men' or 'sycophants' have good chances of promotion. Thus it was opposed by the employees. This system of promotion is mostly followed in private business and industry, but is not very common in the civil service.

In fee departmental promotion, we know that both on the basis of merits and seniority promotion are made. But both these methods have some advantages and disadvantages. Therefore, we suggest a mix of both the principles-seniority-cum-merit (length of service). It means seniority is fixed and then the meritorious person amongst those who possess the minimum experience is selected for promotion.

TERMINATION

What is Employee Termination? Employee termination means the end of employment of a worker with a company. A departure, as such, has many causes and types.

Types of Employee Termination

1. Voluntary Termination

In this type of termination, the worker takes the initiative to leave the company. A decision, as such, can be for many professional or personal reasons. It could be a toxic work environment, lack of growth opportunities or employee development, personal problems, etc.

If such a termination happens for professional reasons, you may be at fault. Thus, whatever reasons it may be, it is a wake-up call for you to correct the situation for other remaining workers.

2. Involuntary Termination

Involuntary termination refers to an event wherein the employer removes a worker from employment. It can be for low performance, employee behavior, violation of company rules, etc. This type of termination can also be the result of an employee disciplinary action.

3. Employment at Will

This termination type dictates that an employer can fire a worker anywhere at anyplace without any reason. Here, an employer need not give any reason to the leaving employee. However, employers must document the reason for themselves to fight or prohibit any discrimination case, should it arise.

4. Mutual Termination

As the name suggests, this termination arises when both parties conclude that they are not a good fit. This type of termination is a lot less messy since it is a decision both parties agree on mutually. These were a few employee termination types. A departure of such kinds can happen for many reasons or causes. Let's have a look at a few of these causes in our next topic.

CAUSES FOR EMPLOYEE TERMINATION

There can be many causes of employee termination from both employer and employee viewpoint. Some of these are:

From the viewpoint of the Employer:

- Low performance.
- Violation of Company Rules.
- Employee Disciplinary Action.
- Harassment of any sort, be it sexual, physical, mental, or emotional.
- Lack of cooperation and progressive discipline
- Leaking information to competition, etc.

From the viewpoint of the Employee:

- Better employment contract elsewhere.
- Lack of growth opportunities like **employee promotion**, etc.
- Lack of interest in the job.
- Studies/Business/Retirement Plans.
- Workers with personal problems/issues.
- Bad **employment relationship**.

STEPS LEADING UP TO AN EMPLOYEE TERMINATION

1. Reasons for termination

First and foremost, you must specify the acceptable reason for termination beforehand. It includes the events in which the termination of a worker is applicable. These can be on the basis of low performance, violation of a rule, harassment, insubordination, etc.

2. Termination Policy

After deciding on the above factor, you must have the policies in place. These policies must dictate the grounds and the procedure for termination. Here, you must get all the workers' signature on the agreement as consent for the policy.

3. Employee Review Process

Next comes the duty of determining an employee review process. This process will help you determine whether to fire or keep a worker for further consideration. It looks for **performance reviews**, behavior, an initiative of the worker to correct situations, etc.

4. Inform the Employee

If, after the review process, you feel the worker must go, then you must inform the individual immediately. Here, you should call for a private **meeting** and break the news gently. Though this is not easy, it is imperative to do so as soon as possible to give the worker more time to look elsewhere.

5. Severance Package

After the termination is final, you should decide on the matter of severance package. It is an unemployment compensation an employer pays to the leaving employee. These unemployment benefits can be a lumpsum payment, health insurance till some time, etc.

6. Proper Send-Off

After all these steps are complete, you should give the worker a proper send-off. In this case, you should bid the worker farewell with **constructive feedback** and **farewell messages**. It is also vital to conduct an **exit interview** beforehand to get **effective feedback** on you as an employer.

CAREER DEVELOPMENT IN HRM

The career development is the process of conversion of personal career plan into action in order to achieve career goals. There are three key heroes who share responsibility for an employee's career development- the employee, the organisation, and the manager.

According to Edwin Flippo, "A career is sequence of separate but related work activities that provide continuity, order and meaning to a person's life." It is not merely a series of work-related experiences, but consists of a series of properly sequenced role experiences leading to an increasing level of responsibility, status, power and rewards. It represents an organised path taken by an individual across time and space.

Many organization spend good amount of money on education and training of the employees and get the required talents and potential from within the organization only and there is no necessity to search such personnel outside the organization. The following are the career development actions.

1. Performance of the job- In career development progress an individual employee must prove that his performance on the job is upto the standard established.
2. Employee exposure- The employees interrupting in their career groups should expose it by their skills, knowledge qualification, achievement outstanding performance etc. to the staff members to take the decision about the career development elsewhere.
3. Resignation by the employee- The employees may resign the present job in the organization, when they get better career opportunities elsewhere.
4. Change the Job- Employees those who have better career prospects in some other job in the some organizations, such employees may change the job.

5. Career guidance and counselling- It provides full information, proper advice and encouragement to move from one career to other better career in the same organization or in some other organization where better career opportunities are available.

Need for Employees' Career Development in an Organisation

i. Making Available Needed Talent:

Career development is a natural extension of strategic and employee training. Identifying staff requirements over the intermediate and long-term is necessary when a firm sets long-term goals and objectives. Career development will help organizations in putting the right people in the right job.

ii. Attracting and Retaining Talents:

There is always a scarcity of talented people and there is competition to secure their services. Talented people always prefer to work in organizations which care for their future concern and exhibit greater loyalty and commitment to organizations where there is career advancement. As career development is an important aspect of work life as well as personal life, people prefer to join firms which offer challenges, responsibility and opportunities for advancement.

iii. Reduced Employee Frustration:

Along with educational level and knowledge, the aspirational level of occupations is also increasing. When these levels are not met due to economic stagnation frustration sets in. When organizations downsize to cut costs, employee career paths, career tracks and career ladders tend to collapse resulting in aggravation of frustration. Career counseling comes a long way in reducing frustration.

iv. Enhancing Cultural Diversity:

Fast changing scenarios in globalization reflects a varied combination of workforce representing different types of races, nationalities, religious faiths, ages and values in the workplaces. Effective career development programmes provide access to all levels of employees.

v. Improving Organizational Goodwill:

It is quite natural that if employees think their organizations care about their long-term well-being through career development they are likely to respond in kind by projecting positive images about their organizations. Career development does help organization in impressing image and goodwill.

SIGNIFICANCE OF EMPLOYEES

1. Career Development for Women:

Increasing need for utilising the talents of females which would be around 50% of human resources and increase in educated female force made organisations to plan for the career

development of women. Women in management are normally in disadvantage position as they are not part of 'good-old-boys' network.'

2. Glass-Ceiling Audits:

Glass-ceiling is defined as, "those artificial barriers based on attitudinal or organisational bias that prevent qualified individuals from advancing upward in their organisations into management level positions." Glass-ceilings may prevent women employees from advancing in their organisations. Therefore, managements should prepare women for managerial positions through counselling, mentoring and training.

3. Allowing Family Responsibilities:

Women employees are tied up with family responsibilities, which would hamper their career development. Therefore, some firms introduced certain programmes like alternative career paths, extended leave, flexi-time, flexi-work, job sharing and telecommuting in order to enable women to balance career and family.

4. Career Development for Minorities:

Employees belong to minorities are in a disadvantageous position in career progression. Therefore, organisations provide certain programmes for the development of minorities. These programmes include special training, reservation of certain number of positions for minorities, internships and organising training courses.

5. Dual Career Couples:

Dual career couples follow their own careers; support each other's career development. However, career opportunities of any of the couple may hinder the career of the other. Economic necessity, social focus and psychological adjustments encourage dual career marriages.

Dual career families undergo social maladjustments due to transfers, uneven career progressions of one of the couples etc. Therefore, managements should take care for balanced career progression and development of career couples.

CAREER DEVELOPMENT – TOP 4 STEPS

The steps in career development are:

- (1) Identifying career needs.
- (2) Developing career opportunities.
- (3) Integration of employees needs with career opportunities.
- (4) Regular monitoring.

Step # 1. Identifying Career Needs:

Some large organizations have assessment centres or conduct career development workshops wherein a group of employees are brought together to undergo psychological testing, simulation exercises, and depth interviews. This process helps the employee to make a decision regarding career goals and the steps to be taken to put efforts to attain these goals. The HR manager also plays an important role of providing information and assistance in making decisions about the career needs of the employee.

Step # 2. Developing Career Opportunities:

Career opportunities are identified through job analysis. The manager should identify career path for employees in the organization. He/she should discuss with the employees what jobs are available in the organizational hierarchy and at the same time find where the employee would want to go up in the organization in future. The employees should be provided information regarding job postings that are available in the organization and, for future reference, what requirements they will have to fulfill to achieve the promotion which they aspire.

Step # 3. Integration of Employee Needs with Career Opportunities:

It is necessary to align the needs and aspirations of the employees with career opportunities in order to ensure right people will be available to meet the organizational manpower requirements. Therefore, emphasis is placed on the training, on- and off-the-job, counselling and coaching by supervisor, and planned rotation in positions of varying functions and in different locations. The process is pursued further with the help of periodic performance appraisals. Training and counselling will be a wasteful exercise if the employee does not make progress along his/her career path.

The two important techniques in this stage of career development are:

- (a) Management by objectives
- (b) Career counselling.

Under 'management by objectives', the employee sets his/her development goals and also an action plan to achieve those goals. Steps are taken by the line managers to integrate personal goals with the organizational goals.

In the case of counselling, the manager discusses the strengths and weaknesses of the employee. This helps the employee to identify areas of development so that he/she can meet future challenges of his/her job.

Step # 4. Regular Monitoring:

It is necessary to regularly monitor the progress of the employee towards his/her career development plans and see that the support is being provided to develop those career plans. If there is a discrepancy, steps should be taken to reassign work as necessary to ensure that career development plans are met. In situations where career opportunities are not available due to influence of technology and economic factors, the organization should redesign jobs or make career shifts.

Career Development – Main Actions

It is very important that all employees must accept their responsibilities for career development because it is only then that various career development actions prove effective.

The main career development actions include:

1. Adequate job performance if career progress is desired.
2. Exposure of skills, knowledge, achievements, performance and so on to the decision-makers regarding career development programme.
3. Resignation from the present job if new career opportunities are found elsewhere.
4. Change of jobs in the same of organisation if better opportunities are foreseen in that job. This happens when the employee views organisation loyalty more important than career loyalty.
5. Career guidance is necessary to find better job elsewhere.

IMPORTANT STRATEGIES IN CAREER DEVELOPMENT

1. Individual Strategies:

Organizations initiate efforts to develop their employees. However, they cannot take the sole responsibilities to develop each individual's career. Individual employees must also take initiatives themselves.

Career results from the matching goals of the individual with that of the organization.

Career development is a joint responsibility of an employee and the organization. If an employee wants only the organization to develop his career, the organization is likely to impose too much organizational control restricting the autonomy of that employee. Therefore, it is advised that you should be instrumental to manage your own career.

The self-management of your career will help you determine your own destiny and enhance your independence. In career decisions, the individual is the only one having appropriate

information. He must be assertive to express his feelings so that he does not get deceived with regard to his career.

Managing the self is of utmost importance. The steps involved in successful self-management of career are – do it now, know thyself, analyse career opportunities, establish career goal, obtain feedback, and manage your career.

i. Do it Now:

Suppose you have made decisions that will have an impact on your career. Do not delay in implementing the decisions. Do not wait for an auspicious day to come; for completing an academic activity, for settling down, and for any other reasons. Pursuing a career will always have uncertainties. Self-management helps to reduce the uncertainties.

ii. Know Yourself:

You need to know your own strengths and weaknesses. Take the help of someone, whom you like and regard, to help you to identify your strengths and weaknesses. You must know how others see you; view your behavioural pattern, and opinions they possess. You must have the ear to hear what others are telling about you.

iii. Analyse Career Opportunities:

Try and examine the sources of career opportunities. There are many sources of information concerning occupations and career opportunities. Many B -schools are publishing placement manuals or brochures containing information regarding career opportunities.

iv. Establish Career Goals:

In the preceding three steps, you have learned that you should not delay in implementing decisions, you need know yourself, and you must analyse career opportunities. Using these as your arsenal, you should now develop your specific career goals. The goals should be measurable and attainable; may be for short-term or long-term.

v. Obtain Feedback:

Feedback from relevant people help one correct his/her errors. You are required to think and plan how you will gather feedbacks from others with regard to your self-analysis and current career planning.

vi. Manage Your Career:

Managing career is not just implementing your plan. It is not a one-shot operation; but rather an on-going process. The self-management spreads over your entire working life. You need to constantly look for opportunities, and take advantage of them. It is of utmost importance to build and maintain relationships. Evaluating and modifying career goals and plans should be a continual process. You must be flexible while taking decisions. You should not be tied up completely with a particular job, department, or organization.

Self-Management:

Self-assessment is essential for self-management. Self-assessment is researching within you; finding who you are, what you like or love, what you have to offer, and so forth. Self-management enables you to take decisions about your career. Findings of self-assessment should be recorded on paper.

Self-assessment includes some vital aspects such as:

- i. Achievements,
- ii. Skills and abilities,
- iii. Personal values,
- iv. Interests,
- v. Disabilities (if known),
- vi. Personal and family circumstances, etc.

i. Achievements:

Thinking deeply and writing down your achievements enables you to rediscover yourself. The easiest way of reflecting your achievements is to start with your academic achievements at your school or university. Do not hesitate to include your achievements in co-curricular activities. Identify what led you to select a course of study. Think about the strengths you have developed along with specific knowledge gained.

If you have got a job in an organization, think about the achievements, in terms of the responsibilities accepted. You must be deriving pleasure discharging certain responsibilities in your family or in the society. Recall those positive comments made by teachers, classmates, family members, friends in the society, colleagues, and organizational superiors.

ii. Skills and Abilities:

While pursuing self-analysis, never underestimate yourself; never say, 'I don't have any skills'. You must have many skills and abilities which are unknown to you. Skill is a vital element of McKinsey's 7-S framework. Skills are the essence of what we contribute to the world. Skills bring perfection.

Listening, memorizing, negotiating, persuading, inspiring, investigating, problem-solving, motivating, etc., are only few of the many skills one may have. A single person cannot have in his possession all the skills. In addition, a job does not need all the skills. Moreover, a job may need the required skills in varying degrees. Remember the skills and abilities you used to complete those achievements that you have already thought about. Highlight the skills that you would enjoy using on a regular basis as part of your ideal job.

iii. Personal Values:

Values guide a person to lay importance over things, turns him on and off, gives happiness in circumstances or otherwise, helps to decide the extent of integrity he needs in his work or life, exercise power and responsibility in the work place, and so on.

Thus, the questions for self-examination are—what are the most important things to you? What turns you on and off? What are you committed to? What gives happiness to you? What degree of integrity do you need in your life and work? How much power and responsibility do you want in the work place? Your values further guide to your extent of devotion to work—do you want to live to work or work to live, and to strike a balance between them.

iv. Interests:

There are many things that generate your interests. First, you make a list of 25 or 30 things you love to do. Thereafter, pick up the favourites and shortlist the interests. The job you are doing must have some of these. Give some thoughts to areas which fascinate and mesmerize you the most, that is, production, quality control, quality system, maintenance, purchase or planning, administrative, computational, scientific, indoor or outdoor work, etc.

v. Disabilities (If Known):

Your disabilities cannot stop you from achieving that you most aspire for. Your strong will always supports you to reach your goal. Be honest with your known disabilities or physical impairments that may impact upon what you want to do. You may have allergies, colour blindness, back problems, asthma, etc. The presence of anyone or two disabilities does not mean you cannot do a particular job. You need to be aware of how you would manage any roadblocks restricting you to achieve. Your strong will lead you to success.

vi. Personal and Family Circumstances:

You now know your achievements, skills and abilities, personal values, interests, etc. Prepare yourself to face the impacts of these on your employment in terms of hours, financial commitments, limitations, etc. You will definitely be able to overcome the roadblocks.

2. Organizational Strategies:

Being aware of the utmost need of employee career development, organizations are designing programmes for effective management of human resources. The aim of this effort is directly related to career issues such as reducing employee attrition, exploring potential and providing matching assignments, developing high-potential candidates, preparing for managerial positions, enhancing problem-solving abilities, reducing problems arising out of lack of knowledge and skills, providing ample opportunities for growth, ensuring upward movement for potential employees, and so forth.

Many organizations have instituted a system of career counselling through workshops, and have employed career guidance specialists. Literatures suggest a number of specific drives that organizations can take to make the career programmes effective.

i. Improving Human Resource Planning and Forecasting System:

Considering and analysing the targets of the organization, it should develop the job specifications and recruit personnel of the required quantity and requisite quality. Companies need to develop procedures to meet the target in fluctuating situations. They need to select the appropriate forecasting technique to assess manpower needs.

ii. Improving Dissemination of Career Option Information:

Employees always remain impatient to know about their career and the various career options available. Companies having career planning system should share the information with the employees through administrative manuals, circulars, or other documents. The information calms their restless minds and they can concentrate on the work assigned to them. Organizations should develop instruments to keep employees informed about the career options.

iii. Initial Career Counselling:

Career counselling is a way of periodic performance appraisal. In addition to appraising performance, counselling provides excellent opportunity to discuss career problems of employees; their goals, and opportunities available for developing in career.

iv. Support of Education and Training:

Education and training system supports all levels of employees to improve their careers. The prerequisites for further career growth are first identified, and need-based training is conducted accordingly. Furthermore, for enhancing an employee's overall growth, education is imparted. It is important that the organization must have clearly-defined policies concerning time-off and the necessary financial supports.

v. Job Posting:

Employees aspire to advance in their careers. In larger organizations, the aspirations are higher. Employees need to get information for advancement in their careers. Organizations must provide all employees with information concerning job openings. Moreover, a system of job posting helps an organization to attract talents from market. The system stimulates employees of all levels in career planning and development.

vi. Special Assignments and Job Rotation:

Doing the same job over a long period of time generates boredom. Employees should get the opportunity of gaining new experience by way of performing special assignments and through job rotation. These actions enable employees to learn new things first-hand and performing

them in different settings. Simultaneously, management can also ascertain the capacity and potential of an employee to accept challenges, working in new settings, and with new people.

vii. Career Development Workshops:

Considering the importance of employees' career development, organizations are arranging workshops and seminars as essential career development activities. These workshops clearly indicate organizations' concern for career development. However, the central assumption of these workshops is the joint responsibility of individual and the organization for career development.

viii. Sabbatical, Flexible Working Hours, and Other Off-Work Activities:

At present, people get engaged in multiple family and social activities. In spite of realizing the urgency of office work, they rush to perform the non-organizational activities considering the relative importance. Later, they repent thinking about the undone office work. This leads to the generation of organizational role stress on account of inter- role distance.

Organizations need to develop sabbatical (time-off) leave, flexible working hours, and other off-work activities. Allowing employees, particularly middle-aged people, to avail sabbatical leaves provide the opportunity to develop new life interests. This organizational system may be a possible answer to boredom and apathy.

ix. Flexible Rewards and Promotional System:

Organizations use both financial and non-financial rewards to recognize employees. The scope of rewards and determining success criteria are really limited; presumably due to limited thinking about them. Nowadays, in the financial arena, there is a growing trend toward giving employees a choice among several forms of financial rewards.

In fact, organizations need to develop multiple ladders to consider promotion and rewards. The promotional system should reflect the desires for spiral as well as linear careers. The employees will definitely contribute their best to the organizations if flexible rewards and promotional system are installed.

x. Development and Use of Assessment System:

Many organizations use formal assessment centres and development centres in order to evaluate potential of employees to help them advance in their careers. Use of assessment centres have emerged as a practice while selecting people. Later, organizations use assessment centres for career planning as well.

BENEFITS OF A CAREER DEVELOPMENT SYSTEM TO ORGANIZATION:

1. Once organization has a fair idea about employee's strengths and weaknesses, attitude and behaviour, values and future aspirations and skills and competencies, they are able to make better use of employee skills and put them at the right place.

2. The organization can disseminate all important details and information at all organizational levels in order to ensure effective communication at all levels. It fosters and lays emphasis on better communication within the organization as a whole.

3. It also helps organization retain valued employees by providing them what they want. Since the organization is able to collect all necessary information about a specific individual, it can make efforts to retain them.

4. It establishes a reputation of the organization in the market. More and more working professionals see it as a people developer and get attracted towards it.

Benefits of a Career Development System to Employees:

1. The major benefit of career development system to employees is that they get helpful assistance and guidance with their career decisions. They get to know about their own aspirations, objectives and desires and understand how to shape their career.

2. By using this system, they can set more realistic goals and objectives that are feasible to be accomplished over the span of one's life.

3. It fosters better communication between the employee and the manager as well as at all levels of the organization.

4. The best part is that they can get feedback on their performance. This helps them improve their working style and compels them to upgrade their skills.

5. The process leads to job enrichment and enhanced job satisfaction.

Benefits of a Career Development System to Managers/Supervisors:

1. A career development system helps managers and supervisors in improving and upgrading their skills in order to manage their own career. Even they get to where they are heading to and what their aspirations are.

2. It fosters better communication between managers and employees.

3. It helps them in retaining valued employees as they get to know about their skills and competencies and future aspirations as well.

4. It helps in discussing productive performance appraisal of employees and planning their promotions as well as their career graph.

5. It leads to greater understanding of the organization as a whole and cultivate a supportive and conducive culture in the organization.

6. It helps managers in understanding the hidden aspects of employees and guides them to allocate employees the right job that matches to their skills and competencies.

Responsibilities and Benefits of Career Development Programmes

To avoid all the above mistakes, the employee, the manager, and the organisation must play or exercise a set of responsibilities in career development programmes.

1. The Organisation's Responsibilities:

- (i) Providing resources for self-understanding and goal setting.
- (ii) Setting and communicating mission, policies, goals and objectives.
- (iii) Providing information on organisation's options and career paths.
- (iv) Providing training, education and mobility opportunities.
- (v) Reinforcing and supporting manager's role in career development and counselling.

2. The Manager's Responsibilities:

- (i) Giving clear feedback about what employees should reasonably expect.
- (ii) Providing forums for discussions.
- (iii) Providing support and opportunities.
- (iv) Identifying employee potential.
- (v) Providing growth opportunities consistent with employee and organisation goals.
- (vi) Communicating the formal and informal realities of the organisation.
- (vii) Providing exposure for employee; and linking employees to appropriate resources and people.

3. The Employee's Responsibilities:

- (i) Self-assessment.
- (ii) Setting goals and plans.
- (iii) Expressing expectations.
- (iv) Making use of opportunities, education and training.

Career Development Programme Benefits to Employees:

1. Development of Competencies:

Career development programmes help employees to develop competencies in them. Areas in which competencies developed are decision making and problem solving, interpersonal interaction, group interaction, leadership, and directing. These competencies are quite important for employees for continued success in their work-life.

2. To Help in Developing Motivation:

Motivation to work, though an internal element for a person, gets enhanced when employees develop the sense of competence in themselves. When they feel that they are competent enough to do a work, they are more motivated to do the work. Sense of competence is developed in the employees because of the competencies developed in the employees through career development programmes.

3. To Help in Overcoming Frustration:

In the present context, there are a number of factors which are responsible for causing frustration in employees at workplace. Because of reorganization, work rationalization, downsizing to rationalize workforce, etc., there is imminent threat on job security. This creates frustration among employees.

4. To Develop Mental Health:

In the present stress-producing environment, individuals from all walks of life feel some kind of stress. This stress creates mental health problems which percolate into physical and psychological problems. Therefore, there is increasing need for developing mental health. This is true for employees too.

Employees with mental health feel comfortable about themselves, feel right about others, and are able to meet the demands of the life. Many career development programmes attempt to develop mental health of employees.

MEETING THE CHALLENGES FOR EFFECTIVE CAREER DEVELOPMENT

Today, management comes across three major challenges while putting a career development programme in place. These are – (a) who will be ultimately responsible for career development activities, (b) how much emphasis on career development is appropriate and (c) how the development needs of a diverse workforce will be met.

Meeting the Challenges of Effective Career Development:

Career development which is an on-going organised and formalised effort that focuses on developing enriched and more capable people at work is a continuing cycle of three phases –

- (a) An assessment phase in which employees' skills, interests, values and the like are identified either by the employees themselves or by the organisation or by both,
- (b) The direction phase involves determining the type of career that the employees of the organisation want and the steps they must take to make their career goals a reality. Employees may get individual career counselling or information for a number of sources and
- (c) The development phase involves creating and enhancing skills to prepare for future jobs and foster this growth and self-improvement through coaching, monitoring, tuition assistance, job rotation, and so on.

UNIT-III

Remuneration

One of the most important elements in human resource management is compensation or remuneration. Therefore, it is necessary to frame sound policies and practices for employee compensation.

Remuneration is the compensation an employee receives in return for his or her contribution to the organisation.

Remuneration is concerned with needs, motivation and rewards. Managers, therefore, analyse and interpret the needs of their employees so that reward can be individually designed to satisfy these needs. It is very difficult for human resource management to fix wages and wage differentials, salaries acceptable to employees and their leaders.

Remuneration: Introduction and Meaning

One of the most important elements in human resource management is compensation or remuneration. Therefore, it is necessary to frame sound policies and practices for employee compensation. Remuneration is the compensation an employee receives in return for his or her contribution to the organisation.

It must be in proportion, to what services rendered by him/her to an organisation. Remuneration occupies an important place in the life of an employee. Therefore it must be adequate and fair. His or her all the needs should be satisfied by this remuneration. Employee remuneration is significant because of his contribution only the cost of production would be minimised. Remuneration or compensation is very important function of human resource management.

Remuneration is concerned with needs, motivation and rewards. Managers, therefore, analyse and interpret the needs of their employees so that reward can be individually designed to satisfy these needs. It is very difficult for human resource management to fix wages and wage differentials, salaries acceptable to employees and their leaders.

Wage or salary is very important from employees point of view because it contributes a major share of their income. Pay is a powerful motivational factor. It provides recognition, a sense of accomplishment, social status.

Remuneration – Definitions

Remuneration may be defined as money received in the performance of work, plus many kinds of benefits and services that organisations provide their employees. Money is a direct compensation, known as wages, gross pay. Benefits are indirect compensation, it includes, life insurance, accident insurance, health insurance, employees contribution to retirement benefits such as gratuity, pension, pay for vacation, pay for illness/ sickness, simply it includes payment for welfare and social security.

A wage is the remuneration paid for the service of labour in production, periodically to an employee or worker.

International Labour Organisation defined the term wage as a remuneration paid by the employee for the services of hourly, daily, weekly and fortnightly employees. It also means that remuneration paid to production and maintenance or blue collar employees.

Salary normally refer to the monthly rates paid to clerical, administrative and professional employees called as white collar workers. The term salary is defined “as the remuneration paid to the clerical and managerial personnel employed on monthly or annual basis.”

OBJECTIVES OF REMUNERATION

- (1) To acquire qualified competent personnel
- (2) To retain the present /existing employees
- (3) To secure internal and external equity means similar wages for jobs within an organisation. External equity implies payment of similar wages to similar jobs in comparable organisations.
- (4) To ensure desired / positive behaviour of employees.
- (5) To enhance employee morale and motivation.
- (6) To keep control on labour and administrative cost.
- (7) To protect in public as progressive employers and to comply the wage legislation.
- (8) To satisfy people/employees to reduce the labour turnover, grievances and frictions over pay inequities.
- (9) To pay according to the content, challenges, difficulty, risk of the job and according to the effort and merit of the employees.
- (10) To facilitate pay roll administration of budgeting and wage and salary control.
- (11) To simplify and facilitate collective bargaining procedure and negotiations.
- (12) To facilitate growth and survival of the organisation and to promote organisation feasibility.

COMPONENTS OF REMUNERATION

1. Basic Wage:

It is a stable wage paid over a period of time – monthly, weekly or daily. It can also be considered as the normal rate for a specified level of output. Thus, for a particular job involving its varied requirements such as skills and training, it commands a price to get it done.:

It does not fluctuate; rather, it progresses evenly over time in case of a running grade and remains stationary, otherwise.

2. Dearness Allowance (DA):

The system of DA payment was used for the first time after World War I to enable the workers to meet the steep rise in prices of essential commodities such as foodstuffs. Although called by

various names, the special allowance thus paid aimed at neutralising the high cost of living and protect the real wages of the wage earners. In other words, the major purpose of DA payment was to provide relief to the workers confronted with inflationary conditions by attempting to offset the cost of living with additional allowance.

3. Overtime:

The overtime meets the exigencies of increased work load. Frequently, on working days, overtime rates are one and a half times the normal wage, while on holidays; these rates are two times the normal wage. However, in many work situations in India, it is used to accomplish vested interest to increase earnings. Indeed, the normal work is not done by workers unless their supervisors sanction the overtime.

Criteria of Wage Fixation::

i. The Needs of the Workers:

The needs of the worker and his family are the main consideration in fixing wages. The needs are considered in terms of an adequate diet, clothing, bedding and footwear requirements, fuel and lighting; and miscellaneous requirements. The size of the family is pertinent for assessing the needs of the worker and his family.

The committee on Fair Wages and Indian Labour Conference (15th session, 1957) suggested that the needs should be reckoned in terms of three equivalent adult consumption units that are in terms of a family comprising of husband and wife and two children below 12 years of age. The norms regarding the needs of the workers for a need based minimum wage which were recommended by the bipartite Indian Labour Conference. The concepts of minimum wage, living wage and fair wage were set out by the Committee on fair wage.

Another important principle is that only the earnings of one earner are reckoned in relation to the needs of the family. The arguments in favour of this principle are that members other than the head of the family are inadequate. However, employment for other members is not always available.

ii. Capacity of the Industry to Pay:

In fixing a minimum wage for the worker the capacity of the industry to pay is not a prime consideration. Many Tribunals have applied this criterion as a negative test rather than as a positive determining factor of the minimum wage. In fixing wages higher than the minimum, the capacity to pay has always been a relevant consideration.

iii. Prevailing Rates of Wages:

The prevailing rates of wages in the locality or neighbouring localities is only a secondary consideration in the fixation of minimum rates of wages as otherwise in low wage pockets there will be no hope for the workers to rise to a standard of living above the poverty line or

subsistence standard. On the other hand, in arriving at a fair wage, this is an important consideration.

If in an industry or a locality a wage is fixed in total disregard of the rates prevailing in the same or neighbouring localities it would cause disruption in employment due to workers striving to move from one industry to another, one unit of industry to another and from one locality to another causing tensions and dis-equilibrium.

iv. Level of the National Income::

The problem of wages of the industrial workers cannot be considered in isolation. The prosperity of the industrial workers and the community would have to advance simultaneously. The Royal Commission on Labour in India (1929) had observed – “Indian industry is not a world in itself, it is an element and by no means the most important element, in the economic life of the community, Care must be taken, therefore, to ensure that, in adopting measures for the betterment of industry or of industrial workers, the interests of the community as a whole are not overlooked.”

One of the principles of wage fixation, therefore, is that the wage fixed should be one which the national economy could sustain and should be in keeping with the income of comparable sections of the population or in other words, the general pattern of income distribution.

v. Cost of Living:

Many wage fixing authorities have considered cost of living as a factor in determining the minimum wage rates. For example, the Industrial Court, Bombay, after fixing a minimum wage of Rs.30/- per month for the Cotton Textile Workers, in Bombay city on the basis of the needs of the workers, fixed Rs.28/- per month for the Cotton Textile Workers in Ahmedabad and Rs.26/- for the workers in Sholapur on the consideration that the cost of living in Ahmedabad and Sholapur was lower than in Bombay City. Later, an Industrial Tribunal in Nagpur also fixed minimum rates of wages in the Textile Industry there on the same basis.

vi. Productivity:

As a criterion for fixing wages, productivity has not so far been taken into account by wage fixing authorities. In spite of a specific directive in the terms of reference of several wage boards that consideration relating to a fair wages should also take into account the need for linking wage to productivity and the desirability of extending the system of payment by results, most of them have refrained from doing so on account of the practical difficulties involved. However, in recent years, the wage policy in India has stressed the importance of productivity as a factor in wage fixation.

vii. Hazards of Occupation:

In some industries like Coal mining, the arduous nature of work and the hazards of occupation are taken into account while determining wage rates.

viii. Requirements of Social Justice:

For a long time industrial workers were exploited by the employers; they have been the weaker of the two bargaining parties. Economic and social justice demand not only that their exploitation should cease but also that they should be compensated in part for ill usage in the past. In her book 'Social Foundation of Wage Policy' Mrs. Barbara Wootton (1955) has emphasized that determination of wage structure in modern industry involves, to some extent, ethical and social considerations.

ix. Wage structure for Clerks:

The late justice Rajadhyaksha, in his award in the dispute between the Posts and Telegraph Department and its non-gazetted employees (1946), postulated that in the case of clerical employees who may be assumed to belong to the lower middle class the needs would be 80 per cent more than those of industrial workers. Following this postulate the Industrial Court Bombay and the Bank Award Commission applied a coefficient of 80 per cent to the minimum wages of industrial workers to determine the initial stage of the wages of the clerks.

Remuneration – 2 Major Factors: Internal and External Factors

Employee remuneration and its structure are influenced by a variety of factors—some are related to and exist within the organization (called internal factors) and others exist outside the organization (called external factors).

Factor # 1. Internal:

Among the internal factors which have an impact on employee remuneration are the company's business strategy, worth of a job, employee's relative worth, and the employer's ability to pay. Collective bargaining and the productivity levels are also internal to the organization.

(i) Company's Business Strategy:

For a business which is pursuing an aggressive strategy to achieve rapid growth, its remuneration levels will be higher than what the competitors pay. A business pursuing a defensive strategy, because of declining fortunes of the company, will keep its remuneration levels at average or below average levels than the prevailing market rates.

(ii) Job's Worth:

Organizations decide the worth of a job in two ways – formally, through a system of job evaluation, or informally, through the opinion of people familiar with the job. Job evaluation helps in establishing rational and satisfactory wage differentials among jobs.

However, when the worth of a job is decided informally, pay rates may be influenced heavily by the labour market conditions or, in case of unionized organizations, by collective bargaining. Informally determined remuneration rates are generally higher.

(iii) Employee's Relative Worth:

An employee's worth is determined by the efficiency with which he/ she performs his/her job, his/her loyalty towards the organization, and his/her seniority in the organization. Of these, performance is highly valued in organizations. Superior performance always commands a higher pay.

For determining performance-based remuneration, organizations use an objective performance appraisal system that differentiates between those employees who deserve a higher pay and those who do not. Managements prefer performance and loyalty to effect pay increases while unions view seniority as the most objective criterion for pay increases.

(iv) Employer's Ability to Pay:

Remuneration payable to workers also depends upon the paying ability of the employer, which is a function of the financial condition and profitability of the firm. Financially well-off and profitable organizations are always in a better position to pay higher pay.

Factor # 2. External:

The major external factors that influence employee remuneration include labour market conditions, prevailing area wage rates, cost of living, collective bargaining capacity, and government laws and regulations.

(i) Labour Market Conditions:

Labour market reflects the forces of supply and demand of workers within an area. These forces help to decide the pay rates required to recruit and retain competent employees. In general, higher wage rates will have to be paid when the demand exceeds supply, and if labour is available in sufficient supply, wage rates tend to be low.

(ii) Prevailing Area Wage Rates:

A formal wage structure should provide rates that are in line with those being paid by other employers for comparable jobs within an area. This serves the important function of providing external equity between one's own organization and other organizations competing for labour in the surrounding labour market.

(iii) Cost of Living:

Since wages and salaries represent the only means of livelihood to the employees, it is obvious that they should be sufficiently high to meet the cost of living and should be kept in tune with the increasing cost of living. Progressive employers are always guided by this consideration in determining wage levels.

It is a common experience in industrial organizations that if employers do not show enough awareness and sensitivity towards the trends in cost of living, labour unions will bring this to the notice of the employers and force them for a wage raise.

(iv) Collective Bargaining Capacity:

Employee remuneration is also determined, to a considerable extent, by the relative bargaining power of the employer and the labour unions. A strong labour union is generally able to force the employer to pay higher wage rates. The agreements negotiated by unions generally establish pay-rate patterns within the labour market. As a result, wages are generally higher in areas where organized labour is strong.

(v) Government Laws and Regulation:

There are numerous labour laws, at the Central and State levels, that affect employee remuneration. Some of the Central laws are the Payment of Wages Act, 1936; the Minimum Wages Act, 1948; the Payment of Bonus Act, 1936; the Minimum Wages Act, 1948; the Payment of Bonus Act, 1965; and Equal Remuneration Act, 1976. In addition to labour laws, there are Wage Boards, Tribunals, and Fair Wages Committees which regulate wages payable to workers.

The basic aim of all the legal enactments and regulatory agencies is to protect the workers from the exploitation of powerful employers and also to ensure payment of fair wages that would provide a decent standard of living to them. For regulating remuneration to managerial personnel, provisions of the Companies Act, 1956, are applied.

Wage Board and Tribunal Awards also play a significant role in influencing the compensation to be paid.

METHODS OF REMUNERATION: Time Rate Method and Piece Rate Method

Employee Remuneration refers to the reward or compensation given to the employees for their work performances. Remuneration provides basic attraction to an employee to perform job efficiently and effectively. Remuneration leads to employee motivation. Salaries constitute an important source of income for employees and determine their standard of living. Salaries affect the employees' productivity and work performance. Thus the amount and method of remuneration are very important for both management and employees.

There are mainly two types of Employee Remuneration:

1. Time Rate Method
2. Piece Rate Method

These methods of employee remuneration are explained below in detail.

Method # 1. Time Rate Method:

Under time rate system, remuneration is directly linked with the time spent or devoted by an employee on the job. The employees are paid a fixed pre-decided amount hourly, daily, weekly or monthly irrespective of their output. It is a very simple method of remuneration. It leads to minimum wastage of resources and lesser chances of accidents.

Time Rate method leads to quality output and this method is very beneficial to new employees as they can learn their work without any reduction in their salaries. This method encourages employee's unity as employees of a particular group/cadre get equal salaries.

There are some drawbacks of Time Rate Method, such as, it leads to tight supervision, indefinite employee cost, lesser efficiency of employees as there is no distinction made between efficient and inefficient employees, and lesser morale of employees.

Time rate system is more suitable where the work is non-repetitive in nature and emphasis is more on quality output rather than quantity output.

Method # 2. Piece Rate Method:

It is a method of compensation in which remuneration is paid on the basis of units or pieces produced by an employee. In this system emphasis is more on quantity output rather than quality output. Under this system the determination of employee cost per unit is not difficult because salaries differ with output.

There is less supervision required under this method and hence, the per unit cost of production is low. This system improves the morale of the employees as the salaries are directly related with their work efforts. There is greater work efficiency in this method.

There are some drawbacks of this method, such as, it is not easily computable, leads to deterioration in work quality, wastage of resources, lesser unity of employees, higher cost of production and insecurity among the employees.

Piece rate system is more suitable where the nature of work is repetitive and quantity is emphasized more than quality.

Remuneration – Function and Roles

Remuneration which is also called compensation and wage/salary mostly performs/ contributes to three critical aspects of human resource management viz., (i) attracting capable candidates for jobs, (ii) motivate the employees towards the achievement of organizational strategies/higher performance and (iii) retain the capable employees over a period of long-term. It is widely believed that the base salary and allowances help to attract the capable candidates to the organisation, the variable remuneration or incentives motivate the employees towards the achievement of organisational strategies/higher performance and fringe benefits contribute to retain the employees to an extended period.

Organisations expect efficient performance from their employees in order to contribute to the attainment of the individual goals. Organisations reward their employees who contribute to the achievement of organisational goals.

One of the most important factors in human resource management is compensation management. The soundness of compensation management depends upon the amount of wage or salary paid to an employee for a fair day's work. Despite the conclusions of morale studies wage or salary is significant to most of the employees as it constitutes a major share of their income.

Pay, in one form or another is certainly one of the main springs of motivation in our society. Salary provides more than means of satisfying the physical needs — it provides recognition, a sense of accomplishment, and determines social status. Hence, formulation and administration of sound remuneration policy to attract and retain right personnel in right position is the prime responsibility of any organisation.

An organisation has to balance fairly, financial and non-financial rewards and extrinsic and intrinsic rewards. Effective reward system requires not only that the absolute level of compensation paid by a organisation compares favourably but also requires that it satisfies the principle of internal equity and equity with the job content. The employee gets pay satisfaction if the perceived salary is equal to actual salary received, if the actual salary is less than the perceived salary, the employee is dissatisfied with the salary.

The influence of remuneration over distribution of income, consumption, savings, employment and prices is also significant. This aspect assumes all the greater importance in an undeveloped economy like India where it becomes necessary to take measures for a progressive reduction of the concentration of income and/or to combat inflationary trends. Thus, the wage policy of an organisation should not become an evil to the economy.

INCENTIVES

Meaning

The main purpose of incentive is to tie employees' rewards closely to their achievements. This tie is done by providing more compensation for better performance. Individual will generally strive for additional rewards by higher production and their performance depends upon higher efforts. Some people may prefer some extra time off rather than more money.

An incentive provides additional compensation for those employees who perform well. It attempts to tie additional compensation as directly as possible to employee productivity.

Further incentives are monetary benefits paid to workmen in recognition of their outstanding performance. They are defined as "variable reward granted according to variations in the achievement of specific results".

IMPORTANCE OF INCENTIVES

1. The primary advantage of incentive is the inducement and motivation of workers for higher efficiency and greater output,
2. Fixed remuneration removes fear of insecurity in the minds of employees (as incentive as a part of total remuneration)
3. Earnings of employees would be enhance due to incentive.
4. Reduction in the total as well as unit cost of production through incentives (because of higher productivity)
5. Production capacity is also likely to increase.
6. Incentive payments reduce supervision, better utilization of equipment, reduce scrap, reduce loss time, and reduce absenteeism and turnover.

Incentives – 3 Main Variables: The Individuals and Work Situation

The effective use of incentives depends on two variables:

1. The individual,
2. Work situation, and

1. The Individual:

Different people value things differently. Enlightened managers realise that all people do not attach the same value to monetary incentives, bonuses, prizes or tips. Employees view these things differently because of age, marital status, economic need and future objectives.

2. The Work Situation:

This is made up of four important elements:

- (a) Technology – The operation of a machine or work system which can establish a range of incentives;
- (b) Satisfying job assignments – A worker's job may incorporate a number of activities that he finds satisfying. Incentives may take the form of earned time-off, greater flexibility in hours worked, extended vacation time, and other privileges that an individual values;
- (c) Feedback – A worker needs to be able to see the connection between his work and rewards. These responses provide important reinforcement; and
- (d) Equity – A worker considers fairness or reasonableness as part of the exchange for his work.

TYPES OF INCENTIVES

Organisations perform use a combination of incentive system. This incentive plans can be setup as individual, group or organisational in nature. Performance can be measured un-productivity, cost effective, and superiors rating.

Type # 1. Individual Incentives:

Individual incentive systems may have to be tailored to individual desires for instant salary plus commission basis, only commission or worker wants additional time up instead of additional take home pay.

An individual incentive system may also be used as a means of measuring individual capabilities and initiatives.

Type # 2. Peace Rate Systems:

The most basic individual incentive system is the Peace Rate System. Under the State Peace Work system wages are determined by multiplying the number of units produce by the Peace Rate for 1 unit.

Type # 3. Differential Peace Rate:

The differential Peace Rate System pays employees at one peace rate, if they produce less than a standard output and at a higher peace rate if they produce more than the standard, developed by Frederick Taylor in the late 1800s. The system is to design to stimulate employees to achieve or exceed established standard of production.

Peace Rate System is difficult to use, because of determination standards.

Incentives for Employees:

The following are the different incentives for employees which the company can use:

a. Financial Incentives:

The various financial incentives are:

- (i) Pay and allowances
- (ii) Productivity linked wage incentive
- (iii) Bonus
- (iv) Co-partnership/stock option
- (v) Retirement benefits
- (vi) Perquisites

b. Non-Financial Incentives:

The various non-financial incentives are:

- (i) Employee recognition programmes
- (ii) Employee empowerment
- (iii) Job security
- (iv) Status
- (v) Employee participation
- (vi) Organisational climate

CLASSIFICATION OF INCENTIVE PLANS

Incentives can be short-term and/or long-term, which can be tied up with the performance of an individual employee or a group/unit's productivity. Performance through incentives may be defined as cost saving, quantity produced, standards met or quality improved, revenue generated, return on investment or increased profit. This means that there are endless possibilities.

1. Long-Term Incentives:

Long-term incentives are focused on an employee's efforts on multi-layered results, such as innovations, strategic suggestions to increase the return on investments and increasing the market share or multi-layered contributions to develop the organization's competitiveness. These could be indirect financial support to tax payee employees, social security plans, pension plans, stock ownership, etc.

2. Short-Term Incentives:

They are in addition to the basic pay provided within the current operating year which could be supplemented to pay cheques or a separate amount on a monthly, half yearly or yearly basis. This added income relates to the employee's achievement or special performance to benefit the organization, such as 100% attendance, overtime, reduction in cost, suggestion for improvement, long-term association with the organization, etc.

These could be classified as:

(a) Individual Bonus:

Punctuality, specialized contribution affecting quality or productivity, increasing productivity and reducing cost with modified suggestions are generally covered here, which encourages an individual to earn more, and the organization is benefited by the increased productivity and profit.

(b) Length of Service Award:

In a competitive environment, the retention of knowledgeable workers or knowledge bank has become essential and the recognition of long service may also make an employee feel proud. The organization may also feel pride in the retention of the competent employee.

They, therefore, offers service awards such as 10 years service awards, 20 years service awards, 25 years service awards, etc. annually and give recognition to the employee in annual functions. These incentives could be in cash or kind.

(c) Referral Award:

Sometimes when the labour market is tight and the management prefers to have loyal and reliable employees, by seeking referrals from old employees, they would like to pay a cash

award to that employee as it has helped the organization to have a reliable and loyal employee through him/her.

(d) Suggestion Award:

This is the most common and simple incentive plan to motivate the employees to use their creativity and earn recognition.

(e) Intellectual Contribution Award:

This is more applicable to the executive class which can be motivated to contribute intellectually in suggesting or implementing creative strategies, and to improve the performance or excellence in performing a job. The awards can be calculated based on the total financial improvement achieved by the company and the share can be worked out according to the proportion of the individual contribution.

(f) Special Achievement Award:

This is also very common to boost up the morale of the executives to get recognition in achieving something special by taking initiatives and putting in more efforts.

(g) Special Behavioural Award:

In discharging duties, behaviour plays an important role. Behavioural theory also indicates that an employee's performance is dependent on wage/salary acceptance and satisfaction of worth. To encourage the employees to change their behaviour as desired, this incentive has been found advantageous.

However, the management, depending upon the size, type, financial strength and business nature, may have different values or types of these awards.

(h) Productivity Bonus:

It is a very common incentive in any organization as pay for performance. It is the main motto. There are various productivity bonus awards applicable in all the organizations.

INCENTIVES CAN BE BROADLY CLASSIFIED AS FINANCIAL INCENTIVES AND NON-FINANCIAL INCENTIVES.

Financial Incentives.

Incentives with direct monetary benefit or an economic benefit capable of measured in money terms are known as Financial Incentives. The following are the financial incentives usually employed in various organisations.

1. **Pay and Allowance:** This is the most basic of all incentives. It includes salary which is basic pay, dearness allowances along with other allowances such as House Rent Allowance

- among others. This system involves reasonable and regular increments in both the basic pay and the allowances. The increment system may be linked to the degree of performance.
2. **Productivity linked Wage Incentives:** Organisations may develop wages systems solely determined by productivity. This may function in a manner such as, 500Rs for every 100 bottles sealed.
 3. **Bonus:** Bonus as provided by organisations are benefits provided over and above the salary or the wage system as mentioned above. Bonus is usually linked to a factor such as performance or year of experience among others.
 4. **Co-Partnership/ Stock Option/ Profit Sharing:** These incentive involve providing to the employee a share of the pie. Co-partnership involves bringing the employee into the crux of the business which is the partnership itself. Stock Option is a method used by companies whereby the shares of the company are provided at a rate more favourable than the market rate. Profit sharing involves providing to the employees a specified amount of profits so earned by the organisation in return for the work that they provide for the organisation.
 5. **Retirement Benefits:** Retirement benefits such as pensions or the company provident fund acts as powerful incentives. These benefits even though may accrue after service prompts the employee to work towards a better secured future.

Non-Financial Incentives.

Incentives that focus on satisfying the non-monetary needs of an employee rather than focusing on providing a direct monetary benefit are known as Non-Financial Incentives. These incentives may or may not have a direct monetary effect but the main focus is on meeting the psychological, social or emotional needs of employees.

1. **Status:** Status in an organisation represents the hierarchical structure of the organisation. Different positions have different responsibilities, duties and rights. The conferment of higher status is a very important non-financial incentive to motivate the employees.
2. **Organisational Environment:** Humans like any other species require a conducive environment to thrive. This rule applies even to an organisation. Organisation environment may be referred to as the sum total of all those factors and characteristics that define and distinguish that organisation. A good organisational environment is necessary for proper motivation of employees. This may involve a cooperative managerial system, better working place etc.

3. **Career Advancement Opportunity:** Career Advancement Opportunity such as regular training and development programmes that enhance the capability, productivity and confidence of employees ensure that the employee stays committed to his work.
4. **Job Enrichment and Job Security:** Job Enrichment is the process of making a task interesting, interactive and engaging. It plays a vital role in taking away elements of repetitiveness and the consequent tiredness. Job security relates to a certain surety of job stability that an employee expects from an organisation. Job security acts against feelings of uncertainty and ensures loyalty.
5. **Employee Recognition & Participation:** Great work always requires recognition. The recognition of a person's effort is an important driving force to ensure better work. A simple gesture such as a congratulatory remark can go a long way in motivating an employee and organisations across the world does the same in numerous ways. Employee participation in the decision making process and their empowerment are also powerful incentives that makes the employees feel valued in the organisation.

Features of Incentive Plans:

- (1) It consists of monetary and non monetary elements.
- (2) Usefulness and success of incentive plan depends on time, frequency and accuracy.
- (3) Employees should know about incentives so that they work harder.

BENEFITS OF INCENTIVE PLANS

1. Higher sales

Improving sales numbers is perhaps the most common reason executives seek out incentive compensation management plans. It's no surprise, either - ICM plans have been proven time and again to increase sales numbers and, as a result, company profits.

By offering bonuses, merit increases and other rewards to employees who meet sales targets, employers will be able to increase motivation among a sales team, which will result in better sales numbers. Salespeople, like most employees in any industry, are motivated by financial incentives. Offering extra compensation for ramped up performance will boost sales, quickly and effectively.

2. Teamwork

Many people view sales as a zero-sum game in which employees compete against one another for top clients and larger paychecks. If this is the case at a company, not only will

workers feel pitted against one another, productivity will drop as salespeople become discouraged.

3. Increased engagement

A recent Gallup poll found that 70 percent of Americans are disengaged from their work. This is bad news for companies everywhere, as disengaged workers can cost a company money and drag down sales numbers. One way to bring employees back to life is to use incentive compensation plans.

4. Reduced turnover

When an employee is satisfied with their compensation plan - whether it includes base pay plus commission, bonus rates or merit increases - they are more likely to stay loyal to a company. As any HR professional knows, high turnover rates spell trouble for companies, as the hiring process can be as frustrating as it is expensive.

5. Improved morale

A happy worker is an efficient one, as well as a positive influence on the rest of the office. However, it's difficult to be happy when an employee feels undervalued or feels as if their hard work goes unrecognized. ICM plans reward individuals with money, gift cards or other motivating factors, but they also show employees that they are valued.

Praising an employee for their performance is a smart way to increase individual happiness and job satisfaction. When an entire sales team feels the same way, morale will increase around the office and a company will thrive.

Advantages:

- (1) It induces workers for higher efficiency and more output.
- (2) Incentives increase the earnings of employees. At times more than wages.
- (3) Payment of incentives leads to minimum per unit cost of product as there is an increased efficiency and greater output.
- (4) Increase in production capacity of the plant takes place.
- (5) It saves manager's time for supervision because employees are motivated for better performance.

Disadvantages:

- (1) Payment of incentives does not ensure improvement in quality. For this regular inspection is necessary which leads to increase in costs. Increase in output through payment of incentives offset through deterioration of quality.
- (2) Some studies in the industrialized countries of the west show that incentive schemes have a dubious value for increase in output.
- (3) When the employees start receiving pretty good amount as incentive, they develop a tendency to consider this earning as normal. If incentive discontinued, they agitate for its revival, posing difficulties for management.
- (4) For increasing their earnings through incentive schemes employees start overworking and do not rest. These tendencies of employees affect their health, creating serious managerial problem for organisation.
- (5) Determination of standard performance is yet another problem. Past performance cannot be the right base for setting standard.
- (6) In every organisation two types of employees work. One group work fast and others are slow. In case of group incentive scheme fast workers are at the receiving end because they receive less payment as compare to their output. This developed dissatisfaction among them.:
- (7) In case of ever production the management may discontinue incentive scheme, causing loss to the employees. Money is a hygiene factor which removes dissatisfaction.

There is a need for sound and effective incentive scheme to be implemented by fully understanding human relations.

Offering incentives to salespeople is a way to motivate staffers with the lure of cash, prizes or other perks for reaching sales goals. To be effective, a sales incentive program should be achievable and easy to understand. If goals are too lofty, it could discourage your staffers and result in poor or lackluster performance.

Pay for Performance

When you offer incentives to salespeople, you essentially pay out only when your team achieves its financial objectives. This can be useful in maintaining a sales budget, especially

if you work with a commission structure or even a draw against commission. The incentive should be worthwhile -- ask staffers if they prefer cash incentives, profit sharing, extra vacation time or other perks. Keep in mind that your sales professionals may need resources and support -- such as administrative help -- to reach objectives.

Motivate Staffers

Incentives can motivate salespeople to push themselves to higher earning potential. It can also encourage friendly competition among staffers, especially if you offer a tiered incentive plan -- meaning the highest earners get the biggest pieces of the incentive pie. To be effective, incentive programs should be limited in nature -- for example, a sales contest that lasts a month is more likely to produce results than one that lasts an entire year, because sales staffers can lose sight of the prize over a longer period of time.

Lose Soft Sales Professionals

Incentives pose the risk of scaring off otherwise talented staffers who don't work well under pressure or are easily intimidated. You can also lose people who can't afford to work on a commission basis, hoping they meet their sales quota to get their bonus or reward. If you constantly have to replace and retrain sales staff, it can cost you time and money that might not be in your budget. Low morale and poor job satisfaction can also result if incentives are tough to earn.

Hard Sell Intimidation

Some sales staffers move into hard sell mode when they're trying to reach an incentive. This can turn off some customers who don't respond well to a hard sell or high-pressure sales techniques. Even one over-aggressive move from a salesperson can turn off a customer for life and result in a bad reputation for your business among potential customers.

INCENTIVES AT WORK: MOTIVATION FOR EMPLOYEES

Incentive Motivation: Best Practices for Incentives

Too often, we think incentive programs and recognition initiatives are only for salespeople. Truth is, almost every organization can benefit from using both recognition and incentive programs as part of their overall strategy to impact culture and drive desired business behaviors. Effective recognition programs are typically based on the core values of the organization (the

things you want to be known for internally and externally) and should be designed to reward and recognize the behaviors that stand the test of time. Well-designed recognition programs are critical for employee engagement, but they are not the only tool required for businesses to be successful and to increase employee engagement.

MOTIVATION

What is the incentive theory of motivation?

The incentive theory of motivation is a behavioral theory that suggests people are motivated by a drive for incentives and reinforcement. The incentive theory also proposes that people behave in a way they believe will result in a reward and avoid actions that may entail punishment.

Employees might behave differently in similar situations depending on the incentives available. For example, an employee might work harder on a project to earn a good review or to avoid a poor review than if they don't receive a review at all. Their motivation is their desire to receive a reward or avoid punishment via a performance review at the end of the project.

The value of the same incentive may change depending on the time and circumstance. People may value similar incentives differently. Psychological and social factors can have a role in determining which people have a motivation for different incentives. Incentives only work as motivational tools if individuals place value on the reward they will receive for their actions.

Incentives in the workplace, as in other facets of life, can also be positive or negative:

- **Positive incentives:** Provide positive assurance that an employee will receive something they desire in exchange for doing their work well. Examples of positive incentives include recognition, promotions, raises and so forth.
- **Negative incentives:** Correct mistakes or discourage certain behaviors. Negative incentives include reprimands, demotions, pay decreases and other kinds of penalties.

What is Motivation?

Motivation is defined as the feeling based on which a person acts or behaves regarding a particular task or activity. Motivation is a human psychology factor which drives or pushes a person to behave in a particular way. When the motivation is positive, a person is happy,

energetic, enthusiastic & self-driven and when it is negative motivation, person is demoralized, sad, lethargic & pessimistic.

Importance of Motivation

It is an important psychological factor for any individual as it defines the work, ambition and drive of that person to do any work. A person with high levels of motivation is motivated to do good quality work, help others, spread their energy and focus on achieving goals. On the contrary, a person with low levels of motivation, demotivates others, works shabbily and creates a negative atmosphere. It is an important human factor in an individual's personal as well as professional life. Positive motivation for people is required in every field like business, sports, politics, entrepreneurship etc. It is the desire of an individual to work towards a motive, which is a certain task. In business, good motivation helps employees learn important managerial skills like leadership, team management, time management, decision making, communication etc.

Types of Motivation



It is driven by several factors which influences the behavior and attitude of an individual. Based on the different factors and the kind of impact it has on a person, there are different types of motivation. The different types of motivation in people are:

1. Intrinsic: This type comes from within a person to do a task or achieve a particular goal. It is a feeling of being self-driven and achieving objectives for oneself. Intrinsic motivation is driven by motives like social acceptance, eating food, desires to achieve goals, biological needs etc.

2. Extrinsic: This type drives an individual due to external forces or parameters. Some other person or organization motivates the individual to work hard to achieve certain goals or tasks.

Extrinsic motivation is driven by motives like financial bonus, rewards, appreciation, promotion, punishment, demotion etc.

3. Positive: This type drives an individual by offering positive accolades and rewards for performing a task. In this type of motivation, the individual is rewarded by monetary benefits, promotions etc which drives an individual to work hard.

4. Negative: is where fear and threat are used as a parameter to get the work done. In this type of motivation, individuals are threatened with things like demotion, reducing benefits, withdrawing merits etc.

Top Factors Influencing Motivation



Keeping employees motivated is the biggest challenge for companies for ensuring that they give a high productive output at work and help in achieving company goals. A positive motivation amongst employees helps drive the business positively & enhances creativity. On the other hand, a demotivated employee will not contribute efficiently and slowdown progress at workplace. The key elements & top factors which influence employees in business or people in general are as follows:

1. Salary: Monetary compensation & benefits like gross salary, perks, performance bonuses etc are the biggest motivation factors. The better the salary and monetary benefits, the higher is the motivation level & passion of a person towards a job.

2. Recognition: Rewards, recognition, accolades etc are important for ensuring high enthusiasm levels for an employee. If the hard work of an individual is appreciated, it keeps them motivated to perform better.

3. Work Ethics: Ethical working environment, honesty etc are important factors for any individual. Good work ethics in a company helps keep employees motivated at work place.

4. Transparency with Leadership: The leadership in an organization helps in employee motivation if there are transparent discussion and flatter hierarchies. The senior management has to ensure that all subordinates are happy, focused & motivated.

5. Culture at Work: A good, vibrant, positive culture at workplace is always an important factor. People from different backgrounds, religions, countries etc working together helps create a social bond at workplace.

6. Learning and Development: Another factor influencing is the training and development opportunities that a person gets. L&D helps individuals develop more skills and have better opportunities in their professional career.

7. Work Life Balance: Having a good quality of work life (QWL) helps in the motivation of people. A good work life balance ensures that a person can give quality time to both office work as well as family.

8. Career Growth Opportunities: Career development opportunities have a positive influence on the motivation of any person. If a person knows their future & career path is secure, they tend to work with more passion.

9. Health Benefits: Health benefits, insurance & other incentives act as a source of motivation for people. If the medical bills, hospitalization charges etc are taken care of by the company, it helps build a strong trust.

10. Communication: A positive & transparent communication between managers and subordinates gives a sense of belonging and adds to the employee's motivation. Discussion related to work as well as personal life help make a friendly bond at workplace.

There are not finite factors influencing positive attitude of an employee. These keep on changing depending upon the type of environment, job responsibility, experience in life etc. Hygiene Factors of motivation are also given by the Hygiene Theory.

Advantages of Motivation

There are several advantages of an employee being motivated at work. Some of the main benefits of motivation for employees and companies are as follows:

1. Feeling of belongingness and self-respect.
2. A motivated employee is excited to learn and contribute more.
3. Higher productive output due to positive motivation.
4. Reduced absenteeism and lower attrition.

5. Employees high on motivation help reduce costs & improve profits.

6. Reduce stress & anxiety at workplace.

Disadvantages of Motivation

Despite several advantages, there are some probable drawbacks as well. Some of them are:

1. It is a relative feeling and hence there is no way of ensuring that everyone would feel the same way.

2. Motivating employees in a company requires additional efforts, money and time on employee related activities.

3. It among people is mostly a short-term feeling. Afterwards a person become demotivated or even uninterested about a particular task.

Examples of Motivation

Motivation is relevant in every field of life for any individual. There can be many examples based on type, situation, field of work etc. Some examples are as follows.

1. Consider a person who has joined a university. After a lot of hard work, he or she gets admission in their preferred course. Hence the intrinsic motivation for the individual would be perform well in academics, get a good score, learn new skills and get a job opportunity with a good company. Since this is an internal feeling, the driving motives are achieving a personal goal.

2. An example of extrinsic motivation can be seen from a footballer, cricketer or any other sportsperson. Any sportsperson wants to excel in their sport not only for themselves but to also become a crowd favorite and get their attention. Hence, he or she gets highly motivated by this external factor which drives them to perform better in their sport.

Motivation in the Workplace: Incentives at Work

Recognition programs recognize behaviors that have *already happened*, whereas, incentives are an important element to guide and direct behaviors in an organization *moving forward*.

Recognition = Past Behaviors

Incentives = Future Behaviors

At their core, incentives focus on the individual and *their* behaviors – specific behaviors you can track and reward. Incentives focus on strictly defined, personal outcomes; that when achieved, result in a reward. As an example, a salesperson is given an objective based on their

previous year's performance. If they meet or surpass that objective, they are rewarded. To keep this incentive from being conflated with compensation and to keep it from becoming an "entitlement," we recommend non-cash rewards.

Incentive Motivation: Non-Monetary Rewards

One of the main benefits of non-cash incentives is that you have the flexibility to start and stop them as needed without affecting your audiences' income or lifestyle. This provides a company with the ability to change and adapt as the marketplace changes. With non-compensation based incentives you have the ability to focus attention on one objective this quarter and another next – without disrupting the income expectations of the target audience. Therefore, when thinking about incentives – look for things that need attention now – and may not need attention in the future. Look for changes in the market that you believe are "blips" or short-term needs. Need a sales spike? Run an incentive. Need to launch a new product? Run an incentive.

Incentives at Work: Best Practices

When developing incentive activities, here are some important factors to keep in mind.

1. **Make sure incentives are the right solution to your challenge.** Take the time to determine if it is a training, communication, or process issue before defaulting to an incentive program. If you're convinced the issue is getting people to pay attention and adopt an unfamiliar/new behavior – then try an incentive.
2. **Use non-cash awards.** To remove the connection between the incentive and the long-term employment contract, non-cash awards are the preferred reward type, whenever possible. Point programs allow participants to select from a myriad of rewards according to their lifestyle and personal motivators.
3. **Set short-term time frames for programs.** Setting long-term objectives reduces the effectiveness of the program and increases the award amount needed to maintain program attention. Shorter-term programs around 90 days are best to hit the mark with your business goals and objectives.
4. **Tie the award criteria to specific behaviors, not just outcomes.** Incentives tied solely to an outcome can create unintended consequences. If you reward people for simply submitting 100 referrals, you will get 100 unqualified referrals. Ask people to submit referrals for qualified people, so in turn, you will see qualified referrals come through.
5. **Do not overvalue the awards.** It is better to have a slightly lower value for the award than to go overboard on the award value. When the value of the award far exceeds the

effort involved, you will get unintended consequences, cheating, and duplicity in your program.

6. **Take breaks when using incentives.** Don't always offer incentives in 90-day increments back-to-back. Offer an incentive (if needed) then withhold for 30 days. Then, offer a different incentive.
7. **Make sure your incentive does not violate any of the values of your organization.** The values and criteria in your umbrella recognition program are the guidelines for all other activities. Your incentive should never send a mixed message to your audience.
8. **Create a "review team" for incentives.** Create a team of managers from different areas of the company to provide a much needed sounding board. Including non-participating managers from different departments/divisions will ensure you're seeing the big picture and have thought through the incentive application. Often, outsiders see holes in the program design – and can be a great added point of view.
9. **Accompany incentives with public recognition.** According to the Incentive Research Foundation, 40% of incentive programs are now using social recognition. This will only continue to rise with the use of technology and increased knowledge of the benefits. Social recognition helps to make the award recipient feel valued as well as fosters camaraderie and reinforces the company culture.

EMPLOYEE WELFARE

Welfare includes anything that is done for the comfort and improvement of employees and is provided over and above the wages. Welfare helps in keeping the morale and motivation of the employees high so as to retain the employees for longer duration. The welfare measures need not be in monetary terms only but in any kind/forms. Employee welfare includes monitoring of working conditions, creation of industrial harmony through infrastructure for health, industrial relations and insurance against disease, accident and unemployment for the workers and their families.

Labor welfare entails all those activities of employer which are directed towards providing the employees with certain facilities and services in addition to wages or salaries.

Labor welfare has the following objectives:

- To provide better life and health to the workers
- To make the workers happy and satisfied
- To relieve workers from industrial fatigue and to improve intellectual, cultural and material conditions of living of the workers.

The basic features of labor welfare measures are as follows:

- Labor welfare includes various facilities, services and amenities provided to workers for improving their health, efficiency, economic betterment and social status.
- Welfare measures are in addition to regular wages and other economic benefits available to workers due to legal provisions and collective bargaining.
- Labor welfare schemes are flexible and ever-changing. New welfare measures are added to the existing ones from time to time.
- Welfare measures may be introduced by the employers, government, employees or by any social or charitable agency.
- The purpose of labor welfare is to bring about the development of the whole personality of the workers to make a better workforce.

The very logic behind providing welfare schemes is to create efficient, healthy, loyal and satisfied labor force for the organization. The purpose of providing such facilities is to make their work life better and also to raise their standard of living. The important benefits of welfare measures can be summarized as follows:

- They provide better physical and mental health to workers and thus promote a healthy work environment
- Facilities like housing schemes, medical benefits, and education and recreation facilities for workers' families help in raising their standards of living. This makes workers to pay more attention towards work and thus increases their productivity.
- Employers get stable labor force by providing welfare facilities. Workers take active interest in their jobs and work with a feeling of involvement and participation.
- Employee welfare measures increase the productivity of organization and promote healthy industrial relations thereby maintaining industrial peace.
- The social evils prevalent among the labors such as substance abuse, etc are reduced to a greater extent by the welfare policies.

EMPLOYEE WELFARE BENEFITS SCHEMES

Organizations provide welfare facilities to their employees to keep their motivation levels high. The employee welfare schemes can be classified into two categories viz. statutory and non-statutory welfare schemes. The statutory schemes are those schemes that are compulsory to provide by an organization as compliance to the laws governing employee health and safety. These include provisions provided in industrial acts like Factories Act 1948, Dock Workers Act (safety, health and welfare) 1986, Mines Act 1962. The non-statutory schemes differ from organization to organization and from industry to industry.

Some of employee welfare Laws in India

- The factories act, 1948
- the maternity benefit act, 1961 (with latest amendments)
- the employee state insurance act, [esi] 1948
- the employees' provident funds and miscellaneous provisions act, 1952
- the payment of bonus act, 1965

STATUARY WELFARE BENEFITS

- **Drinking Water:** At all the working places safe hygienic drinking water should be provided.
- **Facilities for sitting:** In every organization, especially factories, suitable seating arrangements are to be provided.
- **First aid appliances:** First aid appliances are to be provided and should be readily assessable so that in case of any minor accident initial medication can be provided to the needed employee.
- **Latrines and Urinals:** A sufficient number of latrines and urinals are to be provided in the office and factory premises and are also to be maintained in a neat and clean condition.
- **Canteen facilities:** Cafeteria or canteens are to be provided by the employer so as to provide hygienic and nutritious food to the employees.
- **Spittoons:** In every work place, such as ware houses, store places, in the dock area and office premises spittoons are to be provided in convenient places and same are to be maintained in a hygienic condition.

- **Lighting:** Proper and sufficient lights are to be provided for employees so that they can work safely during the night shifts.
- **Washing places:** Adequate washing places such as bathrooms, wash basins with tap and tap on the stand pipe are provided in the port area in the vicinity of the work places.
- **Changing rooms:** Adequate changing rooms are to be provided for workers to change their cloth in the factory area and office premises. Adequate lockers are also provided to the workers to keep their clothes and belongings.
- **Rest rooms:** Adequate numbers of restrooms are provided to the workers with provisions of water supply, wash basins, toilets, bathrooms, etc.
- **Maternity & Adoption Leave** – Employees can avail maternity or adoption leaves. Paternity leave policies have also been introduced by various companies.
- **Medi-claim Insurance Scheme:** This insurance scheme provides adequate insurance coverage of employees for expenses related to hospitalization due to illness, disease or injury or pregnancy.
- **Sexual Harassment Policy:** To protect an employee from harassment of any kind, guidelines are provided for proper action and also for protecting the aggrieved employee. For more information go through - Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013

NON STATUTORY BENEFITS

- **Personal Health Care (Regular medical check-ups):** Some of the companies provide the facility for extensive health check-up
- **Flexi-time:** The main objective of the flexitime policy is to provide opportunity to employees to work with flexible working schedules. Flexible work schedules are initiated by employees and approved by management to meet business commitments while supporting employee personal life needs
- **Employee Assistance Programs:** Various assistant programs are arranged like external counseling service so that employees or members of their immediate family can get counseling on various matters.
- **Employee Referral Scheme:** In several companies employee referral scheme is implemented to encourage employees to refer friends and relatives for employment in the organization.

SOCIAL SECURITY

Meaning of Social Security:

Social security is a dynamic concept which is considered in all advanced countries of the world as an indispensable chapter of the national programme. With the development of the idea of the welfare state, it has been considered to be most essential for the industrial workers, though it includes all sections of the society.

Social security is that security which the society furnishes through appropriate organisation against certain risks or contingencies to which its members are exposed. These risks are essentially contingencies against which the individual cannot afford by his small means and by his ability or foresight alone.

Definitions of Social Security:

A few definitions of social security are given as follows:

According to International Labour Organisation:

“Social security is the security that society furnishes through appropriate organisation against certain risks to which its members are exposed. These risks are essentially contingencies against which the individual of small means and meager resources cannot effectively provide by his own ability or foresight alone or even in private combination with his fellows.

According to William Beveridge:

“Social security means the security of an income to take the place of earnings when they are interrupted by unemployment, sickness or accident to provide for the retirement through old age, to provide against loss of support by death of another person and to meet exceptional expenditure connected with birth, death or marriage.

SCOPE OF SOCIAL SECURITY:

The scope of social security is very wide. Even though the social security measures differ from country to country, they have some basic features in common.

(i) Social Insurance:

Under social insurance, workers and employers make periodical contribution to a fund, with or without a subsidy from the Government. Out of these contributions benefits are provided to the contributories necessary for satisfying wants during old age, sickness, unemployment and other contingencies of life.

(ii) Social Assistance:

Social assistance includes non-contributory benefits towards the maintenance of children, mothers, invalids, the aged, the disabled and others like the unemployed. Under this scheme, the Government provides benefits to persons of small means in sufficient quantity so that their minimum standards of needs could be satisfied.

The Social Security (Minimum standards) Convention No. 102 of the International Labour Organisation prescribes the following components of social security:

- (a) Medical care
- (b) Sickness benefit
- (c) Old age or retirement benefit
- (d) Employment injury benefit
- (e) Family benefit
- (f) Maternity benefit
- (g) Invalidity benefit
- (h) Survivor's benefit

(iii) Public Service:

Public service programmes are usually financed directly by the Government from its general revenue in the form of cash payments or services to every member of the community falling within a defined category.

Social Security in India:

Although social security measures had been introduced in many countries decades ago, in India they were introduced only after the independence. It was partly due to lack of official sympathy and the comparative weakness of the trade unions in pressing their demand for such measures. After independence, India declared itself a welfare state under the constitution and as such several social security measures were introduced.

According to Article 41 of the constitution of India **“The state shall within limits of its economic capacity and development make effective provision securing the right to work,**

to education and to public assistance in case of unemployment, old age, sickness and disablement and other cases of unserved wants”.

Social security is an important step towards the goal of welfare state. Many State Governments have introduced old age schemes and other types of social assistance benefits. Several laws have been enacted since independence in the country to provide for social security to the workers.

Some of the important social security laws are given below:

(i) The Workmen’s Compensation Act, 1923:

In 1923, the Government of India passed the Workmen’s Compensation Act. This Act, marked the beginning of social security system in India. The main object of this Act is to impose upon the employers an obligation to pay compensation to workers for accidents arising out of and in the course of employment.

It also helps to reduce the number of accidents, to give workers greater freedom from anxiety and to make industry more attractive to workers. The Act has been amended several times. The last amendment was made in 1962.

The Act applies to all permanent employees employed in railways, factories, mines, plantations, mechanically propelled vehicles, construction work and certain other hazardous operations. It does not apply to members of armed forces, casual workers and workers covered under the Employee’s State Insurance Act, 1948.

The State Governments administer this Act and are empowered to extend the application of this Act to other classes of persons or diseases not covered by the Act. The State Governments have appointed labour compensation commissioners for the settlement of disputed cases.

Under this Act, the employer is liable to pay, the compensation in case of personal injury caused by accident arising out of and in the course of employment.

No compensation is, however, payable if the incapacity does not last for more than 3 days or if it is caused by the default of the worker, not resulting in death. Besides, body injuries, compensation is also payable in the case of certain occupational diseases as given in schedule III.

The amount of compensation payable depends upon the nature of injury and the average monthly wages of the worker concerned.

For this purpose injury has been divided under three categories:

- (i) Causing death
- (ii) total or partial permanent disablement
- (iii) temporary disablement.

The rates of compensation have been given in schedule IV of the Act.

In order to protect the interest of dependents in case of fatal accidents, it is provided in the Act that all cases of fatal accidents are to be brought into the notice of commissioner of labour. In case of admission of liabilities by the employer, the amount of compensation is to be deposited with the commissioner.

If the employer denies his liability, the commissioner must decide whether or not there is a ground for claim. The commissioner may inform the dependents and it is open to them to prefer a claim, if they feel so.

(ii) The Employee's State Insurance Act, 1948:

The Employee's State Insurance Act was passed in 1948 to provide medical facilities and unemployment insurance to industrial workers during their illness. This Act provides medical benefits in the form of medical attendance, treatment, drugs and injections to insured persons and to members of their families where the facility has been extended to the families also.

The ESI Act is applicable to all non-seasonal factories run with power and employing 20 or more persons.

It covers all types of employees—manual, clerical, supervisory and technical—not drawing a salary of Rs. 1000 P.M. (This amount was raised to Rs. 1,600 p.m. w.e.f. January 1985 and to Rs. 6,500 p.m. w.e.f. January 1997). This Act is a landmark in the history of social security in India and its object is to introduce social insurance for workers.

The Employees State Insurance Scheme introduced under this Act is compulsory and contributory. Compulsory in the sense that all workers covered under this Act must be insured and contributory in the sense that it is financed by the contributions from employees and employers.

The administration of the Act has been entrusted to an autonomous body called the Employees State Insurance Corporation. The corporation is managed by a governing body of 40 persons representing the Union and the State Governments, Parliament, employers' and employees' organisations and the medical profession.

This body elects a Standing Committee consisting of 13 members. A third body called the Medical Benefit Council is constituted consisting of 26 members to advise the corporation on matters relating to medical benefits. State-wise regional boards have also been constituted.

The scheme is financed by the Employees State Insurance Fund which consists of contributions from employers and employees, grants, donations and gifts from central and State Governments, local authorities or any individual or body. The rate of contribution of employees depends upon the daily wages.

The Scheme provides for five types of benefits to the injured workers and their dependents.

These benefits are:

(a) Sickness Benefit:

Sickness benefit consists of cash payment for a maximum period of 91 days per year to the sick worker. The daily rate of sickness benefit is calculated at half of average daily wages. The Insured worker who is getting this benefit must be under the medical treatment at a dispensary or hospital maintained by the Corporation. The benefit is useful to a worker who is unable to attend his work due to sickness.

Workers suffering from long term diseases like T.B., leprosy etc. are entitled to extended sickness benefit at 62.5% of average wage for a period of 309 days.

(b) Maternity Benefit:

An insured women is entitled to receive cash benefit for confinement, miscarriage or sickness arising out of pregnancy. The benefit is paid at double the sickness benefit rate for a period of 12 weeks of which not more than 6 weeks shall precede the expected date of confinement. If the insured woman dies during the period of confinement, her nominee will receive the benefit for the entire period.

(c) Disablement Benefit:

Disablement benefit is given in case of temporary as well as permanent disablement. An insured person is entitled to receive disablement benefit for any injury arising out of and in the course of employment which lasts for not less than 3 days excluding the date of accident.

In case of temporary disablement, full pay is paid in addition to free medical treatment. In case of permanent partial disablement, the insured worker is entitled for cash benefit for life to be paid at a percentage of the full rate on the basis of percentage of disability. In case of permanent total disablement, the cash benefit will be paid at full rate for the whole life.

(d) Dependent Benefit:

This benefit is given to the dependents of an insured deceased person. If a person dies as a result of employment accident, his widow and children are entitled to pension. The widow get it throughout her life or till remarriage. The sons get it upto the age of 18 years while the daughters get it upto the age of 18 years or marriage whichever is earlier.

(e) Medical Benefits:

This benefits is given to a worker claiming sickness benefit, maternity benefit or disablement benefit. This benefit is also available to the family members of the worker. It consists of free medical treatment at dispensary or hospital run by the corporation or at home of the sick.

The ESI Act has provided much needed protection to workers. However, the ESI scheme is criticised on the grounds that the medical treatment given is not satisfactory and there is delay in providing benefits to insured workers.

The Act needs to be enforced more effectively. However, in general, the scheme is working in a satisfactory manner. In 1996, there were 124 ESI hospitals in India with 23000 beds and 1440 dispensaries for providing medical facilities.

(iii) The Maternity Benefits Act, 1961:

The Maternity Benefits Act, 1961 was enacted to provide uniform standards for maternity protection. It applied in the first instance to all factories, mines and plantations except those to which the Employee's State Insurance Act applied. This Act was amended in 1976 to extend the benefit to all women workers covered by the ESI Act.

The main purposes of this Act are:

(a) To regulate the employment of women in certain establishments for certain specified periods before and after child birth.

(b) To provide for the payment of maternity benefits to women workers and

(c) To provide for certain benefits in case of miscarriage, premature birth or illness arising out of pregnancy.

Under this Act, a women worker can get maternity leave upto 12 weeks. Out of this 6 weeks must be prior to the delivery of the child and 6 weeks immediately thereafter. During the period of leave, the employee is entitled to full wage/salary.

In addition, a medical bonus of Rs. 25 per day is payable if the employer provides no free medical care. In order to avail of these benefits, the employee must have worked for at least 100 days in the 12 months immediately preceding the date of expected delivery. The maternity claim will be forfeited if the employee works in any other establishment during the period of leave.

(iv) The Employees Provident Fund Act, 1952:

Retirement benefits in the form of provident fund, family pension and deposit linked insurance are available to the employees under the Employees' Provident Fund (and miscellaneous Provisions) Act, 1952.

The Act is applicable to a factory in any industry specified in schedule I and in which 20 or more persons are employed or which the Central Government notifies in the official Gazette. The Act does not apply to cooperative societies employing less than 50 persons and working without the aid of power.

It also does not apply to new establishments for 3 years from the date of establishment. The Government is empowered to grant exemption from the operation of this Act to any class of establishments under certain conditions.

The schemes under this Act are administered by a Tripartite Central Board of Trustees, consisting of representatives of employers, employees and the Government. The Act provides for the following benefits.

(a) Provident Fund Scheme:

Under the contributory provident fund scheme, monthly deductions from the employee's salary are made. The employer contributes an equivalent amount. The total contributions are deposited with the provident fund commissioner or invested in the prescribed manner.

An employee can obtain advances, and permanent withdrawals (after 15 years of service) for construction of house, higher education/ marriage of children, purchase of car etc. On retirement, death, migration, leaving service etc. the full balance at his credit with interest is payable.

(b) Employees' Family Pension Scheme, 1971:

Under the Employee's Family Pension Scheme, pension is paid to the widow/children of the employee who dies while in service. Under the new pension scheme, pension is payable to the employee after his retirement in place of provident fund. According to the new regulations all new employees will have to opt for pension scheme. Persons already employed can switch over from provident fund to pension scheme.

(c) Employee's Deposit Linked Insurance Scheme, 1976:

The Employee's Deposit linked Insurance Scheme 1976 was introduced for the members of the Employee Provident Fund with effect from August 1976.

On the death of the member, the person entitled to receive the provident fund accumulations would be paid an additional amount equal to average balance in the provident fund account of the deceased during the preceding three years, if such average balance was not below Rs. 10,000 during the said period.

The maximum amount of benefit payable under this scheme is Rs. 35,000 and the employees do not have to make any contribution for it.

(v) The Payment of Gratuity Act, 1972:

This Act is applicable to all factories, mines, oil fields, plantations, ports, railways, ships or establishments in which 10 or more workers are employed. All persons employed in these establishments are entitled to receive gratuity irrespective of the amount of their wages. The Central Government is empowered under the Act to extend this Act to any establishment.

Gratuity is payable on retirement, death, disablement or termination, subject to the condition that the employee has rendered five years of continuous service with the same employer. Gratuity is payable at the rate of 15 days wages for each year of completed service or part thereof subject to a maximum of 20 months wages or Rs. 3,50,000 whichever is lower.

(vi) Group Life Insurance:

Group life insurance may be defined as a plan which provides coverage for the risks on the lives of a number of persons under one contract. The basic feature of this scheme is the coverage of a number of persons under one contract. Group insurance facility is provided to the employees working with one employer.

The important features of this scheme are as follows:

- (a) Insurance is provided to all employees working under one employer without any evidence of insurability.
- (b) This scheme provides risk coverage to the employees so long as they remain in the service of the employer.
- (c) Group life insurance is a contract between the employer and the insurance company. The policy issued to the employer is called Master contract.
- (d) The premium is paid jointly by the employer and the employees.
- (e) The amount of premium is payable at a flat rate without any regard of the age and the salary of the employees.
- (f) In case of injury or death of an employee, the claim received by the employer is paid to the employee or his nominee.

Group insurance proves to be very cheap because of economy in mass administration. It is a welcome relief for the employees as they get insurance cover by paying a very small amount of premium. High salaried people can use group insurance as a supplement to the individual life insurance.

For the insurance company, the cost of administration is low as only one policy is issued for several persons. The employer can provide security cover for the employees at very low cost. Because of these reasons, Group life insurance is becoming very popular now-a-days.

UNIT-IV

INDUSTRIAL RELATIONS

Industrial relations may be defined as the relations and interactions in the industry particularly between the labour and management as a result of their composite attitudes and approaches in regard to the management of the affairs of the industry, for the betterment of not only the management and the workers but also of the industry and the economy as a whole.

The term industrial relations explains the relationship between employees and management which stem directly or indirectly from union-employer relationship.

Industrial relation is the relation in the industry created by the diverse and complex attitudes and approaches of both management and workers in connection with the management of the industry.

Industrial Relation:

Meaning and Definition

The term 'Industrial Relations' comprises 'Industry' and 'relations'. Industry means any productive activity in which an individual is engaged. It includes- (a) primary activities like agriculture, fisheries, plantation, forestry, horticulture, mining etc. etc. and (b) Secondary activities like manufacturing, construction, trade, transport, commerce, banking, communication etc.

DEFINITIONS

According to Bethel and Others, "Industrial relation is that part of management which is concerned with the manpower of the enterprise whether machine operator, skilled worker or manager."

According to V. Agnihotri, "The term industrial relations explains the relationship between employees and management which stem directly or indirectly from union-employer relationship."

According to T.N. Kapoor, "The term 'Industrial Relations' should be understood in the sense of labour- management relations as it percolates into a wider set of relationship touching extensively all aspects of labour such as union-policies, personnel policies and practices including wages, welfare and social security, service conditions, supervision and communication, collective bargaining etc., attitudes of parties and governmental action on labour matter."

Industrial Relations – Scope

Industrial relations are relation between employee and employer in their day-to-day work. Hence, it is continuous relationship.

The scope of industrial relations includes:

- (a) Relationship among employees, between employees and their superiors or managers.
- (b) Collective relations between trade unions and management. It is called union-management relations.
- (c) Collective relations among trade unions, employers' associations and government.

Scott, Clothier and Spiegel remarked that industrial relations has to attain the maximum individual development, desirable working relationships between management and employees and effective moulding of human resources. They have also asserted that either industrial relations or personnel administration is primarily concerned with all functions relating man effectively to his environment.

Objectives of Industrial Relations

- (a) Improving the economic condition of the labour in the existing state of industrial management and political government;
- (b) Controlling industries by the State to regulate production and industrial relations;
- (c) Socialization or nationalization of industries by making the state itself the employer; and
- (d) Vesting the proprietorship of the industries in the worker.

He stated "The state of industrial relations in a country is intimately connected with the form of its political government and the objectives of an industrial organisation may change from economic to political ends."

The Labour Management Committee of the Asian Regional Conference of the ILO has recognized certain fundamental principles as objectives of social policy in governing industrial relations with a view to establishing harmonious labour management relations.

They are:

- (i) Good labour management relations in an industry depend upon employers and trade unions being able to resolve their problems mutually, freely, independently and responsibly.
- (ii) The trade unions and employers and their organisation must be desirous of resolving their problems mutually through the process of collective bargaining. However, the assistance of appropriate government agencies may be sought in resolving the problem, whenever necessary in the public interest. Collective bargaining, therefore, is the corner-stone of good relations and appropriate legislative measures must be adopted to aid the maximum use of this process of accommodation.
- (iii) The workers' and employers' organisations should be desirous of associating with government agencies keeping in view the social public, economic and general measures affecting the relations between the two parties.

The committee, therefore, emphasized the need for the management to acquire the fuller understanding of human factor in production and must use the appropriate methods of employees' selection, promotion and training, wage administration work rules and labour discipline, lay-off and dismissal procedures etc. and other policies and procedures and practices to improve labour and personnel relations.

Types of Industrial Relations

The industrial relations is chiefly concerned with the management and the workers relations or employer-employees relations. But its scope is not limited only to this aspect. It also includes labour relations i.e., relations between workers themselves or between various groups of workers and public or community relations i.e., relations between the community or society and the industry.

Good industrial relations not only indicate the cordial atmosphere in the industry but also facilitate higher and quality production and industrial growth.

Thus, industrial relations include four types of relations:

- (i) Labour relations i.e., relations between union- management (also known as labour management relations);
- (ii) Group relations i.e., relations between various groups of workmen i.e., workmen, supervisors, technical persons, etc.
- (iii) Employer-employee relations i.e., relations between the management and employees. It denotes all management employer relations except the union- management relations;
- (iv) Community or Public relations i.e., relations between the industry and the society.

The last two are generally, not regarded the subject matter of study under industrial relations. They form part of the larger discipline—sociology. The first two are studied under industrial relations but these two i.e., labour management relations and employer-employee relations are synonymously used.

Salient Characteristics of Industrial Relations

1. Parties in the Industrial Relations Activities:

Basically, two parties-workers and management are involved in the process of establishing relations. However, the government agencies regulate /maintain industrial relations.

2. Interactive Process:

Industrial relations arise out interactions between different persons/parties. They are supervisors, workers trade unions, employers' associations.

So, interactive process takes place between –

- i. Supervisors and industrial workers
- ii. Supervisors and group/team members
- iii. Management and trade union leaders
- iv. Employers' federations and workers' unions.

3. Two-Way Communication:

IRs is a two-way communication process. One party gives stimuli, other party responds to the stimuli. So, the transaction occurring through such mechanism is either complementary or cross. More the complementary transactions, better will be the industrial relations situations.

4. HRM Practices:

Effective human resource planning system, identification and stimulating prospective employees, designing the most suitable selection technique to choose the right kind of people help to organization to get a committed and willing workforce that want to grow, develop and achieve. Such employees in the process like to develop better relations with their bosses. So, HRM practices influence IRs pattern in the industry.

5. Approaches to IRs:

Various approaches contribute to shape IRs pattern in industrial organizations. These approaches include sociological, psychological, socio-ethical, human relations, Gandhian, system approaches etc.

6. State Intervention:

State plays a vital role to influence industrial relations situations through its activities as facilitator, guide, counsellor for both the parties in the industry.

7. Role of Trade Union:

Behavioural manifestations of workers are mostly governed by the trade unions to which they belong. Hence, trade union's perception, attitudes towards management influence workers to form their mind set that regulates/promotes interaction with the management.

8. Organizational Climate:

If, congenial and conducive organizational climate prevails, workers feel homely, interact spontaneously, communicate boss about their problems, difficulties directly and come close to him to exchange/share the views each other in respect of work, change of job design, introduction of any operative system, process etc. Under such situation, possibility of

establishing healthy human relations develops and these relations influence industrial relations pattern of organization.

9. Dispute Settlement Process:

If, the management personnel believe on the philosophy of settling workers' grievances/ disputes through bi-lateral negotiation process, they give much more emphasis on mutual talk, sharing responsibility, collaboration, partnership dealing and mutual trust. In the process changes in workers' attitudes, behaviour and thought pattern are likely to occur which effect industrial relations.

10. Outcomes of IRs:

Outcomes of IRs are reflected in production both in quantity and quality, services, man days lost, wastes, accident rate, productivity, labour turnover rate, absenteeism rate, number of bipartite negotiations, company's image, growth, development etc.

11. Competency Development:

Healthy industrial relations help to develop workers' skill, knowledge, ability, aptitude and change their attitudes, perception to enable them to participate in collaborative activities / collective bargaining process effectively.

12. Issues in IRs:

Industrial relations climate / situation is greatly influenced by the issues-economic, non-economic governed by service contract / terms and conditions of employment. Besides, the issues not covered under service rules viz., behavioural, and attitudinal issues influence IRs pattern.

Importance of Industrial Relations

1. The labours today are more educated and they are aware of their responsibilities and rights. Management has to deal with them not merely as factors of production, but as individuals having human dignity and self-respect. The objective is to change the traditional views of management and labour towards each other and develop mutual understanding and co-operation and work towards achievement of common goal. Good industrial relations lead to industrial peace and increase in production.
2. Joint consultation between employees and management paves the way for industrial democracy and they contribute to the growth of the organisation.
3. Conducive industrial relations motivate the workers to give increased output. Problems are solved through mutual discussions, workers' participation, suggestion schemes, joint meeting, etc. Good industrial relations, increase labour efficiency and productivity.

4. With increased productivity, the management is in a position to offer financial and non-financial incentives to workers.

IMPORTANCE OF GOOD INDUSTRIAL RELATIONS

1. History of Industrial Relations in an Enterprise:

Every industry moves ahead with its good or bad history of industrial relations. Harmonious relationship between the workers and management marks the good history of the enterprise. While strikes and lockout characterise the bad history of the business. History, good or bad, established once will take time to change.

2. Strong Trade Unions:

Strong and enlightened trade unions help to promote the status of labour without jeopardising the interest of management. Trade unions maintain good relations with management and avoid militancy and strikes situation. Enlightened trade unions induce the workers to produce more and persuade the management to pay more.

3. Negotiating Skills of Management and Workers:

Well experienced and skillful negotiations create a bargaining environment conducive to the equitable collective agreements. The representatives of management and workers must recognize the human element involved in collective bargaining process.

4. Economic Factors:

Economic satisfaction of workers is one of the important condition for good industrial relations. Reasonable wages and benefits in commensurate with other industries must be paid by the employer. Economic need is the basic survival need of the workers.

5. Social Factors:

Social factors such as – social values, social groups and social status also influence the industrial relations. The employment relationship is not just an economic contract. It is a joint venture involving a climate of human and social relationships wherein each party (workers and management) fulfills his needs and contributes to the needs of others. The supportive climate is essentially built around social factors. The influence of social factors gets changed with the progress of industrialisation.

6. Psychological Factors:

The psychological factors such as motivation, alienation and morale are significant determinants of industrial relations. The relationship between workers and management would be more stable and sure if the needs and expectations of the workers are integrated with the goals of the enterprise.

7. Public Policy and Legislation:

The regulation of employer- employee relationship by the government is another important factor for the smooth industrial relations. Government intervenes the relationships by enacting and enforcing labour laws. Government intervention checks and balances upon the arbitrary management action.

8. Off the Job Conditions:

Living conditions of workers are also important. The industry appoints the 'whole person'. His personal and home life is inseparable from his work life. His personal optional conditions do affect on his efficiency and productivity. So off-the-job conditions of workers must be taken care of and improved to develop good industrial relations at the work place.

9. Better Education:

Industrial workers in Indian are generally illiterate. They can be easily misled by the trade union leaders who have their self-interest. Workers must be properly educated to understand the prevailing industrial environment. They must have a problem solving approach and a capability to analyse the things in the right perspective. They must be aware of their responsibility towards the organisation and the community at large.

10. Business Cycles:

Industrial relations are good when there is boom and prosperity all round. Levels of employment go up, wages rise and workers are more happy in prosperity period. But during recession, there is decline in wages and fall in employment level. Such recessionary conditions mars the good industrial relations. Thus business cycles also influence the existence of healthy industrial relations.

MAIN ASPECTS OF INDUSTRIAL RELATIONS

- (1) Promotion and development of healthy labour management relations;
- (2) Maintenance of industrial peace and avoidance of industrial strife; and
- (3) Development of industrial democracy.

(1) Promotion and Development of Healthy Labour-Management Relations:

One of the aspects of industrial relations is to promote and develop healthy relations between the employer and employees and pre-supposes.

(a) Spirit or collective bargaining and willingness to take recourse to voluntary arbitration. The very feeling of collective bargaining makes them assume equal status in the industry. This feeling may further industrial peace.

(b) The existence or strong, well organised, democratic and responsible trade unions and also associations or the employers in the industry which may ensure job security to workers and their participation in the decision-making and give labour a dignified role in the society. These associations, tend to create grounds for negotiations, consultations and discussions on mutual basis leading to good labour- management relations.

(c) Welfare Work. Whether voluntary or statutory provided by the state, trade unions and the employers do create, maintain and improve good and healthy labour-management relations.

(2) Maintenance of Industrial Peace:

Industrial peace presupposes the absence of industrial strife. Such peace can be established only when the following rights and privileges are enjoyed by the State and facilities for bipartite or tripartite consultation machinery for resolving disputes if any, are provided –

(a) Machinery for the prevention and settlement of industrial disputes should be established through legislative and administrative enactment.

(b) The provision of the bipartite and tripartite forums for the settlement of disputes must be made. Various codes, model standing orders and procedures to resolve disputes are necessary.

(c) Appropriate Government must have sufficient power to refer the disputes to adjudication or arbitration when it feels it necessary in the interest of the industry, or of the country. The Government must not allow any group in the industry to stop production due to strikes or lock-outs.

(d) Implementation Cells and Evaluation committees must be established, having power to look into the implementation of various agreements, settlements and awards and also to violation of statutory provisions under various labour laws.

(3) Development of Industrial Democracy:

The idea of 'industrial democracy' is that the labour must have the right to associate with the management in running the industry.

In this connection, following techniques are usually adopted:

(a) Establishment of the Shop Councils and Joint Management Councils at the floor and plant level to improve the working and living conditions through mutual consultation and understanding. It will create necessary climate for the development of industrial democracy;

(b) Increase in labour productivity through various means;

- (c) Recognizing the labour not as a commodity but as a human being in the industry, allowing them a feeling of self-respect and better understanding of their role in the organisation;
- (d) The material and social environment to which the worker adjusts and adapts himself while at work, must be available.

According to Lester, “Industrial relations involve attempts to arrive at solutions between the conflicting objectives and values; between profit motive and social gain; between discipline and freedom; between authority and industrial democracy; between bargaining and cooperation; and conflicting interests of the individual, the group and the community.”

Trade Unions: Objectives, Functions, Formation, Regulations, Rights and Liabilities

Trade Unions: Objectives, Function, Formation, Regulation, Rights and Liabilities!

“A trade union is a combination of persons. Whether temporary or permanent, primarily for the purpose of regulating the relations between workers and employers or between workers for imposing restrictive conditions on the conduct of any trade or business and includes the federations of two or more trade unions as per Sec. 2 (6) Trade Unions Act, 1926.

“A Trade Union is an organisation of workers, acting collectively, who seek to protect and promote their mutual interests through collective bargaining”.

Objectives:

Following are the objectives of trade unions:

1. Ensure Security of Workers:

This involves continued employment of workers, prevent retrenchment, lay off or lock-outs. Restrict application of “fire” or dismissal or discharge and VRS.

2. Obtain Better Economic Returns:

This involves wages hike at periodic intervals, bonus at higher rate, other admissible allowances, subsidized canteen and transport facilities.

3. Secure Power To Influence Management:

This involves workers’ participation in management, decision making, role of union in policy decisions affecting workers, and staff members.

4. Secure Power To Influence Government:

This involves influence on government to pass labour legislation which improves working conditions, safety, welfare, security and retirement benefits of workers and their dependents, seek redressal of grievances as and when needed.

Functions of a Trade Union:

The important basic functions of unions listed by National Commission on labour are:

- (i) To secure fair wages to workers.
- (ii) To safeguard security of tenure and improve conditions of service.
- (iii) To enlarge opportunities for promotion and training.
- (iv) To improve working and living conditions.
- (v) To provide for educational, cultural and recreational facilities.
- (vi) To co-operate in and facilitate technological advance by broadening the understanding of workers on its underlying issues.
- (vii) To promote identity of interests of workers with their industry.
- (viii) To offer responsive co-operation in improving levels of production and productivity, discipline and high standards of quality and
- (ix) To promote individual and collective welfare.

Trade Union as an Organisation:

Most of the workers are members of any one of the trade unions.

There are many reasons of membership and some of which are given below:

- (a) Security of employment and protection against calamity of accident, death and secure social security cover after retirement.
- (b) Meeting companionship and affiliation need and improve one's influence with management.
- (c) To get a common platform—to air one's views, aims ideas and feelings and obtain recognition and status among fellow workers.
- (d) Make use of the "principle of unity" for the purpose of securing good working conditions, high economic compensations, better career prospects and welfare needs.
- (e) Restrict management actions which are against the interest of workers.

Formation and Registration of Trade Union:

The following steps are involved in the registration of trade union:

Appointment of Registrars:

(a) The appropriate government shall appoint a person to be the registrar of trade unions for each state. The appropriate government may appoint as many additional and deputy registrars of trade unions as it thinks fit for the purpose of exercising and discharging under the superintendence and direction of the registrar.

Such powers and functions of the registrar under this Act as it may, by order, specify and define the local limits within which any such additional or deputy registrar shall exercise and discharge the powers and functions so specified.

(b) (i) Mode of Registration:

Any seven or more members of a trade union may, by subscribing their names to the rules of the trade union and by otherwise complying with the provision of this Act with respect to registration, apply for registration of the trade union under this Act.

(ii) Where an application has been made under subsection (i) for the registration of a trade union, such application shall not be deemed to have become invalid merely by reason of the fact that, at any time after the date of the application, but before the registration of the trade union, some of the applicants, but not exceeding half of the total number of persons who made the application, have ceased to be members of the trade union or have given notice in writing to the registrar dissociating themselves from the application.

(c) Application for Registration:

(i) Every application for registration of a trade union shall be made to the registrar and shall be accompanied by a copy of the rules of the trade union and a statement of the following particulars, namely—

1. The names, occupations and addresses of the members making application.
2. The name of the trade union and the address of its head office.
3. The titles, names, age, addresses and occupations of the office bearers of the trade union.

(ii) Where a trade union has been in existence for more than one year before the making of an application for its registration, these shall be delivered to the registrar, together with the application, a general statement of the assets and liabilities of the trade union prepared in such form and containing such particulars as may be prescribed.

(d) Provisions to Be Contained In the Rules of a Trade Union:

A trade union shall not be entitled to registration under this Act, unless the executive thereof is constituted in accordance with the provisions of this Act.

(e) Power to Call For Further Particulars and To Require Alterations of Names:

(i) The registrar may call for further information or the purpose of satisfying himself that any application complies with the provisions of Section 5, or that the trade union is entitled to registration under Section 6, and may refuse to register the trade union until such information is supplied.

(ii) If the name under which a trade union is proposed to be registered is identical with that by which any other existing trade union has been registered or, in the opinion of the registrar, so nearly resembles such name as to be likely to deceive the public or the members of either trade union, the registrar shall require the persons applying for registration to alter the name of the trade union stated in the application, and shall refuse to register the union until such alteration has been made.

(f) Registration:

The registrar, on being satisfied that the trade union has complied with all the requirements of the Act in regard to registration shall register the trade union by entering in a register, to be maintained in such form as may be prescribed, the particulars relating to the trade union contained in the statement accompanying the application for registration.

(g) Certificate of Registration:

The registrar, on registering a trade union under section and, shall issue a certificate of registration in the prescribed form which shall be conclusive evidence that the trade union has been duly registered under this Act.

(h) Cancellation of Registration:

A certificate of registration of a trade union may be withdrawn or cancelled by the registrar on the application of the trade union to be verified in such manner as may be prescribed in if the registrar is satisfied that the certificate has been obtained by fraud or mistake or that the trade union has ceased to exist.

It has to provide not less than two months' previous notice in writing specifying the ground on which it is proposed to withdraw or cancel the certificate shall be given by the registrar to the

trade union before the certificate is withdrawn or cancelled otherwise than on the application of the trade union.

(i) Registered Office:

All communications and notices to a registered trade union may be addressed to its registered office. Notice of any change in the address of the head office shall be given within fourteen days of such change to the registrar in writing, and the changed address shall be recorded in the register referred to in Section-8 of the Companies Act.

(j) Incorporation of Registered Trade Union:

Every registered trade union shall be a body corporate by the name under which it is registered and shall have perpetual succession and a common seal with power to acquire and hold both movable and immovable property and to contract, and shall by the said name sue and be sued.

Rights and Liabilities of Registered Trade Unions:

1. Objects on Which General Funds May Be Spent:

The general funds of a registered trade union shall not be spent on any other objects than the payment of salaries, allowances and expenses to the office bearers of the trade unions; expenses for the administration of the trade union; the presentation or defiance of any legal proceeding to which the trade union of any member thereof is a party; the conduct of trade disputes and compensation of members for loss arising out of trade disputes; provision of education, social or religious benefits for members; upkeep of a periodical published.

2. Constitution of a Separate Fund for Political Purposes:

A registered trade union may constitute a separate fund, from contributions separately levied for or made to that fund, from which payments may be made for the promotion of the civic and political interests of its members, in furtherance of any of the objects such as the payment of any expenses incurred, either directly or indirectly; the holding of any meeting or the distribution of any literature/documents in support of any such candidate; the registration of electors of the selection of a candidate for any legislative body constituted under or for any local authority; the registration of electors or the selection of a candidate for any legislative body constituted under/or for any local authority; holding of political meetings of any kind.

3. Criminal Conspiracy in Trade Disputes:

No office bearer or member of a registered trade union shall be liable to punishment under sub-section (2) of Section 120 B of the Indian Penal Code, 1860 in respect of any agreement made

between the members for the purpose of furthering any such object of the trade union as is specified in section its unless the agreement is an agreement to commit an offence.

4. Immunity from Civil Suit in Certain Cases:

(i) No suit or other legal proceeding shall be maintainable in any civil court against any registered trade union or any office bearer or member thereof in respect of any act done in contemplation or furtherance of a trade dispute to which a member of the trade union is a party on the ground only that such act induces some other person to break a contract of employment, or that is in interference with the trade, business or employment of some other person or with the right of some other person to dispose of his capital or of his labour as he wills.

A registered trade union shall not be liable in any suit or other legal proceeding in any civil court in respect of any fortuitous act done in contemplation or furtherance of a trade dispute by an agent of the trade union if it is proved that such person acted without the knowledge of, or contrary to express instructions given by the executive of the trade unions.

5. Enforceability of Agreements:

Notwithstanding anything contained in any other law for the time being in force, an agreement between the members of a registered trade union shall not be void or voidable merely by reason of the fact that any to the subjects of the agreement are in restraint of the trade.

6. Right to Inspect Books of Trade Unions:

The account books of a registered trade union and the list of members thereof shall be open to inspection by an office bearer or member of the trade union at such times as may be provided for in the rules of the trade union.

7. Right of Minors to Membership of Trade Unions:

Any person who has attained the age of 18 years may be a member of a registered trade union subject to any rules of the trade union to the contrary, and may subject as aforesaid, enjoy all the rights of a member and execute all instruments and give all acquittances necessary to be executed or given under the rules.

8. Effects of Change of Name and of Amalgamation:

The change in the name of a registered trade union shall not affect any rights or obligations of the trade union or render defective any legal proceeding by or against the trade union. An amalgamation of 2 or more registered trade unions shall not prejudice any right of any of such trade unions or any right of a creditor of any of them.

Shortcomings of Trade Unions:

Trade union movement in our country suffers from the following weaknesses:

1. Uneven Growth:

Trade unions are concentrated in large scale industry sector and in big industrial centers. There is very little trade union activity in small sector, agricultural labour and domestic sector. Trade unionism has touched only a portion of the working class in India.

2. Small Size:

Most of the unions have low membership though the number of unions and union membership are increasing, average membership is inadequate.

3. Weak Financial Position:

The average yearly income of unions is very low and inadequate. The subscription rates are low and many members do not pay the subscription in time. Due to their financial weakness, most of the unions are not in a position to undertake welfare programmes for workers.

4. Political Leadership:

Trade unions are under the leadership and control of political parties and outsiders. Politicians exploit unions and workers for their personal and political gains. Thus, the political leadership is very harmful to the trade union movement in India.

5. Multiplicity of Unions:

There exist several unions in the same establishment or industry. The existence of rival unions with conflicting ideology is greatly responsible for unhealthy growth of trade union movement. In some cases employers encourage split in unions to undermine their bargaining power.

6. Problem of Recognition:

Employers are under no obligation to give recognition to any union.

7. Absence of Paid Office-Bearers:

Most of the unions do not have full-time paid office-bearers. Union activists working on honorary basis devote only limited time and energy to union activities. Union officers lack adequate knowledge and skill due to lack of proper training, weak financial position and political leadership are the main reasons for this state of affairs.

8. Apathy of Members:

Majority of workers do not take keen interest in union activities. The attendance at the general meetings of unions is very poor.

9. Opposition from Employers:

Trade unions in India have to face opposition from employers. Many employers try to intimidate or victimise labour leaders, start rival union and bribe union officials.

10. Inter-Union Rivalry:

Multiple unions create rivalry. Unions try to play down each other in order to gain greater influence among workers. Employers take advantage of infighting. Inter-union rivalry weakens the power of collective bargaining and reduces the effectiveness of workers in securing their legitimate rights.

Employer's Organisations:

Under the trade union Act the term trade unions also includes employer's organisations. But strictly speaking, an employer's association means formal body of employers only.

According to Mr. Naval Tata, the objectives of an employer's association are:

- (i) To promote collective bargaining.
- (ii) To develop healthy and stable industrial relations.
- (iii) To bring employer's viewpoint to the notice of the Govt, and
- (iv) To represent employers at national and international forums.

There are at present more than 800 registered associations of employers in India. These are of three types:

1. Local associations to promote the interests of employers in a particular industry or city, e.g., Indian Jute Mills Association.
2. Regional associations such as the Southern India's Mill Owners' Association which serve the needs of employers in a particular region.
3. National or apex associations which co-ordinate the efforts of local and regional associations. These are federations to which local and regional associations are affiliated. FICCI, CII, are

examples of these federations. These federations perform several functions such as advice, education, communication, representation.

Organisation Structure:

Organisational structure of National Trade Unions consists of 4 levels as given below:

1. Conventions/sessions
2. General council (President, VP, Secretary-General, etc.)
3. Provincial bodies (at state level chairman, secretariats)
4. Local bodies (affiliated unions)

National convention/conferences are held at periodic intervals, say annually or bi-annually. This is the highest policymaking body. This is presided over by the president of the union attended by the delegates such as chairmen of state units, representatives of specialized services, legal experts and delegates from international bodies and special invitees. Office bearers are also elected by this conference.

General council consists of president, vice-president, secretary and other office bearers. It carries out policy decisions taken by convention. Various standing committees are set up on rendering study, analysis and recommendations on various aspects like legislative measure, Research and publications, international services etc.

State units are headed by chairman of state/regional areas. State units also liaise with National Headquarters; keep a close watch of faithful implementation of labour legislation and practices. It assists/influences state government to pass labour friendly legislation and executive/administration actions.

It is also responsible for membership of various unions representing workers in industrial undertakings (units) and/or representing trade and industrial units affiliated to the central trade union. These state units get themselves attached to State/Provincial/HQ/Regional unions/Units.

Headquarters (HQ) unions are responsible for welfare of its members and membership drive. As bargaining agents they are involved in collective bargaining with Central Government/ and or State government and assist passing legislative measures.

How Trade Union Objectives are Achieved?

The objectives of a trade union are achieved by a pursuit of traditional methods. These are:

(i) The organisation of a trade union on the basis of the craft or industry in which its members are employed, such as general unions and professional employee's organisations.

(ii) Collective bargaining, which is the essence of industrial relations, for it is through collective bargaining that the terms and conditions of employment are determined and under which work is performed' satisfactorily.

(iii) Grievance processing and handling procedures, under which grievances are redressed or dealt with by a correction of situation or by channelling up of these "up the line".

(iv) Arbitration, by which unsettled or unresolved disputes can be settled by an outside agency.

(v) Political pressure exercised through legislators who are capable of bringing about changes in labour laws; and

(vi) Mutual insurance through common contributions to meet the financial needs of workers when there are stoppages of work.

Characteristics of Trade Union:

1. A union normally represents members in many companies throughout the industry or occupation.
2. A union is fundamentally an employer regulating device. It sharpens management efficiency and performance while protecting the interests of the members.
3. A union is a part of the working class movement.
4. A union is a pressure organisation originating in the desire on the part of a group with relatively little power to influence the action of a group with relatively more power.
5. A union is a political institution in its internal structure and procedures.

COLLECTIVE BARGAINING

Definition of Collective Bargaining:

Industrial disputes between the employee and employer can also be settled by discussion and negotiation between these two parties in order to arrive at a decision. This is also commonly

known as collective bargaining as both the parties eventually agree to follow a decision that they arrive at after a lot of negotiation and discussion.

According to Beach, “Collective Bargaining is concerned with the relations between unions reporting employees and employers (or their representatives).

It involves the process of union organization of employees, negotiations administration and interpretation of collective agreements concerning wages, hours of work and other conditions of employees arguing in concerted economic actions dispute settlement procedures”.

According to 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”.

According to an ILO Manual in 1960, the Collective Bargaining is defined as:

“Negotiations about working conditions and terms of employment between an employer, a group of employees or one or more employers organization on the other, with a view to reaching an agreement.”

Collective Bargaining Involves:

- (i) Negotiations
- (ii) Drafting
- (iii) Administration
- (iv) Interpretation of documents written by employers, employees and the union representatives
- (v) Organizational Trade Unions with open mind.

Forms of Collective Bargaining:

The working of collective bargaining assumes various forms. In the first place, bargaining may be between the single employer and the single union, this is known as single plant bargaining. This form prevails in the United States as well as in India.

Secondly, the bargaining may be between a single firm having several plants and workers employed in all those plants. This form is called multiple plants bargaining where workers bargain with the common employer through different unions.

Thirdly, instead of a separate union bargaining with separate employer, all the unions belonging to the same industry bargain through their federation with the employer’s federation of that

industry. This is known as multiple employer bargaining which is possible both at the local and regional levels. Instances in India of this industry-wide bargaining are found in the textile industry.

The common malady of union rivalry, small firms and existence of several political parties has given rise to a small unit of collective bargaining. It has produced higher labour cost, lack of appreciation, absence of sympathy and economic inefficiency in the realm of industrial relationships. An industry-wide bargaining can be favourable to the economic and social interests of both the employers and employees.

Essential Pre-Requisites for Collective Bargaining:

Effective collective bargaining requires the following prerequisites:

- (i) Existence of a strong representative trade union in the industry that believes in constitutional means for settling the disputes.
- (ii) Existence of a fact-finding approach and willingness to use new methods and tools for the solution of industrial problems. The negotiation should be based on facts and figures and both the parties should adopt constructive approach.
- (iii) Existence of strong and enlightened management which can integrate the different parties, i.e., employees, owners, consumers and society or Government.
- (iv) Agreement on basic objectives of the organisation between the employer and the employees and on mutual rights and liabilities should be there.
- (v) In order that collective bargaining functions properly, unfair labour practices must be avoided by both the parties.
- (vi) Proper records for the problem should be maintained.
- (vii) Collective bargaining should be best conducted at plant level. It means if there are more than one plant of the firm, the local management should be delegated proper authority to negotiate with the local trade union.
- (viii) There must be change in the attitude of employers and employees. They should realise that differences can be resolved peacefully on negotiating table without the assistance of third party.
- (ix) No party should take rigid attitude. They should enter into negotiation with a view to reaching an agreement.
- (x) When agreement is reached after negotiations, it must be in writing incorporating all term of the contract.

It may be emphasised here that the institution of collective bargaining represents a fair and democratic attempt at resolving mutual disputes. Wherever it becomes the normal mode of setting outstanding issues, industrial unrest with all its unpleasant consequences is minimised.

Main Features of Collective Bargaining:

1. It is a Group Action:

Collective bargaining is a group action as opposed to individual action. Both the parties of settlement are represented by their groups. Employer is represented by its delegates and, on the other side; employees are represented by their trade union.

2. It is a Continuous Process:

Collective bargaining is a continuous process and does not end with one agreement. It provides a mechanism for continuing and organised relationship between management and trade union. It is a process that goes on for 365 days of the year.

3. It is a Bipartite Process:

Collective bargaining is a two party process. Both the parties—employers and employees—collectively take some action. There is no intervention of any third party. It is mutual give-and-take rather than take-it-or-leave-it method of arriving at the settlement of a dispute.

4. It is a Process:

Collective bargaining is a process in the sense that it consists of a number of steps. The starting point is the presentation of charter of demands by the workers and the last step is the reaching of an agreement, or a contract which would serve as the basic law governing labour-management relations over a period of time in an enterprise.

5. It is Flexible and Mobile and not Fixed or Static:

It has fluidity. There is no hard and fast rule for reaching an agreement. There is ample scope for compromise. A spirit of give-and-take works unless final agreement acceptable to both the parties is reached.

6. It is Industrial Democracy at Work:

Collective bargaining is based on the principle of industrial democracy where the labour union represents the workers in negotiations with the employer or employers. Industrial democracy is the government of labour with the consent of the governed—the workers. The principle of arbitrary unilateralism has given way to that of self-government in industry. Actually, collective bargaining is not a mere signing of an agreement granting seniority, vacations and wage increase, by sitting around a table.

7. It is Dynamic:

It is relatively a new concept, and is growing, expanding and changing. In the past, it used to be emotional, turbulent and sentimental, but now it is scientific, factual and systematic.

8. It is a Complementary and not a Competitive Process:

Collective bargaining is not a competitive process i.e., labour and management do not coopt while negotiating for the same object. It is essentially a complementary process i.e., each party needs something which the other party has, namely, labour can put greater productive effort and management has the capacity to pay for that effort and to organise and guide it for achieving the enterprise's objectives.

The behavioural scientists have made a good distinction between "distributive bargaining" and "integrative bargaining". The former is the process of dividing up the cake which represents what has been produced by the joint efforts of management and labour.

9. It is an Art:

Collective bargaining is an art, an advanced form of human relations.

Means of Collective Bargaining:

Generally, there are four important methods of collective bargaining, namely, negotiation, mediation, conciliation and arbitration for the settlement of trade disputes. In this context R.F. Hoxie said that arbitration is often provided for in collective bargaining under certain contingencies and for certain purposes, especially when the parties cannot reach agreement, and in the interpretation of an agreement through negotiation.

Conciliation is a term often applied to the art of collective bargaining, a term often applied to the action of the public board which attempts to induce collective bargaining.

Mediation is the intervention usually uninvited, of some outside person of body with a view of getting conciliation or to force a settlement, compulsory arbitration is extreme mediation. All these things are aids or supplement to collective bargaining where it breaks down. They represent the intervention of outside parties.

Constituents of Collective Bargaining:

There are three distinct steps in the process of collective bargaining:

- (1) The creation of the trade agreement,
- (2) The interpretation of the agreement, and
- (3) The enforcement of the agreement.

Each of these steps has its particular character and aim, and therefore, each requires a special kind of intellectual and moral activity and machinery.

1. The Creation of the Trade Agreement:

In negotiating the contract, a union and management present their demands to each other, compromise their differences, and agree on the conditions under which the workers are to be employed for the duration of the contract. The coverage of collective bargaining is very uneven; in some industries almost all the workers are under agreement, while in others only a small portion of the employees of the firms are covered by the agreement.

The negotiating process is the part of collective bargaining more likely to make headline news and attract public attention; wage increases are announced, ominous predictions about price increase are reduction in employment are made.

2. The Interpretation of the Agreement:

The administrative process is the day-to-day application of the provisions of the contract to the work situation. At the time of writing the contract, it is impossible to foresee all the special problems which will arise in applying its provisions. Sometimes, it is a matter of differing interpretations of specific clause in the contract, sometimes; it is a question of whether the dispute is even covered by the contract. Nevertheless, each case must somehow be settled. The spirit of the contract should not be violated.

3. Enforcement of the Agreement:

Proper and timely enforcement of the contract is very essential for the success of collective bargaining. If a contract is enforced in such way that it reduces or nullifies the benefits expected by the parties, it will defeat basic purpose of collective bargaining. It may give rise to fresh industrial disputes. Hence, in the enforcement of the contract the spirit of the contract should not be violated.

However, new contracts may be written to meet the problems involved in the previous contract. Furthermore, as day-to-day problems are solved, they set precedents for handling similar problems in future. Such precedents are almost as important as the contract in controlling the working conditions. In short, collective bargaining is not an on-and-off relationship that is kept in cold storage except when new contracts are drafted.

Theories of Collective Bargaining:

There are three important concepts on collective bargaining which have been discussed as follows:

1. The Marketing Concept and the Agreement as a Contract:

The marketing concept views collective bargaining as a contract for the sale of labour. It is a market or exchange relationship and is justified on the ground that it gives assurance of voice on the part of the organised workers in the matter of sale. The same objective rules which apply to the construction of all commercial contracts are invoked since the union-management relationship is concerned as a commercial one.

According to this theory, employees sell their individual labour only on terms collectively determined on the basis of contract which has been made through the process of collective bargaining.

The uncertainty of trade cycles, the spirit of mass production and competition for jobs make bargain a necessity. The trade union's collective action provided strength to the individual labourer.

It enabled him to resist the pressure of circumstances in which he was placed and to face an unbalanced and disadvantageous situation created by the employer. The object of trade union policy through all the maze of conflicting and obscure regulations has been to give to each individual worker something of the indispensability of labour as a whole.

It cannot be said whether the workers attained a bargaining equality with employers. But, collective bargaining had given a new- relationship under which it is difficult for the employer to dispense without facing the relatively bigger collective strength.

2. The Governmental Concept and the Agreement as Law:

The Governmental Concept views collective bargaining as a constitutional system in industry. It is a political relationship. The union shares sovereignty with management over the workers and, as their representative, uses that power in their interests. The application of the agreement is governed by a weighing of the relation of the provisions of the agreement to the needs and ethics of the particular case.

The contract is viewed as a constitution, written by the joint conference of union and management representative in the form of a compromise or trade agreement. The agreement lays down the machinery for making executing and interpreting the laws for the industry. The right of initiative is circumscribed within a framework of legislation.

Whenever, management fails to conform to the agreement of constitutional requirements, judicial machinery is provided by the grievance procedure and arbitration.

This creates a joint Industrial Government where the union share sovereignty with management over the workers and defend their group affairs and joint autonomy from external interference.

3. The Industrial Relations (Managerial) Concept as Jointly Decided Directives:

The industrial relations concept views collective bargaining as a system of industrial governance. It is a functional relationship. Group Government substitutes the State Government. The union representative gets a hand in the managerial role. Discussions take place in good faith and agreements are arrived at. The union joins with company officials in reaching decisions on matters in which both have vital interests. Thus, union representatives

and the management meet each other to arrive at a mutual agreement which they cannot do alone.

To some extent, these approaches represent stage of development of the bargaining process itself. Early negotiations were a matter of simple contracting for the terms of sale of labour. Developments of the latter period led to the emergence of the Government theory. The industrial relations approach can be traced to the Industrial Disputes Act of 1947 in our country, which established a legal basis for union participation in the management.

Importance of Collective Bargaining:

The collective bargaining advances the mutual understanding between the two parties i.e., employees and employers.

The role of collective bargaining may be evaluated from the following point of view:

(1) From Management Point of View:

The main object of the organisation is to get the work done by the employees at work at minimum cost and thus earn a high rate of profits. Maximum utilization of workers is a must for the effective management. For this purpose co-operation is required from the side of the employees and collective bargaining is a device to get and promote co-operation. The labour disputes are mostly attributable to certain direct or indirect causes and based on rumors, and misconceptions. Collective bargaining is the best remedial measure for maintaining the cordial relations.

(2) From Labour and Trade Union Point of View:

Labour has poor bargaining power. Individually a worker has no existence because labour is perishable and therefore, the employers succeed in exploiting the labourers.

The working class in united form becomes a power to protect its interests against the exploitation of the employers through the process of collective bargaining.

The collective bargaining imposes certain restrictions upon the employer. Unilateral action is prevented. All employees are treated on equal footings. The conditions of employment and rates of wages as specified in the agreement can be changed only through negotiations with labour. Employer is not free to make and enforce decisions at his will.

(3) From Government Point of View:

Government is also concerned with the process of collective bargaining. Government passes and implements several labour legislations and desires it to be implemented in their true sense. If any person violates the rules and laws, it enforces them by force.

Collective bargaining prevents the Government from using the force because an amicable agreement can be reached between employer and employees for implementing the legislative

provisions. Labour problems shall be minimised through collective bargaining and industrial peace shall be promoted in the country without any force.

Main Hindrances for Collective Bargaining:

The main objective of developing collective bargaining technique is to improve the workers-management relations and thus maintain peace in industries. The technique has developed in India only after India got independence and got momentum since then.

The success of collective bargaining lies in the attitude of both management and workers which is actually not consistent with the spirit of collective bargaining in India. There are certain problems which hinder the growth of collective bargaining in India.

The following factors or activities act as hindrances to effective collective bargaining:

(1) Competitive Process:

Collective bargaining is generally becoming a competitive process, i.e., labour and management compete each other at negotiation table. A situation arises where the attainment of one party's goal appears to be in conflict with the basic objectives of the other party.

(2) Not Well-Equipped:

Both the parties—management and workers—come to the negotiation table without doing their homework. Both the parties start negotiations without being fully equipped with the information, which can easily be collected from company's records. To start with, there is often a kind of ritual, that of charges and counter charges, generally initiated by the trade union representatives. In the absence of requisite information, nothing concrete is achieved.

(3) Time to Protest:

The immediate objective of the workers' representatives is always some kind of monetary or other gains, accrue when the economy is buoyant and the employer has capacity to pay. But in a period of recession, when demand of the product and the profits are falling, it is very difficult for the employer to meet the demands of the workers, he might even resort to retrenchment or even closure collective bargaining is no answer to such a situation.

(4) Where Prices are Fixed by the Government:

In industries, where the prices of products are fixed by the Government, it becomes very difficult for the employer to meet the demands of workers which would inevitably lead to a rise in cost of the products produced. Whereas the supply price to the consumers cannot be increased. It will either reduce the profits of the firm or increase the loss. In other words, it will lead to closure of the works, which again is not in the interest of the workers.

(5) Outside Leadership:

Most of the Indian trade unions are led by outsiders who are not the employees of the concerned organisations. Leader's interests are not necessarily to be identical with that of the workers.

Even when his bonafides are beyond doubt, between him and the workers he leads, there cannot be the degree of understanding and communication as would enable him to speak on behalf of the workers with full confidence. Briefly, in the present situation, without strong political backing, a workers' organisation cannot often bargain successfully with a strong employer.

(6) Multiplicity of Trade Unions:

One great weakness of collective bargaining is the multiplicity of trade unions. In a multiple trade union situation, even a well recognised, union with long standing, stable and generally positive relationship with the management, adopts a militant attitude as its deliberate strategy.

In Indian situation, inter-union rivalries are also present. Even if the unions combine, as at times they do for the purpose of bargaining with the employer they make conflicting demands, which actually confuse employer and the employees.

(7) Appointment of Low-Status Executive:

One of the weaknesses of collective bargaining in India is that the management deposes a low-status executive for bargaining with the employees. Such executive has no authority to commit anything on behalf of the management. It clearly indicates that the management is not at all serious and the union leaders adopt other ways of settling disputes.

(8) Statutory Provisions:

The constraints are also imposed by the regulatory and participative provisions as contained in the Payment of Wages Act, the Minimum Wages Act, and Payment of Bonus Act etc. Such provisions are statutory and are not negotiable.

(9) Fresh Demands at the Time of Fresh Agreement:

At the time when the old agreement is near expiry or well before that, workers representatives come up with fresh demands. Such demands are pressed even when the industry is running into loss or even during the period of depression. If management accepts the demand of higher wages and other benefits, it would prefer to close down the works.

(10) Agreements in Other Industrial Units:

A prosperous industrial unit in the same region may agree with the trade unions to a substantial increase in wages and other benefits whereas a losing industry cannot do that. There is always pressure on the losing industries to grant wages and benefits similar to those granted in other (relatively prosperous) units in the same region.

Scope of Collective Bargaining:

Collective bargaining broadly covers subjects and issues entering into the conditions and terms of employment. It is also concerned with the development of procedures for settlement of disputes arising between the workers and management.

The collective bargaining reached has been of three types:

- (1) Agreement arrived at after voluntary direct negotiations between the parties concerned. Its implementation is purely voluntary;
- (2) Agreements between the two parties, though voluntary in nature, are compulsory when registered as settlement before a conciliator; and
- (3) Agreement which have legal status negotiated after successful discussion between the parties when the matter of dispute is under reference to industrial tribunal/courts.

Many agreements are made voluntarily but compulsory agreements are not negligible. However, collective bargaining and voluntary agreements are not as prominent as they are in other industrially advanced countries. The practice of collective bargaining in India has shown much improvement after the passing of some legislation like The Industrial Disputes Act 1947 as amended from time to time. The Bombay Industrial Relations Act 1946 which provided for the rights of workers for collective bargaining. Since then, a number of collective bargaining agreements have been entered into.

Issues Involved in Collective Agreements:

A study conducted by the Employer's Federation of India revealed that out of 109 agreements, 'wages' was the most prominent issue in 96 cases (88 percent) followed by dearness allowance (59 cases) retirement benefits (53 cases), bonus (50 cases) other issues involved were annual leave, paid holidays, casual leave, job classification, overtime, incentives, shift allowance, acting allowance, tiffin allowance, canteen and medical benefits.

A study of various collective agreements entered into in India, certain trends in collective bargaining are noticeable.

These are:

- (i) Most of the agreements are at plant level. However, some industry-level agreements are also there;
- (ii) The scope of agreements has been widening now and now includes matters relating to bonus, productivity, modernisation, standing orders, voluntary arbitration, incentive schemes, and job evaluation;
- (iii) Long term agreements ranging between 2 to 5 years, are on increase;
- (iv) Joint consultation in various forms has been provided for in a number of agreements; and feasible and effective.

Reasons for the Growth of Collective Bargaining:

(1) Statutory Provisions:

Which have laid down certain principles of negotiations, procedure for collective agreements and the character of representation of the negotiating parties?

(2) Voluntary Measures:

Such as tripartite conferences, joint consultative boards, and industrial committees at the industry level have provided an ingenious mechanism for the promotion of collective bargaining practices.

(3) Several Governments Measures:

Like schemes for workers' education, labour participation in management, the evolution of the code of Inter-union Harmony, the code of Efficiency and Welfare, the Code of Discipline, the formation of Joint Management Councils, Workers Committees and Shop Councils, and the formulations of grievances redressal procedure at the plant level— have encouraged the collective bargaining.

(4) Amendments to the Industrial Disputes Act:

The Amendments to the Industrial Disputes Act in 1964 provided for the termination of an award or a settlement only when a proper notice is given by the majority of workers. Agreements or settlements which are arrived at by a process of negotiation on conciliation cannot be terminated by a section of the workers.

(5) Industrial Truce Resolution:

The Industrial Truce Resolution of 1962 has also influenced the growth of collective bargaining. It provides that the management and the workers should strive for constructive cooperation in all possible ways and throws responsibility on them to resolve their differences through mutual discussion, conciliation and voluntary arbitration peacefully.

Therefore, the Government of India under Industrial Disputes Act 1947 has created the following seven different authorities for the prevention and settlement of disputes:

1. Workers Committees.
2. Conciliation Officer.
3. Board of Conciliation.
4. Court of Enquiry.
5. Labour Courts.
6. Industrial Tribunals.
7. National Tribunals.

The important characteristic of the above machinery for the prevention and settlement of disputes is that, there is full scope for the settlement of dispute through collective bargaining and if it is not settled by Works Committees, Conciliation Officer, Board of Conciliation, only then, it is referred to Court of Enquiry and Labour Courts. The decision of the Labour Courts, Industrial Tribunal and National Tribunal is binding on both the parties.

Advantages of Collective Bargaining:

Perhaps the biggest advantage of this system is that, by reaching a formal agreement, both sides come to know exactly what to expect from each other and are aware of the rights they have. This can decrease the number of conflicts that happen later on. It also can make operations more efficient.

Employees who enter collective bargaining know they have some degree of protection from employer retaliation or being let go from the job. If the employer were dealing with just a handful of individuals, he might be able to afford to lose them. When he is dealing with the entire workforce, however, operations are at risk and he no longer can easily turn a deaf ear to what his employees are saying.

Even though employers might need to back down a little, this strategy gives them the benefit of being able to deal with just a small number of people at a time. This is very practical in larger companies where the employer might have dozens, hundreds or even thousands of workers on his payroll. Working with just a few representatives also can make the issues at hand seem more personal.

Agreements reached through these negotiations usually cover a period of at least a few years. People therefore have some consistency in their work environment and policies. This typically benefits the company's finance department because it knows that fewer items related to the budget might change.

On a broad scale, using this method well can result in more ethical way of doing business. It promotes ideas such as fairness and equality, for example. These concepts can spill over into other areas of a person's life, inspiring better general behavior towards others.

Disadvantages of Collective Bargaining:

A major drawback to using this type of negotiation system is that, even though everyone gets a say in what happens, ultimately, the majority rules, with only a few people determining what happens too many. This means that a large number of people, particularly in the general workforce, can be overshadowed and feel like their opinion doesn't really matter. In the worst case scenario, this can cause severe division and hostility in the group.

Secondly, it always requires at least two parties. Even though the system is supposed to pull both parties together, during the process of trying to reach an agreement, people can adopt us-versus-them mentality. When the negotiations are over, this way of looking at each other can be hard to set aside, and unity in the company can suffer.

Collective bargaining can also be costly, both in terms of time and money. Representatives have to discuss everything twice—once at the small representative meetings, and again when they relay information to the larger group. Paying outside arbitrators or other professionals

quickly can run up a fairly big bill, and when someone else is brought in, things often get slower and more complex because even more people are involved.

Some people point out that these techniques have a tendency to restrict the power of employers. Employees often see this as a good thing, but from the company's perspective, it can make even basic processes difficult. It can make it a challenge to deal with individual workers, for example.

The goal of the system is always to reach a collaborative agreement, but sometimes tensions boil over. As a result, one or both parties might feel they have no choice but to muscle the other side into giving up. Workers might do this by going on strike, which hurts operations and cuts into profits. Businesses might do this by staging lockouts, which prevents members' of the workforce from doing their jobs and getting paid, negatively effecting income and overall quality of living.

Lastly, union dues are sometimes an issue. They reduce the amount of take-home pay a person has, because they usually are deducted right from his paycheck. When things are good in a company and people don't feel like they're getting anything from paying the dues, they usually become unhappier about the rates.

The idea of collective bargaining emerged as a result of industrial conflict and growth of trade union movement and was first given currency in the United States by Samuel Crompers. In India the first collective bargaining agreement was conducted in 1920 at the instance of Mahatma Gandhi to regulate labour management relation between a group of employers and their workers in the textile industry in Ahmadabad

Workers Participation in Management

Definition:

Like other behavioural terms, WPM means different things to different people depending upon their objectives and expectations. Thus, WPM is an elastic concept. For example, for management it is a joint consultation prior to decision making, for workers it means co-determination, for trade unions It is the harbinger of a new order of social relationship and a new set of power equation within organisations, while for government it is an association of labour with management without the final authority or responsibility in decision making.

According to F.S. Walpole, participation in management gives the worker a sense of importance, pride and accomplishment; it gives him the freedom of opportunity for self-expression; a feeling of belongingness with the place of work and a sense of workmanship and creativity.

According to Keith Davis, “Workers’ participation refers to the mental and emotional involvement of a person in a group situation which encourages him to contribute to group goals and share in responsibility of achieving them”.

Characteristics:

The following are the main characteristics of WPM:

1. Participation implies practices which increase the scope for employees’ share of influence in decision-making process with the assumption of responsibility.
2. Participation presupposes willing acceptance of responsibility by workers.
3. Workers participate in management not as individuals but as a group through their representatives.
4. Worker’s participation in management differs from collective bargaining in the sense that while the former is based on mutual trust, information sharing and mutual problem solving; the latter is essentially based on power play, pressure tactics, and negotiations.
5. The basic rationale for worker’s participation in management is that workers invest their labour and their fates to their place of work. Thus, they contribute to the outcomes of organization. Hence, they have a legitimate right to share in decision-making activities of organisation.

Levels of Participation:

Having known the objectives of WPM, the question then is to what extent workers can participate in decision-making process. In other words, it is important to know the extents/levels of co-determination in an organisation.

Informative Participation:

This refers to management’s information sharing with workers on such items those are concerned with workers. Balance Sheet, production, economic conditions of the plant etc., are the examples of such items. It is important to note that here workers have no right of close scrutiny of the information provided and management has its prerogative to make decisions on issues concerned with workers.

Consultative Participation:

In this type of participation, workers are consulted in those matters which relate to them. Here, the role of workers is restricted to give their views only. However the acceptance and non-acceptance of these views depends on management. Nonetheless, it provides an opportunity to the workers to express their views on matters involving their interest.

Associative Participation:

Here, the role of the workers' council is not just advisory unlike consultative participation. In a way, this is an advanced and improved form of consultative participation. Now, the management is under a moral obligation to acknowledge, accept and implement the unanimous decision of the council.

Administrative Participation:

In the administrative participation, decisions already taken are implemented by the workers. Compared to the former three levels of participation, the degree of sharing authority and responsibility by the workers is definitely more in this participation.

Decisive Participation:

Here, the decisions are taken jointly by the management and the workers of an organisation. In fact, this is the ultimate level of workers' participation in management.

Formal Vs. Informal:

The forms of Workers' Participation in Management depend on the differences in the levels of management, the subject-matter of participation, the strength of the union and the pattern of industrial relations. The important forms in which workers could participate in management are collective bargaining, joint decision-making, consultation and information sharing.

They may take the form of formal organisations like Works Committees, Joint Management Councils or an informal system, for instance, a supervisor consulting a worker before taking any decision in which the latter is interested.

Objectives of Workers' Participation in Management

- (i) To promote increased productivity for the advantage of the organisation, workers and society at large;
- (ii) To provide a better understanding to employees about their role and place in the process of attainment of organisational goals;
- (iii) To satisfy the workers' social and esteem needs; and

- (iv) To strengthen labour management co-operation and thus maintaining industrial peace and harmony.
- (v) To develop social education for effective solidarity among the working community and for tapping latent human resources.
- (vi) An ideological point of view to develop self-management in industry.
- (vii) An instrument for improving efficiency of the company and establishing harmonious industrial relations.
- (viii) To build the most dynamic human resource.
- (ix) To build the nation through entrepreneurship and economic development.

Workers' Participation in Management (WPM) –Scope

There are three groups of managerial decisions, which have a direct impact on the workers of any industrial establishment (banking is also an industry). They are social / personnel / and economic decisions. Economic decisions include financial aspects, the methods of manufacturing, automation, shutdown, layoffs, mergers and acquisitions and similar other functions. Personnel decisions refer to recruitment and selection, promotions demotions, transfers, grievances settlement, work distribution and so on.

Social decisions relate to hours of work / welfare measures / questions effecting work rules and conduct of individual worker safety, health, sanitation and noise control. The workers must have a say in the decisions, on the issue mentioned above. One view is that the workers or the trade-unions should on parity basis, sit with the management or equal parameters and make joint managerial decision on all matters.

Worker's Participation:

The word participation means sharing the decision making power in the lower ranks of the organisation, an appropriate manner. Participation has a unique motivational power and a great psychological value. It promotes harmony and peace between workers and management, when workers participate in organisational decisions. They are able to see the big picture clearly i.e. how their actions would contribute to overall growth of the company.

Participation makes workers more responsible. They are willing to take initiative and contribute cost saving suggestions and growth oriented ideas. Since they are treated with respect, they begin to view the job and the organisation as their own and commit themselves to organisational activities whole heartedly.

The concept of workers participation in management is a broad and complex one workers' participation may be viewed as:

- (a) An instrument for increasing the efficiency of enterprises and establishing harmonious industrial relations

- (b) Device for developing social education for promoting solidarity among workers and for tapping human talent
- (c) A means for achieving industrial peace and harmony which leads to higher productivity and increased production.
- (d) A humanitarian act, elevating the status of workers in the society
- (e) An idea logical way of developing self-management and promoting industrial democracy.

Importance of Workers' Participation in Management(WPM)

1. Better Industrial Relations:

Industrial unrest results because of conflict of interests between the management and the workers. But if decision-making takes the form of a collective effort where the interests of both the management and employees are accounted for, then industrial tension can be minimised. If the parties cooperate to arrive at the optimum decision, then decisions based on common interests can be taken.

2. Reduced Misunderstandings:

When there is open two-way communication between the workers and management, both the parties can clarify their doubts and clear any misunderstandings among them.

3. Higher Productivity:

Mutual understanding between the employer and the employees coupled with better industrial relations creates a work environment conducive for growth. Employees tend to work harder and more sincerely when their views are respected by the superiors. Thus, their productivity rises.

4. Decentralization of Authority:

When the decision-making process becomes a group effort instead of being concentrated at the top level, it encourages decentralization of authority. In WPM, the workers are informed about organizational problems and are asked to suggest solutions. Their views and opinions are given due importance while taking the final decision.

5. Industrial Democracy:

Industrial democracy refers to the involvement of employees in decision-making and sharing of authority and responsibility related to important industrial matters. WPM brings about equality in the organization and provides a degree of industrial balance.

6. Commitment towards Goals:

When the individual worker is involved in decision-making and gets an opportunity to express his thoughts and opinions, he feels a deeper sense of belongingness with the organization. He realizes that he has a role to play in the management of the business, and therefore is more committed towards the organizational goals.

7. Individual Growth and Development:

Individuals get a chance to develop their skills and capabilities while participating in the management processes. They are required to be creative, innovative and responsive in their interaction with the management and this helps them to develop more as a human being in the process.

8. Responsiveness to Change:

Normally, workers in any organization are resistant to change. They are reluctant to adopt the changes that the management forces upon them. But when they get a chance to participate in the decision-making process, they can clear their doubts and insecurities regarding the proposed changes. If the workers are made aware of the consequences of the change, then they will be more responsive towards it.

Workers' Participation in Management (WPM) – Forms

The forms of Workers' participation in management vary from industry to industry and from country to country. The important forms are- Labour-Management Consultation and Co-operation, Joint consultation and Model of Participation (U.K.), Union-Management Co-operation (USA), Codetermination Scheme (West Germany), Joint Management Plan, Joint Decision-Making Model, Workers' Control Model, Self-Management or Auto Management Scheme.

Forms of Workers' Employees' Participation in Management are:

- (I) Works, Committee;
- (II) Joint Management Councils;
- (III) Joint Councils;
- (IV) Shop Councils; and
- (V) Unit Councils.

(I) Works' Committees:

The Industrial Disputes Act, 1949 provides for the setting up of works, committees as a scheme of workers participation in management which consist of representatives of employers and employees. The Act provides for these bodies in every undertaking employing 100 or more workmen.

The aim of setting up of these bodies is to promote measures for maintaining harmonious relations in the work place and to sort out differences of opinion in respect of matters of common interest to employers and employees. The Bombay Industrial Relations Act, 1946 also provides for these bodies, but under the provisions of this Act they can be set up only in units which have a recognised union and they are called joint committees. The workers directly elect their representatives where there is no union.

Functions:

These works committees/joint committees are consultative bodies. Their functions include discussion of conditions of work like lighting, ventilation, temperature, sanitation etc., and amenities like water supply for drinking purposes, provision of canteens, medical services, safe working conditions, administration of welfare funds, educational and recreational activities, and encouragement of thrift and savings.

It shall be the duty of the works committee to promote measures for securing and preserving amity and good relations between the employers and workmen and to comment upon matters of their common interest or concern and endeavour to reconcile any material difference of opinion in respect of such matters.

Structure:

The works committees have, as office bearers, a President, a Vice-President, a Secretary and a Joint Secretary. The President is a nominee of the employer and the Vice- President is the Workers' representative. The tenure of these bodies is two years. The total strength of these bodies should not exceed 20. The employees' representatives have to be chosen by the employees.

These committees functioned actively in some organisations like Tata Iron and Steel Company, Indian Aluminium Works at Belur, and Hindustan Lever. In all these, the managements have evolved joint committees independently of the statutory requirements.

SETTLEMENT OF DISPUTES

Whatever may be the cause of industrial disputes, the consequences are harmful to all stakeholders-management, employees, economy, and the society. For management, disputes result in loss of production, revenue, profit and even sickness of the plant.

Employees would be hard hit as the disputes may lead to lockouts and consequent loss of wages and even jobs. Industrial establishments are pillars of the economy and the economy is bound to collapse if industries are tom by industrial strife. The cumulative effect of all these is felt by society.

What is industrial dispute?

In general term, Dispute is a conflict arising out of mismatch in opinion, perception, mindset and demand between two or more parties. Similarly, Industrial Dispute is difference in opinion or demand or any other mismatch between workers or employer while working in industries is termed as Industrial Dispute. In normal business scenario, disputes between employer and employee are very common nowadays. It may come up by any reasons, but most frequently dispute arises due to difference in wages, policy of employer, environment or working conditions.

However as per Section 2(K) Industrial Dispute Act, 1947 defines " industrial dispute" means any dispute or difference between employers and employees or between employers and workmen, or between workmen and workmen, which is connected with the employment or non- employment or the terms of employment or with the conditions of labour, of any person.

As per the definition of Industrial Dispute, disputes of following Parties also come under Industrial Dispute.

- employer and employer
- employer and workmen
- workmen and workmen

Now, we know about Industrial Dispute, statute governing industrial dispute and parties between whom dispute arises. Let's understand the root cause of Industrial Disputes.

Causes of industrial disputes

Psychological Issues:

While working together there could be various psychological issues come up between employer and employee, which could include :

1. Difficulty in adjusting with each other
2. Behavioral clashes.
3. Excessive Work Pressure
4. Abusive Language and lack of self-respect by Manager
5. Strict reporting timelines

Institutional Causes:

In Government Institutional Companies, policies are made up to discourage the constitution of union within the premises to avoid unnecessary hassles and delays in work. Various institutional cases are:

1. Formulation of Policies to press workers not to become members of any union.
2. Non-recognition of labour Union by government
3. Unfair working practices.

Inadequate Working Environment and Policies:

The other major reasons for dispute between Parties are working conditions, wages and inhumane treatment. Various other reasons could be:

1. Environment Conditions such as too cold, too hot, life threatening working conditions or too crowded workspace.
2. Frequent policy change, retrenchment, suspension, dismissal.
3. Inadequate wages, no bonus policy on late shift or festivals.

Denial of Legal Welfare Benefits:

In India, few Companies intentionally not grants benefits as defined under various labour laws like Employee State Insurance Act,1948, The Employees Provident Fund Miscellaneous Provisions Act, 1952, Bonus Act, 1965 and various other employee welfare act to save money and compliance cost which acts as major reason for eruption of dispute between employer and employee.

Other Causes

- Weak and multiple trade unions resulting in weak redressal of dispute;

- Political intervention in Trade union often delays and disturb the whole process;
- The adverse effect of the relationship with the central and state governments, unstable political conditions and everyday responsibilities results in industrial disputes;
- In some organizations, collective bargaining is not allowed since the workmen are not even permitted to make trade unions;
- Other reasons can be corruption, apparent consumption, role conflicts, etc.

We have discussed causes of industrial dispute so can an issue, complaint or problem of one single individual may come under Industrial Dispute. We would discuss the principle of nature of Industrial Dispute to understand it better.

Principles of nature of industrial dispute

1. The dispute must affect a large number of workmen who have a community of interest and the rights of these workmen must be affected as a class.
2. The dispute must be raised by the Trade union or majority of workmen are facing the same issue.
3. Proper nexus between Union and dispute.
4. As per Section 2A of Industrial Dispute Act, 1947, a single workman has the right to raise an industrial dispute with regard to termination, discharge, dismissal or retrenchment of his or her service, even though no work union or trade union raises it or party to the dispute.

Outcome of industrial disputes

The outcome of industrial disputes could be detrimental to the interest of employers, the economy, and society workers. Employers shall have to suffer business loss, production loss due to the eruption of Industrial Dispute and society will have to bear the brunt in the form of shortage of product supply and increased price. Workers have to bear the loss in the form of salary.

Still, Industrial Dispute acts as effective tools to raise your voice and put up their voice in front of the management, employer or government. Recently we have seen various strikes by the

Bank employees to increase their salary and meet their demand. In one way it empowers the employees to protect their rights of speech.

Following are the important ways in which industrial disputes take place in any organization through its employee and sometime by employer as well:

1. Strikes
2. Lockouts

Types of Strike

1. **Primary Strike:** The strikes that are directly projected against the employer are known as Primary Strikes. Below are types of Primary strikes which workers adapt to push the employer to get them on terms agreed to workers.
 - *Gherao* is adopted by the factory workers to push the management to agree to their demand by restricting access to office or factory premises where nobody could move in or out.
 - *Picketing* is the process of highlighting their issues on placard or banners to show their demand to the public at large and media. In this union members are being talked to resolve the issue peacefully.
 - *Boycott* is a process where no worker is allowed to carry out any work and union members push other workers not to do work and participate in their strike.
 - *Pen down strike* where workmen come to work on a regular basis but do not do any work and sit idle for whole office hours.
 - *Go Slow Strike* is also a very harmful way of strike where workmen intentionally work very slow to slow down operation. This harms the employer where order has strict timelines to deliver.
 - *Hunger Strike* is the most common and oldest method used by workmen where they go for indefinite fasting and sit around factory or employer residence to project their demand.
1. **Secondary Strikes:** The other name for the secondary strike is the sympathy strike. In this, the force is applied against the third person having sound trade relations with the organization to indirectly incur a loss to the employer and the business. The third person does not have any other role to play in such a strike.

2. Nowadays third kind of strikes have also become popular which are adopted by the General Public to show their anger or objections against Government Policies for roll back of government policies. Recently we have seen outrage over Farmer's bill where Bharat Bandh, No Purchase at Government Mandis kind of actions has been adopted at various states.

Lockouts

This is the only method adopted by the Employers against employees to make employees agree to their new rules and procedures. In lockouts, the employer temporarily closes the workplace or stops the work or takes action like suspending the workers to force them to follow the new terms and conditions.

METHODS OF SETTLEMENT OF DISPUTES

A dispute, therefore, needs to be settled as early as possible. Various methods are available for resolving disputes. More important of them are :

- 1: Collective bargaining
- 2: Code of discipline
- 3: Grievance procedure
- 4: Arbitration
- 5: Conciliation
- 6: Adjudication
- 7: Consultative machinery

Collective Bargaining

Collective bargaining is probably the most effective method of resolving industrial disputes. It occurs when representatives of a labour union meet management representatives to determine employees' wages and benefits, to create or revise work rules, and to resolve disputes or violations of the labour contract.

The bargaining is collective in the sense that the chosen representative of the employees (i.e. the union) acts as a bargaining agent for all the employees in carrying out negotiations and dealings with the management. The process may also be considered collective in the case of the corporation in which the paid professional managers represent the interests of the stockholders and the board of directors in bargaining with the union leaders. On the employer side, it is also collective in those common situations in which the companies have joined together in an employer association for purposes of bargaining with a union.

Approaches to Collective Bargaining

Collective bargaining has been viewed from three perspectives:

1. As a process of social change,
2. As a peace treaty between the conflicting parties, and
3. As a system of industrial jurisprudence

Collective bargaining benefits both employees as well as employers. This means that the basic interests of the management are protected and also the rights of the employees. The two sides have a responsibility towards each other. For example, unions should not expect the management to concede on issues which would ultimately impair the company's ability to stay in business. Likewise, the management must recognize the rights of employees to form unions and to argue for improved wages and working conditions.

Collective bargaining infuses democratic principles into the industrial world. Workers participate in decisions that affect their work and work life. Thus, collective bargaining may be viewed as a form of participative management.

Code Discipline

The code of discipline defines duties and responsibilities of employers and workers. The objectives of the code are:

1. To ensure that employers and employees recognize each others rights and obligations
2. To promote constructive co-operation between the parties concerned at all levels;
3. To secure settlement of disputes and grievances by negotiation, conciliation and voluntary arbitration

4. To eliminate all forms of coercion, intimidation, and violence in industrial relations;
5. To avoid work stoppages;
6. To facilitate the free growth of trade unions; and
7. To maintain discipline in industry

Grievance Procedure

Grievance procedure is another method of resolving disputes. All labour agreements contain some form of grievance procedure. And if the procedure is followed strictly, any dispute can easily be resolved.

In the meanwhile, a grievance may be understood as an employee's dissatisfaction or feeling of personal injustice relating to his or her employment relationship. A grievance is generally well-defined in a collective-bargaining agreement. It is usually restricted to violations of the terms and conditions of employment. Other conditions which may give rise to a grievance are:

1. A violation of law,
2. A violation of the intent of the parties as stipulated during contract negotiations,
3. A violation of company rules,
4. A change in working conditions or past company practices, and
5. A violation of health and/or safety standards.

When an employee believes that the labour agreement has been violated, he or she files a grievance. The grievance needs to be 'resolved according to a set procedure.

Grievance procedures generally establish the following:

1. How the grievance will be initiated?
2. The number of steps in the process.
3. Who will represent each party?
4. The specified number of working days within which the grievance must be taken to the next step in the hearing.

There may be variations in the procedures followed for resolving employee grievances. Variations may result from such factors as organizational or decision-making structures or size of the plant or the company. Larger organizations do tend to have more formal

procedures involving a succession of steps. Some general principles which should guide any procedure are:

1. Grievance must be addressed promptly.
2. Procedures and forms airing grievances must be easy to utilize and well-understood by employees and their supervisors.
3. Ego clashes should not be allowed to impede the resolution of disputes.
4. Occurrence of similar grievances must be avoided.

Arbitration

Arbitration is a procedure in which a neutral third party studies the bargaining situation, listens to both the parties and gathers information, and then makes recommendations that are binding on the parties. Arbitration is effective as a means of resolving disputes because it is:

1. Established by the parties themselves and the decision is acceptable to them, and
2. Relatively expeditious when compared to courts or tribunals. Delays are cut down and settlements are speed up.

Conciliation

Conciliation is a process by which representatives of workers and employers are brought together before a third party with a view to persuade them to arrive at an agreement by mutual discussion between them. The third party may be one individual or a group of people. The alternative name for third party is mediators.

It may be stated that the conciliator has no power to force a settlement, but can work with the parties separately to determine their respective positions, explains a position more fully to the opposition, points out bases for agreement that may not have been apparent previously, helps in the search for solutions, and generally facilitates the reach of an agreement.

In effect, mediators act as communications catalyst, and their effectiveness depends on their impartiality and on their capacity to win the trust of both parties

Adjudication: Adjudication means a mandatory settlement of an industrial dispute by a labour court or a tribunal. Generally, the government refers a dispute or adjudication depending on the failure of conciliation proceedings. Section 10 of the Industrial Disputes Act, 1947,

provides for reference of a dispute to labour court or tribunal. The Act also lays down rules regarding the composition and powers of labour courts and tribunals.

Disputes are generally referred to adjudication on the recommendation of the conciliation officer who had dealt with them earlier. However, the government has discretionary powers to accept or reject recommendations of the conciliation officer. It is obvious that once a dispute is referred for adjudication, the verdict of a labour court or tribunal is binding on both the parties.

The system of adjudication is the most significant instrument of resolving disputes. But, it has been criticized because of the delay involved in resolving conflicts. Continued dependence on adjudication deprives the trade unions of their right to recognize and consolidate their strength.

Consultative Machinery

Towards the end it is essential to refer to the consultative machinery set by the government to resolve conflicts. The main function of consultative machinery is to bring the parties together for mutual settlement of differences in a spirit of co-operation and goodwill. A consultative machinery operates at the plant, industry, state and the national levels. At the plant level, there are works committees and joint management councils. Being essentially bipartite in character, works committees are constituted as per the provisions of the Industrial Disputes Act, 1947.

UNIT-V

HUMAN RESOURCE (HR) AUDIT

Everything you need to know about human resource audit. An audit helps an organization to assess its current position. It helps estimate what needs to be achieved to improve the HR function.

The process involves a systematic review of all aspects of the HR function, typically with a checklist, in order to ensure that regulations and corporate policies are adhered to.

The aim is to learn in the process or discover, but not to test. The basic premise is that there is always scope for improvement.

An HRD audit process will provide certain advantages to the organization, such as linking the HR strategy, re-engineering the systems and processes, and improving the competency and functional efficiency of HR systems.

In this article we will discuss about human resource audit. Also learn about:- 1. Introduction to Human Resource Audit 2. Meaning of Human Resource Audit 3. Definitions 4. Objectives 5.

Nature 6. Need 7. Scope 8. Importance 9. Process 10. Rationale and Other Details.

Introduction to Human Resource Audit

Organizations are increasingly finding it imperative to improve returns on investment, in order to stay competitive. Traditionally, accounting norms were viewed only from the financial perspective and were applied to all departments ranging from marketing, production, distribution, etc. HRM was limited to salary and administration and, while doing so, it was analysed from the perspective of provisioning and expenditure.

Systematic audit can help build strong rapport between the department and operating managers. Further, audit creates discipline in personnel staff and encourages them to move away from intuitive techniques to a more rigorous assessment of the likely benefits to be achieved.

This aims at the following:

- i. Introducing the theoretical framework behind concepts such as HRA, HR audit and balanced scorecard.
- ii. Explaining the strategic framework behind their implementation in international vis-a-vis the Indian context.
- iii. Presenting case studies to drive home learning.

Human Resources Audit:

Human resources audit is the systematic assessment of an organization's HR service excellence.

A good HR audit helps organizations to:

- i. Identify the HR programmes that are most important to achieving the organization's objectives.
- ii. Find out how well the HR department is delivering these programmes.
- iii. Benchmark HR work to ensure continuous improvement.
- iv. Promote change and creativity.
- v. Direct the focus of the HR staff to important issues.
- vi. Bring HR closer to the line functions of the organization.

HRD Audit:

An audit helps an organization to assess its current position. It helps estimate what needs to be achieved to improve the HR function. The process involves a systematic review of all aspects of the HR function, typically with a checklist, in order to ensure that regulations and corporate policies are adhered to.

The aim is to learn in the process or discover, but not to test. The basic premise is that there is always scope for improvement.

An HRD audit process will provide certain advantages to the organization, such as linking the HR strategy, re-engineering the systems and processes, and improving the competency and functional efficiency of HR systems.

‘A Human Resources Audit is a comprehensive method (or means) to review current human resources policies, procedures, documentation and systems to identify needs for improvement and enhancement of the HR function as well as to ensure compliance with ever-changing rules and regulations’ (Strategic HR Inc.).

The HR audit shall include evaluating:

1. Job Analysis
2. Recruitment
3. Selection
4. Performance Management
5. Performance Appraisals
6. Performance Feedbacks
7. Competency Mapping
8. Training Process
9. Compensation
10. Rewards Management
11. Benefits Management
12. Employee Relations
13. Workplace Safety
14. Best Practices
15. Managerial performance
16. Supervisory Performance
17. Leadership at various levels
18. HR Business Partner Role:
19. HR Strategic Initiatives
20. Legal HR issues.

DEFINITIONS

“HR audit evaluates the HR activities in an organization with a view to their effectiveness and efficiency” – Biles and Schuler

“HR audit is concerned with the gathering, analysing information, and then deciding what actions need to be taken to improve performance” – Storey and Sission

“HR audit is a tool to measure an employer’s compliance with its legal obligations in managing its workforce and chart any corrective actions that might be needed” – Stephen F.Ruffino

“HR audit is an examination of the human resources policies, practices, and systems of a firm

(or division) to eliminate deficiencies and improve ways to achieve goals” – Schwind, Das and Wagar

OBJECTIVES OF HR AUDIT

1. To conduct an independent, objective, systematic and critical examination of HR functions of an organization.
2. To assess the general environment and performance efficiency in HR department.
3. To check for any deviations from standards and devise appropriate strategies and corrective actions in HR related areas.
4. To check for alignment of HR functions and organization’s overall practices and procedures.
5. To measure statutory compliances of HR activities as per law and other relevant agencies.
6. To explore the areas for saving personnel costs and expenses.
7. To provide feedback on better areas of performance and areas that needs improvement.
8. To identify HR areas that requires research and development inputs.
9. To recognize better performance of HR personnel through rewards.

NATURE OF HUMAN RESOURCE AUDIT

- (i) Human Resource Audit, generally, gives feedback about HR functions not only to operating managers, but also to HR department.
- (ii) Basically, audit is an overall quality control and check the HR activities in a public organisation.
- (iii) Human Resource Audit also helps clarify organisational and management goals.
- (iv) It is used as a tool for review of the effectiveness of human resource practices.
- (v) It also helps the management of the organisation to evaluate how well its policies are going and identifies trouble areas that require particular attention.

K. ASWATHAPPA HAS EXPLAINED TEN BENEFITS RESULTING FROM HUMAN RESOURCE AUDIT.

These are:

- (1) Clarification of the HR department duties and responsibilities.
- (2) Ensuring timely compliance with legal requirements.
- (3) Creation of increased acceptance of the necessary changes in the HR department.
- (4) Stimulation of uniformity of HR policies and practices.
- (5) Encouragement of greater responsibility and professionalism among members of the HR department
- (6) Identification of the contributions of the HR department to the organisation.
- (7) Improvement of the professional image of the HR department.
- (8) Finding solution of critical personal problems.
- (9) Reduction of HR costs through more effective personnel procedures.

(10) Also review of the department information system.

NEED

According to Yoder, the need for personnel audit is largely influenced by several conditions.

Some of these are:

- a. The Number of Employees- Very small units, because of the very small number of persons they employ, require comparatively little in the way of a formal audit.
- b. Organisational Structure- Continuing feedback is facilitated if an organisation has a personnel department.
- c. Communication and Feedback- An effective two-way communications system often reduces the need for a formal audit.
- d. Location and Dispersion- The need for a formal audit is directly related to the number of isolated plants.
- e. Status of an Industrial Relations Manager- If he participates in the top management plans, reports, discussions and decisions, the need for a formal audit may be less frequently felt.
- f. Administrative Style- The greater the delegation of authority and decentralisation of power, the greater the value of a regular and formal audit.

SCOPE OF HRM AUDIT

1. HR strategies and policies,
2. HRM functions,
3. HR compliance, and
4. HR climate.

1. HR Strategies and Policies:

The starting point of HRM audit should be an evaluation of HR strategies and policies and the way these are in tune with those of the organization. For formulating HR strategies and policies, it is essential that the objectives of HRM functions are clearly defined. The audit may evaluate the extent to which various HR strategies and policies have been formulated and what their qualities are.

Various HR strategies and policies may be audited by evaluating their:

- i. Consistency with the organizational objectives, strategies, and policies;
- ii. Consistency with the environment;
- iii. Appropriateness in the light of organizational resources;
- iv. Appropriateness in the light of time horizon; and
- v. Workability.

2. HRM Functions:

The major thrust of HRM audit is on evaluation and review of various HRM functions relating

to acquiring and employing human resources, developing human resources, compensation management, integration and maintenance of human resources, and industrial relations.

The audit should measure and evaluate these functions in the following context:

- i. The type of HRM functions performed;
- ii. The degree to which these functions are related to HRM objectives; and
- iii. The degree to which these functions are performed effectively.

3. HR Compliance:

HR compliance refers to the adherence to various HR strategies and policies by line managers and adherence to legal requirements.

In this context, evaluation revolves around the following:

- i. The extent to which line personnel adhere to various HR policies in dealing with personnel working under them; and
- ii. The extent to which there is compliance with the legal requirements as provided under various legal Acts relevant for management of human resources.

4. HR Climate:

Quality of HR climate has important impact on motivation, job satisfaction, morale, and performance of human resources.

HR climate can be evaluated by various outcomes which are as follows:

- i. Degree of employee turnover,
- ii. Degree of employee absenteeism,
- iii. Degree of accidents,
- iv. Status of grievances and disciplinary actions, and
- v. Findings of attitude and morale surveys.

Human Resource Audit – Importance

- a. A change in managerial philosophy and theory, as a result of which a management now feels that employees' participation in the activities of an organisation, and their identification with it, have a tremendous influence on the working of that organisation.
- b. The changing role of the government, which intervenes more often and more extensively now, to control manpower management by an organisation with a view to protecting the interests of the employees, providing them with better working conditions and ensuring their economic security.
- c. The increasing role played by trade unions and their strength, as a result of which they often question managerial competence in industrial relations.
- d. The rising wages, changes in the skills of technical and professional workers, and the increasing expenditure incurred on the industrial relations department — these are the factors which have influenced and encouraged the trend in favour of a personnel audit.

HUMAN RESOURCE AUDIT – PROCESS

1. Determining the Scope and Type of Audit:

Since HR is a very wide field, the company may either choose to conduct a comprehensive review of all HR functions or it may decide to review a few specific areas as it deems necessary. For example, a company may choose to review only the policies and procedures related to recruitment, selection and orientation policies.

2. Determining the Audit Method:

HR audits are usually conducted by using a questionnaire that elicits information about the relevant HR areas. The audit may also be conducted by interviewing managers and employees of the HR department to analyze how well they have understood the company's policies and how efficiently these policies are being implemented. When using a questionnaire, care should be taken to design it in such a way that it elicits all necessary information regarding the areas to be audited.

3. Data Collection:

This step includes the actual process of collecting data about the organization and its HR practices. Information is collected by using the questionnaire and by interviewing relevant HR personnel about the HR procedures and policies being used in the company.

4. Setting the Standards:

To assess the efficiency of HR functions, the information collected has to be compared with some pre-determined standards. These standards have to be pre-set and any acceptable level of discrepancies should be specified clearly. Comparing the actual results with the standards will give an idea about the efficiency with which the HR functions are being performed.

5. Feedback about the Results:

After collecting information and comparing the results, the audit team summarises the findings and provides feedback to the company's HR personnel and senior management in the form of an audit report.

The results of the audit should be discussed with the employees of the HR department so that they are made aware of the present condition of the HR functions in the company. Discussion with employees will also throw up new ideas for improving the policies and procedures in future.

6. Develop Action Plans:

Once the results of the audit are out, this information should be used for improving the working of the HR department. The findings of the audit should be categorised according to order of importance: high, medium and low. The organization should examine the areas of weaknesses as revealed by the audit and find ways to overcome them. Conducting HR audit would serve no practical purpose if no actions are taken.

Important issues related to the Human Resource information system may be explained in the following:

1. Collecting Data:

In collecting data, we always face problem which is done by managers or individual supervisors. Generally, it is observed that data collected by outsiders, consultants and university based researchers appear more credible than insider reports.

2. Asking Questions of the Data:

Data, which is to be collected, should provide useful information for organisational effectiveness most of the time data, is found to be misleading.

3. Interpreting the Data:

Data is most important for the management, which help the Human Resource Department in analysing and interpreting. So quality of data is the responsibility of the good management in the organisation.

4. Stimulating Remedial Action:

Quality of data are generating in the most of the organisation of Public Sector. The main purpose is to solve the problem of the organisation by the help of proper audit. So the human resource department to develop a working relationship between the worker and manager in the organisation.

In some cases, the action may require consultation between the supervisor and the higher management. The staff are responsible for the collection of data. They collected data with the help of the line management. Therefore, data should be collected only which is relevant to the human resource audit.

HUMAN RESOURCE AUDIT APPROACHES

- (i) The comparative approach,
- (ii) The outside consultant approach,
- (iii) The statistical approach,
- (iv) The compliance approach, and
- (v) The management by objectives-MBO approach

(i) Comparative Approach:

In this approach, the auditors can collect and analyze data of their own company and also compare the data of different firm or company. After comparing the data of different companies, then the auditors choose the best one, which, is most suitable for the organisation. Thus, comparative approach helps the auditors to get best data.

(ii) Consultant Approach:

The organisation performance can improve only by an outside consultant. Consultant approach gives different types of ideas to the auditors which is most essential for comparative purposes

in the organisation.

(iii) Statistical Approach:

In the statistical approach, certain statistical measures of performance are developed based on the company's existing data. For examples-absenteeism and accident rates. These data help the auditors in assessing the positive and negative aspects of company's performance.

(iv) Compliance Approach:

In the compliance approach, auditors review the past results and actions of the company's policies and procedures. The check work of the auditors to go with the legal norms of the company's policies and procedures.

(v) Management by Objectives (MBO) Approach:

The management by objectives approach deals with the specifications of goals against which performance is assessed. In this approach, managers set objective in their specific areas of responsibility.

The methods for evaluating and disseminating data take the form of:

- (a) Comparison between time periods
- (b) Comparison of organisations
- (c) Trend lines, frequency distributions and statistical co-relations
- (d) Ratio analysis voluntary turnover rate
- (e) Classification of data; and
- (f) Graphical or pictorial display.

Human Resource Audit –Advantages

- (i) HR audit helps the company to identify the areas where improvement is required.
- (ii) It helps to ascertain the proper contribution of the HR department towards the organization.
- (iii) HR audit facilitates the development of HR plans for the future based on the current performance of the HR department.
- (iv) It helps to motivate the employees to perform better and boosts their morale.
- (v) HR audit keeps a check on whether the company is complying with the required legal rules and regulations.
- (vi) The weaknesses of the HR department can be pinpointed by way of HR audit so that remedial measures may be taken.
- (vii) It enables the HR manager to evaluate the job positions and the employees in order to formulate promotion and transfer policies.

Human Resource Audit– Disadvantages

- (i) HR valuation methods assume that employees would remain with their organizations for a specified period of time. But this assumption is wrong because in reality employees do not remain with one company for long and often change jobs.

(ii) It is very difficult to establish standards for HRA as in case of other fields of accounting such as financial accounting or management accounting. Every organization uses its own standards, and thus the HRA data of no two organizations can be compared.

(iii) HRA dehumanises the employees by evaluating them in monetary terms. Human beings cannot be owned or used like machines.

(iv) There is no model of HRA valuation that can be said to be ideal. Each model has many practical drawbacks.

(v) The life of a human being is uncertain. The lifespan of an employee can never be predicted accurately, and therefore values can never be assigned to any employee with surety.

