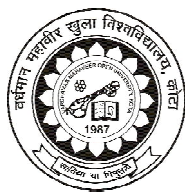# Vardhaman Mahaveer Open University, Kota

Human Resource Management

Vardhaman Mahaveer Open University, Kota

Human Resource Management

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Introduction

Human Resource Management is very important functional area of management. The present course aims to develop an understanding of a manager to retain and develop human talent in an organization in the context of legislation and organizational objectives. The study material is divided into five Blocks focusing upon related issues of maagning human resources.

Block I: Introduction gives a frame work of concept, significance and model of HRM. It focuses upon role and functions of HR manager. Domain of HR activities also constitute components of this Block.

Block II: Staffing and Development focuses upon Human Recourse planning, Job Analysis, Recruitment and Selection, Training and Development and Career Planning in respective.

Block III: Compensation and Appraisal highlights the dynamics of Wage and Salary aspects. It deals with theory and practice of wage and salary administration is Indian context. Subsequently Jobs Evaluation was discussed for father improvement is productivity.

Block IV: Industrial Relations covers units related to Trade Unionism, Disciplinary Action Grievance Hndling and Collective Bargaining which aim to maintain cordial Industrial Relations.

Block V: Employees Welfare describes the issues related to Health, Safety and Social Welfare, Social Security, Human Resource Research and Explaining Human Capital in the relevant units. Last two of units opens new vistas of HRM which will help to improve the welfare of employees further leading to the welfare of an organization.
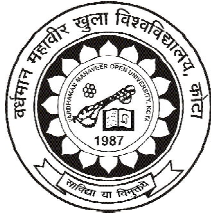
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CONTENTS

HUMAN RESOURCE MANAGEMENT

UNIT - 1 : HUMAN RESOURCE MANAGEMENT : A PERSPECTIVE

Unit Structure

1.0   Objectives

After studying this unit you should be able to understand :-
*   The Concept of Human Resource Management.
*   The Meaning and Definition of Human Resource Management.
*   The Characteristics of Human Resource Management.
*   The Scope and Significance of HRM.
*   The Integrative Model of Human Resource Management.

1.1   Introuduction

The success of any organization depends upon how it manages its resources. While several resources are non human resource such as land, capital and equipment, it is the human resource and its management which is at the heart of an organization's success.

Human Resource (HR) refers to all the people who work in an organization. They are also called 'personnel'. **Human Resource Management** refers to the organizational function which includes practices that help the organization to deal effectively with its people during the various phases of the employment cycle. According to Lawrence Appley, "Working with, for and through people is the way in which a manager accomplishes his job. Maintaining good human resources is a Manager's responsibility. Providing human satisfaction from work output and relationship is a Manager's obligation."

As firms try to use human resource effectively, they face several managerial challenges. Firms that deal with these challenges effectively, out-perform those that do not. These challenges can be categorized according to their primary focus:

1. The Environmental Challenges that include dyanamic changes in demographics, increase in use of technology, globalization, increasing work force diversity etc.

2. The Organizational Challenges that involve decentralization, downsizing, organizational restructuring, self managed work teams etc.

3. The Individual Challenges that are the ethical dilemmas and the onus of social responsibility, matching people and the organization, etc.

A well executed HRM strategy would take up these challenges and manage them effectively and effeciently, in such a way that they help the organization achieve competitive advantage. This may be achieved through the process of acquiring, training, appraising and compensating employees, and attending to their labour relations, health, safety and fairness concerns.
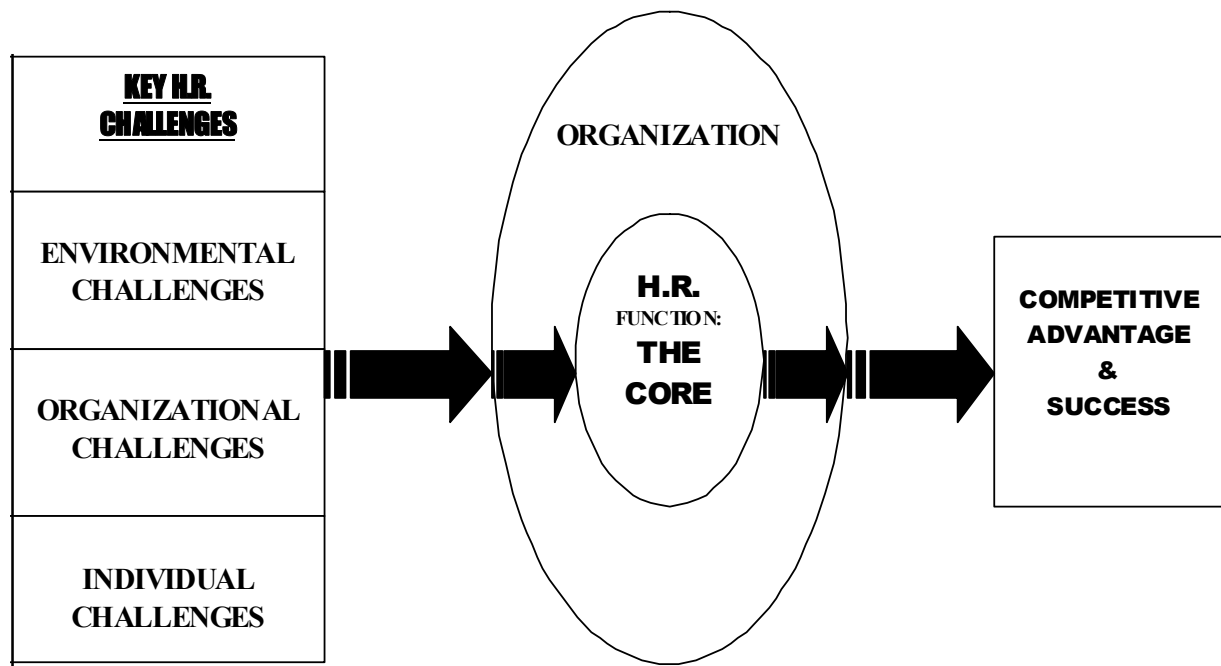
Figure : 1

HRM- A CORE FUNCTION TO ACHIEVE COMPETITIVE ADVANTAGE

1.2 Concept of Human Resource Management

Of all the tasks of management, managing the human component is a crucial task. Eventually all results depend upon how well the human element in an organization is managed.

Traditionally known as 'Personnel Management' its objective is the maintenance of better human relations in the organization. This may be done by the development, application and evaluation of policies, procedures and programmes relating to human resources in order to optimize the effectiveness and efficiency of human efforts. Today, the concept is known as Human Resource Management.

Management is often defined as, "the art of getting things done through people". It is the field of human behaviour in which managers manage human resources. Organizations are made up of and run by 'people'. Without people organizations cannot function and exist. Without human efforts, no firm can achieve its goals. Human resources represent the "people at work." They are the sum-total of the inherent abilities, acquired knowledge, skills and aptitudes of employees.

2

Human resources have several unique features:

1. Human resources of a business are the product of their inherited abilities and interactions with the environment.
2. They have a unique personality - different needs, attitudes and values.
3. They are dynamic and behave differently.
4. They control and utilize other resources.
5. They have the greatest potential to develop and grow. The 'resources' capable of enlargement are only be human resources. Man, alone amongst all resources available can grow and develop.
6. They can produce a "real whole", that is something greater than the sum of its parts.
7. A human being himself determines what he contributes.

1.3 Meaning and Definition

Essentially, the Human Resource Management (HRM) is a management function that deals with recruiting, selecting, training and developing human resource in an organization. It is concerned with the "people" dimension in management. It includes activities focussing on the effective use of human resources in an organization. It is concerned with the development of a highly motivated and smooth functioning workforce. It also includes planning, acquiring, developing, utilising and maintaining 'human resources' in the achievement of organizational goals.

According to **Edwin B. Flippo**, "Human resource management is the planning, organizing, directing, and controlling of the procurement, development, compensation, integration, maintenance and separation of human resources to the end that individual, organizational and societial objectives are accomplished."

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

According to **Tead and Metcaff**, "Human resource management is the planning, supervision, direction and co-ordination of those activities of an organization which contribute to realising the definite purpose of that organization, with an animating spirit of co-operation and with a proper regard for the well-being of all the members of the organization."

Milkovich and Boudreau view HRM as, "A series of integrated decisions that form the employment relationship; their quality contributes to the ability of the organizations and the employees to achieve their objective."

It is thus clear that human resource managment is a specialized knowledge and practice concerned with the management of human resources in an organization. It constitutes a significant activity of the management. It attracts and selects capable men, organises them in productive groups, develops their potential, gives them necessary motivation and maintains their high morale.

Human Resource Management can be best understood in the light of the following aspects :-

1) Human Resource is inherent in the process of management. It is performed by all the managers throughout the organization and is in every sense integrated completely into the processes of an organization.

2) It pervades into every level of the organization. It is not limited to the top level alone. Every manager, from the apex of the organization right down to the supervisory level is required to perform human resource management on an ongoing basis.

3) It is the essence of all Functional Areas. Human Resource Management must be practiced by all functional managers, be they from the finance, production or marketing departments. This is because

every function of the organization deals with the management of people carrying out these functions in the organization.

4) The HRM is people centered and concerned with all human being in the organization that may include:

• Blue collar workers (i.e. the labour class) and white collar workers (i.e. those in desk jobs or managerial activities).

• Managerial and Non-Managerial personnel.

• Professionals (such as Chartered Accountants, Company Secretaries, Engineers, Lawyers, etc.) and Non-Professionals.

5) The HRM involves several functions and practices concerned with the mangement of people at work. These are depicted in the figure below :-

Pre-selection Practices

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┌─────────────────────────────────────┐
│        H.R. Planning                 │
│        Job Analysis                  │
└─────────────────────────────────────┘
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Selection Practices
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┌─────────────────────────────────────┐
│        Recruitment                   │
│        Selection                     │
└─────────────────────────────────────┘
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Post Selection Practices
```
┌─────────────────────────────────────┐
│        Training/Development          │
│        Preformance Appraisal         │
│        Compensation                  │
│        Productivity Improvement Programme │
└─────────────────────────────────────┘
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Practices Affected by External Factors

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┌─────────────────────────────────────┐
│        Work Place Justice            │
│        Unions                        │
│        Safety and Health             │
│        International                 │
└─────────────────────────────────────┘
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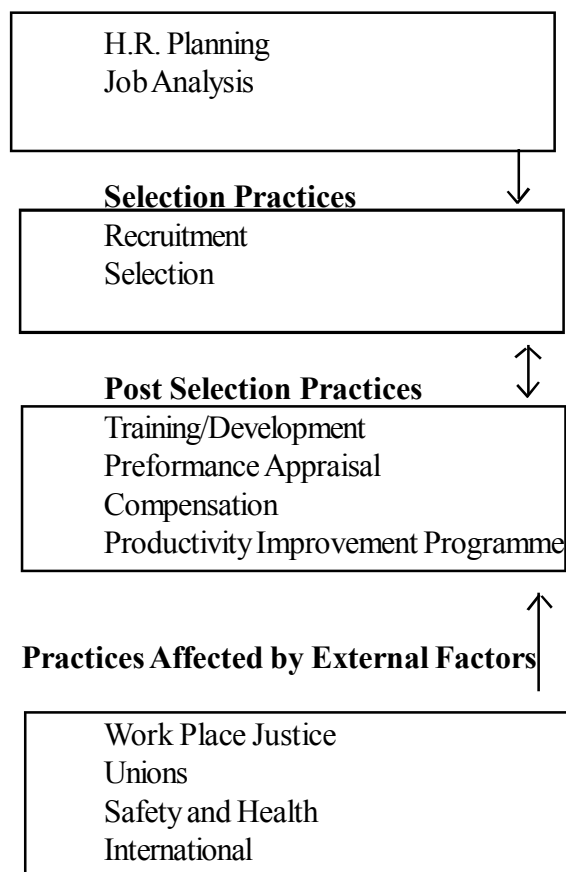
FIGURE 2 : HRM FUNCTIONS AND PRACTICES

1.4 Characteristics

The following are the basic features and characteristics of Human Resource Management :

1. **People as "Human Capital"** - Human resource function is concerned with the management of the human resources of an organization. It is the process of achieving the best fit between the individual and the job he is expected to perform and involves the task of bringing people and organizations together.

HRM regards people as assets rather than variable costs. People are treated as human capital. People and their collective skills, abilities and experience are now recognized as making a significant contribution to organizational success and comstitutes a significant source of competitive advantage.

2. **Comprehensive Function** - Personnel management is concerned with managing people at work, It covers all types of people at all levels in the organization. It applies to workers, supervisors, officers and managers. It refers to skilled, technical, professional, clerical, managerial, organised and unorganised types of personnel.

3. **Pervasive Responsibility** - HRM function is all pervasive, transcends all other managerial functions and is ubiquitous. In this sense, every manager is unavoidably a personnel manager. Every manager who plans, staffs, organizes, directs and controls necessarily accomplishes these functions through people and applies them to people. His responsibilities include planning for people; organizing people; staffing with people; directing people; gaining the commitement, interest and effort of people; and applying controls to people. Manpower management is thus a pervasive responsibility, inseparable from management. It is not the whole of management, but it is a major sub-system in the total management system."

It is also inherent in all organizations and at all levels. It is not confined to industry alone. It is equally useful in the government, sports, the armed forces, and the like.

4. **Human Objective** - The main object of HRM is to help employees to develop their potentialities and capacities to the full so that they can derive the greatest satisfaction from their work. It attempts at getting the willing cooperation of the people for the attainment of the desired goals. It promotes espirt de corps or the spirit of the organization.

5. **Staff Function** - HRM is a supportive and service function. The personnel manager assists in the hiring, training, evaluating, rewarding, counselling, promoting, and firing of employees at all levels. It also administers the various benefit programmes. The staff personnel manager is there to assist, advise, counsel and guide the line manager in the performance of his functions. He is responsible for aiding and assisting the line management in the preparation, adopting and continuing evaluation of various plans. In essence, the role of personnel manager is to "advice and counsel top management in initiating and recommending changes" and "service to the line and other staff groups."

6. **Innovator Role** - As part the service activities, the HRM also involves carrying out the role of innovtor. It is performed by providing "up-to-date information on current trends and new methods of solving problems."

7. **Line Responsibility** - Basically, HR Management is a staff function. But the personnel manager performs a "line function also by directing the activities of the people in his own department and in service areas. In other words, he exerts the authority within his own personnel department. In essence, a personnel administrator should not issue orders to members of the line organization or to employees, except within his own department.

8. **Implied Authority** - HR Managers have no line authority but likely to exert implied authority. This is because line managers know the personnel director often has access to top management. As a result, personnel directors "suggestions" are often viewed as "orders from the Co." This implied authority carries even more weight for employees.

9. **A Coordinative Function** - Personnel administrators also function as coordinators of personnel activities. This duty is often referred to as "functional control." In this role the personnel administrator and his department act and assure him that personnel objectives and policies are properly carried out by line managers.

10. **An Integral Part of Management** - Human resource management is an integral part of the general management. It is the heart of every manager's job. Every member of the management group, from the top down, must be an effective "personnel administrator" because his output depends on the goodwill and productive effort of his subordinates."

Another point to note in that personnel management also permeates all types of functional management, such as production, financial, sales and research management.

11. **Action-Oriented** - It focuses on location rather than on records or procedures. It solves personnel problems in achieving both organizational and employees' personal goals.

12. **Individual and Group-Oriented** - HRM is concerned with employees as individuals and as a cooperative group in attaining goals. It provides for employee satisfaction and growth as well as group goals.

13. **Development-Oriented** - It is concerned with developing the potential of individuals . It enables them to get maximum satisfaction from their work. It develops their personality, interests and skills. It seeks to help people to realise their full potential.

14. **A Challenging Function** - People have sentiments and emotions, needs and feelings, hence, they cannot be treated like tools. Personnel management is a challenging task due to the dynamic nature and changing needs of people.

15. **A Continuous Process** - HRM is a continuous and never-ending process. It requires a constant alertness and awareness of human relations and their importance in everyday operations.

16. **Science as well as Art** - HRM is a science of "Human Engineering". It has an organized body of knowledge consisting of principles and techniques. It is also an art because it involves skill to deal with people. It maintains human relationships between organization and the employees. To handle men and solve their problems is one of the most creative arts.

17. **A Philosophy of Management** - HRM is not only an art and a science but also a philosophy of management. lelieres in the dignity and worth of the individual human being - in his right to seek his own goals through working in an organization.

18. **A Young Discipline** - It is a relatively new specialised area as compared to production and marketing. It is of recent origin. Only in recent years has the influence and prestige of HRM has expanded.

19. **Interdisciplinary Nature** - It has its roots in social sciences. It uses concepts drawn from various disciplines like psychology, sociology, anthropology etc. It has borrowed principles from behavioural sciences as well.

20. **The Heart of an organization** - Although personnel work is a separate speciality, it also at the heart of every manager's job. It is like nervous system in the human body. It is asociated with the basic management function it renders service to every part of management.

21. **Professional Innovation** - HRM is fuelled by human idealism, supported by a growing knowledge about human systems.It deals with creativity and innovation and deals with the number resource of an organization with a professional discipline.

22. **New Managerial Dimensions** - HRM is a new managerial discipline. It includes the philosophies of personnel and industrial relations. It is a holistic discipline of management of employees. It has emereged as a result of the fusion personnel management and industrial relations, and has emerged as a transforming agent for the established personnel practices.

23. **Strategic Function** - HRM has linkages with wider organization strategies and corporate policies. It is essentially a strategically driven activity. HRM is about shaping and delivering corporate strategies with commitment and results.

24. **International View** - HRM has international potentialities. The Global employment relationship is materially affected by the international markets. Here managers operate across national boundaries. They have homogeneous employment policies regardless of national labour markets. HRM is the product of multinational companies' personnel policies which have the capacity to be translated to other firms, regardless of culture.

25. **Mutuality between Employers and Employees** - HRM has mutual goals, mutual influence, mutual respect, mutual rewards, mutual responsibility. The idea behind it is that policies of mutuality will elicit commitment which inturn will yield both better economic performance and greater human development.

26. **Based on Management Principles** - HRM involves the application of management functions and principles. These are applied to acquisition, developing, maintaining and remunerating employees in organizations.

27. **Wide Application** - HRM functions are not confined to business enterprises only. They are applicable to non-business organizations, too, such as education, health care, recreation, and the like.

28. **Unitary Philosophy** - The HRM approach is basically unitary. It is believed that employees share the same interests as employers. This contrasts with pluralist view which says that all organizations contain a number of interest groups and that the interests of employers and employees do not necessarily coincide.

29. **HRM is a Top-Management-driven Activity** - HRM can be described as a central, senior management-driven strategic activity that is developed, owned and delivered by management as a whole to promote the interests of the organization that they serve.

30. **Focus on Business Values** - The concept of HRM is largely based on a management and business-oriented philosophy. It is concerned with the total interests of the organization - the interests of the members are recognised but subordinated to those of the enterprise.

These characteristics of HRM, thus establish what Human Resource Management is all about. It integrates the main goals or objectives of the organization : Survival, Growth and Service, with the human resource function.

1.5 The Underlying Assumptions

Like all other disciplines, Human Resource Management is also based upon some basic assumptions.

A set of assumptions about HRM include :
1) HRM is moving towards strategic dimension. It is a major contributor business policy.
2) HRM policies stand across the cultures. HRM with strategic planning is linked with cultural change.
3) HRM assumes that people are 'social capital' capable of development.
4) Synchr misation of interest between stakeholders can be developed.
5) HRM seeks power equalisation for trust and collaboration.
6) It creates open channels of communication to build trust and commitment.
7) Goal - orientation and participation is important.
8) It has focus on collectivism with stronger role for individualism.
9) It seeks outcomes within a pluralistic framework.
10) It adopts a developmental attitude.

Indenification of these assumptions is important because they are the foundation of all the processes, policies and practices that form part of human resource management.

1.6 Scope of HRM

In recent years, the scope of HRM has become very vast. All major activities related to the working life of a worker come under the purview of HRM. Specifically, the activities included are as follows :

1. **Training and Development** : Focus - Identifying, assessing and through planned learning - helping develop the key competencies which enable individuals to perform current or future jobs.
2. **Organization Development** : Focus - Assuring healthy inter and intra-unit relationship and helping groups initiate and manage change.
3. **Organization/Job Design** : Focus - Defining how tasks, authority and systems will be organized and integrated across organization units and in individual jobs.
4. **Human Resource Planning** : Focus - Determining the organization's major Human Resource needs, strategies and philosophies.
5. **Selection and Staffing** : Focus - Matching people and their career needs and capabilities with jobs and career paths.
6. **Personnel Research and Information Systems** : Focus - Assuring a personnel information base.
7. **Compensation and Benefits** : Focus - Assuring compensation and benefits fairness and consistency.
8. **Employee Assistance and Motivation** : Focus - Providing personal problem solving, counseling to individual employees.
9. **Employee Maintenance** : Focus - Providing welfare activities for the development and welfare of all the employees of the orgnization.
10. **Union-Management Relations** : Focus - Assuring healthy union/organization relationships.

These areas constitute the field of HRM. It can be noted that each area impacts on the human resource outputs : quality of work life, productivity and readiness for change. The various area of HRM are discussed under the heading of functions of HRM.

FIGURE 3:
SCOPE OF HRM

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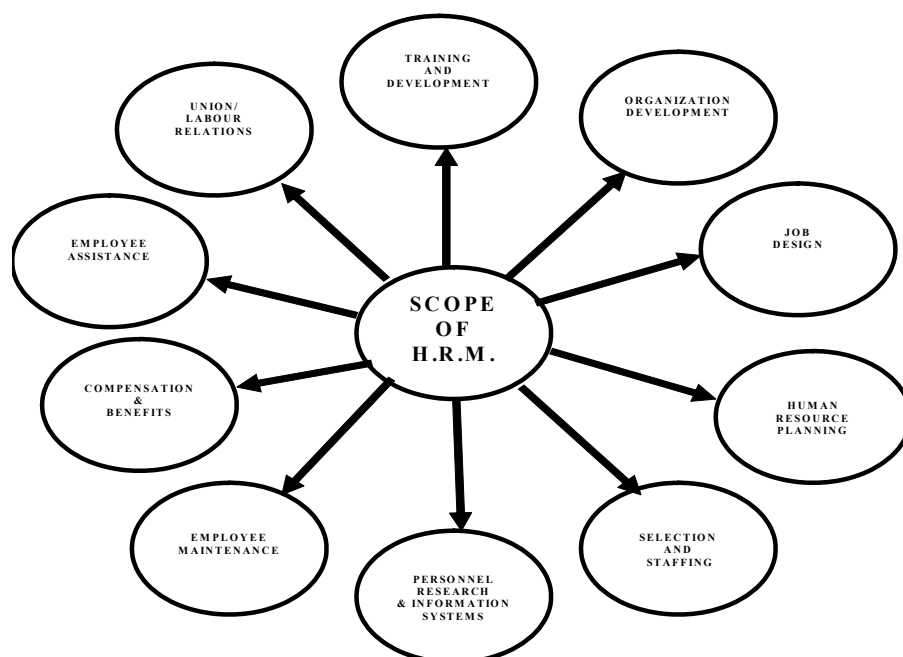
1.7 Significance

Role of Human Resource Manager in an Organization

In most of the big enterprises, human resource or personnel department is set up under the leadership of a human resource or personnel manager who has specialised knowledge and skills. The human resource or personnel manager performs managerial as well as operative functions. He performs the basic functions of management like planning, organising, directing and controlling to manage his department. He also has to perform certain operative functions of recruitment, selection, training, placement, etc., which the other line managers may entrust to him. He is basically a manager whatever may be the nature of his operative functions. He has to play multiple roles in the effective management of human resources and achieving human relations in the organization.

Ideally, the human resource or personnel mnager should concentrate on dealing with the human problems. Just as finance assesses costs, marketing emphasises customers, personnel is people-centred. Success of a human resource manager depends on his ability to solve management problems in dealing with human resources in the organization. Some of the important roles of human resource manager in an organisastion, in addition to the managerial and operative functions, are discussed below :

(a) **Policy Formulation** - Policy formulation is one of the important tasks of a human resource manager. It is with a view to overcoming problems of recurring nature, or to prevent anticipated problems in the area of human resource management that policies are framed. Human resource policies are intended to communicate to the employees the basic ground rules under which the organization functions and thus avoid discrimination, inconsistency, adhocism, and confusion. The human resource manager helps the top management in the formulation of policies on wage and salary administration, transfer, appraisal, welfare activities,personnel records and statistics, working environment, etc.

(b) **Advisory Role** - The advisory role of the human resource manager is of crucial importance. Line managers are generally confronted with a variety of problems in their day to day operations. These problems may include grievance over distribution of overtime work, annual increase in pay, transfer, promotion, disciplinary action, and so on. In all such matters, the personnel manager can offer useful advice because he is familiar with personnel policies and practices, labour agreements, labour laws, etc. He can also advise on the preparation of bulletins, reports, and procedural guidelines for the interpretation and implementation of policies.

(c) **Linking Pin Role** - The human resource manager attempts to achieve and maintain good industrial relations in the organization. He is responsible for setting up various committees on discipline, labour welfare, safety, grievance, etc. He helps in laying down the grievance procedure to redress the grievances of the employees. He gives authentic information to the trade union leaders regarding the personnel policies and programmes of the enterprise. He also conveys the views of the trade union leaders to the higher management. Thus, he acts as a linking pin between the management and the workers.

(d) **Representative Role** - The human resource manager generally acts as a spokesman of the top management or representative of the company and communicates management policies and decisions that affect people in the organization. It is because he has better understanding and overall picture of the company's operations. Sometimes, he also acts as workers' representative to put forward their problems to management, particularly in non-unionised organization.

(e) **Decision-making Role** - The human resource manager also plays an effective role in decision, making on issues related to human resources. He formulates and designs objectives, policies and programmes for human development.

(f) Mediator Role - In the event of conflict between employees or groups of employees, superior and subordinate and even between management and employees, human resource managers often play the role of a mediator to restore industrial harmony.

(g) Leadership Role - The human resource manager provides leadership and guidance to workers who constitute team leaders or counsellors, HR manager providing advice and encourages leadership that helps achieve the orgnizational objectives.

(h) Welfare Role - Human Resource Managers also play a crucial role in ensuring the well-being and welfare of the employees of an organization.

(i) Research Role - The human resource manager not only maintains the records of employees working in an enterprise but also undertakes research in various personnel areas. This is done in order to effect improve the functioning of the organization.

1.8 Model of Human Resource Management
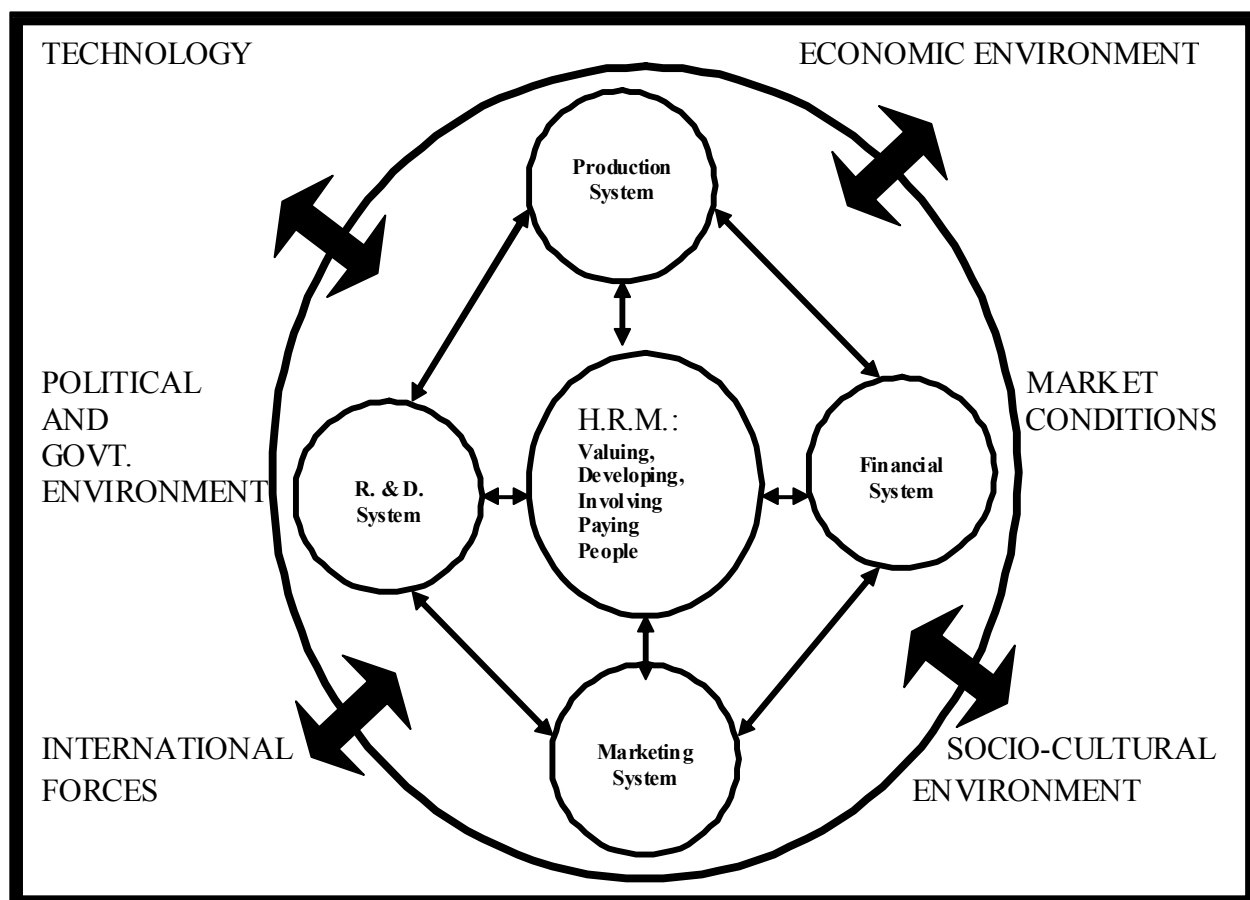
FIGURE 4:
MODEL OF HUMAN RESOURCE MANAGEMENT

The HRM system is one of the most crucial sub-systems of an organization. It plays an integrative role in the organization involving both horizontal and vertical integration.

Horizontal Integration aligns HRM with other functional areas of the organization Vertical Integration aligns the values and capabilities of individuals with the goals and objectives of the organization.

It is this integrative role that HRM plays, that can determine the smooth functioning of the organization and the achievement of its goals and objectives.

1.9 Role of Human Resource Manager

The HRM function, as practiced today, has evolved primarily from the areas of Personnel Management and Industrial Relations. The initial approaches towards people management were based on the scientific management view of man as a rational being who worked only for satisfaction of his material needs. Accordingly, traditional personnel function was simplistic in nature and revolved around clerical and administrative activities such as time – keeping, wage distribution etc. Along with the development of Human Relations approach, attitudes towards workers changed from exploitative to paternalistic and personnel department also took on a welfare role of providing social security, better work conditions etc. With the advent of Trade Unionism, there arose the necessity of maintaining cordial Industrial Relations and the role of Personnel Management evolved to include management interactions with the organized workforce such as collective bargaining. Further developments in management thought, organization behavior and psychology led to an expansion in the scope of the personnel manager to include activities that help in development of the individual and his integration with the organization. With the inclusion of areas of training, motivation, career development etc, the perspective has changed from Personnel Administration to Human Resources Management or HRM. The role of the Human Resources Manager has also undergone corresponding changes. There has been both a quantitative and qualitative upgradation in the responsibilities of the HR manager of today . We can divide the activities / roles played by HR manager into two broad areas, namely maintenance and development. While the traditional personnel functions helps in maintaining the human resources, the new-age HR functions are more proactive and dynamic and try to use HRM as a strategic tool. Depending upon the HR philosophy of the organization, the HR manager plays one or more of the following roles :

i. Personnel Manager : In this role, the HR manager is responsible for planning manpower requirements, acquiring people, and monitoring their performance.

ii. Welfare Officer: Management of the employee services such as transport, cafeteria, day – care centers, and provision of statutory benefits are a part of this role.

iii. Developmental Role: The activities such as training, career development, counseling, developing motivation and leadership etc are performed as part of this role.

iv. Administrator: Time – keeping, wage & salary administration, incentives, maintenance of personnel records are part of the administrative role.

v. Consultant: This role includes advising management on policy formulation for effective use of human resources, and assisting line managers in the implementation of HR policies.

vi. Fire fighter/ Legal officer: HR manager also requires legal skills for handling grievances, settlement of disputes, disciplinary actions, as well as maintaining good industrial relations through collective bargaining etc.

vii. Researcher: The HR manager also conducts research on personnel issues and carries out HR audit to assess the effectiveness of HR policies.

Line and Staff Role:

Unlike the other functional areas of management such as Marketing, Production etc., HRM is distinct in its all-pervasive nature. Application of HRM is not restricted only to the HR department. While formulation of HR policies is the responsibility of the HR specialist, the implementation is done by the line manager of the concerned department. The responsibility of HR manager and line managers in terms of HR functions are further detailed in section 2.6. In this manner, HR functions are the responsibility of every line manager and supervisor. Saltonstall describes following three roles of personnel manager.

1. He performs a line function by directing work in his own department and also performs service functions such as recruitment, administration of benefits and related activities.

2. He functions as a coordinator of personnel activities through regular reporting on turnover, absenteeism, accidents and grievances and advises top management in accomplishing personnel objectives.

3. He performs a typical staff function by of assisting and advising the line personnel to solve their problems.

As we can see from the above, the HR manager has a dual responsibility. In the context of his own department, he has Line Authority and is directly responsible for the achievement of departmental objectives. However, he also has an advisory or Staff role towards the other departments as far as implementation and feedback regarding HR activities is concerned.

Activity 1

Discuss the probable HR objectives of a commercial business house, a charitable trust, and an educational institution, keeping in mind the overall organizational mission. What would be the pre-dominant role of HR manager in each?

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1.10 Classification of HRM Functions

The functions of the HRM department are in tandem with the objectives discussed above. With the growth in the scope of HRM, new functions have been added to the traditional activities of erstwhile personnel management. The HRM department now handles myriad functions. As the nature and scope of HR functions has expanded, so have the classifications of HRM functions increased. Some of the classifications are discussed here.

The HRM functions can be broadly classified into the 'Managerial, and 'Operative' functions based on the nature of work, as described below:

A. Managerial Functions

As implied by the name itself, the functions of Management are an integral part of human resources management. The management process involves efficient achievement of organizational objectives within available resources and with and through the people employed. The three common elements of management are thus goals, limited resources and people. In order to achieve the goals, using scarce resources, all managers, including HR managers, perform the following functions. These may also be called the line functions as they are the direct responsibility of the human resource manager, in respect of his own department. The primary functions of management are: Planning, Organizing, Directing & Leading, and Co–ordination & Control.

1. Planning:

The first step of all managerial activities, planning includes setting goals and, on the basis of research of the past, and forecast of expected future trends, a pre- determined course of action or plan is decided upon. The HR manager makes plans for the HR functions, in accordance with organizational strategy and goals. Plans serve as benchmarks against which progress is measured.

2. **Organizing:**

   Once the plans have been decided, managers have to determine what activities are needed to achieve the proposed goals. They then develop a structure and framework through which tasks are allocated among the members and working relationships are defined. Further, a process is designed for carrying out individual tasks and integration of various activities into a well – defined whole. The HR manager is responsible for organizing not just the HR function but also for creating the organizational structure, with proper delegation of authority and allocation of tasks etc.

3. **Directing and Leading:**

   After distribution of tasks and responsibilities, a manager needs to disseminate instructions and orders about how the task is to be fulfilled. For execution of the task, it is necessary to have acceptance and motivation. This can be done by ensuring the presence of the right people on the job with appropriate skills and keeping them motivated at high levels of productivity. The HR department plays a crucial role in building employee acceptance and motivation. Through various training programes.

4. **Coordinating and Controlling:**

   All activities of the organization need constant monitoring to ensure goals are met. There has to be a periodic review to measure achievement and to realign programs, if needed. There also has to be proper interaction between departments and integration of various activities so that departmental objectives do not conflict with organizational goals. The HR manager is directly responsible for such co-ordination and control within his department and also oversees the overall organization in this regard.

B. **Operative Functions**

   The functions that deal with specific activities of Human Resources Management are known as service functions. These may be listed as:

1. **Procurement:** It relates to obtaining the right kind and number of people for the organization. This involves staffing and employment activities such as planning and predicting manpower requirements, recruitment, selection, placement and induction of the new recruits. Further movement within the organization through transfers and promotion also comprise part of the procurement function.

2. **Development:** The development function concentrates on personal development of employees through enhancement of their skills. This includes training and development plans for operatives and management executives, counselling, competency mapping, and career planning. Organization Development interventions that aim at increasing organizational effectiveness are also within the purview of this function.

3. **Compensation:** All employees expect equitable and suitable remuneration for services rendered and this is the main area of concern of the compensation function. The activities related to wage and salary administration, wage surveys, job analysis, job evaluation, monetary and non – monetary incentives, and also the performance appraisal for the purpose of deciding compensation, all form part of this function.

4. **Integration:** One of the most important responsibilities of HRM is to achieve an integration of personal aspirations of the employees with the organizational goals and societal obligations so that there develops a mutually beneficial relationship. Maintaining cordial employee relations through proper grievance mechanism, implementation of labor laws, and collective bargaining as well as disciplinary procedures, are one aspect of integration. In addition, a proactive approach of developing better communication within organization, providing career choices that are in tune with personal goals, and other activities that help to increase motivation through satisfaction of social and psychological needs of employees are also part of this function.

5. **Maintenance:** Earlier functions of HRM belong to this category. It deals with sustaining and improving upon the established conditions of work. In order to maintain the levels of motivation, the HR manager undertakes health and safety programs, and provides employee services and benefits such as medical facilities, welfare and recreation programs, fringe benefits programs that include retirement benefits, leave, housing etc that are not performance related but help the employee to fulfill his security needs by substantially improving his standards of living. Other activities that are a part of this function include maintenance of employee records and human resource research and audit including morale surveys, as well as evaluation of HR policies. The feedback so provided helps the HR department and top management to create better policies.

6. **Separation:** At one point of time, every employee moves away from the organization either through retirement or resignation etc. This functional area of HRM is responsible for handling the separation in a sensitive and fair manner through timely and appropriate procedures.

The details of these operative functions are discussed further in the next section.

Many HR functionaries and thinkers opine that HRM is not just a set of activities undertaken by a particular department, but a composite Management approach adopted by organizations based on a progressive corporate philosophy. Pareek and Rao put forward the concept of Human Resource Systems which they describe as consisting of several interrelated components, also called sub – systems. These human resources systems are dynamic and help the organization through various functions. These functions can be grouped into the following five roles of HRS:

1. **Supportive Role:** In this role, HRS aims at strengthening the organization in two ways –

   a. Strengthening operatire and executive levels : It is the responsibility of HR department to increase the capabilities of the line managers in HR areas. The line managers should be capable of executing the personnel functions such as appraisal, rewards, promotion as well as maintaining good industrial relations, within their own department. An increase in the effectiveness of line managers will support them to fulfill their managerial responsibilities.

   b. Consolidating existing strengths: Every organization is built on some inherent strength that helps it to survive and succeed. As new systems are created with time, HRM should recognize and build upon these strengths by incorporating them into the new systems.

2. **Role of Systems Development & Research:** As the organization grows, HRS aims to develop various systems and sub – systems to deal with the people, their problems, and organizational dynamics.

3. **Managerial Role:** These are the functions that are the direct responsibility of the HR department. They are carried out in co-ordination with line functionaries of other departments. They may also be called the core activities of HRS. They include:

   i. Planning for future manpower needs to cater to expansion of the organization

   ii. Getting the best people available, with the required skills and competencies

   iii. Utilizing people selected through correct placement

   iv. Retaining, motivating and integrating people through dynamic interaction as well as equitable compensation.

   v. Assessing the contribution of people, including appraisal of past performance and future potential

   vi. Planning growth of the people through career development, career planning and promotion avenues.

   vii. Developing healthy industrial relations by conforming to statutory regulations and adopting a pro – active approach to manage of conflict.

viii. Job Analysis and Evaluation in order to identify various aspects of jobs that helps in recruitment, appraisal and other areas.

ix. Facilitating key organizational task processes, through alignment of HR processes with organizational strategy.

4. **Role of Developing Competence:** This is a developmental role that focuses on competence building in various areas, namely:
   i. Technical Competence or skills necessary to perform assigned tasks.
   ii. Managerial Competence or abilities to plan, organize, direct, control etc.
   iii. Process Competence is the capacity to handle interpersonal relations and deal with situations such as conflict, lack of cooperation, communication problems etc.
   iv. Helping competence refers to the special ability of a manager to counsel employees to help develop their strengths and overcome their weaknesses.
   v. Coping competence helps an employee to face frustrating situations that may occur in their career such as lack of promotion avenues or other bottlenecks. By developing this competence, HRS aims to prevent including in an individual and helps to maintain a healthy working environment.

5. **Process Role:** One of the recent functions that have emerged in HRM is that of maintaining organizational health and the capacity for self – renewal. To develop this capacity, the HR function studies organizational processes and acts upon them. The HR function is thus responsible for:

• Creating the necessary framework of culture and values in an organization, in a proactive manner, so that work becomes a source of development and growth for the people and not just a source of income.

• Diagnosis of problems in organizational processes through periodical surveys of organizational climate, and,

• Acting upon the problems diagnosed through appropriate interventions, that may require changes in structures, systems etc.

In accordance with the above roles, Pareek and Rao have proposed the following four main sub – systems of HRS, that include various HR functions. These sub – systems are interdependent and linked to one another:

TABLE 1 : SUB-SYSTEMS OF HRS

PLANNING & ADMINISTRATION	HUMAN RESOURCES DEVELOPMENT	JOB & SALARY	WORKER AFFAIRS
Information Storage & Retrieval	Training	Performance Appraisal	Industrial Relations
Manpower Planning	Organization Development	Job Analysis	Welfare
Placement	Performance Feedback & Counseling	Salary Administration	Work Design – Redesign
Career Development & Career Planning	System Development & Research	Potential Appraisal	Worker Development
Recruitment			Worker Participation
Promotion			

De Cenzo & Robbins opine that HRM is an approach consisting of four basic functions, and all HRM activities are subsets of these functions. They describe these functions as getting people, preparing them, stimulating them and keeping them. These functions are:

1. **Staffing or Acquisition:**

   The HR department of today acts proactively with Strategic Human Resources Planning . On the basis of organizational objectives, HR identifies critical job requirements through Job analysis, followed by Recruitment and Selection. The goals of staffing function are thus to locate competent employees and get them into the organization.

2. **Training & Development:**

   Training begins with socialization of new recruits through Orientation programs. To fully utilize the potential of the manpower, Employee Training, Employee Development, Career Development and Organization Development programs are conducted. The aim is to create competent, and adapted employees who have up to date skills, knowledge and abilities to perform their jobs.

3. **Motivation:**

   While the training function provides the employee the necessary skills to perform the job, it is the role of the motivation function to create the willingness to perform, and exhibit high levels of energy. It attempts to apply the theories of motivation through better job design and human engineering. Design and implementation of Performance appraisals, as well as Rewards, Compensation, Benefits programs that link compensation with performance also fall within the ambit of this function. Employee participation in decision making also helps to raise levels of motivation.

4. **Maintenance :**

   This function tries to establish the activities that will help retain the productive employees. To improve employee loyalty, HRM has to ensure a safe and healthy work environment as well as exhibit a caring attitude towards employee well being. Maintaining cordial employee relations and effective channels of communication are also essential to obtaini to commitment from employees.

   Mankidy also classifies HR functions into three sub – systems viz.:

   1. Administrative Sub – system : This includes Manpower Planning, Recruitment & Selection, Wage & Salary Administration, Promotion, Placement & Transfers and Career Path Planning.

   2. Developmental Sub – system: Consisting of Performance Appraisal, Training & Development, and Organizational Development activities.

   3. Preventive Sub –system: Comprising of Grievance Management, Employee Discipline and Industrial relations aspects.

1.11 Functions of HRM

We have studied above the various classifications of HR functions that have emerged over a period of time. A majority of the functions such as recruitment, training etc are common to all classifications. Let us now take a look at the activities carried out by the HR manager in executing these functions:

1. **Human Resource Planning :** it is the assessment of manpower needs based on long term organization goals and short term departmental objectives. It tries to determine the number and type of people needed, within the organization in various departments throught following activities:

- Job Analysis – involves job description which is a list of all the activities performed in a job and job specification which lists the human requirements to perform the job i.e. skills qualification etc. Data is obtained by line managers and functionaries it through various methods which include sturdring such job and grouping of similar jobs that are performaned in an organization.

- Forecasting & Manpower Audit – It refers to the review of existing manpower and helps to determine future requirements through analysis of trends, future plans and present levels of productivity. It helps to decide whether there is need for more people, and also whether these should be obtained through external selection, or whether organizational capacity can be increased through internal promotions, transfers and training.

2. **Recruitment & Selection:** Recruitment is a positive activity. It aims at generating maximum number of relevant applications so that there is wide choice available. This is done by identifying various sources of candidates and communicating the job requirement clearly. Selection then uses procedures such as tests, interviews etc to eliminate unsuitable persons and also to communicate the job benefits in a positive manner so that the selected candidates accept the employment offer. While the administration of the process and statutory compliance is responsibility of HR manager, line managers may participate in the interview process.

3. **Induction & Placement:** Once the candidates accept the job, they are helped to adapt to their new environment through induction training. After the formal orientation, the employee is placed in the appropriate department based on the pre-recruitment planning. The informal socialization of new employees continues for a few months and is a crucial phase for integration of employees. With the organization An ideal policy is to continue obtaining feedback and provide counseling to the new employee so that he adjusts well with the organization.

4. **Training & Development:** As human resource are capable of continuous improvement, it is the role of HRM to help them improve, so that their potential is utilized for organizational benefit. This is done through -

- Employee Training – refers to all activities that help employees gain better skills for current jobs. It is specific and focuses on current organizational requirements. Examples are On the job training, skill development programs etc.

- Employee Development – It is oriented towards future needs. There activities help to build additional competence that may be required by employee and organization to fulfill a future position. Includes sponsorship for higher education, management development etc.

5. Career Development: This area is of primary concern - and is responsibility of the origination the toward an individual. However, organizations can and should, assist employees in creating better work lives. This not only builds loyalty, but also ensures greater intrinsic motivation and work satisfaction. For career advancement, the organization carries out following activities:

- Performance Appraisal : This measures of past performance of an employee against pre-determined goals. The systems and formats are designed by HR department whereas the actual appraisal is conducted by line managers.

- Potential Appraisal : It aims to identify probable future roles employee can perform and the corresponding training requirements.

- Promotion & Transfers: Based on performance and potential, employee may be promoted with greater rewards and responsibilities, and may be transferred to different jobs to meet organizational requirements or as part of career development. The inputs for these decisions come from the line managers.

- Separation : At the end of the employee's career due to retirement or resignation, HR not only provides the benefits etc, but may also conduct exit interviews and provide pre – retirement counseling.

- Career Planning : The HR department provides necessary information about career avenues in the organization by charting out career paths for various positions. They also help the employee to identify his own abilities and goals, so as to achieve maximum career success and satisfaction.

- Counselling : Setbacks and frustration are a part of every person's work life. HRM helps employee to overcome work and personal life related obstacles through counselling.

6. **Organization Development:** It deals with facilitation of system –in organization through a humanistic – democratic approach, with the belief that this will increase organizational effectiveness. The 'what, why and how' of these changes involves the following steps:

  - Diagnosis
  - OD Interventions
  - Stabilization

  The implementation of organizational development helps to improve team building, morale of employee and motivation. It leads to design appropriate organizational structures and develops work culture and values that are consistent with long term strategies.

7. **Rewards & Compensation:** People may work for different reasons, but every person expects monetary compensation for the services rendered. Additionally, they also look for intrinsic motivation offered by recognition, challenging nature of work etc. To ensure adequate compensation, HRM undertakes the following :

  - Job Evaluation – is a tool for measuring the monetary worth of a job on which compensation is decided. It is conducted by HR manger with inputs from various departments to frame the salary programs in accordance with value of job, capacity of organization and market trends.

  - Wage & Salary Program: The monetary payment in terms of wage and salary should be fair and equitable. HRM ensures a rational wage structure as well as timely and transparent proper administration of the same.

  - Incentive Management : To improve performance through greater motivation, HRM designs individual, group and organization-wide incentive plans based on the principle of 'pay for performance.' Salaries are based on job evaluation and analysis and incentive plans are based on performance appraisal. Non – financial incentives such as recognition programs, job enrichment may also be developed to improve performance of employee.

8. **Employee Services & Benefits:** Companies offer various facilities to their employees to ensure long – term commitment and improvement in there standard of living. Some of these are statutory in nature while others are offered voluntarily. HRM is responsible for development, administration and maintenance of such benefit programs. A few of the benefits are listed below

  - Retirement Benefits – such as pension, gratuity, provident fund, most of which are governed by legislation.

  - Welfare services – may include canteens, day care facilities, transport etc.

  - Medical Facilities – viz., medical insurance, in-house doctor, concessional medical care etc.

  - Recreation Activities – HR is responsible for keeping employees 'happy' through picnics, parties, sports, etc.

9. **Safety & Health Programs:** HRM has to ensure a safe work environment, and long term health of workers. It applies principles of human engineering for ergonomic design of workplace to prevent occupational diseases. It also conducts communication and training programs to prevent accidents and implement safe work practices.

10. **Employee Discipline:** While it is the role of HRM to ensure worker satisfaction, it also has to ensure adherence to regulations through communication, monitoring and corrective action as required. The HR manager is responsible for maintaining workplace discipline and decorum.

11. **Labor Relations:** It is one of the earliest aspects of people management and it legal knowledge as well as sensitivity towards worker problems. To maintain a healthy industrial relations HRM pays attention to -

    • Grievance Management with a well defined and effective grievance handling procedure.

    • Implementation of labor laws in a proactive manner

    • Participative Decision Making and Collective Bargaining with representatives of Trade Unions to decide upon wages, working conditions and other related matters.

    • Work Design and Redesign keeping in view the motivational, productivity and health aspects of various jobs.

12. **Employee Records :** The maintenance of all dated information related to employee – personal, professional, performance, discipline etc is necessary both from legal and employee development point of view. In large organizations, computerized information systems are necessary for storage and retrieval of employee data which is for developing future HR and organizational strategy.

13. **HR Research & HR Audit :** This aspect of HRM, is crucial not just for individual organizations but also for further development of the function. The use of research methodology helps understand the effectiveness of HR practices. HR audit involves the use of accountancy principles to evaluate the return on investment of HR department. Such financial evaluation helps to justify the expense on HR activities and lends credence to the HRM department.

1.12 External Influences

As we have discussed above, HRM policies impact on the effectiveness of the organization, individuals and society. At the same time, HRM goals and functions are also subject to external influences. i.e. they do not operate in isolation The HRM functions have to be adapted to various external elements, some of which are discussed ˙ ˙

FIGURES: THE EXTERNAL INFLUENCES ON HRM

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a. **The Dynamic Environment:** We live in times of constant change. Rapid advances in technology and globalization of business have given rise to need for new skill sets. With better technology and communications, options like work from home, and telecommuting have come up. But these changes have also created Challenges for HRM. The traditional ways of managing people have to be modified to cater to these changes in organizations and their employees. Organizations also face frequent fluctuations of economy, that may lead to mergers, down – sizing etc, all of which have a deep impact of the people resources.

b. **Legislation & Trade Unions:** The management of Human Resources has always been closely monitored by governments to prevent exploitation. The legal framework includes laws relating to working conditions, compensation, benefits, social security etc. HRM has to function within the scope of these laws. There is also the constant vigilance from Trade Unions to provide better facilities. HR manager has to strike a balance between organizational constraints and demands of the unions.

c. **Changes in Work – force:** With multi – national corporations and greater education and awareness, the diversity of work – force has increased. The workplace of today comprises of people from diverse cultures and countries. There is a greater participation of working women and, consequently, the number of working couples has increased. The emergence of nuclear families and dual career couples has led to a change in the requirements of the employees. HR practices have to keep pace with these changes.

d. **Management Practices:** The HR practices emerge as a consequence of the prevailing management practices. From the era of Scientific Management, to Human Relations school, and then systems theory and contingency approaches, each one has influenced HRM functions. The scope of HR functions has increased as the scope of management theory has widened.

Activity 2

In view of the dynamic environment of business today, what changes can you predict in the HR functions and their administration? Discuss with reference to factors such as globalization, economic fluctuations, changing work force etc.

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1.13 Summary

Human Resource Management refers to all those practices that help the organization to deal effectively with its people or the human resources. Thus, it deals with recruiting, selecting, training, and developing the human resource of an organization. It is inherent in the process of management and pervades into every level of the organization.

People are the most important resource of any organization. This is because it is people who can ensure the successful, smooth and effective functioning of the various aspects of the organization. Consequently the Human Resource Management plays a pivotal role in ensuring that the organization is well run and effective.

Certain assumptions about Human Resource Management are crucial to understanding the concepts involved. The most important underlying assumption about HRM being that HRM has a strategic dimension that transcends cultures and adopts a developmental attitutde.

The scope of HRM is vast and includes all the significant activities related to the working life of an individual who works in an organization. Thus HRM includes a study and analysis of activities such as Training and Development, Organization Development, Job Design, Human Resource Planning, Selection and Staffing, Employe Welfare and Maintenance etc.

It is possible to view Human Resource Management as an integrative model that forms one of the most significant subsystems of the organization. It aligns the values and capabilities of the individuals working in that organization with the goals and objectives of the organization as well as aligning human resource strategies with other functional areas of the organization. This will enable the over-all organization strategy to be in tune with the economic, social, and political environment and the market conditions present at that point of time, in both the domestic and international business scenario.

Needless to say, it is the 'people' who form an organization and it is only by managing this crucial resource, an organization can move ahead to gain a competitive edge.

We have seen that Human Resource Management is a unique resource that, if handled properly, can be a source of sustainable competitive advantage. The main objective of HRM is to ensure the optimum contribution of the human resources towards the achievement of organizational goals, while maintaining high morale as well as consistency with social and economic environment.

To achieve these objectives, HRM carries out the various activities to attract, develop, motivate and retain the right people. These can be classified into Administrative, Developmental and Preventive functions. The administrative functions include manpower planning, recruitment, wage and salary administration etc. They focus on planning and maintenance aspects. The developmental activities focus on training and upgrading individuals as well as creating an overall organizational culture that can sustain the organizational goals. The preventive functions like maintaining industrial relations, grievance management etc aim to foster a proactive environment where problems are solved at the time of inception. The activities of HRM are planned and organized by the HR department but the inputs and execution may also involve line functionaries.

The achievement of HR objectives improves effectiveness of the organizations. The HR philosophy is also in turn, influenced by external factors such as globalization, legislation, demographics etc.

1.14 Key Words

- **Organization** - A group of interdependent, inter-related, individuals who work together towards a common predetermined goal.

- **Human Resources** - All the people who work in an organization.

- **Personnel** - A term earlier used for Human Resources.

- **Human Resource Management** - The organizational function that includes practices that help the organization to deal effectively and effeciently with its human resource.

- **Human Resource Challenges** - The Environmental, Organizational and Individual Variables that can have an impact upon the performance of the Human Resource and must therefore be understood, analyzed and tackled.

- **Human Capital** - A term which accepts that people are one of the most important resource for an organization and must be treated as 'capital' if the organization is to generate profit.

- **Human Resource Strategy** - It is the Human Resource Management task concerned with the growth and future of a business enterprise in terms of the decisions and actions that will guide the human resource practices and policies.

- **Managerial Functions:** This refers to the primary functions performed by all managers, namely planning, organizing, leading and controlling.

- **Procurement:** All the activities related to staffing and employment of manpower namely manpower planning, recruitment, selection, induction, placement, transfers, separation etc.

- **Development:** It is the function concerned with upgrading the skills and competencies of employees as well as appraisal of performance and potential.

- **Maintenance:** It deals with sustaining and improving the established conditions of workplace, including health and safety, employee services etc.

- **Compensation:** It is concerned with providing adequate and equitable remuneration to personnel for their contribution.

- **Integration:** It is the function that aims at reconciliation of individual, organizational and societal interests so as to improve motivation and productivity.

1.15 Self Assessment Test

1   Explain the concept of Human Resource Management. How would you define Human Resource Management ?

2   Briefly explain the main Characteristics of Human Resource Management.

3   What are the basic assumptions which are an integral part of the concept of Human Resource Management?

4   What is the scope of HRM?

5   How significant is Human Resource Management in the current business scenario?

6   'Human Resource Management can be represented as an Integrative Model.' Explain this statement, illustrating your answer with a diagram.

7.   What do you understand by the objectives of Human Resources Management? How are they important?

8.   Discuss the various roles of the HR manager.

9.   List the broad areas in which the functions of HRM be classified?

10.   What do you understand by staffing and employment?

11.   Describe the activities undertaken as part of Training and Development function.

12.   What is the responsibility of line managers in respect of HR functions?

13.   What are the external influences that affect HRM ?

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UNIT - 2 : HRM ACTIVITIES

2.0   Objectives

After studying this unit you should be able to understand:
*   Concepts and Perspectives of Human Resource Management.
*   Objectives and Function of HR Management.
*   HR Management in the changing Environment.
*   Staffing & Development.
*   Compensation and Appraisal.
*   Industrial Relations.
*   Employee Welfare.

2.1   Introduction

People concept was missing in the pre and post industrialization era. The focus has gradually shifted from the concept of labour, as one of the resource, to labour welfare, quality of work life and employee welfare to the concepts and practices of what was known as personnel management. Technological advancements, greater needs reflected in aspirations and expectation of individuals and organization has been the driving force for searching new avenues for enhancing productivity.

Realizing that people are not one of the resources, like other resources, but they are critical in order to manage other resources. This has led to the paradigm shifts in looking at people as human beings who have capabilities, skills, values and beliefs and attitude.

The concept of Scientific Management (Frederick Taylor, 1856- 1915), Hawthorne Studies, Kult Lawin's (1947) studies of behavior of small groups and setting up of National Training Laboratories, Model of excellence (Peters and Waterman (1982), Kantor (1984) and the findings that personnel management has failed (Skinner, 1981) and the argument that better utilization of human resources by an organization is necessary to achieve competitive advantage (Beer, 1985; Tricky, Fomburn & Devenna, 1982) have led to the emergence of human resource management (HRM) as a main stream management function.

Human Resource Management is an all inclusive function that includes planning, organizing, implementing and managing Recruitment, Selection, Training & Career Development initiatives within the organization. The goal of HRM is maximizing productivity by optimizing effectiveness of employees, as valuable resources by improving the work life of employees and their satisfaction. HRM encompasses efforts to promote personal development, employee satisfaction and compliance with employment related laws.

There are several concepts and perspectives of HRM which should be studied to understand HRM discipline. Some of the important concepts and perspectives are described below:

2.1.1 Foundation of HRM

There are seven underlying assumptions identified by R Wayne and Pace that provides a foundation and direction of HRM:

1. Acknowledgement of individual work, recognizing the value of individual contribution.

2. Employees are resources who can learn new ideas and can be trained.

3. Quality of work life is a legitimate concern and employees have a right to safe, clean and pleasant surroundings.

4. There is need for continuous learning: talents & skills need to be continually refined for long term perspective of the organization.

5. Supporting the existence of an organized HRM system to facilitate continual worker adaptation.

6. Matching employee's skills with the job assigned and employee's satisfaction.

7. HRM has a broader scope: employees need to have urodder harizen then merely sticking to in order specific task to make maximum contribution.

2.1.2 Strategic Human Resource Management (SHRM)

Accomplishment of organizational goals is largely influenced by external factors and competition. Business policies were primarily focused on internal environment, resources and capabilities. Strategic management has evolved with greater impact of environmental factors on the business functions and performance. The basic difference between business policy and strategic management is the focus on external environment for identifying opportunities and threats and the competitive forces while formulating business strategies. The prime objective of strategic management is to build competitive advantage and enhance competitiveness. Strategies are formulated at different levels: corporate level, Business Unit level, and functional level. Business Unit level and functional level strategies must be aligned to corporate level strategies.

Strategic management process involves four major steps:
1. Environmental scanning: External and internal both
2. Strategy formulation
3. Strategy implementation: programmes, budgets and procedures
4. Evaluation and control: process and performance

HRM plays very important role in strategy formulation and strategy implementation by providing critical input about capability and core competence about the employee. It ensuries availability of HR having required skills and competence and enhances performance through strategic HR policies and practices. Strategic HRM involves contribution in corporate strategy formulation, developing strategic goals for formulating functional strategy, and its implementation, evaluation and control. Strategic HRM focuses on enhancing individual and group performance and building competitive advantage and competitiveness through HR Audit and HR Capital tools, and these activities should lead to and be reflected in performance and growth of the organization.

2.1.3 Human Resource Development (HRD)

Human Resource Development is basic to developmental process be it economic, scientific, social, or career development. HRD is concerned with the organized series of learning activities designed to produce behavioural changes in the learner (Naddler, 1969). In the organizational context HRD is a process that helps employees to improve their functional capabilities for their present and future roles, and to develop their general capabilities to harness inner potentials for personal and organizational development. The group of activities are directed towards existing HR in order to improve their efficiency and effectiveness and to enable them to take-up new roles and functions are part of HRD function. Training, education and development programmes and all learning initiatives constitute HRD tools and techniques. HRD is the vital component of Strategic HRM.

2.1.4 HRM Policies

A policy is a guideline for decision making for plan of actions. It is a statement of intention committing the management to a general course of actions. When the management drafts a policy statement to cover some features of its personnel programme this may be termed as HR Policies. The statement often contains an expression of philosophy and principle as well. It is perfectly legitimate for an organization to include its philosophy, principles and policy in one policy expression.

HR audit is a tool for evaluating HR activities of the organization. It may include one division or the whole organization. HR audit provides feed back to operating managers and HR specialists about the HR functions, as well as, how well managers are discharging their responsibilities. HR audit is a comprehensive quality control check of HR activities and an evaluation of the support which the HR activities are providing to organizational strategy.

(1) Man Power Planning
(2) Staffing and Development
(3) Performance Management and Rewards
(4) Improving employees and work environment: efficiency & motivation
(5) Establishing effective working relationships: Communication & Culture.

2.2 HRM in the Changing Environment

HRM functions and tasks remain the same but the role and responsibility of, and expectations from HR Manager are changing under the impact of environmental changes. The environment itself being dynamic, complex and having integrative and aggregate impact is putting lot of challenges on HR function and HRM.

The external that are factors effecting HRM roles and responsibilities include labour market in terms of demand and supply, skills-set requirements, productivity- performance and compensation expectations, obsolescence in view of fast technological advancement and the complexity of job- fit, organizational- fit and global perspecting. Changing enviroment issuesare are:

(1) **Diversity and Diversity Management:** Diversity and Diversity Management is one of the prime concerns of the HRM under the changing environment.

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(2) Legal Considerations: Diversity in legal provision from country to country and from sector to sector and its compliance is also a major factor requiring appropriate changes in HRM policies and practices.

(3) Society: Under the impact of globalization the socio-cultural structure relationship, behaviour and expectations are undergoing change HRM requires aligning of organizational goals and objectives with individual goals and objectives, therefore, changes in society require appropriate changes in HRM practices.

(4) Shareholders: Business objectives, ownership structure and expectations of shareholders, have led to shift in focus from managing resources to creating assets and this requires balancing and rationalizing the interest of all stake holders and putting shareholder's interest in appropriate perspective. This requires a relook on cost, revenue, profit and benefits to the society as a whole.

(5) Competition: The factors influencing competition and the ever changing dimensions and intensity of competition are the greatest challenges before the organization. Building sustainable competitive advantage is essential and a primary function of HRM. Most of the competencies, specifically the core competencies are build around the people and their core capabilities. This makes HRM role critical in acquiring people with right kind of skills set, retaining these people with appropriate compensations and linding innovative ways of enhancing their commitment and satisfaction level.

(6) Customers: In an era of information explosion and the jet age, open communication system through advancement of Information and Communication Technology (ICT), customers have become more informed and more demanding about the product and services they seek and also the concern they have for their health and safety and conser vation/ protection of environment have increased . These have led to greater challenges for the organization because for their survival and growth the management needs to ensure that they do not antagonize the customers with its products and services. Besides customers constantly demand high quality products and after-purchase services, for this the HRM has to develop a system and policies to get quality people and deliver quality products focusing at customer delight.

(7) Technology: Technological Advancement has changed the working environment in two ways (i) Technology has led to changes in the business process i.e. transforming input into output and this has necessitated acquiring new technical skills or people with new relevant technical skills.(ii)The work process has also changed from doing things manually to doing things using technology. Web and IT facilities are used in order delivery and utilize HR application on a service basis. Companies are automating most of the human resource administrative functions. The recruiting and hiring function have seen a lot of technological changes. Workforce organization and other hiring process automation services are expected to grown rapidly in size and volume both.

(8) Economy: Changes in economy and various segments of economy is a major environmental factor impacting HRM. In a booming economy recruiting qualified workers has become more difficult, during downturn economy the problem of downsizing or right sizing is experienced. The HR Policies need to be modified or reoriented as per changes in economy and economy related issues.

(9) Unanticipated Event: In the face of 9/11, 26/11, West Asia crisis, recession in South Asian Nations, Hurricane Rita, Tsunami, other natural calamities/ disaster and other such events impact HRM practices and recquire changes in HR Polices and related HR issues.

2.3 HR Planning

HRM process starts with estimation of number and quality of people required. This is known as HR Planning (HRP). HRP is the process of forecasting future demand of the organization, analyzing demand & supply situation with focus on availability of right type of people in right number, when needed.

Without a clear cut planning, estimation of human resource need of an organization, the HRP exercise is reduced to a mere guesswork. Importance of HRP is attributed to following:

1. Estimation of future HR needs and fulfilling them is the main activity of HRP.

2. HRP is a part of strategic panning. HR plays important role in strategic implementation and therefore HRP must align itself with strategic planning process.

3. Creating highly talented personnel is critical to building core capabilities, core competence, and competitive advantage.

4. International Strategies can be implemented with proper Human Resource Planning to match the requirements of expansions and the global quality perspective.

5. Foundation for personnel functions is provided by manpower planning such as recruitment, selection, transfer, promotion, and Training & Development.

6. Organizations make investment on HR development and therefore effective utilization of employees can be achieved through building human assets. HRP plays an important role in implementing the concepts of Human Assets and HR Accounting (HRA).

7. HRP Policies can be used effectively to deal with the issues of resistance to change, change and movement of the staff by focusing on the issues of self evaluation, loyalty and dedication.

8. HRP provides other critical inputs for effective implementation and maintenance strategic HRM Issues.

Factors Affecting HRP:
- Environmental uncertainties
- Organizational growth and life-cycle
- Type and Strategy of organization
- Time Zone
- Type and quality of forecasting information
- Nature of jobs being filled
- Outsourcing

Figure 1: Factors affecting HRP

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2.3.1 The Planning Process

HRP basically involves forecasting HR needs, assessment of HR Supply and matching demand and supply factors based on corporate strategy, organizational objectives and the business environment. The process involves following steps:

1. Environmental Scanning
2. Organizational Objectives and Policies
3. HR Demand Forecast
4. HR Supply Forecast
5. HR Programming

(1) **Environmental of Scanning:** it includes systematic monitoring of external forces influencing the organization. The relevant factors are:
   - Economic factors, including general and regional conditions.
   - Technological changes, including robotics and automation.
   - Demographic changes, including age, composition and literacy.
   - Political and legislative issues, including laws and administrative rulings.
   - Social concerns, including child care, and educational facilities and priorities.

(2) **Organizational Objectives and Policies:** Organizational objectives and policies focus on the following questions:
   - Are vacancies to be filled by promotions from within or by hiring from outside?
   - How do the training and development objectives interface with the HRP objectives?
   - What union constraints are encountered in HRP and what policies are needed to handle these constraints?
   - How to enrich employee's job? Should the routine and boring jobs continue or they should be eliminated.

(3) **HR Demand Forecast:** The demand forecasting must consider external and internal factors both with focus on economic environment, regulatory and legal requirements, technology scenario and socio cultural factors. Internal factors include products and services, budget constraint, organizational structure and strategies. Demand forecasting helps in (i) Qualifying the jobs (ii) Determining staff-mix (iii) Identifying Staffing requirements (iv) Preventing over staffing & (v) Monitor compliance with legal requirements.

Forecasting Techniques

   - Commonly used forecasting techniques are:
   - Managerial Judgment
   - Ratio Trend Analysis
   - Regression Analysis
   - Work Study Technique
   - Delphi Techniqu
   - Flow Models

(4) **HR Supply Forecast:** After determining the number and kind of employees required the next stage is to determine availability of the required number of personnel and the sources of procurement. The supply analysis focuses internal sources of supply and external sources of supply.

Skill Inventories: Skill Inventories provide important input for recruitment, transfer and promotion decisions – Broad categories of information included in each skill inventories are :
   - Personal data- age, sex, marital status.
   - Skills- education, job experience, training
   - Special qualifications- membership in professional bodies, special achievements.

- Salary and job history- present and past salary, date of pay raises, various jobs held.
- Company data- benefit plan data, retirement information , seniority.
- Capacity of individual- scores on psychological and other tests, health information
- Special preference of individual- geographic location, type of job.

(5) **HR Programming:** HR Programming is of great importance because it involves reconciling demand and Supply forecast to ensure procurement of right kind of employees at the right time.
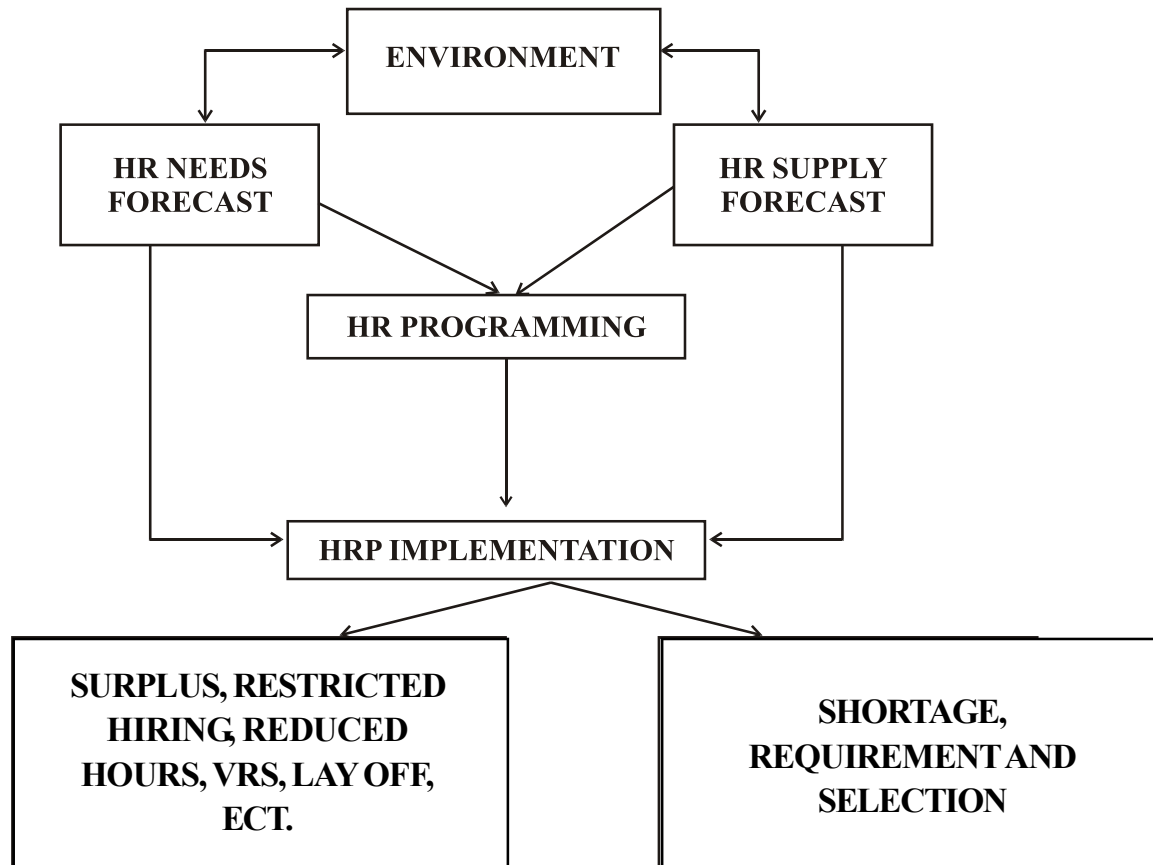
Figure-2 : HUMAN RESOURCE PLANNING PROCESS

2.4 Job Analysis

Job analysis is the process of identifying and determining in detail job duties and requirements and the relative importance of these duties for the given job. Job analysis data is collected from different sources, using different methods and the analysis provides job description and job specifications.

2.4.1 Purpose of Job Analysis

The purpose of job analysis is to document the job related information that are relevant and important for employment related decisions. Job Description and Job Specifications, the product of job analysis, are helpful in following activities:
- Determining Training Needs with regard to required skills and capabilities
- Evaluating worth of the job
- Determining selection criteria
- Prformance appraisal in the context of performance standards
- Determining the facilities and services required for better performance

2.4.2 Methods of Job Analysis

Several methods exist that may be used individually or in combination for collecting the data. These include interviews, observation, technical conference, questionnaire, and check list. In addition to these narrative methods, there are quantitative methods of job analysis. The Position analysis Questionnaire (PAQ), the Management Position Description Questionnaire (MPDQ) and the Functional Job Analysis (FJA) are methods that need specialized training for the analyst before undertaking job analysis using these quantitative methods.

2.4.3 Job Design

Job design involves conscious effort to organize tasks, duties and responsibilities into a unit of work to achieve specific objectives. Job design has three components specification of individual tasks, specifications of the methods of performing each task, and combining the task into specific jobs to be assigned to individuals. It is important to strike a proper balance between specialization and simplification of the tasks while designing the job.

2.5 Recruitment and Selection

2.5.1 Recruitment

It is discovering the potential of applicants for actual or anticipated organizational vacancies. It actually links together employers with those seeking jobs.

"It is a process of searching for prospective employees and stimulating and encouraging them to apply for jobs in an organization." Flippo

The purpose of recruitment is to locate sources of manpower to meet job requirements and job specifications.

Factors affecting Recruitment

1. The size of the organization.
2. The employment conditions in the community where the organization is located.
3. The effects of past recruiting efforts which show the organization's ability to locate and retain the good performing people.
4. Working conditions, salary and benefit packages offered by the organization.
5. Rate of growth of the organization.
6. The future expansion and production programs.
7. Cultural, economic and legal factors.

However these factors may be divided specifically into Internal and External factors.

Internal Factors
1. Recruitment policy of the organization
2. Human resource planning strategy of the company
3. Size of the organization and number of people employed
4. Cost involved in recruiting employees
5. Growth and expansion plans of the organization

External Factors
1. Supply and demand of specific skills in the labour market.
2. Political and legal factors like reservations of jobs for specific sections of society etc
3. The job seekers image perception of the company.

Steps of a Recruitment Process HR recruitment process involves five elements:

1. **Recruitment Policy:** It defines the objective of the recruitment and also provides a framework for the implementation of the recruitment program. The policy should be based upon corporate goals and needs. The criteria for selection and preferences should include merit and suitability.

2. **Recruitment organization:** It is necessary to centralize the recruitment and selection function in a single office. This will bring about maximum efficiency and success in hiring. This centralized office is known as the Employee Office or the Recruitment Section.

3. **Forecast of Manpower:** This usually specifies:

   A. Jobs or Operations for which the person should be available.

   B. Duration of their employment.

   C. Salary to be offered & terms of the employment

   D. Necessary qualification and experience

4. **Sources of Recruitment:** There can be two kinds of sources for recruitment:

   A. Internal – This includes personnel already on the payroll of an organization. Whenever there is avacancy, somebody within the organization fills in or is upgraded.

   B. External – These sources lie outside the organization.

5. **Methods of Recruitment:** The possible recruitment methods can be divided into three categories:

   i). Direct – In this method, recruiters visit colleges and technical schools, e.g. Infosys, the Tata Group, Accenture, IBM, Siemens and several other companies maintain continuous relationship with institutions to hire students for responsible positions.

   ii). Indirect – This involves advertising in newspaper, radio, T.V., journals etc. Advertising can be very effective if its media are properly chosen.

   iii). Third Party methods – This includes the use of commercial or private employment agencies, placement officials of schools, recruitment firms etc. Friends and relatives of present employees are also a good source from which employees may be drawn as part of the "Buddy Referral" programs.

Broadly the Personnel Recruitment Process can be mapped in a Flowchart as given below:

Human Resource Planning —> Locating needed Personnel —> Selecting Qualified Personnel —> Placing New Employees on the Job

2.5.2 Selection Procedure

The main objective of a selection procedure is to determine whether an applicant meets the qualification for a specific job, and then to choose the applicant who is most likely to perform well in that job.

The entire process of selection begins with an initial screening interview and concludes with a final employment decision. When a selection policy is formulated, organizational requirement like technical and professional dimensions are kept in mind.

Steps in selection procedure:
1. Reception of applications or preliminary screening
2. Application blank that gives a detail about the applicant's background and life history
3. A well conducted interview to explore the applicant's background
4. The physical examination
5. Psychological testing that gives an objective look at a candidates suitability for that job

6. A reference check
7. Final Selection approved by the manager
8. Communication of the decision to the candidate.

Therefore the Selection Process can be pictorially represented in a flowchart as given below:

Establishing Selection Process —> Identifying & choosing selection criteria —> Gathering information about potential employees —> Evaluating information for assessing applicant—-> Making decision to select or reject —> Communicating decision

Thus the selection process should be planned in such a way that high potential human resource is selected leading to higher efficiency. Entire focus of the recruitment and selection process should be such that the right person for the right job is inducted into the organization.

(Source: adapted from Article, "Class Notes on……" by **Mitali Mukhopadhyaya**: www. articlebase.com)

2.6 Training and Development

One of the primary functions of Human Resource Management is to maximize the organizational as well as employee effectiveness. Scope of HRM is vast. All the activities of employee, right from the entry into an organization until he leaves, fall under the domain of HRM. Recruitment, Payroll, Performance Management, Training and Development, Retention, Industrial Relation, etc are all part of HRM. Out of all these divisions, one such important division is Training and development that has huge impact on the employee as well as the organization.

Training and development is a subsystem of an organization. It ensures that randomness is reduced and learning or behavioral change takes place in structured format. In human resource management, training and development is focused at enhancing performance of individuals and groups in an organization. It has been known by several names, including employee development, human resource development, and learning and development.

Training and development involves three main activities: training, education, and development. Training is the activity that focuses on, and evaluated against, the job that an individual currently holds. Education focuses upon the jobs that an individual may potentially hold in the future, and is evaluated against those jobs. Development has focus on the individuals or groups that could be part of the organization in the future and prepare them for the responsibilities of the jobs they are likely to hold. It is multidimensional and the thrust is on developing skills and competency which can be leveraged in wide range of situations and contexts.

Traditional and modern approach to training and development:

In traditional approach most of the organizations were holding the traditional view that managers are born and not made. They were also of the view that training is a very costly affair and not worth. Organizations used to believe more in executive pinching. But now the scenario has changed. The modern approach of training and development is that Indian Organizations have realized the importance of corporate training. Training is now considered as more of retention tool than a cost and reducing acquisition cost of highly competent HR. The training system in Indian Industry has been under going a change to create a smarter workforce and yield higher results.

2.6.1 Objectives

Principal objective of training and development division is to make sure the availability of a skilled and willing workforce to an organization. In addition to this, it helps in four other objectives: Individual, Organizational, Functional, and Societal.

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The quality of employees and their development through training and education are major factors in determining long-term profitability of a business. Training is often considered as a requirement for new employees only. But ongoing training for current employees is equally important to update their skills and enhance their effectiveness in rapidly changing job environment.

In addition to individual and organizational growth, the purpose of Training and Development includes:

- Creating a pool of readily available and adequate replacements for personnel who may leave or move up in the organization.

- Enhancing the company's ability to adopt and use advances in technology because of a sufficiently knowledgeable staff.

- Building a more efficient, effective and highly motivated team, which enhances the company's competitive position and improves employee morale.

- Ensuring adequate human resources for expansion into new programs.

Employees frequently develop a greater sense of self-worth, dignity and well-being as they become more valuable to the firm and to society. Generally they will receive a greater share of the material gains that result from their increased productivity. These factors give them a sense of satisfaction through the achievement of personal and organizational goals.

2.6.2 The Training Process

The model below includes the steps necessary in the training process:
- Organizational Objectives
- Needs Assessment
- Gap analysis
- Training Objectives
- Select the Trainees and analyze their profile
- Select the Training Methods and Mode to prowide training.
- Organizing and conducting Training
- Evaluating training effectiveness

A well-conceived and structured training program focused on company's strategy and objectives has a high probability of improving productivity and enhancing organizational performance and growth. For formulating a training strategy following questions must be deliberated:
- Who are your customers? Why do they buy from you?
- Who are your competitors? How do they serve the market? What competitive advantages do they enjoy? What parts of the market have they ignored?
- What strengths does the company have? What are the weaknesses?
- What social trends are emerging that will affect the firm?
- What processes and activities are to be performed and the relevant skills required for implementing the corporate strategy?

The purpose of formulating a training strategy is that it guides and directs further process of training.

Identifying Training Needs

Training needs can be assessed by analyzing three major human resource areas: the organization as a whole, the job characteristics and the needs of the individuals. It begins by assessing the current status of the company: the abilities of employees to do the assigned tasks and their productivity. This analysis will provide opportunity to identify the training needs and designing the training programme. Training

need identification should be done by consulting the supervisor and the administrative authority of the employee. Seeking opinion of the previous boss is also desirable. Besides technical skills, behavioural and attitudinal dimensions should also be given due consideration while identifying the training needs

Training need identification involves three major activities:
1. Identification of the functional area and the hierarchy level where training is required
2. Select the trainees
3. Determine training areas/ training content: job analysis, task analysis, skill analysis

- **Gap Analysis :** Gap analysis refers to the assessment of current level of skill and productivity and the required level of skill to perform at expected level of productivity. It also measures competence level of the competitors employee and the competence level of the employee of industry leader. This analysis helps in determining the training goal in short term and long term perspectives in line with the organizational mission and goals.

- **Training Goals:** The goals of the training program should relate directly to the needs determined by the assessment process outlined above. Course objectives should clearly state what behavior or skill will be changed as a result of the training and should relate to the mission and strategic plan of the company. Goals should include milestones to help take the employee from where he or she is today to where the firm wants him or her in the future. Setting goals helps in evaluating the training program and also to motivate employees. Allowing employees to participate in setting goals increases training effectiveness.

- **Training Methods:** There are two broad types of training methods: on-the-job and off-the-job techniques. Individual circumstances and the "who," "what" and "why" of the training program determine which method to use.

  On-the-job training is delivered to employees while they perform their regular jobs. In this way, they do not lose time while they are learning. After a plan is developed for what should be taught, employees should be informed of the details. A timetable should be made with periodic evaluations to inform employees about their progress. On-the-job techniques include orientations, job instruction training, apprenticeships, internships and assistantships, job rotation and coaching.

  Off-the-job techniques include lectures, special study, films, television conferences or discussions, case studies, role playing, simulation, programmed instruction and laboratory training. Most of these techniques can be used by small businesses although, some may be too costly.

2.6.3 Methods of Training

Orientation/ induction: The first several days on the job are crucial in the success of new employees. This point is illustrated by the fact that 60 percent of all employees who quit, do so in the first ten days. Orientation training should emphasize the following topics:
- The company's history and mission.
- The key members in the organization.
- The key members in the department, and how the department helps fulfill the mission of the company.
- Personnel rules and regulations.

Some companies use verbal presentations while others have written presentations. Many small businesses convey these topics in one-on-one orientations. No matter what method is used, it is important that the newcomer understands his or her new place of employment.

Lectures present training material verbally and are used when the goal is to present a great deal of material to many people. It is more cost effective to lecture to a large group than to a small group. Lecturing is one-way communication and as such may not be the most effective way to train. Also, it is

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hard to ensure that the entire audience understands a topic at the same level by targeting the average attendee you may train some and lose others.

Role Playing and Simulation are training techniques that attempt to bring realistic decision making situations to the trainee. Likely problems and alternative solutions are presented for discussion. The advantage is the trainee is exposed to real situations that are faced by the organizations. Experienced employees can describe real world experiences, and can help in and learn from developing the solutions to these simulations. This method is cost effective and is used in marketing and management training.

Audio Visual Methods such as television, videotapes and films are the most effective means of providing real world conditions and situations in a short time. One advantage is that the presentation is the same no matter how many times it's played. This is not true with lectures, which can change as the speaker is changed or can be influenced by outside constraints. The major flaw with the audiovisual method is that it does not allow for questions and interactions with the speaker, nor does it allow for changes in the presentation for different audiences.

Job Rotation involves moving an employee through a series of jobs so he or she can get a good feel for the tasks that are associated with different jobs. It is usually used in training for supervisory positions. The employee learns a little about everything. This is a good strategy for small businesses because an employee may be asked to do many jobs.

Apprenticeships develop employees who can do many different tasks. They usually involve several related groups of skills that allow the apprentice to practice a particular trade, and they take place over a long period of time in which the apprentice works for, and with, the senior skilled worker. Apprenticeships are especially appropriate for jobs requiring production skills.

Internships and assistantships are usually a combination of classroom and on-the-job training. They are often used to train prospective managers or marketing personnel.

Programmed learning, computer-aided instruction and interactive video all have one thing in common: they allow the trainee to learn at his or her own pace. Also, they allow material already learned to be bypassed in favor of material with which a trainee is having difficulty. After the introductory period, the instructor need not be present, and the trainee can learn as his or her time allows. These methods sound good, but may be beyond the resources of some small businesses.

Laboratory training is conducted for groups by skilled trainers. It usually is conducted at a neutral site and is used by upper- and middle management trainees to develop a spirit of teamwork and an increased ability to deal with management and peers. It can be costly and usually is offered by larger small businesses.

2.6.4 Trainers

Who actually conducts the training depends on the type of training needed and who will be receiving it. On-the-job training is conducted mostly by supervisors; off-the-job training, by either in-house personnel or outside instructors.

In-house training is the daily responsibility of supervisors and employees. Supervisors are ultimately responsible for the productivity and, therefore, the training of their subordinates. These supervisors should be taught the techniques of good training. They must be aware of the knowledge and skills necessary to make a productive employee. Trainers should be taught to establish goals and objectives for their training and to determine how these objectives can be used to influence the productivity of their departments. They must also be aware of how adults learn and how best to communicate with adults. Small businesses need to develop their supervisors' training capabilities by sending them to courses on training methods. The investment will pay off in increased productivity.

There are several ways to select training personnel for off-the-job training programs. Many smallbusinesses use in-house personnel to develop formal training programs to be delivered to employees off line from their normal work activities, during company meetings or individually at prearranged training sessions.

There are many outside training sources, including consultants, technical and vocational schools, continuing education programs, chambers of commerce and economic development groups. Selecting an outside source for training has advantages and disadvantages. The biggest advantage is that these organizations are well versed in training techniques, which is often not available with in-house personnel.

2.6.5 Organizing the Training

Having planned the training program properly following points should be considered well to make sure the goals are being met: Resource persons, Location, Training facilities; Accessibility, Comfort, Equipments & training aids, Timing. A careful attention to these operational details will contribute to the success of the training program.

An effective training program organizer should focus on the follow steps:

- Define the organizational objectives.
- Determine the needs of the training program.
- Define training goals.
- Develop training methods.
- Decide whom to train.
- Decide who should do the training.
- Administer the training.
- Evaluate the training program.

2.6.6 Evaluation of Training

Training should be evaluated several times during the process. Determine the milestones while developing the training programme. Employees should be evaluated by comparing their newly acquired skills with the skills defined by the goals of the training program. Any discrepancies should be noted and adjustments made to the training program to enable it to meet specified goals. Many training programs fall short of their expectations simply because the administrator fails to evaluate its progress. Timely evaluation will prevent the training from straying from its goals.

2.7 Career Planning

Effective HRM encompasses career planning, career development and succession planning. Even though in this era of rapid technology changes organizations are besieged with the problem of manpower redundancy, organizations are equally concerned with the problem of retention of manpower. While one way to increase retention is by extrinsic motivational reinforces, the other way is to address to the need of employees, which centres around individual career planning and career development.

Meaning: Career Planning is the process by which one selects career goals and the path to these goals. The major focus of career planning is on assisting the employees achieve a better match between personal goals and the opportunities that are realistically available in the organization.

Career planning is not an event or end in itself, but a continuous process of developing human resources for achieving optimum results. Its focus is on future needs and opportunities and removal of

stagnation, obsolescence and dissatisfaction of the employee. In this process, it opens avenues for growth to higher levels of responsibilities for potential employee of the organization through hierarchy of position and training and development activities to equip the individuals with the requisites for succession.

Career planning is the process of establishing career objectives and determining appropriate educational and developmental programs to further develop the skills required to achieve short- or long-term career objectives.

2.7.1 Objective of Career Planning:

The objectives of Career Planning are as given here under:
1. To secure the right man at the right job and at the right time.
2. To maintain a contended team of employees
3. To strengthen the retention programme of the organization.
4. To provide adequate career avenues to employees so that they are able to handle higher levels of responsibilities.
5. To improve employee's morale and motivation.
6. To reduce employee turnover.

2.7.2 Benefits of Career Planning:

The career planning encourages individuals to explore and gather information which enables them to synthesise, gain competencies, make decisions, set goals and take action. Career planning benefits not only the individual employee, but also the organization. By developing employees for future positions, and organization is assured of supply of qualified, committed employees to replace the higher- level employees. This facilitates internal staffing of the organization and reduces the costs of external recruiting and selection. In addition, a career planning strategy enables organizations to develop and place employees in positions compatible with their individual career interests, needs and goals. This promotes employee satisfaction and was to optimal use of employee abilities. Finally, career planning can help to retain and motivate employees. Through the career planning process, employees are helped to set realistic goals and to develop and required skills and abilities for target positions.

2.7.3 Career Planning Process:

Career planning is the process of setting individual career objectives and devising developmental activities necessary to achieve them. It is, in the broadest sense, the personal process of planning one's future work. In this process, an individual analyses his or her interest, values, goals and capabilities. From the management view point, career planning and development should remain an individual responsibility. However, many individuals lack the insight, skills, or initiative to determine their own career process effectively. Among the techniques to aid individual career planning are career counseling, career and life planning, and self development activities.

Career planning involves four fundamental elements which, when taken together, represent the career planning process.

Direction: This involves the career goals one sets and the organisation's ability to act favourably upon these goals, especially in the light of business objectives and realities.

Career Time: This relates to distance and velocity factors- how far one wants to go in an organization or on the career path and how fast that person expects to get there.

Transition: This is the resistance one encounters while moving toward career goals Transition relates to the changes expected, say, in knowledge, skill and attitude en route to a career goal.

Outcomes: This relates to the probabilities that one's investment and sacrifices for career progress will pay off.

The important influences on careers are, of course, the organization and the individual themselves. Both the organization and the individual are important and career planning can be seen from the perspective of the both parties having common perspective and aligning their respective goals to each other goals.

3.9 Wage And Salary Administration

An average employee in the organized sector is entitled to several benefits- both financial as well as non- financial. To be specific, typical remuneration of an employee comprises- wages and salary, incentives, fringe benefits, perquisites, and non- monetary benefits.

Wages & Salary: Wages as defined in Payment of Wages Act: any remuneration capable of being expressed in terms of money. Wages are linked to worker or laborers performing manual work.

Incentives: A factor that motivates a person to achieve a particular goal. People need positive incentives to encourage them to work effecintly. Incentives are especially important for competitively support people who have to train themselqes intensively and strictly in order to regulate their diets to achieve success. Incentives vary from individual to individual, but most people are attracted towards activities which offer the following:
- pleasant sensations (sensory incentive)
- novel situations, providing varied and exciting stimuli (curiosity incentive)
- reassurance and support from a group (affiliation incentive)
- an opportunity to work independently (independence incentive)
- a feeling of self-control and not being dominated by others (power incentive)
- low levels of frustration and hostility (aggression incentive)
- a strong sense of achievement and success (achievement incentive).

Fringe Benefits: Fringe benefits are compensations made to an employee beyond the regular benefit of being paid for their work. Some fringe benefits are fairly standard, such as offering a few days of sick time or paid vacation time. Others can be significantly greater, and rare. Key executives in large companies might also enjoy fringe benefits like use of time-share condominiums, paid continuing education, use of a company jet, use of a company credit card, discounted or free health club memberships, and a significant amount of paid vacation.

Perquisites: perquisites are the amenities provided by the employer to his employee. These are some perquisites:
- Value of rent-free accommodation provided by employer
- Value of any concession in the matter of Rent
- Any obligation payable by the employee, which is being met by the employer eg. Fringe Benefit Tax
- The value of any fringe benefit or amenity, which is not chargeable in the hands of the employer
- Any sum payable by the employer to effect an assurance on the life of the assessee or to effect a contract for annuity
- Value of any benefit or amenity granted or provided free of cost or at confessional rate to specified employees.

2.9 Job Evaluation

Job evaluation is a practical technique, designed to enable trained and experienced staff to judge the size of one job relative to others. It does not directly determine pay levels, but will establish the basis for an internal ranking of jobs.

The two most common methods of job evaluation that have been used are: (1) whole job ranking, where jobs are taken as a whole and ranked against each other. (ii) method of awarding points for various aspects of the job. In the points system various aspects or parts of the job such as education and experience required to perform the job are assessed and a points value awarded - the higher the educational requirements of the job the higher the points scored. The most well known Points scheme was introduced by Hay management consultants in 1951. This scheme evaluates job responsibilities in the light of three major factors - know how, problem solving and accountability.

Principles of Job Evaluation

- Clearly defined and identifiable jobs must exist. These jobs will be accurately described in job description.
- All jobs in an organization will be evaluated using an agreed job evaluation scheme.
- Job evaluators will need to gain a thorough understanding of the job
- Job evaluation is concerned with jobs, not people. It is not the person that is being evaluated.
- The job is assessed as if it were being carried out in a fully competent and acceptable manner.
- Job evaluation is based on judgment and is not scientific. However if applied correctly it can enable objective judgments.
- It is possible to make a judgment about a job's contribution relative to other jobs in an organization.
- The real test of the evaluation results is their acceptability to all participants.
- Job evaluation can aid organizational problem solving as it highlights duplication of tasks and gaps between jobs and functions.

2.9.1 Job Evaluation Methods

There are three basic methods of job evaluation: (1) ranking, (2) classification, (3) factor comparison. While many variations of these methods exist in practice, the three basic approaches are described here.

(i) Ranking Method

Perhaps the simplest method of job evaluation is the ranking method. According to this method, jobs are arranged from highest to lowest, in order of their value or merit to the organization. Jobs also can be arranged according to the relative difficulty in performing them. The jobs are examined as a whole rather than on the basis of important factors in the job; and the job at the top of the list has the highest value and obviously the job at the bottom of the list will have the lowest value.

Jobs are usually ranked in each department and then the department rankings are combined to develop an organizational ranking.

(ii) Classification Method

According to this method, a predetermined number of job groups or job classes are established and jobs are assigned to these classifications. This method places groups of jobs into job classes or job grades. Separate classes may include office, clerical, managerial, personnel, etc. Following is a brief description of such a classification in an office.

(a) Class I - Executives: Further classification under this category may be office manager, Deputy Office Manager, Office superintendent, Departmental supervisor, etc.

(b) Class II - Skilled workers: Under this category may come the Purchasing assistant, Cashier, Receipts clerk, etc.

(c) Class III - Semiskilled workers: Under this category may come Steno-typists, Machine-operators, Switchboard operators, etc.

(d) Class IV - unskilled workers: This category comprises Daftaris, File clerks, Office boys, etc.

The job classification method is less subjective when compared to the earlier ranking method. The system is very easy to understand and acceptable to almost all employees without hesitation. One strong point in favor of the method is that it takes into account all the factors that a job comprises. This system can be effectively used for a variety of jobs.

The weaknesses of the job classification method are:

- Even when the requirements of different jobs differ, they may be combined into a single category, depending on the status a job carries.
- It is difficult to write all-inclusive descriptions of a grade.
- The method oversimplifies sharp differences between different jobs and different grades.
- When individual job descriptions and grade descriptions do not match well, the evaluators have the tendency to classify the job using their subjective judgments.

(iii) Factor Comparison Method

A more systematic and scientific method of job evaluation is the factor comparison method. Though it is the most complex method of all, it is consistent and appreciable. Under this method, instead of ranking complete jobs, each job is ranked according to a series of factors. These factors include mental effort, physical effort, skill needed, supervisory responsibility, working conditions and other relevant factors (for instance, know-how, problem solving abilities, accountability, etc.). Pay will be assigned in this method by comparing the weights of the factors required for each job, i.e., the present wages paid for key jobs may be divided among the factors weighed by importance (the most important factor, for instance, mental effort, receives the highest weight). In other words, wages are assigned to the job in comparison to its ranking on each job factor.

The steps involved in factor comparison method may be briefly stated as:

- Select key jobs (say 15 to 20), representing wage/salary levels across the organization. The selected jobs must represent as many departments as possible.
- Find the factors in terms of which the jobs are evaluated (such as skill, mental effort, responsibility, physical effort, working conditions, etc.).
- Rank the selected jobs under each factor (by each and every member of the job evaluation committee) independently.
- Assign money value to each factor and determine the wage rates for each key job.
- The wage rate for a job is apportioned along the identified factors.
- All other jobs are compared with the list of key jobs and wage rates are determined.

2.9.2 Job Evaluation Process

The job- evaluation process starts with defining objectives of job evaluation and ends with establishing wage and salary differentials. Job analysis provides job related data and leads to drafting of job description and job specifications which is the foundation of job evaluation. Job evaluation programme involves seeking answer to some important questions: (i) which jobs to be evaluated? (ii) Who would evaluate the jobs? (iii) what skills and training the evaluators need (iv) how much time is involved? (v) what should be the criteria for job evaluation and (vi) what methods of evaluation are to be employed. Job evaluation is generally done by a committee which consists of heads of various departments, representatives of employee union and specialists drawn from the National Productivity Council, chaired by a HR specialist. Responsibility for over all coordination of the job evaluation programme is in the hands of a senior executive who then reports the progress to the board and advise it on finalizing the wage & salary structure on the basis of job evaluation.

2.10 Performance Appraisal

Meaning and Definition: Performance appraisal may be understood as the assessment of an individual's performance in a systematic way. The performance is measured against such factors as job knowledge, quality & and quantity of output, initiative, leadership abilities, supervision, dependability, co- operation, judgment, versatility, health and the like. Assessment should not be confined to past performance alone. Potentials of the employee for future performance must also be assessed.

Performance appraisal is the systematic evaluation of the individual with respect to his or her performance, against the predetermined performance standards and on the basis of his or her potential for development.

Features of Performance Appraisal:

(1)   The appraisal is a systematic process involving three step:
·   Setting work/performance standards,
·   Assessing employee's actual performance relative to these standards.
·   Offering feedback to the employee so that he can eliminate deficiencies and improve performance in due course of time.
(2)   It tries to find out how well the employee is performing the job and tries to establish a plan for further improvement.
(3)   The appraisal is carried out periodically, according to a definite plan. It is certainly not a one shot deal.
(4)   Performance appraisal is not a past-oriented activity, with the intention of putting poor performers in a spot. It is oriented towards improvement and identifying avenues for providing encouragement and motivation for better performance.

2.10.1 Objectives of Performance Appraisal

Data relating to Performance assessment of employees are recorded, stored, and used for several purposes. The main objectives of performance appraisal are:
•   To review the performance of the employees over a given period of time.
•   To judge the gap between the actual and the desired performance.
•   To help the management in exercising organizational control.
•   Helps to strengthen the relationship and communication between superior – subordinates and management – employees.
•   To diagnose the strengths and weaknesses of the individuals so as to identify the training and developmental needs in the future.
•   To provide feedback to the employees regarding their past performance.
•   Provide information to assist in the other personal decisions in the organization.
•   Provide clarity of the expectations and responsibilities of the functions to be performed by the employees.
•   To judge the effectiveness of the other human resource functions of the organization such as re-cruitment, selection, training and development.
•   To reduce the grievances of the employees.

2.10.2 Appraisal Process
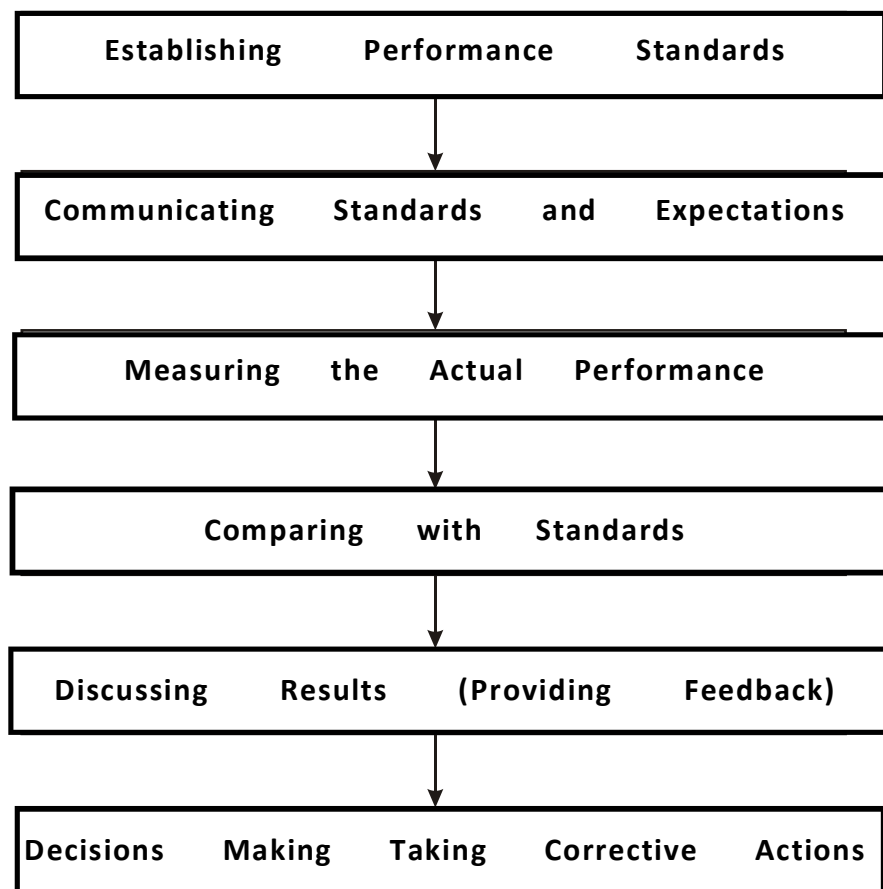
1. Estabilishing Performance Standards

First step in the **process of performance appraisal** is the setting up of the standards which will be used to as the base to compare the actual performance of the employees. This step requires setting the criteria to judge the performance of the employees as successful or unsuccessful and the degrees of their contribution to the organizational goals and objectives. The standards set should be clear, easily under-

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

2. Communicating the Standards

Once the standards are set, it is the responsibility of the management to communicate the standards to all the employees of the organization. The employees should be informed and the standards should be clearly explained. This will help them to understand their roles and know what exactly is expected from them. The standards should also be communicated to the appraisers or the evaluators and if required, the standards can also be modified at this stage itself according to the relevant feedback from the employees or the evaluators.

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│   Comparing      with      Standards                  │
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│ Decisions   Making   Taking   Corrective   Actions    │
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Figure 2.   Performance Appraisal Process

3. Measuring the Actual Performance

Most difficult part of the Performance appraisal process is measuring the actual performance of the employees that is the work done by the employees during the specified period of time. It is a continuous process which involves monitoring the performance throughout the year. This stage requires the careful selection of the appropriate techniques of measurement, taking care that personal bias does not affect the outcome of the process and providing assistance rather than interfering in an employees work.

4. Comparing the Actual with the Desired Performance

The actual performance is compared with the desired or the standard performance. The comparison tells the deviations in the performance of the employees from the standards set. The result can show

the actual performance being more than the desired performance or, the actual performance being less than the desired performance depicting a negative deviation in the organizational performance. It includes recalling, evaluating and analysis of data related to the employees' performance.

5. Discussing Results

Result of the appraisal are communicated and discussed with the employees on one-to-one basis. The focus of this discussion is on communication and listening. The results, the problems and the possible solutions are discussed with the aim of problem solving and reaching consensus. The feedback should be given with a positive attitude as this can have an effect on the employees' future performance. The purpose of the meeting should be to solve the problems faced by the employees and motivate the employees to perform better.

6. Decision Making

The last step of the process is to take decisions which can be taken either to improve the performance of the employees, take the required corrective actions, or the related HR decisions like rewards, promotions, demotions, transfers etc.

2.10.3 Methods of Appraisal

Critical incident technique: Under this method, the manager prepares lists of statements of effective and ineffective behavior of an employee. These critical incidents or events represent the outstanding or poor behavior of employees on the job. The manager maintains logs on each employee, whereby he periodically records critical incidents of the workers behavior. At the end of the rating period, these recorded critical incidents are used in the evaluation of the workers' performance.

Forced choice method: This method was developed to eliminate bias and the preponderance of high ratings that might occur in some organizations. The primary purpose of the forced choice method is to correct the tendency of a rater to give consistently high or low ratings to all the employees. This method makes use of several sets of pair phrases, two of which may be positive and two negative and the rater is asked to indicate which of the four phrases is the most and least descriptive of a particular worker. Actually, the statement items are grounded in such a way that the evaluator cannot easily judge which statement applies to the most effective employee.

Weighted checklist method: This method describe a performance appraisal method where rater familiar with the jobs being evaluated prepares a large list of descriptive statements about effective and ineffective behavior on jobs

Paired comparison analysis: Paired comparison analysis is a good way of weighing up the relative importance of options.

A range of plausible options is listed. Each option is compared against each of the other options. The results are tallied and the option with the highest score is the preferred option.

Scales: The Rating Scale is a form on which the manager simply checks off the employee's level of performance. This is the oldest and most widely method used for performance appraisal.

Management by Objectives (MBO):

MBO represents a modern method of evaluating the performance of personnel. Thoughtful managers have become increasingly aware that the traditional performance evaluation systems are characterized by somewhat antagonistic judgments on the part of the rater. There is a growing feeling nowadays that it is better to make the superior work with subordinates in fixing goals. This would inevitably enable subordinates to exercise self-control over their performance behaviors. Management by objectives can be described as "a process whereby the superior and subordinate managers of an organization jointly

identify its common goals, define individuals' major areas of responsibility in terms of results expected of him and use these measures as guides for operating the unit and assessing the contributions of each of its members". MBO thus represents more than an evaluation programme and process. Practicing management scientists and pedagogues view it as a philosophy of managerial practice; it is a method by which managers and subordinates plan, organize, control, communicate and debate.

Features of MBO

- MBO emphasizes anticipatively to set goals that are tangible, verifiable and measurable.

- MBO focuses attention on what must be accomplished (goals) rather than how it is to be accomplished (methods).

- MBO, by concentrating on key result areas translates the abstract philosophy of management into concrete phraseology. The technique can be put to general use (non-specialist technique). Further it is "a dynamic system which seeks to integrate the company's need to clarify and achieve its profit and growth targets with the manager's need to contribute and develop himself".

- MBO is a systematic and rational technique that allows management to attain maximum results from available resources by focusing on achievable goals. It allows the subordinate plenty of room to make creative decisions on his own.

2.11 Trade Unionism

A **trade union** is an organization of employees formed on a continuous basis for the purpose of securing diverse range of benefits. It is a continuous association of wage earners for the purpose of maintaining and improving the conditions of their working lives.

The Trade Union Act 1926 defines a trade union as a combination, whether temporary or permanent, formed primarily for the purpose of regulating the relations between workmen and employers or between workmen and workmen, or between employees and employers, or for imposing restrictive condition on the conduct of any trade or business, and includes any federation of two or more trade unions.

This definition is very exhaustive as it includes associations of both the workers and employers and the federations of their associations. Here, the relationships that have been talked about are both temporary and permanent. This means it applies to temporary workers (or contractual employees) as well. Then this definition, primarily, talks about three relationships. They are the relationships between the:
1. workmen and workmen,
2. workmen and employers, and
3. Employers and employers.

Thus, a trade union can be seen as a group of employees in a particular sector, whose aim is to negotiate with employers over pay, job security, working hours, etc, using the collective power of its members. Ingeneral, a union is there to represent the interests of its members, and may even engage in political activity where legislation affects their members. Trade unions are voluntary associations formed for the pursuit of protecting the common interests of its members and also promote welfare. They protect the economic, political and social interests of their members.

Fatures of Trade Unions:

1. It is an association either of employers or employees or of independent workers. They may consist of :-
- Employers' association (eg. Employer's Federation of India, Indian paper mill association, etc.)
- General labor unions

- Friendly societies
- Unions of intellectual labor (eg. All India Teachers Association)

2. It is formed on a continuous basis. It is a permanent body and not a casual or temporary one. They persist throughout the year.

3. It is formed to protect and promote all kinds of interests –economic, political and social-of its members. The dominant interest with which a union is concerned is, however, economic.

4. It achieves its objectives through collective action and group effort. Negotiations and collective

   bargaining are the tools for accomplishing objectives.

Trade unions have shown remarkable progress since their inception; moreover, the character of trade unions has also been changing. While focusing on the economic benefits of workers, the trade unions are also working towards raising the status of labour as a part of industry.

2.12 Disciplinary Action

Definition and Concept of Discipline, Aims and Objectives of Discipline, Forms and Types of Discipline, Acts of Indiscipline or Misconduct, Principles of Maintaining Discipline, Mc Gregor's Red Hot Stove Rule, Disciplinary Procedure, Approaches to Discipline, Preventive Discipline, Positive Discipline, Disciplinary Actions, Verbal Warning, Written Warning, Suspension, Demotion, Pay cut, Dismissal, Code of Discipline in Indian Industry, Industrial Employment Standing Orders Act, 1946 Staff Employee Disciplinary Action are the issues and actions relevant to discipline. The challenge is when and How to Take Disciplinary Action. Guidelines are designed to assist supervisors who experience behavioral and performance related problems with a staff employee, whether menlur of union or not These guidelines are inapplicable to layoffs or reductions in force.
- An Overview
- Progressive Discipline
- Additional Considerations

An Overview

Because employee discipline is a difficult experience that managers and supervisors sometimes face, these guidelines are intended to review the most effective approach to managing performance and/ or behavioral issues. Behavioral issues generally result in disruption to the work environment, for example, workplace misconduct and/or rules violations; performance issues result in a failure to meet goals and/or properly perform tasks, such as when an individual lacks the knowledge, skills or ability to perform the job, or where the work is consistently unacceptable in terms of quality or productivity.

Discipline should not generally come as a surprise to the employee. Occasionally employees are unaware of their supervisors' dissatisfaction until they suddenly receive a formal written reprimand or a letter of termination. one must try to avoid this situation if possible and attempt to regularly communicate issues to employees rather than wait until the performance problems can no longer be tolerated or until annual performance reviews are conducted.

When it becomes necessary to discipline an employee, two principles apply:
- first, the employee must be clearly informed by the supervisor as to the source of dissatisfaction;
- second, except in limited circumstances, the employee should be given the opportunity to correct the problem.

In most cases, the purpose of discipline is to instruct and correct rather than to punish. It is your responsibility as a supervisor to explain to the employee those areas in which he or she is expected to improve, to make suggestions about how to improve, and to allow time for the employee to make

improvements. It is usually only in instances such as theft, physical violence or other serious misconduct that immediate termination may be the proper action. If you believe that you are confronted by such a case, please seek assistance from the Office of Labor Relations.

Progressive Discipline

In most instances of **behavioral** problems, Rutgers' supervisors are encouraged to take a progressive approach to discipline as follows:

1. When you become aware of a problem, promptly speak to the employee, taking particular care to specify the deficiencies you wish to see corrected and how corrective action is to be undertaken. Have as many additional discussions with the employee under the particular circumstances. Usually, at this early stage, the employee should be given advice and guidance rather than a reprimand. It is important to maintain, at a minimum, a log of all discussions of this nature with employees. If the employee seems uncertain of the advice being given, then a confirmation of the discussion(s) in writing is advisable.

2. If, after a reasonable period of time, there is no improvement, or insufficient improvement, write formally to the employee explaining the reasons for your dissatisfaction with his or her conduct. Often it is helpful if such a letter makes reference to your earlier discussions with the employee. Ultimately it may be necessary to write to the employee to indicate that he or she will be suspended without pay or terminated if there is insufficient improvement in the conduct.

3. If there continues to be insufficient improvement, a suspension without pay for a short period of time is appropriate. You should specifically state, in a suspension letter, that the employee will be subject to further suspensions without pay or termination if there continues to be insufficient improvement. Please note that because of Fair Labor Standards Act regulations, a suspension for an NL employee must generally be for a full workweek; if you believe the offense does not warrant a full week of suspension without pay, please contact the Office of Labor Relations to discuss possible alternatives.

4. When it is apparent that a progressive disciplinary approach has failed and that the necessary change in behavior has not been achieved, you may decide to terminate the employee. Before terminating, however, you must give the employee written notification that you are scheduling him or her to attend a Pre-Termination Conference, and attach a draft copy of a letter specifying the reasons for termination. During the Pre-Termination Conference, give the employee an opportunity to respond to the reasons for termination, and consider what he or she says. After the meeting, you may investigate further if you choose. Nonetheless, at the conclusion of the process, decide whether or not you will terminate or impose some lesser discipline. If you decide to terminate, simply finalize the initial draft letter and issue it to the employee.

The sequence outlined in 1, 2, and 3 above will not be appropriate in every circumstance. The appropriate number of discussions, letters, formal reprimands, and/or suspensions before termination, the repetition or exclusion of one or another of the steps, and the length of time between the steps taken may depend on many factors such as the length of service of the employee; the level, nature and responsibilities of the particular position concerned; the previous disciplinary record of the employee; the nature and seriousness of the problem; and any improvement made by the employee throughout this process.

Such a progressive disciplinary approach may not be necessary with performance-based problems (i.e., if an employee's deficiencies in performing the functions of the position or meeting goals are such that they can not be corrected by coaching, training or disciplinary action, such as when an employee lacks a particular skill, aptitude or ability). In these instances, acknowledge the employee's lack of ability as soon as possible and provide consistent and regular performance assistance, evaluation, coaching and/or training. Then, after a reasonable period of time, if you conclude that the employee's

performance still has not reached and will not reach a satisfactory level, termination may be appropriate. Please note that this application of the disciplinary process is distinct from the Pay-for-Performance evaluation process. In all instances where you believe that discipline may be appropriate for a performance-based issue, please contact the Office of Labor Relations for further consultation.

Additional Considerations

It can be very difficult to advise an employee that you have concerns with his/her behavior or performance, but honesty, frankness, and precision about the sources of your dissatisfaction and about your future expectations for the employee are very important to the employee's understanding of the problem and his/her ability to improve. Vagueness and generalities or glossing over the situation are likely to leave the employee uneasy and feeling that something is wrong; however, without information and direction, the employee is unlikely to be able to improve. Keep your criticisms free of nonwork related matters and be as unemotional as possible, even though the situation is often stressful to supervisor as well as to the employee.

There are also some procedural items be kept in mind. First, ask the employee to sign the disciplinary letter in order to acknowledge that to be or she has read it; if the employee refuses to sign, that should be noted on the letter. Second, provide one copy of the disciplinary letter to the employee and one copy to University Human Resources for placement into the official university personnel file. Third, if the employee is covered by a collective negotiations agreement, you should refer to the applicable collective negotiations agreement to ascertain the requirements for notification of the union. Both union and nonunion staff employees may grieve discipline or termination in accordance with the procedures applicable to them, but that fact should not deter you as a supervisor from taking appropriate action when necessary.

Disciplinary Action - Enquiry Procedure

1- Prepare charge sheet along with charges, time and date.

2- Appoint an enquiry officer for investigation but keep in mind that he/she should not be connected anyhow with the case.

3- Issue a show cause notice to the accused. Signature should be made by inquiry Authority not by the inquiry officer.

4- If the answer of accused is satisfactory then prepare the report showing all the procedure and get it signed by both the parties.

5- If the accused denus the charges then inquiry officer is required investigate, that is the explanation is right.

6- Inquiry officer will submit his report to the inquiry authority but he has no right to suggest the punishment.

7- On the basis of the wavelength of offence management will decide the punishment for the person.

8- The accused can apply against the management decision.

2.13 Grievance Handling

ILO defined grievance as a "measure or situation, which concerns the relation between the employer and the worker or which affects or may affect the conditions of employment of one or several workers in the undertaking when that measure or situation appears contrary to provisions of an applicable collective agreement or of an individual contract of employment…" It may raise a question of discipline and dismissal, the payment of wages and fringe benefits, working time, overtime, promotion, demotion, transfer, safety, job description and many other work related issues.

Grievance is defined as a 'cause of complaints or annoyance'. Initially grievance handling was a one-step procedure. The worker directly approached the employer and a decision was given immediately. However with the development of mass production facilities, increased number of workers and supervisors and complication of multi-tier organizational structure, the number of grievances in organizations have gone up considerably making it difficult to sustain grievance handling as a one-step procedure.

The best way to handle grievances is to deal with it in the shortest possible time and at the lowest possible level.

2.13.1 Grievance Handling Procedure

The step-ladder procedure of grievance handling is a widely used technique. The stages are as follows:

1. The aggrieved employee approaches the immediate supervisor
2. The first level of grievance handling is the Section Head
3. If unresolved it will go to Departmental head
4. If still unresolved it would go to Divisional Head
5. It still unresolved the complaint goes to Union. The Union will discuss and if they feel they will discuss with the management.

The basic premise of grievance handling is that a violation of law or agreement between the union and the management, the grievance handling process must comply with well structured procedure as per law or as agreed between union and the management, only competent authorizty or designated officers will be involved in the process, and rights and obligations of both the parties will be considered. The process should adhere to the principles of transparency, fairness and natural justice.

2.14 Collective Bargaining

Collective bargaining is process of joint decision making and basically represents a democratic way of life in industry. It is the process of negotiation between firm's and workers' representatives for the purpose of establishing mutually agreeable conditions of employment. It is a technique adopted by two parties to reach an understanding acceptable to both through the process of discussion and negotiation.

Collective bargaining involves discussions and negotiations between two groups as to the terms and conditions of employment. It is called 'collective' because both the employer and the employee act as a group rather than as individuals. It is known as 'bargaining' because the method of reaching an agreement involves proposals and counter proposals, offers and counter offers and other negotiations.

Collective bargaining:
- is a collective process in which representatives of both the management and employees participate.
- is a continuous process which aims at establishing stable relationships between the parties involved.
- not only involves the bargaining agreement, but also involves the implementation of such an agreement.
- attempts in achieving discipline in the industry
- is a flexible approach, as the parties involved have to adopt a flexible attitude towards negotiations.

2.14.1 Characteristics of Collective Bargaining:
- It is a group process, wherein one group, representing the employers, and the other, representing the employees, sit together to negotiate terms of employment.
- Negotiations form an important aspect of the process of collective bargaining i.e., there is considerable scope for discussion and compromise in collective bargaining.

- Collective bargaining is a formalized process by which employers and independent trade unions negotiate terms and conditions of employment and the ways in which certain employment-related issues are to be regulated at national, organizational and workplace levels.
- Collective bargaining is a process in the sense that it consists of a number of steps. It begins with the presentation of the charter of demands and ends with reaching an agreement, which would serve as the basic law governing labor management relations over a period of time in an enterprise. Moreover, it is flexible process. Mutual trust and understanding serve as the by products of harmonious relations between the two parties.
- It a bipartite process. This means there are always two parties involved in the process of collective bargaining. The negotiations generally take place between the employees and the management. It is a form of participation.
- Collective bargaining is a complementary process i.e. each party needs something that the other party has; labor can increase productivity and management can pay better for their efforts.
- Collective bargaining tends to improve the relations between workers and the union on the one hand and the employer on the other.
- Collective Bargaining is continuous process. It enables industrial democracy to be effective. It uses cooperation and consensus for settling disputes rather than conflict and confrontation.
- Collective bargaining takes into account day to day changes, policies, potentialities, capacities and interests.
- It is a political activity frequently undertaken by professional negotiators.

Collective bargaining operates at three levels:
1. National level
2. Sector or Industry level
3. Company/Enterprise level

Economy-wide (national) bargaining is a bipartite or tripartite form of negotiation between union confederations, central employer associations and government agencies. It aims at providing a floor for lower-level bargaining on the terms of employment, often taking into account macroeconomic goals.

Sectoral bargaining, which aims at the standardization of the terms of employment in one industry, includes a range of bargaining patterns. Bargaining may be either broadly or narrowly defined in terms of the industrial activities covered and may be either split up according to territorial subunits or conducted nationally.

Range of employees covered
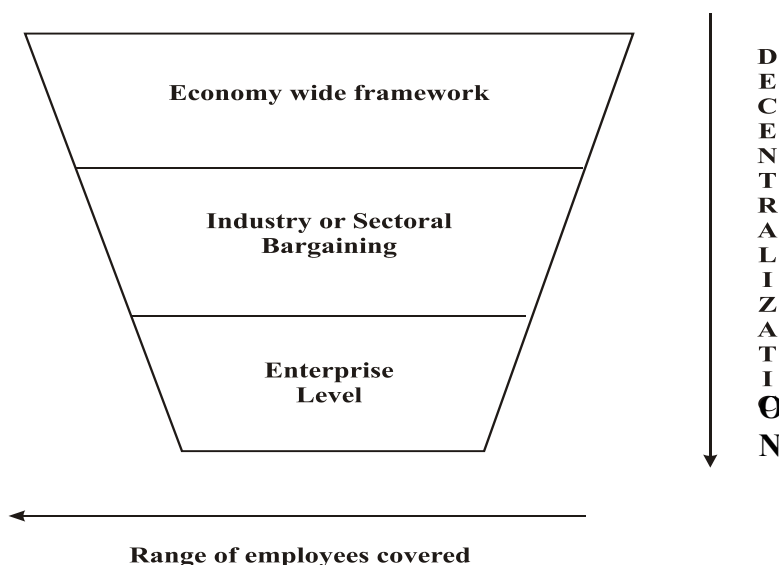
The third bargaining level involves the company and/or establishment. As a supplementary type of bargaining, it emphasizes the point that bargaining levels need not be mutually exclusive.
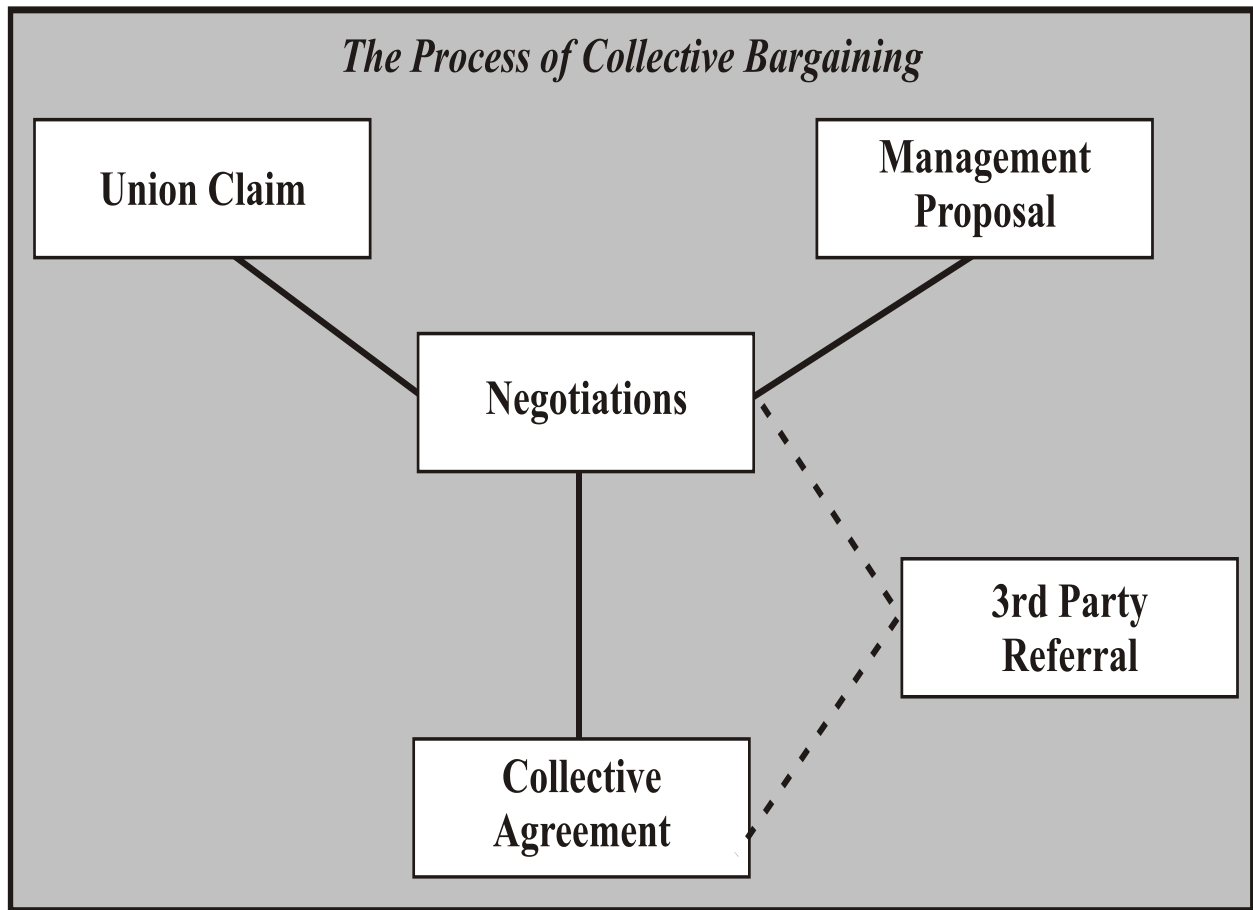
2.14.2 Collective Bargaining Process

Collective bargaining generally includes negotiations between the two parties (employees' representatives and employer's representatives). Collective bargaining consists of negotiations between an employer and a group of employees that determine the conditions of employment. Often employees are represented in the bargaining by a union or other labor organization. The result of collective bargaining procedure is called the collective bargaining agreement (CBA). Collective Bargaining agreements may be in the form of procedural agreements or substantive agreements. Procedural agreements deal with the relationship between workers and management and the procedures to be adopted for resolving individual or group disputes.

This will normally include procedures in respect of individual grievances, disputes and discipline. Frequently, procedural agreements are put into the company rule book which provides information on the overall terms and conditions of employment and codes of behavior. A substantive agreement deals with specific issues such as: basic pay, overtime premiums, bonus arrangements, holiday entitlements, hours of work, etc. In many companies, agreements have a fixed time scale and a collective bargaining process would be recentred according to the procedural agreement when negotiations take place on pay and conditions of employment.

The collective bargaining process comprises five core steps:

- **Prepare:** This phase involves composition of a negotiation team. The negotiation team should consist of representatives of both the parties with adequate knowledge and skills for negotiation. In this phase both the employer's representatives and the union examine their own situation in order to develop the issues that they believe will be most important. The first thing to be done is to determine whether there is actually any reason to negotiate at all. A correct understanding of the main issues to be covered and intimate knowledge of operations, working conditions, production norms and other relevant conditions is required.

- **Discuss:** Here, the parties decide the ground rules that will guide the negotiations. A process well begun is half done and this is no less true in case of collective bargaining. An environment of mutual trust and understanding is also created so that the collective bargaining agreement would be reached.

- **Propose:** This phase involves the initial opening statements and the possible options that exist to resolve them. In a word, this phase could be described as 'brainstorming'. The exchange of messages takes place and opinion of both the parties is sought.

- **Bargain:** negotiations are easy if a problem solving attitude is adopted. This stage comprises the time when 'what ifs' and proporals are set forth and the drafting of agreements take place.

- **Settlement:** Once the parties are through with the bargaining process, a consensual agreement is reached upon wherein both the parties agree to a common decision regarding the problem or the issue. This stage is described as consisting of effective joint implementation of the agreement through shared visions, strategic planning and negotiated change.

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The Process of Collective Bargaining

Union Claim

Management Proposal

Negotiations

3rd Party Referral

Collective Agreement

2.14.3 Bargining Forms & Tactics

A collective bargaining process generally consists of four types of activities- distributive bargaining, integrative bargaining, attitudinal restructuring and intra-organizational bargaining. Distributive bargaining: It involves haggling over the distribution of surplus. Under it, the economic issues like wages, salaries and bonus are discussed. In distributive bargaining, one party's gain is another party's loss. This is most commonly explained in terms of a pie. Disputants can work together to make the pie bigger, so there is enough for both of them to have as much as they want, or they can focus on cutting the pie up, trying to get as much as they can for themselves. In general, distributive bargaining tends to be more competitive. This type of bargaining is also known as conjunctive bargaining.

Integrative bargaining:

This involves negotiation of an issue on which both the parties may gain, or at least neither party loses. For example, representatives of employer and employee sides may bargain over the better training programme or a better job evaluation method. Here, both the parties are trying to make more of something. In general, it tends to be more cooperative than distributive bargaining. This type of bargaining is also known as cooperative bargaining.

Attitudinal restructuring:

This involves shaping and reshaping some attitudes like trust or distrust, friendliness or hostility between labor and management. When there is a backlog of bitterness between both the parties, attitudinal restructuring is required to maintain smooth and harmonious industrial relations. It develops a bargaining environment and creates trust and cooperation among the parties.

Intra-organizational bargaining:

It generally aims at resolving internal conflicts. This is a type of maneuvering which is done to achieve consensus with the workers and management. Even within the union, there may be differences between groups. For example, skilled workers may feel that they are neglected or women workers may feel that their interests are not looked after properly. Within the management also, there may be differences. Trade unions maneuver to achieve consensus among the conflicting groups.

Collective Bargaining is a voluntary process of negotiation between employers and employees to determine various terms of employment. The process ensures organizational democracy. However, it often transpires as an ineffective process of reaching an agreement. Over the years, the importance of Collective Bargaining is receding globally. Most of the organizations prefer to have enterprise-wide bargaining rather than industry-wide bargaining. Even industry-wide bargaining agreements are not implemented by many organizations within the same industry group. The banking industry example is relevant in this context. In a Collective bargaining situation, HR managers need to play a crucial role to strike a win-win deal. To achieve this they have to enrich their negotiation skills, practicing on a regular basis collective bargaining simulation games.

2.15 Health, Safety and Social Welfare

Occupational Health and Safety is a cross-disciplinary area concerned with protecting the safety, health and welfare of people engaged in work or employment. The goal of all occupational health and safety programs is to foster a safe work environment. As a secondary effect, it may also protect co-workers, family members, employers, customers, suppliers, nearby communities, and other members of the public who are impacted by the workplace environment. It may involve interactions among many subject areas, including occupational medicine, occupational (or industrial) hygiene, public health, safety engineering, chemistry, health physics, ergonomics, toxicology, epidemiology, environmental health, industrial relations, public policy, industrial sociology, medical sociology, social law, labour law and occupational health psychology.

2.15.1 Need for Industrial Health
- Promote and maintain the highest degree of physical, social and mental well being of workers.
- Improve productivity and quality of work
- Reduce accidents, injuries, absenteeism and labour turnover.
- Protect workers against any health hazard arising out of work or conditions in which it is carried on.

Making the workplace safe and healthy:

Employers have responsibilities for the health and safety of their employees. They are also responsible for health and safety by visitors to their premises such as customers, suppliers and the general public. The employer should keep note of following points:
- make sure that workplaces are properly ventilated, with clean and fresh air
- keep temperatures at a comfortable level - a minimum of 13 degrees C where the work involves physical activity or 16 degrees C for 'sedentary' workplaces eg offices but there's no maximum limit
- Good light in premises so that employees can work and move about safely
- keep the workplace and equipment clean
- ensure that workrooms are big enough to allow easy movement with at least 11 cubic metres per person
- provide workstations to suit the employees and the work
- keep the workplace and equipment in good working order

- make floors, walkways, stairs, roadways etc safe to use
- protect people from falling from height or into dangerous substances
- Store things so they are unlikely to fall and cause injuries
- fit openable windows, doors and gates with safety devices if needed
- provide suitable washing facilities and clean drinking water
- if necessary, provide some place to employees to get their clothes changed and to store their clothes
- set aside areas for rest breaks and to eat meals, including suitable facilities for pregnant women and nursing mothers
- let employees take appropriate rest breaks and their correct holiday entitlement
- make sure that employees who work alone, or off-site, can do so safely and in healthy enviroment.

2.15.2 The Employer's Duty

All employers, whatever the size of the business, must:
- make the workplace safe
- prevent risks to health
- ensure that plant and machinery is safe to use, and that safe working practices are set up and followed
- make sure that all materials are handled, stored and used safely
- provide adequate first aid facilities
- tell about any potential hazards from the work one does, It chemicals and other substances used by the firm, and give you information, instructions, training and supervision as needed
- set up emergency plans
- make sure that ventilation, temperature, lighting, and toilet, washing and rest facilities all meet health, safety and welfare requirements
- check that the right work equipment is provided and is properly used and regularly maintained
- prevent or control exposure to substances that may damage to health
- take precautions against the risks caused by flammable or explosive hazards, electrical equipment, noise and radiation
- avoid potentially dangerous work involving manual handling and if it can't be avoided, take precautions to reduce the risk of injury
- provide health supervision as needed
- provide protective clothing or equipment free of charge if risks can't be removed or adequately controlled by any other means
- ensure that the right warning signs are provided and looked after
- report certain accidents, injuries, diseases and dangerous occurrences to either the Health and Safety Executive (HSE) or the local authority, depending on the type of business

2.15.3 Legal Provisions Regarding Employment of a Safety and Health Officer

1- Every employer of 100 or more, but less than 500 employees, at one or more places of work shall employ a Safety and Health Officer, whether on part-time or full time employment for the purpose of assisting him and any employee and would be exercising general supervision regarding compliance with the provisions of this Act and generally to promote the safe conduct of work.

2- n employer having 500 or more, but not more than 2000, employees at one or more places of work shall employ at least one Safety and Health Officer on fulltime employment to perform solely the duties of Safety and Health Officer.

3- An employer shall, for every additional 2000 employees or fraction thereof, employ one additional Safety and Health Officer on full-time or part-time employment as may be directed by the Permanent Secretary.

4- (a) No employer shall employ any of his full-time or part-time employee, other than a Safety and Health Officer, as Safety and Health Officer.

(b) No employer shall employ a person as Safety and Health Officer unless that person has been registered to practise as Safety and Health Officer at the employer's place of work.

5- The Permanent Secretary, after taking into account the nature of the process and risks present in places of work under control of an employer to whom subsections (2) and (3) apply, may exempt him in writing from compliance with the subsections.

6- Notwithstanding subsection (1), where the Permanent Secretary is of opinion that the safety, health or welfare of employees may be adversely affected by the nature of any work activity carried out, he may direct an employer having less than 100 employees to employ a Safety and Health Officer.

7- No Safety and Health Officer, employed on a part-time basis, shall be registered by the Permanent Secretary in respect of more than 4 employers of less than 500 employees each.

8- (a) Every Safety and Health Officer employed on a part-time basis shall work for each employer not less than 8 hours per week and submit to the Permanent Secretary a programme of work in respect of every place of work where he is engaged.

(b) The attendance of every Safety and Health Officer shall be documented by him in the record of attendances kept by every employer he works for.

2.16 Social Security

- **Social security** is primarily a social insurance program providing social protection, or protection against socially recognized conditions, including poverty, old age, disability, unemployment and others. Social security may refer to:

- **Social insurance**, where people receive benefits or services in recognition of contributions to an insurance scheme. These services typically include provision for retirement pensions, disability insurance, survivor benefits and unemployment insurance.

- **Income maintenance**—mainly the distribution of cash in the event of interruption of employment, including retirement, disability and unemployment

- **Services** provided by administrations responsible for social security. In different countries this may include medical care, aspects of social work and even

2.6.1 Social Security Laws

The principal social security laws enacted in India are the following:
- The Employees' State Insurance Act, 1948
- The Employees' Provident Funds & Miscellaneous Provisions Act, 1952
  (Separate provident fund legislations exist for workers employed in Coal mines and tea plantations in the state of Assam and for seamen).
- The Workmen's Compensation Act, 1923
- The Maternity Benefit Act, 1961
- The Payment of Gratuity Act, 1972

Social Security for employees is a concept which over time has gained importance in the industrialized countries. Broadly, it can be defined as measures providing protection to working class against contingencies like retirement, resignation, retrenchment, maternity, old age, unemployment, death, disablement and other similar conditions.

With reference to India, the Constitution levies responsibility on the State to provide social security to citizens of the country. The State, here, discharges duty as an agent of the society in order to help those who are in adverse situations or otherwise needs protection owing to above mentioned contingencies. Article 41, 42 and 43 of the Constitution do talk about the same. Also, the Concurrent List of the Constitution of India mentions issues like-
- Social Security and insurance, employment and unemployment.
- Welfare of Labour including conditions of work, provident funds, employers' liability, workmen's compensation, invalidity and old age pension and maternity benefits.

Drawing from the Constitution of India and ILO Convention on Social Security[1] (ratified by India in 1964), some of the legislations that have been enacted for social security are Employees' State Insurance Act, 1948, Workmen's Compensation Act, 1923, Employees' Provident Fund and Miscellaneous Provisions Act, 1952, Maternity Benefit Act, 1961, Payment of Gratuity Act, 1972, etc. A social security division has also been set up under the Ministry of Labour and Employment which mainly focuses on framing policies for social security for the workers of organized sector.

Apart from above mentioned enactments, since the last decade the government has initialized efforts to extend the benefits to the unorganized sector too. Legislative enactments like the National Rural Employment Guarantee Act, 2005, Unorganized Sector Workers' Social Security Act, 2008 and the Domestic Workers (Registration, social security and welfare) Act, 2008 are examples of the same.

The National Rural Employment Guarantee Act, 2005 aim at curbing unemployment or unproductive employment in rural areas. It focuses on enhancing livelihood security to rural people, as it guarantees productive wage employment for at least 100 days in a year. The Fiscal budget, this year, has also hiked the allocation to its job guarantee scheme NREGA by 144% and also the beneficiaries under the scheme would, henceforth, be entitled for a minimum wage of Rs. 100 per day.

Also, there is Unorganized Workers' Social Security Act, 2008, which targets at extending social security measures to unorganized sector workers. The law thereby aims at extending to workers in informal sector status and benefits similar to that of formal sector workers. On the same lines, Domestic Workers Act, 2008 has also been enacted. The legislation aims at regulating payment and working conditions of domestic workers and entitles every registered domestic worker to receive pension, maternity benefits and paid leave that is a paid weekly off.

These legislations for organized and unorganized sector workers need to be bestowed attention because this will help improve their productivity and industrial relations and thus ensure development of the country.

2.17 Human Resource Research

Research is the scientific enquiry that should add new knowledge or a new understanding about a phenomena. One of the basic requirements of HRM is to assess the potential and predict the person about his nature, behaviour, action and performance. Right from the recruitment till retirement, we need to understand the potential, attitude, ambitions, motivation and various motives of the people in order to take appropriate decision about his selection. Posting, Training & Development and rewards are activities do so that we get high productivity and retain high potential people.

Human nature is very complex. The complexity dimensions is further increased with the change in age, education, learning and new experiences of life. Human nature is also impacted by socio- cultural changes and the economic status of the individual. In an era of globalization and cultural diversity predicting the behaviour and actions of an individual is becoming more challenging.

There is need to make use of HR Research to effectively accomplish HRM function and responsibilities. In order to understand and deal with various personal, psychological, social, cultural and economic needs and its impact on human behaviour and performance we need to capitalize on HRR.

Human Resource Research benefits the organization and the individual both. Human Resource Research provides an understanding about human nature, needs and aspirations of the employee and needs and aspiration of the employer. Enabling both to match each others requirements and in the process fulfill their needs. It also provides an understanding about the education and training requirements for developing human resource, the most important resource.

The major problems faced globally today is managing cultural diversity managing change, motivating and retaining high potential and high performing people.

Research is primarily classified into :
1. Fundamental Research and Applied Research
2. Qualitative and Quantitative Research
3. Experimental Research and Real Life situation Research.

Human Research includes Qualitative Research as well as Quantitative Research. The Qualitative Research focus on study of attitude, motivation, perceptual process, leadership and education and training, tools and techniques. Quantitative tools are used when we need to test a theory or hypothesis or need to generalizal the findings using quantitative data. HRM has emerged to its current form through various researches leading to motivational theories and tools behaviour and conducts, psychological and social factors including behaviour and performance.

Some of the classical researches that have contributed to the growth of HRM are Hawthorne Studies, Hofsted Studies, Maslow's Need Hierarchy, Herzberg Hygiene Factors , Theory X, Theory Y, 360 Degree Feedback, Big Five Personality Models, Personality A and Personality B, Various performance measurement tools and various theories about individual and group dynamics.

In current scenario fast paced environment of changes have made it more difficult to predict enduring behaviour and action pattern. Therefore HR Research has become a very important tool in understanding the problems related to recruitment and retention of high potential employees and motivating them to with high performance consistently.

Research in human resources strategy, its integration with corporate planning and the development of human resource policies are certain new areas in management research. The research provides indepth understanding of Human Resource Management in a business context, which addresses a number of fundamental questions as under:
1. Is strategic HRM a reality?
2. Are all cross- sections of people involved in decision making?
3. How can human resource strategies and practices be developed to meet perceived threats and to reap opportunities in a changing business environment?

Strategic Human Resource Management requires formation of HR objectives, strategies and policies. SHRM also requires the provision of the skills and abilities matching organizational overall objectives. In other words, SHRM provides the framework, which ensures that an organization's people needs are met.

Research on competency development is also another important aspect, which focuses on integration of business plan of the company with selecting the right individual for the job. Competency is defined as the smallest unit of on-the-job behaviors that is observable, measurable, and that changes over time.

2.18 Human Capital

Human Capital refers to the stock of competences, knowledge and personality attributes embodied in the ability to perform labor so as to produce economic value. they are the attributes gained by a worker through education and experience. Many early economic theories refer to it simply as workforce, one of three factors of production, and consider it to be a fungible resource — homogeneous and easily interchangeable. Other conceptions of labor dispense with these assumptions.

2.18.1 The Costs of Human Resource Management

In a company with thousands of employees, it is easy to lose track of the processing costs for, say, a single time off request. But losing track doesn't mean the cost just goes away, and many human resource management professionals would be appalled to find out how much money is chipped off their bottom line every time a simple employee transaction – like a request for time off – goes through. This type of cost is practically a negligible sum when all of the other employee-related costs are added up. Take a scenario (and it is probably true for your company) in which a time off request costs a company ninety five dollars, and yearly expenditure on maintenance edges up to almost two thousand dollars. Now imagine, for a moment, the additional expenses required to implement strategic decisions such as working to make sure the company's goals and those of the employees coincide, or even just how to optimize worker satisfaction. Very quickly these costs become unimaginable. A company that is not equipped with the appropriate software for managing its human resources is bound to lose out on profits just as much as productivity, simply because there is no coherent database to produce definite results on the cost of human capital management.

At a certain point it becomes inevitable that a company seeking to maintain its competitive edge will have to pay into an information processing system in order to manage its workforce. After all is said and done, the investment will be a wise one. This is made all the more clear when the employer recognizes that his or her workforce is the business' most vital asset. The way the technology works is truly amazing and, at the price of sounding a bit over exuberant, it could be said that a good HCM program can more or less be equated to having the entire HR department on line. What it does is create a platform that spans the entire enterprise so that nothing is left unmanaged. It includes everything from running employee pay and benefits to supervising employee responsibilities, new hires and talent development. Indeed, a Human Resources management software system helps make the process more efficient and ultimately proves to be very cost effective. Major organizations offering HCM services have already had incredible success in turning around savings by reducing the cost of their HCM processes. Instead of remaining committed to a few antiquated in-house programs and an overworked Human Resources department, it is probably time to switch to HCM on line.

What's left now is to figure out how a company goes about making the transition. Generally, an organization providing HCM will provide a consultant to make sure that the process of switching over goes as smoothly as possible. A major component of consultation involves giving useful instruction and education to the staff that will be using the HCM services. The other important aspect of the consultant's services involves application customization so that the HCM system's modular systems integrate across the board to provide a solution for the enterprise's needs.

2.18.2 Managing Human Talent Acquiring and Retaining the Best Employees

One of the major problems faced by many companies in today's fast paced market is how to grasp and retain labor that is of the best caliber. In the highly competitive business environment, the best talent quickly gets swept up by employers eager to strengthen the quality and efficacy of their workers. That's why it is important for a company to stay on track by utilizing the best talent management programs available. Indeed, a successful venture will place a high priority on the organization of labor pools and the effective regulation of human capital resources. Not only will the company pick up the right people to

work for it, but it will also engender a sense of loyalty among its employees, both reducing the rate of turnover and upping the level of quality in the goods and services provided.

To do this, there is a set of fundamental skills a company must have, and strategies it must utilize, in order to build up within its ranks the best and the brightest talent available for its specified field. Once understood, these skills and strategies are insuperable, and simple.

One of the most important aspects of gaining the right employee base is offering workers an opportunity to excel and come alive in the workforce. The sense of a company's level of enthusiasm is palpable to any prospective employee who walks into an office building, and by providing an energetic and optimistic workforce a company is already miles ahead in promoting the recruitment of even more quality workers.

To develop a high level of workplace skill and confidence that improves both a company's internal and external image, one of the most important factors is handing over a sense of ownership to the employees. Now this does not mean handing out stock in the company, profit sharing, or any such measure. It is instead a talent management strategy, or Strategic Human Capital Management, which involves changing an employee's attitude by giving him or her a sense of responsibility for what is being produced.

2.18.3 Integration HR Technology within Human Capital Management system

Increasingly today, businesses are seeing the benefits of automating their systems of human capital management. By rethinking their **HR software**, they are finding their **Human Capital Management** systems are already light years beyond what they were in the decades prior to the Internet. Yet there continues to be many companies lost in the archaic and mistake-prone system of maintaining HR processes that are lack automation. The days when a company can get by without integrating HCM technology are long past. Due to competition generated by the increased efficiencies of the companies plugged into HCM technology, those who are not yet "on-line" find that their revenues are being eaten up by the same costs that their competitors are reinvesting to achieve an edge on their particular markets. Find out how company can integrate HR management software for increased productivity in the workforce.

2.18.4 Maximizing Human Resources Management

In a corporate world wrought with scandal and threatened on all sides by an often times uncertain economy, employers are compelled more than ever to make sure that they are getting all that must what they can from their workforce. Adding to the urgency of the problem is the fact that the optimization of a workforce is a far from simple procedure. Fortunately, however, there are many benefits in making use of *HR management* theory, and business leaders everywhere are achieving great results by turning these new concepts into a reality.

In the old days, the process of human resources was a relatively benign affair. *Payroll and benefits administration*– and some *employee recruitment* – were primary items on the agenda for the HR department. But a combination of improved technology and a push for workforce optimization has convinced HR specialists into the new and innovative realm of human capital management.

While HCM theory is molded around the age-old principle that the workforce is a company's fundamental asset, it strives to lay out a series of steps by which employers can actually turn this idea into a reality, and thereby see positive results in areas like productivity, long term employment and a constantly rising level of profit.

A major factor contributing to the shaky ground on which some businesses stand these days is the generally low number of qualified job seekers at large in the labor market. Coupled with the problem of increasingly high rates of employee turnover, business leaders are finding it increasingly difficult to attract and retain the top talent necessary for their expected levels of productivity.

That's why one of the primary items on the list of crucial Human Capital Management goals relates to making sure that employees actually care about the work they are doing. This not only helps a company by increasing the level of output quality, but it encourages lengthy terms of employment so that a core talent base can see a company through the important evolutions it must undergo, especially in these times of uncertainty.

Another important way for an employer to capitalize on his or her workforce is by harnessing the power of HR software technology. The opportunities for workforce improvement through technology are limitless, but it is worth pointing out one of the excellent programs that can really take off through a good HCM system.

Creating employee incentives is a crucial element of effective Human Resource Management. Surprisingly, however, this field has a lot of room for error. It seems that the reason behind this is largely based around the fact that employers more often than not find themselves in the dark as to how to entice their top talent without decreasing ROI. In order to create a comprehensive program for determining what levels of pay and benefits increases will work to promote better performance, there are a myriad of factors to take into account.

2.19 Emerging Trends

Human resource management, if we see it from definition perspective "it is a process of bringing people and organizations together so that the goals of each others are met". If we see in practical situation the above definition its just one side of a coin which has limited HRM involvement but HRM today is a different story, it have changed the way we work, and also it helps an organization to survive in recessionary period. Managing and attracting the human resource in today's time is very difficult task. The role of HR manager has changed a lot (Dancing differently on changing tunes of life) from being protector and screener to the role of Savior who acts as planner and change agent affecting bottom of the pyramid where it is blue collar workers, Top & Middle level executives.

The trends in human resource industry are dynamic in nature which contributes towards to achievement of organizational goals. Over the years, highly skilled and knowledge based jobs have increased while low skilled jobs are decreasing. This calls for skill mapping through proper HRM initiatives.

Change is inevitable as said and that's what Indian organizations are witnessing in management cultures, systems and working style. Alignment with global companies has forced Indian organization accept and incorporate change in every day life which makes role of HRM all the more important.

Some of the recent changes are as follows:

- The policies of many companies have become people centric, traditionally the policies mainly focused on achievement of organizational goals showing negligence towards the human resource.

- Attracting and retaining of human resource has become difficult as loyalty factor is losing its shine, today HR personnel have to motivate and design healthy career road map to make them stay in the company.

- Human Resource Outsourcing is the new name in the industry to replace the redundant traditional HR department. Many HR outsourcing companies in India are already established and some are coming up to support increasing demand of corporate India.

- With the increase of global job mobility, recruiting competent people is also increasingly becoming difficult, especially in India. Therefore organizations are also required to work out a retention strategy for the existing skilled manpower.

HR managers today are focusing on policies (trust, openness & equality), Motivation, Relations.

Due to new trends in HR the manager should treat people as resources, reward them equitably and integrate their goals with that of the organizational goals through suitable HR policies.

2.19.1 New Trends in HR

Human resource management is a process of bringing people and organizations together so that the goals of each other are met. The role of HR manager is shifting from that of a protector and screener to the role of a planner and change agent. Personnel directors are the new corporate heroes. The name of the game today in business is personnel . Nowadays it is not possible to show a good financial or operating report unless your personnel relations are in order.

Over the years, highly skilled and knowledge based jobs are increasing while low skilled jobs are decreasing. This calls for future skill mapping through proper HRM initiatives. Indian organizations are also witnessing a change in systems, management cultures and philosophy due to the global alignment of Indian organizations. There is a need for multi skill development. Role of HRM is becoming all the more important.

Some of the recent trends that are being observed are as follows:

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

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

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

- Human resource outsourcing is a new accession that makes a traditional HR department redundant in an organization. Exult, the international pioneer in HR BPO already roped in Bank of America, international players BP Amoco & over the years plan to spread their business to most of the Fortune 500 companies.

- With the increase of global job mobility, recruiting competent people is also increasingly becoming difficult, especially in India. Therefore by creating an enabling culture, organizations are also required to work out a retention strategy for the existing skilled manpower.

HR Managers should do the following things to ensure success-

- Use workforce skills and abilities in order to exploit environmental opportunities and neutralize threats.

- Employ innovative reward plans that recognize employee contributions and grant enhancements.

- Indulge in continuous quality improvement through TQM and HR contributions like training, development, counseling, etc

- Utilize people with distinctive capabilities to create unsurpassed competence in an area, e.g. Xerox in photocopiers, 3M in adhesives, Telco in trucks etc.

- Decentralize operations and rely on self-managed teams to deliver goods in difficult times e.g. Motorola is famous for short product development cycles. It has quickly commercialized ideas from its research labs.

- Lay off workers in a smooth way explaining facts to unions, workers and other affected groups e.g. IBM , Kodak, Xerox, etc.

HR Managers today are focusing attention on the following-

a) Policies- HR policies based on trust, openness, equity and consensus.

b) Motivation- Create conditions in which people are willing to work with zeal, initiative and enthusiasm; make people feel like winners.

c) Relations- Fair treatment of people and prompt redress of grievances would pave the way for healthy work-place relations.

d) Change agent- Prepare workers to accept technological changes by clarifying doubts.

e) Quality Consciousness- Commitment to quality in all aspects of personnel administration will ensure success.

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

2.19.3 Changes in HRM

Some of the significant changes that are likely to take place in the human resource management are as follows:

1. **Increase in education levels**: Due to technological progress and the spread of educational institutions workers will increasingly become aware of their higher level needs, managers will have to evolve appropriate policies and techniques to motivate the knowledge of workers. Better educated and organized workforce will demand greater discretion and autonomy at the work place.

2. **Technological developments:** This will require retraining and mid-career training of both workers and managers. Rise of the international corporation is proving new challenges for personnel function.

3. **Changing composition of work force:** In future, women and minority groups, SCs and STs would become an important source of man power in future on account of easy access to better educational and employment opportunities. Therefore manpower planning of every organization will have to take into consideration the potential availability of talent in these groups. Changing mix of the workforce will lead to new values in organizations.

4. **Increasing government role:** In India, personnel management has become very legalized. In future private organizations will have to co-ordinate their labour welfare programmes with those of the government Private sector will be required increasingly to support government efforts for improving public health, education training and development and infrastructure.

5. **occupational health and safety:** Due to legislative presence and trade union movement, personnel management will have to be more health and safety conscious in future.

6. **Organizational development:** In future, change will have to be initiated and managed to improve organizational effectiveness. Top management will become more actively involved in the development of human resources.

7. **New work ethic:** Greater forces will be on project and team forms of organization. As changing work ethic requires increasing emphasis on individual. Jobs will have to redesigned to provide challenge.

8. **Development Planning:** Personnel management will be involved increasingly in organizational

planning, structure, composition etc. Greater cost-consciousness and profit-orientations will be required on the part of the personnel department.

9. **Better appraisal and reward systems:** Organizations will be required to share gains of higher periodicity with workers more objective and result oriented systems of performance, appraisal and performance linked compensation will have to be developed.

10. **New personnel policies:** New and better polices will be required for the work force of the future. Traditional family management will give way to professional management with greater forces on human dignity.

Thus, in future personnel management will face new challenges and perform new responsibilities. Participative leadership will take the place of autocratic leadership. Creative skills will have to be redeveloped and rewarded emphasis will shift from legal and rule bound approach to more open and humanitarian approach

2.19.3 Future Role Of HR Managers

Some of the emerging trends in the role of HR manager are as follows:-

(i) HR managers of future will have to stress upon overall development of human resources in all respects.

(ii) The scope of human resource management will be extended to cover career planning and development, organization development, social justice etc.

(iii) Enlightened trade unions will become an active participant in the organization and management of industry.

(iv) The personnel manager will be required to act as a change agent through greater involvement in 'environment and scanning and development planning. They will have to devote more time to promote changes than to maintain the status quo.

(v) The personnel function will become more cost-conscious and profit oriented. Instead of merely administering personnel activities, the personnel department will have to search out opportunities for profit improvement and growth.

(vi). Greater authority and responsibilities will be delegated to personnel managers particularly in the field of employee welfare services.

(vii). Personnel managers will have to continuously retrain themselves to avoid obsolescence of their knowledge and skills.

Thus, the job of personnel managers will become more difficult and challenging in future. They will have to be experts in behavioral sciences. They will play a creative and development role. They will thus have play a creative and development role. They will have to acquire new skills, values, attitudes to discharge their new responsibilities successfully.

2.20 Key Words

- **Attrition:** A gradual voluntary reduction of employees, decreasing the size of the work force.

- **Balanced Score Card:** A strategic planning and management system that measures four areas of business: Internal Business Process, Financial Performance, Customer Knowledge and Learning & growth.

- **Benchmarking:** A technique for identifying specific standards to make comparison for the purpose of making improvement.

- **Collective Bargaining**: One or more unions meetings with the representatives of the management to negotiate labour contract or employment issues.

- **Competency Modelling:** A set of description that identifies the skills, knowledge and behaviour needed to effectively perform in an organization. Competency models help in clarifying job & work expectation, maximizing productivity and aligning behaviour with the organizational strategy.

- **Competitive Advantage:** In HRM context, it refers to the quality of the employees. All other resources could be similar among competing organizations but the company with better employees has the competitive advantages. It is ability to do things better or different from the competitors that create more value.

- **Core Competencies:** The particular set of strengths, experience, knowledge & abilities that differentiate a company from its competitors.

- **Discrimination:** Favouring an individual or a group of leading to unfair treatment to others.

- **Employee Assessment:** Tests used to help in pre–hire situations to select candidates best suited for open positions. Also used in post-hire situations for enhancing effectiveness of the employee.

- **Employee Retention:** Practices, Polices designed to create conducive work environment that motivate employees to stay with the organization for longer period.

- **Empowerment:** Providing employees the resources, skills and authority necessary to make decisions, implement decisions and contribute in organizational prosperity.

- **Equity theory:** People desire to be treated fairly and equally against peer and colleagues in work and rewards.

- **Grievance:** A complaint by an employee due to an alleged violation of law or agreement or dissatisfaction with working conditions.

- **Group Dynamics:** The way people interact within a group that determines how the group functions and the effectiveness of the group.

- **HR Audit:** A periodic measurement of human resources effectiveness conducted by internal staff or with the use of HR audit system.

- **Human Capital:** The collective skills, knowledge, competencies of all the people of an organization that enables to create economic value.

- **Human Resource Outsourcing (HRO):** A contractual agreement between an employer and an external third party provider who is assigned the responsibility of certain HR functions, say Recruitment and Training.

- **Industrial Relations:** A field of study that examine the relationship between employer and employees, particularly groups of workers in Unions.

- **Job Evaluation:** A comparison of one job with other jobs in a company to assess fair compensation.

- **Key Performance Indicators (KPI):** Tasks which are central to the success of a business and show, when measured, whether the business is advancing towards its strategic goals.

- **Staffing: A** function of finding, evaluating and establishing a working relationship with employees.

- **Strategic HRM:** Aligning HRM with the strategic goals of an organization. HRD is a critical function of strategic HRM.

2.21 Self Assessment Test

1   Discuss HRM objectives and functions.

2   Describe HRM concepts and principles.

3   Explain HR Planning process and its role in enhancing organisational efficiency and effectiveness.

4   Discuss performance appraisal tools and techniques with their merits and demerits.

5   Elaborate emerging trend in HRM and the challenges for HRM professionals.

6   Explain the role and responsibility of IR Manager in maintaining good relationship with employees and dealing with the problems of Disciplinary action, Grievance handling and Collective Bargaining.

7   Discuss the concept of Employee welfare and how does it help in enhancing employee satisfaction & productivity.

8   Describe Human Resource Research issues and its role in making HRM more effective in changing Global environment.

UNIT – 3 : HUMAN RESOURCE PLANNING

Unit Structure

3.0 Objectives

After studying this unit you should be able to understand :
*   Concept and Need of HRP
*   Process of HRP
*   Levels of HRP
*   Problem in HRP
*   Guidelines for Effective HRP

3.1 Introduction

The success of an organization depends mainly on the quality of its human resources.

No organization can be successful without having the right type of people doing the right jobs at the right time. So, correct selection of people is of utmost importance. To be able to do so, it is necessary to find the right quality and quantity of people required in an organization. This is the function of HRP or manpower planning.

HRP has been defined by Vetter as "the process by which management determines how an organization should move from its current manpower position to its desired manpower position. Through it management strives to have the right number and the right kind of people at the right place, at the right time, doing things which result in both the organization, and the individual receiving, maximum long range benefit."

Main characteristics of HRP –

1.   It is future oriented.
2.   It is a continuous process.
3.   It is an integral part of corporate planning.
4.   It has both qualitative and quantitative aspects.
5.   It can be both short term as well as long term.
6.   It involves assessing demand supply gap of manpower and planning how to fill that gap.

3.2 Objectives of HRP

The basic objective of HRP is to have an accurate estimate of the number of employees required, with matching skill requirement to meet organizational objectives. More specifically HRP is required to meet the following objectives :

1. To forecast demand for human resources.
2. To use existing manpower productively or optimally.
3. To assess changes in environment.
4. To determine levels of training.
5. To meet the needs of downsizing, expansion etc.
6. To promote employees in a systematic manner.
7. To provide the basis for management development programme.
8. It helps to retain acquire, improue and utilitige the human resource in order to achieve goals of organization.

In short the main objective of HRP is to relate future human resources to future enterprise needs so as to maximise the future return on investment in human resources.

3.3 Importance

HRP, if conducted properly, results in the following benefits :

1. It prepares people for future – through training, motivation and developmental exercise.
2. It counters shortage of skilled manpower.
3. It helps prepare succession planning.
4. It takes demographic changes in the society in account.
5. It prepares organization for impending changes.
6. Manpower being the largest recurring cost component, HRP plays an important role in cost control.
7. Effective HRP helps retain talented man power and reduce attrition rate.
8. If properly conducted, HRP reduces hiring costs.
9. It leads to optimum utilization of human resources and thereby all other resources of organization.
10. Good HRP boosts the morale of employees and enhances the confidence of employees in the organization.

3.4 Process of HRP

Diagramatic representation of process of HRP has been shown in figure 1. Although each organization follows its own course, yet the following points generalize the steps taken in HRP:

Figure 1 Process of HRP

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1. **Analysing Long Term Plans of Organization** : This is needed because HRP will be HRP and it cannot be viewed as a simple cold wooded, mumber crunching execricse as it used to be past. derived from the organizational plan and has deep impact on organization centure.

2. **Current Manpower Inventory** : Assessment of demand for the operative personnel presents problems of uncertainly and current manpower supply can be adjusted accordingly. But projections of manpower requirements for supervisory and managerial levels present a complex problem because the required talent is not available at short notice. This explains the need to ascertain the present manpower inventory in the organization. It also helps in drawing recruitment and development plans to meet the needs of certain skills in the future.

3. **HR Demand Forecasting** : It is the process of estimating the future quantity and quality of people required. The production plan, which is derived from sales budget, will give the number of hours to be worked by each skilled category to make the quota for each period. This would be computed once the number of hours are available, determining the quality and quantity of human resources.

   Forecasting Techniques – Organizations usually follow more than one techniques as under.

* *Managerial Judgement* – The most typical method of forecasting used in smaller companies, or those who do not have access to work study data, is managerial judgement. Managers sit together, discuss and a figure out which would be the future demand for manpower. It may be 'top-down' approach – top managers prepare company and department forecasts. It may, else, be 'bottom-up' approach – line managers submit their departmental proposals to top managers who arrive at company forecasts. A combination of both can give better results. Any discrepancies between the two may be reconciled by manpower planning committee consisting of functional heads.

* *Ratio Trend Analysis* – Involves studying past ratios and forecasting future ratios, making some allowances for changes in organizations. These ratios could be related to number of employees of each category, of production level, sales level activity etc.

* *Econometric Models* – The variables affecting manpower requirement are identified under heading such as investment, sales, or the complexity of production line. A formula is applied to forecasts of movements in these variables to produce a manpower forecast. It is a complex method suitable for large organizations.

* *Regression Analysis* – It is similar to ratio trend analysis in that forecast is based on the relationship between sales volume and employee size. By observing the regression line, one can find out number of employees required at each volume of sales. This analysis airms at providing a measure of isetent to which changes in uaslu of 2 duaeokle are correlated with another.

* *Burcks-Smith Model* – Elmer Burcks and Robert Smith developed a mathematical model for personnel forecasting based on selected key variables that affect the organization's overall human resource needs. The basic equation of the formula is

$$E_n = \frac{(Lagg + G)\, I\, /\, X}{Y}$$

where,

En   =   is estimated level of personnel demand in 'n' planning period.

Lagg =   is the overall turnover or aggregate level of current business activity in rupees.

G   =   total growth in business activities anticipated through period 'n' in terms of rupees.

X   =   is the average productivity improvement anticipated from today through planning period 'n'.

Y   =   is the conversion period relating today's overall activity to personnel required.

(It reflects the level of business activity per person).

The accuracy of this model depends on obtaining accurate estimates of total growth (G), average productivity improvement (X) and conversion rates (Y).

All the above methods fall under the heading of statistical methods. Their accuracy in prediction of results is dependent upon the strength of relationships, how accurately these relationships are captured by the model and the degree to which these relationships remain true in future.

- *Work Study Technique or Workload Forecasting* – It can be used when it is possible to know how long operations should take and the amount of labour required.

  In this, the HR planning expert needs to find out sales forecasts, work schedules and thus determine the manpower required per unit of product. The sales forecasts are translated into work perform and for the various departments of the enterprise. In a manufacturing enterprise, one shall find out master schedule and then departmental schedules. The departmental work-loads are converted into man hours in terms of different skills required. Work load analysis is used to determine how many employees of various types are required to achieve total production target. Similarly, plans are made concerning the amount of work that all other departments (marketing department, purchase department, etc.) of the organization are expected to accomplish during the coming year. It is essential to determine the work load in some tangible units so that they may be translated into man hours required per unit.

- *Delphi Technique* – A group of experts, usually managers, estimate the personnel needs. The HRP experts act as intermediaries, summarige the various responses and report the findings to the experts. The experts are surveyed again after they receive this feedback. Summaries and surveys are repeated untill the experts' opinions come consensus. The agreement reached is forecast of personnel needs. The main feature of the Delphi Technique is the absence of interaction among experts.

4. **HR Supply Forecasting** : Organizations have two sources of supply of human resources - internal and external. Internally, human resources can be obtained for certain posts through promotions and transfers.

   Human resources flow in and out of organizations as shown in figure 2.
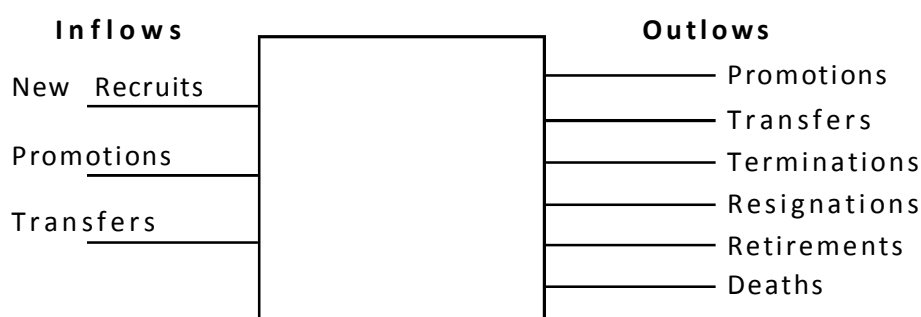
Figure 2

Due to continuous flows, every organization should conduct 'human resource audit'. It contains data about present or current human resources.

The following techniques may be used for anticipating the supply of human resources :

- *Markov Analysis* – This method uses historical information on the movement of personnel that takes place during a typical plan period.

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Data are collected and reviewed for a number of years in order to estimate the likelihood that persons in a particular job will remain in that job or be transferred, promoted, demoted, terminated or retired. These are assigned probabilities. The probabilities are arranged in a transition matrix and future personnel flows are estimated on the basis of the matrix.

- *Simulation* – It considers alternative flows which are examined for effects on future manpower supplies.

- . *Renewal Analysis* – It estimates future flows and supplies of manpower by calculating :

  i) vacancies created by the organization.

  ii) the results of decision rules governing the filling of vacancies.

  In renereal theory, the assermption is that of fioced grade size but upward mouements are linked to uacancies at higher leuels.

- *Goal Programming* – In this, the planner tends to optimige goals. Here, the goal to is optimige the staffing pattern subject to a set of constraints concerning such factors us the upper limits on flows, the percentage of new recruits permitted and the total salary budget.

5. **Estimating Manpower Gaps** : These can be identified by comparing demand forecasts and supply forecasts. Necessary action may be planned to fill these gaps.

6. **Action Planning** : Surplus manpower may be redeployed in other departments and/or retrenchment may be planned.

   Deficit may be met through recruitment, selection, transfer, promotion and training plans.

7. **Monitoring and Control** : After action plans are implemented the human resource system needs to be reviewed and regulated. Monitoring and control phase involves allocation and utilisation of human resources over time. It helps to reveal deficiencies. Corrective actions should be taken at the right time to remove deficiencies.

3.5 Levels of HRP

HR plans may be prepared at following levels :

1. **National Level** : The central government forecasts the demand for and supply of human resources for the nation. It includes factors such as population projections, education, occupational distribution, mobility of people, etc.

   The main focus here is on employment, generation, poverty alleviation and other social factors. India has one of the largest pools of scientific and technical personal. But this skill distribution is still haphazard and needs correction through various means, one of which is training.

2. **Sector Level** : HR plans are prepared for various sectors such as agriculture sector, industrial sector, tertiary sector etc.

3. **Industry Level** : At the next level, HR plans are formulated for specific industries like IT, chemical, automobiles, etc.

4. **Unit Level** : At this level, the HR plans for a particular organizations are formulated. These can be further broken down into departmental level.

3.6 Problems of HRP

Human resource planning is not always successful. Some of the major stumbling blocks are described below :

(i) Identity Crisis
(ii) Support of Top Management
(iii) Size of Initial Effort
(iv) Coordination with other Management Functions
(v) Integration with Organizational Plans
(vi) Involvement of Operating Managers

(i) **Identity Crisis** : There is generally identity crisis and many managers as well as human resource specialists do not fully understand the total human resource planning process. There can be little doubt that unless the human resource planning specialists develop a strong sense of purpose; they are more likely to fail.

(ii) **Support of Top Management** : To be effective, in the long-run, human resource planning must have the full support of top management. The support from top management is essential to ensure the necessary resources, cooperation and support it help to success of human resource planning.

(iii) **Size of Initial Effort** : Human resource planning fails because of lack of sufficient initial effort. To be successful, human resource planning should start slowly and expand gradually. Development of accurate skills inventory, and preparation of replacement chart are integral parts of manpower planning.

(iv) **Coordination with other Management Functions** : To be effective, human resource planning must be coordinated with other management functions. Unfortunately, there is a tendency on the part of manpower planners to become totally absorbed in their own world keeping aloof from the other operating managers.

(v) **Integration with Organizational Plans** : Human resource planning must be based on organizational objectives and plans. It requires development of good communication channels between organization planners and the human resource planners. In many organizations, such a communication changes are lacking and the human resource plans are prepared in isolation of the fundamental organizational plans.

(vi) **Involvement of Operating Managers** : Human resource planning is not a function of manpower planners only. Successful human resource planning requires a coordinated effort on the part of personnel department and the operating managers.

3.7 Effective HRP

Some of the steps that may be taken to improve the effectiveness of human resource planning are given below :

1. **Tailormade** – Human resource plans should be balanced with the corporate plans to the enterprise. The methods and techniques used should fit the objectives, strategies and environment of the particular organization.

2. **Appropriate Time Horizon** – The period of a human resource plan should be appropriate to the needs and circumstances of the specific enterprise. The size and structure of the enterprise as well as the changing aspirations of the people should be taken into consideration.

3. **Adequate Organization** – Human resource planning function should be properly organised. A

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separate cell, section or committee may be constituted within the human resource department to provide adequate focus, and to coordinate the planning efforts a various levels.

4. **Top Management Support** – Before starting the human resource planning process. The support and commitment of top management should be ensured. Moreover, the exercise should be carried out within the limits of a budget. it is no use formulating plans which cannot be implemented due to financial constraints.

5. **Participation** – To be successful, human resource planning requires active participation and coordinated efforts on the part of operating executives. Such participation will help to improve understanding of the process and thereby reduce resistance.

6. **Information System** – An adequate database should be developed for human resources to facilitate human resource planning.

7. **Balanced Focus** – The quantity and quality of human resources should be stressed in a balanced manner. The emphasis should be on filling future vacancies with right people rather than merely matching existing people with existing jobs. Upward mobility of existing staff needs to be considered carefully. Labour turnover should be considered according to length of service rather than merely on aggregate basis.

3.8 Key Words

- **Human Resource Planning :** The process of getting the right number of qualified people into the right job at the right time.

- **Human Resource Forecast :** An attempt to predict an organization's future demand for employees.

- **Staffing Table :** A chart showing future employment needs for each type of job.

- **Skills Inventories :** Summaries of the skills and abilities of non-managerial employees used in forecasting supply.

- **Replacement Charts :** A portrayal of who will replace whom in the event of a job opening.

- **Succession Planning :** An executive inventory report showing which individuals are ready to move into higher positions in the company.

- **Human Resource Inventory :** Describes the skills that are available within the company.

- **Outplacement :** The process of helping unwanted present employees find new jobs with other firms.

- **HR Audits :** HR audits summarise each employee's skills, knowledge and abilities. Audits of non-manager are called skills inventories; audits of managers are known as management inventories.

- **Job Analysis :** A systematic exploration of the activities surrounding and within a job.

3.9 Self Assessment Test

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1 What do you understand by HRP? Describe its importance.
2 Outline the steps involved in HRP.
3 Why is HR Planning more common among large organization than among small ones? What are the advantages of HRP for large organization.
4 Discuss the problems in HRP. How can they be overcome.
5 Write short notes on :
   a) HR Inventory
   b) HR Flows
   c) Levels of HR Planning
   d) Techniques of HRP.

UNIT – 4 : JOB ANALYSIS

Unit Structure

4.0   Objectives

After studying this unit you should be able to understand:

- The concept, purpose and importance of job analysis
- Different components of job analysis
- The process of job analysis and its various methods
- The difficulties in devising an effective job analysis

4.1   Introduction

Job analysis is the formal study of the duties and responsibilities that comprise a job, taking into consideration the nature and level of work performed and the specifications required for an incumbent to perform the job competently in order to properly classify positions in terms of an appropriate title, salary and overtime exemption status.

It is a systematic approach of defining the job role, description, requirements, responsibilities, evaluation, etc. It helps in finding out required level of education, skills, knowledge, training, etc for the job position. It also depicts the job worth i.e. measurable effectiveness of the job and contribution of job to the organization. Thus, it is a process to establish and document the '*job relatedness*' of employment procedures such as training, selection, compensation, and performance appraisal which effectively contributes to setting up the compensation package for the job position.

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

The job analysis may include these activities:
- Reviewing the job responsibilities of current employees
- Researching & viewing sample job descriptions on/offline highlighting similar jobs
- Analyzing the work duties, tasks and responsibilities that need to be accomplished by the employee filling the position
- Researching and sharing with other companies that have similar jobs
- Determining the most important outcomes needed from the position

JOB ANALYSIS MATRIX

What the Worker Does Duties Tasks Responsibilities	**How the Worker Does it** Methods Tools Techniques
Why the Worker Does it Products Services	**Worker Qualifications** Skills Knowledge Abilities Physical Demands

A job analysis may be initiated if:

- An employee's level of responsibility and decision-making authority have increased
- Significant changes in the work have occurred
- Significant departmental restructuring has occurred
- Departmental needs and initiatives necessitates staffing changes
- A reduction in force (RIF) is planned

4.2 Aspects of Job Analysis

Job Analysis should collect information about the following areas:

- **Duties and Tasks** - The basic unit of a job is the performance of specific tasks and duties. Information to be collected about these items may include: frequency, duration, effort, skill, complexity, equipment, standards, etc.

- **Environment** - This may have a significant impact on the physical requirements needed to perform a job. The work environment may include unpleasant conditions and definite risks to the incumbent such as chemical interaction, extreme temperatures, noxious fumes, radioactive substances, hostile & aggressive people and dangerous explosives.

- **Tools and Equipment -** Some duties and tasks are performed using specific equipment and tools. Equipment may include protective clothing and other safety gear. These items need to be specified in a Job Analysis.

- **Relationships** – Both supervision given and received and relationships with people internal &/or external to the organization.

- **Requirements -** The knowledge, skills and abilities (KSA's) required to perform the job. Job Analysis typically states only the minimum requirements for the job.

4.3 Importance of Job Analysis

It is a multi-purpose approach which has influence across the functional gamut of an organization. The different important objectives of Job Analysis are summarized below :

Importance for Recruitment and Selection:

It entails the following as-
- Job duties to be included in advertisements for vacancies;
- Determining appropriate salary level for the position;

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- Minimum requirements/ qualifications for screening applicants;
- Interview questions;
- Selection tests/instruments (e.g., written tests; oral tests; job simulations);
- Applicant appraisal/evaluation forms;
- Orientation materials for applicants/new hires

Importance for Job evaluation
- Judges relative worth of jobs
- Sets fair compensation rates

Importance for Job design
- Reduce personnel costs by streamlining work processes,
- Increase productivity and employee empowerment,
- Enhance job satisfaction & scheduling flexibility for the employee,
- Simplifying job to remove ambiguity,
- Identifies what must be performed, how , where and who will perform it.

Importance for Compensation and Benefits:

It is used to identify -
- Skill levels
- Compensation job factors
- Work environment (e.g., hazards; attention; physical effort)
- Responsibilities (e.g., fiscal; supervisory)
- Required level of education (indirectly related to salary level

Importance in Performance Appraisal:

It can be used to develop -
- Goals and objectives
- Performance standards
- Length of probationary periods
- Duties to be evaluated
- Evaluation criteria

Importance in Training and Development:

It helps to identify -
- Training content
- Assessment tests to measure training effectiveness
- Equipment to be used for training
- Training Methods (i.e., small group, computer-based, video, classroom…)

Importance in Productivity Enhancement:
- It identifies performance criteria to encourage worker for best performance.
- It can use methods of time and motion study or micro-motion analysis for it.

Importance of job analysis in Compliance with labor law:

- Identify requirements in compliance with labor/environmental/ other statutory guidelines

4.4 Components of Job Analysis

Job analysis is a systematic procedure to analyze the requirements for the job role and job profile.

It forms an integral part in the formulation of compensation strategy of an organization. Hence,

organizations should conduct the job analysis in a systematic manner at regular intervals. It can he categorized into following rule components that are depicted diagram below.

Components of Job Analysis
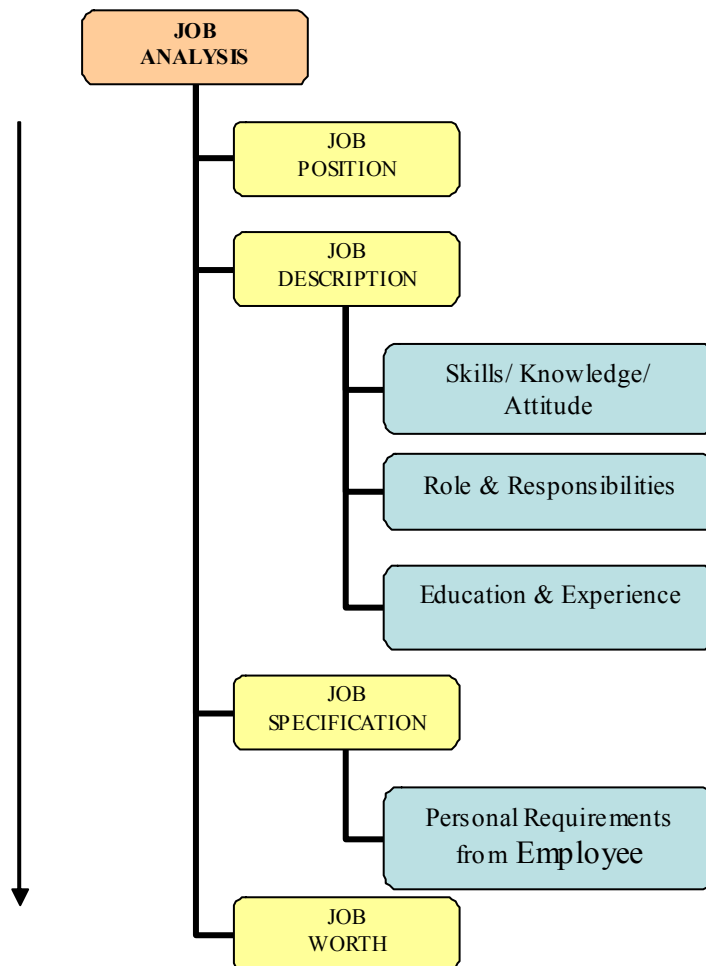
• **Job Position**

It refers to the designation of the job and employee in the organization. It forms an important part of the compensation strategy as it determines the level of the job in the organization. For example management level employees receive greater pay scale than non-managerial employees. The non-monetary benefits offered to two different levels in the organization also vary in quantity and quality.

• **Job Description**

It refers to the requirements an organization looks for a particular job position. It states the key skill requirements, the level of experience needed, level of education required, etc. It also describes the roles and responsibilities attached with the job position. The roles and responsibilities are key determinant factor in estimating the level of experience, education, skill, etc required for the job. It also helps in benchmarking the performance standards.

• **Job Specification**

It describes the personal requirements expected from the employee. It includes the job title, whom the person reports to and a position summary. It also lists any educational requirements, desired experience, specialized skills or knowledge required, salary range and benefits. Lastly, any physical or other special requirements associated with the job, as well as any occupational hazards are listed as well.

- **Job Worth**

Job Worth refers to estimating the job worthiness i.e. how much the job contributes to the organization. It is also known as job evaluation. It is also known as job evaluation. Roles and responsibilities helps in determining the outcome from the job profile. Once it is determined that how much the job is worth, it becomes easy to define the compensation strategy for the position.

4.5 Process of Job Analysis

Step 1: Identify purpose of job analysis - The purpose of job analysis needs to be identified for determination of methodology and type of data to be collected.

Step 2: Selecting the analysts -

The analysts can be chosen from professional human resource, line mangers, incumbents or consultants.

Step 3: Selecting the appropriate method –
- Representative positions to be analyzed are selected as too many similar jobs may exist, all of which need not be analyzed
- Background information like organization charts, process charts, job descriptions of positions selected are reviewed.
- Subsequently, methods of job analysis is/are identified. There are many methods in job analysis, which should be weighed for their net advantage before final selection.
- Sample size of position is analyzed.

Step 4: Train the analysts -

If internal analysts are used for the purpose, they have to be trained properly to be able to use selected methods.

Step 5: Preparation of job analysis

- The project is then communicated in the organization.
- Preparing of the documentation follows, for example: interview questions, questionnaires.

Step 6: Collecting data

- Data is collected on job activities, employee behaviors, working conditions, human traits and abilities needed to perform the job
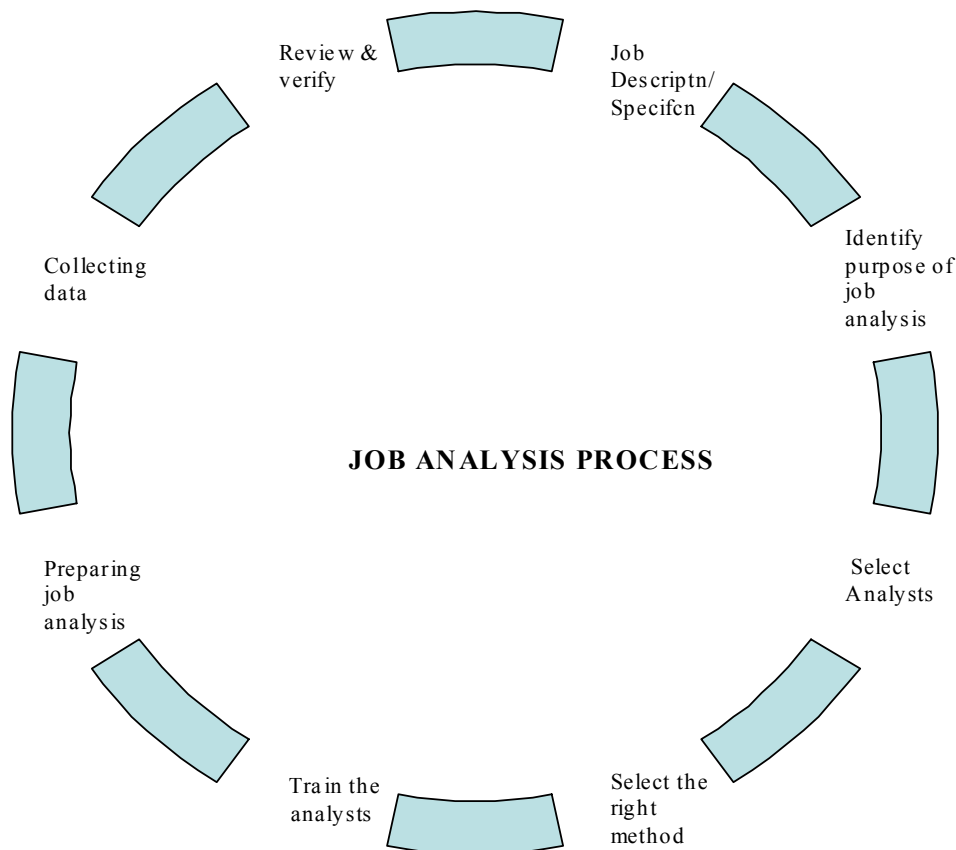- Generally, it is advisable to use one or more of the job analysis methods to collect data.

Step 7: Review and verify -

The results are consolidated followed by thorough review of all data collected. This is helpful to confirm that the information is factually correct and complete. Information can be reviewed in following manner:
- Review data with his or her immediate supervisor.
- Review data by technical conference (is a job analysis method).
- Review data with incumbents by interview.

Step 8: Develop a job description and job specification

The results are implemented into the company procedures according to the goal-setting. A job description and job specification are developed from the job analysis information. A job description is a written statement that describes the activities and responsibilities of the job, working conditions and safety and hazards. A job specification summarizes the personal qualities, traits, skills and background required for getting the job done.

JOB ANALYSIS PROCESS

(Diagram labels, clockwise from top: Review & verify, Job Descriptn/ Specifcn, Identify purpose of job analysis, Select Analysts, Select the right method, Train the analysts, Preparing job analysis, Collecting data)

4.6 Job Analysis Methods

Methods of collecting job analysis information include:

(A) Observation Methods:

This group of methods include the following :

• **Direct observation**

In this method of job analysis loiterer observe and record behavior / events / activities / tasks / duties while something is happening. It enables the trained job analyst to obtain first-hand knowledge and information about incumbents performing their jobs . However, the presence of an observer may affect the incumbent causing him/her to alter their normal work behavior

• **Work method analysis**

This is used to describe manual and repetitive production jobs, such as factory or assembly-line jobs. It includes time and motion study and micro-motion analysis.

• **Critical incident technique (CIT model).**

This is a method of job analysis that is used to identify work behaviors that classify in good and poor performance.

(B) Interview Method:

A selection procedure designed to predict future job performance on the basis of applicants' oral responses to oral inquiries. It is a useful tool to ask questions to both incumbents and supervisors in either an individual or a group setting. The different methods are as follows :

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- **Unstructured Interview-** Involves a procedure where different questions may be asked to different applicants.

- **Situational Interview-** Candidates are interviewed to gauge what actions they would take in various job-related situations usually identified using the critical incidents job analysis technique. The interviews are then scored using a scoring guide constructed by job experts.

- **Behavior Description Interviews -** Candidates are asked what actions they have taken in similar prior job situations. The interviews are then scored using a scoring guide constructed by job experts.

- **Comprehensive Structured Interviews -** Candidates are asked questions pertaining to how they would handle job-related situations, job knowledge, worker requirements, and how the candidate would perform various job simulations. Interviews tapping job knowledge offer a way to assess a candidate's current level of knowledge related to relevant implicit dimensions of job performance (i.e., "tacit knowledge" or "practical intelligence" related to a specific job position)

- **Structured Behavioral Interview -** This technique involves asking all interviewees standardized questions about how they handled past situations that were similar to situations they may encounter on the job. The interviewer may also ask probing questions for details of the situations, the interviewee's behavior and the outcome. The interviewee's responses are then scored with behaviorally anchored rating scales.

- **Oral Interview Boards -** This technique entails the job candidate giving oral responses to job-related questions asked by a panel of interviewers. Each member of the panel then rates each interviewee on such dimensions as work history, motivation, creative thinking, and presentation. The scoring procedure for oral interview boards has typically been subjective; thus, it would be subject to personal biases of those individuals sitting on the board. This technique may not be feasible for jobs in which there are a large number of applicants that must be interviewed.

(C) Questionnaire Methods:

This group includes 6 techniques as follows:

- **Position Analysis Questionnaire (PAQ model)**

PAQ model is a questionnaire technique of job analysis. It was developed by McCormick, Jeanneret and Mecham in 1972. It is a structured instrument of job analysis to measure job characteristics and relate them to human characteristics. It consists of 195 job elements that describe generic human work behaviors. Job incumbents (and sometimes their managers) answer questions on form outlining skills, abilities and knowledge needed to perform the job. Responses are compiled and a composite job requirement statement is produced.

- **Functional Job Analysis (FJA model)**

FJA model is a technique of job analysis that was developed by the Employment and Training Administration of the United States Department of Labor. It includes 7 scales (numbers) that measure: 3 worker-function scales: measure % of time spent with: data, people, things; 1 worker-instruction scale; 3 scales that measure reasoning, mathematics, language. Each scale has several levels that are anchored with specific behavioral statements and illustrative tasks. A functional job analysis is the cornerstone of a useful job description which ultimately will result in better hiring of new employees.

There are a number of elements to a functional job analysis but they can be categorized in 4 sections as follows :

- the classification elements

- the requirement of the positions
- the requirements of the employee
- the definition of success

Functional job analysis questions includes question regarding outputs, tasks, reliability and validity of the task, task validation.

- **Work Profiling System (WPS model)**

WPS model is computer-administered system for job analysis, developed by Saville & Holdsworth, Ltd. (SHL Group). This is one of questionnaire methods. There are three versions of the WPS: managerial, service, and technical occupations. This method contains a structured questionnaire which measures ability and personality attributes such as hearing skills, sight, taste, smell, touch, body coordination, number skills, complex management skills, verbal skills, , personality, and team role.
  - Information is collected about a job in a structured way from 2 to 4 people who are currently doing the job through questionnaires.
  - The information is then computer analyzed to meet a variety of objectives, including:

- **MOSAIC model**

MOSAIC model is a questionnaire technique of job analysis used to collect information from incumbents and supervisors. It contains 151 job tasks rated in terms of importance for effective job performance and 22 competencies rated in terms of importance, and needed proficiency at entry.

- **Common Metric Questionnaire (CMQ model)**

CMQ model is a technique of job analysis that was developed by Harvey as a "worker-oriented" job analysis instrument designed to have applicability to a broad range of exempt and nonexempt jobs. It includes 41 general questions of background section, 62 questions of contacts with people, 80 items of decision making, 53 items of physical and mechanical activities, 47 items of work setting.

- **Fleishman Job Analysis System (FJAS model)**

FJAS model is a technique of job analysis that describes jobs from the point of view of the necessary capacities. It includes 52 cognitive, physical, psycho-motor and sensory abilities, each of the categories consists of two parts – an operational & differential definition and a grading scale.

(D) Other Methods:

- **Task Inventory**

A task inventory is a list of the discrete activities that make up a specific job in a specific organization.

- **Job Element Method**

This method is same as the critical incident technique. It focuses on work behaviors and their consequences. It was developed by Ernest Primoff.

- **Diary Method**

In this method the worker is asked to maintain records or list of activities done on a daily basis.

- **Checklists and Rating Scales**

Checklist is a method based on an inventory of job elements. Questions are asked about purpose of position; key responsibility areas; organization; relationships; decision making; authority; skills, knowledge, experience; working conditions.

- **Competency Profiling**

    This is the activity of determining the specific competencies that are characteristic of high performance and success in a given job. Contents include skills, knowledge, abilities, values, interests, personalities.

- **Examining Manuals/Reference Materials**

    Manuals/reference materials like quality manual, human resource manual, procedures, instruction, forms, job description are useful in job analysis. These documents are available for organizations applied to ISO 9000 standard.

- **Technical Conference**

    Technical conference is also a useful tool based on Subject Matter Experts (SMEs). SMEs conduct brainstorming sessions to identify job elements. SMEs can use all job analysis methods available.

- **Threshold Traits Analysis System (TTAS model)**

    Threshold Traits Analysis System (TTAS model) was developed in 1970 by Felix Lopez. It includes a standard set of 33 traits: ability traits are "can do" factors and attitudinal traits are "willing to do" factors.

- **Combination of methods**

    In process of job analysis, analysts can use and associate all methods to collect job information.

4.7 Practical Problems with Job Analysis

- Lack of top management support
- Lack of training of the analyst and incumbent
- Use of only one method
- Use of single source of data
- Absence of a review
- Lack of participation of all stakeholders
- Job-based rather than person-based
- Lack of reward for providing quality information
- Insufficient time allowed for the process
- Time spent in job analysis too lengthy.

4.8 Sample Job Analysis Checklists

Routine Managerial/Supervisory Duties
- Analyze, on a periodic basis, workload and personnel needs of an organizational unit.
- Recommend changes in the staff level of the work unit.
- Review documentation for new positions and positions that have been revised.
- Obtain approval to modify positions.
- Interview candidates for employment and make hiring decision or recommendations.
- Orient new subordinates concerning policy and procedures, work rules, and performance expectation levels. Review position responsibilities.
- Plan, delegate, communicate and control work assignments and special projects concerning subordinates.
- Establish and maintain specific work goals and objectives or quantitative and qualitative work standards to be achieved by subordinates.
- Train, develop, and motivate subordinates to improve current performance and to prepare for higher- level jobs.

- Determine significant changes in responsibilities and major duties of subordinates by reviewing their job responsibilities on a regular basis.
- Evaluate the performance of subordinates. Document and discuss present and past performance with each direct report. Keep supervisor informed of results.
- Review salaries of subordinates and recommend changes according to policy and procedures.
- Recommend personnel actions such as promotions, performance awards, demotions, etc., according to budget guidance and policy.
- Advise superiors and subordinates of developments that impact job duties. Ensure proper communications.
- Maintain discipline, recommend and administer corrective action according to policy and procedures.
- Communicate and administer personnel programs in accordance with design and objectives.
- Maintain proper documentation on all subordinates.
- Other responsibilities:

4.8.1 Sample Job Anayasis Template:

Requisition Name (Name of Job)

Who Interacts with this person?How many roles does this person have in this job?What level is (or What level are you willing to pay for) this role?What's the management component?

What are the Job's Activities & Deliverables (Including Periodic Deliverables)?

Essential Qualities, Preferences, Skills: Initiative, flexibility, communication skills, versatility in handling projects of varied scope, multi-tasking, influence & negotiation skills, goal orientation, technical leadership, trouble shooting, responsibility & independence, passion for learning, teamwork are considered Desirable Qualities, Preferences, Skills and other attributes are considered

Essential Technical Skills : Technology skills, domain expertise skills, industry experience, core technical skills

Desirable Skills: Are there technical skills that are not essential, but are desirable?

Minimum Education or Training Requirements

Corporate Cultural Fit Factors : Company Growth, Cash Position, Industry Leadership, Entrepreneurial Environment, Benefits & Perks, Large or Small Company, Division or Stand-Alone Elimination Factors : Travel, Availability, Salary

Sample Job Analysis

Example Overview - The example below is for a sales person who is selling financial service products. About 75% of his/her time is spent in the office and the other 25% is out on the road making presentations to customers. The job requires a Certified Financial Planners designation and requires heavy duty lead generation.

Job Title: Financial Planning Sales

Classification: Full Time Exempt Employee

Department/Division: Financial Product/ Western Regional

Location: Nariman Point, Mumbai

Pay Grade: Level IV (Base + Commission)

Job Requirements:

A. Summary of Position

Researches and identifies target client sectors for financial product services. Develops and implements a sales process to include initial contact, follow up, presentation and closing procedures. Maintains records of contacts and sales status including contact reports, sales projections and quota ratios.

B. Job Duties

1) Research and Create targeted new client lists within Western and Central India territory
2) Makes initial contact with potential clients
3) Performs routine and regular follow up with potential clients
4) Performs routine and regular follow up with former clients
5) Visits potential clients and makes sales presentations
6) Closes sales
7) Maintains regular record reporting sales activity

C. Computer Skills and Software Used

1) Windows operating system
2) MS Office including Word, Excel and PowerPoint
3) Constant Contact or other Customer Relations Management Software

D. Reporting Structure

1) Reports to regional sales manager
2) Has nobody directly reporting to this position
3) Required to participate in Annual Sales Meeting

Employee Requirements:

A. Education and Training

1) Master Degree in business, finance or accounting &/or 5 Years experience
2) ABC Financial Planning - Level 3 or higher (Fictional)

B. Skills and Aptitudes

1) Fearless cold caller, 250+ Outbound calls per week
2) Ability to close a sale
3. Adapt to changing financial conditions and meet customer expectations

C. Environment and Physical

1) Work in high volume sales office
2) Be able to sit for prolonged periods of time
3) Be able to travel to client locations 25% of time

D. Licenses/Certifications

1) CFP - Certified Financial Planner
2) All India Drivers License

Success Factors:

A. Grow Sales

1) Increase market channel penetration by 30% in first Year
2) Develop 3 secondary channels in first 180 days
3) Grow referral-based sales from 15% to 20% in first year

B. Develop Sales Department
1) Recruit and train 2 junior sales associates with gross sales of Rs. 10 lakhs by 3nd quarter
2) Increase number of sales presentations by 20% within 12 months
3) Implement Web-Meeting presentation System to Reduce travel costs by 20% per year

Comments   _____

                  _____

                  _____

HR Representative _____

Department Manager _____

Date Completed   _____

4.9 Summary

In nutshell, Job Analysis is the process whereby jobs are investigated in sufficient detail to enable (a) recruitment of people into them or (b) assessment of the performance of people who are already working in them.

It includes analysis of Duties and Tasks, Environment, Tools and Equipment, Relationships and Requirements. It is important in organizational processes like recruitment and selection, Job evaluation & design, determining compensation packages, training and development, increasing productivity etc.

It is done by different methods like observation, interviews, questionnaires, diary method, competency profiling etc.

4.10 Key Words

- **Performance Appraisal** - Personnel evaluation method seeking the measurement of employee work effectiveness using objective criteria. Performance appraisal systems hope to achieve higher productivity outcomes by delineating how employees meet job specifications. A major challenge for performance appraisal systems is to define performance standards while maintaining objectivity.

- **Job Evaluation** - Orderly qualitative appraisal of each job or position in an establishment either by a point system for the specific job characteristics or by comparison of job factors; used for establishing a job hierarchy and wage plans.

- **Recruitment** - Recruitment is the process of identifying that the organization needs to employ someone up to the point at which application forms for the post have arrived at the organization.

- **Selection -** The process consists of the processes involved in choosing from applicants a suitable candidate to fill a post.

- **Training -** It consists of a range of processes involved in making sure that job holders have the right skills, knowledge and attitudes required to help the organization to achieve its objectives.

- **Skills** – A skill is the learned capacity to carry out pre-determined results often with the minimum outlay of time, energy, or both. Skills can often be divided into domain-general and domain-specific skills. For example, in the domain of work, some general skills would include time management, teamwork and leadership, self motivation and others, whereas domain-specific skills would be useful only for a certain job. Skill usually requires certain environmental stimuli and situations to assess the level of skill being shown and used.

4.11 Self Assessment Test

1   Discuss the importance of job analysis in an organization.

2   Critically analyze the various methods of job analysis.

3   In what ways is the process of job analysis important and indispensable for an organization?

4   What are the hurdles in establishing an effective process of job analysis?

5   Explain in short the following :

   • Job worth
   • Job specification
   • Job description
   • Job position

UNIT - 5 : RECRUITMENT AND SELECTION

Unit Structure

5.0   Objectives

After studying this unit, you should be able to understand :
*   The concept of recruitment and selection
*   The aims and significance of the twin terms
*   Sources and policy of recruitment
*   Types of selection devices
*   The selection process.

5.1   Introduction

To accomplish effective performance in all functional areas and at all levels within an organization qualified and skilled and manpower with calibre is required. Therefore, the importance of hiring of the appropriate persons at the right time is indispensable. Recruitment is one of the most visible roles undertaken by human resource departments in organigations. Recruitment can be considered as part of a trio, 'recruit, reward and retain'.

Recruitment is a process of generating a 'pool' of candidates by reaching the 'right' audience suitable to fill the vacancy. Selection involves 'picking' the most suitable candidate from the 'pool', that is willing to fill the vacancy.

The human resources are the most important assets of an organization. The success or failure of an organization is largely dependent on the caliber of the people working therein. Without positive and creative contributions from people, organizations cannot progress and prosper. In order to achieve the goals or the activities of an organization, there exist a need to recruit people with requisite skills, qualifications and experience. While doing so, the present as well as the future requirements of the organization should be taken into care.

Recruitment is a 'linking function' - joining together those seeking jobs with jobs. It is a 'joining process' as it tries to bring together job seekers and employer with a view to encourage the former to apply for a job with the latter.

The basic purpose of recruiting is to develop a group of potentially qualified people. To this end, the organization must communicate the position in such a way that suitable job seekers respond.

Recruitment involves searching for obtaining potential job candidates in sufficient numbers and quality so that the organization can select the most appropriate people to fill its job needs.

- One goal of recruiting is to attract the "right" number of applicants.

- Recruiters may seek applicants from outside the firm, within the firm or both.

For a recruiter while recruiting understanding of following aspects is required :

- How has the job changed since it was last filled ?

- Do we will need the same kind of job to be done ?

- What does the job now involve ?

- Does it need to be done in the same way as we did it earlier ?

- Is there a description of the job ?

5.2 Need and Objectives

The basic objective of any recruitment activity is to ensure a sufficient number of Qualified aspirants so that the most suitable candidates can be hired out of them. A planned recruitment program can lead to increased productivity, better compensation, enhanced job satisfaction motivation and reduced employee turnover.

Following are the other objectives of recruitment :

- to obtain a pool of suitable candidates for vacant post(s).

- to use and be seen to use a fair process.

- to ensure that all recruitment activities contribute to company goals and a desirable company image.

- to conduct recruitment activities in an efficient and cost effective manner.

According to *Scott, Clothier and Spriegel* the need for recruitment arises due to following reasons:

- Vacancies created due to transfer, promotion, retirement, termination, permanent disability or death.

- Vacancies created due to expansion, diversification and growth of business.

- The normal population growth, which requires increased goods and services to meet the needs of the people.

- A rising standard of living, which requires more of the same goods and services as well as the creation of new wants to be satisfied.

- An increase in the competitive advantage of certain firms, enabling them to get more of the available business strengths and opportunities.

- An increase in business arising from an upswing during the recovery period of a business cycle.

5.3 Alternatives to Recruitment

To keep the hiring costs within limits (search process, interviewing, agency fee, etc.) firms these days are trying to look at alternatives to recruitment, especially when market demand for firm's products and services is sluggish. Moreover, once employees are placed on the payroll, it may be extremely difficult to remove them if their performance is marginal. Some of the options in this regard may be listed thus :

5.3.1 Overtime

Short-term fluctuations in work volume could best be solved through overtime. The employer benefits because the costs of recruitment, selection and training could be avoided. The employee benefits in the form of higher pay. However, an overworked employee may prove to be less productive and turn out less than optimal performance. Employees may slow down their pace of working during normal working hours in order to earn overtime daily. In course of time overtime payments become quite routine and for any reason when these payments do not accrue regularly, employees become resentful and disgrunted.

5.3.2 Subcontracting

To meet a sudden increase in demand for its products and services, sometimes, the firm may go for subcontracting, instead of expanding capacities immediately. The firm can meet increased demand by allowing an outside specialist agency to undertake part of the work to mutual advantage.

5.3.3 Temporary employees

Employees hired for a limited time to perform a specific job are called temporary employees. They are particularly useful in meeting short term human resource needs. A short term increase in demand could be met by hiring temporary hands from agencies specializing in providing such services. It's a big business idea in United States these days. In this case the firm can avoid the expenses of recruitment and the painful effects of absenteeism, labor turnover, etc. It can also avoid fringe benefits associated with regular employment. However, temporary workers do not remain loyal to the company, they may take more time to adjust and their inexperience may come in the way of maintaining high quality.

5.3.4 Employee leasing

Hiring permanent employees of another company who possess certain specialized skills on lease basis to meet short-term recruitments-although not popular in India – is another recruiting practice followed by firms in developed countries. In this case individuals work for the leasing firm as per the leasing agreement/arrangement. Such an arrangement is beneficial to small firms because it avoids expense and problems pertaining to personnel administration.

5.4 Recruitment Process

Recruitment process comprises series of steps which are sequential in nature and given here under:

- The process begins when human resource management department receives requisition note from some department or division of the company. This note contain details about the job and the specifications about the man who will be best suited for the job, qualifications, skills, duties of the incumbent, hazards and employment conditions.

- Second step is pertaining to assessment of human requirements through job description and men specification.

- Identification and development of potential sources from which adequate number of qualified applicants can be attracted.

- Informing to the prospects about the organization, the terms and conditions of employment and relevant rules and regulations.

- Inducing the most suitable prospects to send their application for employment within a stipulated time frame. Here the employer should disseminate employee friendly policies of the organization and ensure the incumbents about the equal opportunity employer image.

- Appraising the effectiveness of the whole process of recruitment for further strengthening.

Hence in the recruitment process the issues relating to the policy, responsibility, sources, methods and evaluation are taken care of.

5.5 Sources of Recruitment

Organizations need individuals to carry on with its operations. We must know that normally an organization can fill up its vacancies either through promotion of people available in the organization or through the selection of people from outside. Thus, there can be two sources of supply of manpower- external and internal. For all recruitments, a 'preliminary question of policy' considers the extent to which it will emphasise external and internal sources. The question is not of 'either or' but is one of relative importance of both sources because every organization has to fill up some vacancies through promotion and, in the same way, all organizations have to fill up some vacancies through outsiders. Selection of a particular source of manpower supply depends on several factors enumerated below :

- The policy of taking candidates from inside and outside affects the attitudes and actions of people in the organization.

- Filling up a position through internal promotion has a favourable reaction amongst employees. They are likely to associate themselves with the organization as they see their future is secured in the organization through promotion. However, this may result into mediocre performance, as the guarantee of promotion itself will bring complacency.

- The level of socialisation required and time taken for that determines the inside or outside sources of recruitment. If the socialisation process for an organization operating in a particular industry takes substantial time, it can prefer internal source of recruitment. People selected from outside take time to socialise themselves with an organization. For certain jobs, this process may take considerably longer time. For example, marketing executive of a consumer product company will take less time in socialising in another consumer product company but more time in capital goods industry. Same is the case with production people. However, finance people may take same time inspite of the differences and similarities of organization.

- The need for orginality and new ideas also affects recruitment policy. The organization that grow through diversification give more importance to outside sources, as existing people may not be fully equipped to handle new business.

- Therefore we should not forget to consider the above stated factors while determining the sources of recruitment. While vacancies through internal sources can be filled up either through promotion or transfer, recruiters tend to focus their attention on outside sources.

5.5.1 External Sources:

Therefore, we must first identify outside sources. Normally, following external sources are utilised for different positions :

- **Advertisement :** Advertisement is the most effective means to search potential employees from outside the organization. Employment advertisement in journals, newspapers, bulletins, etc., is quite common in our country. By means of advertisement, the organization is able to communicate its requirement of people to those out of whom some may be its prospective employees. An advertisement contains brief statement of the nature of jobs, the type of people required, and procedure for applying for these jobs.

- **Employment Agencies:** Many organizations get the information about the prospective candidates through employment agencies. In our country, two types of employment agencies are operating : public employment agencies and private hiring services. Though both of these perform activities glue employment suggestions to their clients, often they differ considerably.

- **Public Employment Agencies:** There are employment exchanges run by the government in all district-head quarters. The employment seekers get themselves registered with these exchanges. Normally, such exchanges provide candidates for lower positions like semi-skilled and skilled workers, and lower-level operatives like clearks, junior supervisors, etc.

- **Private Employment Agencies:** Many consultancy and employment agencies like ABC Consultants, A.F. Ferguson and Company, Personnel and Productivity Services, S.B. Billimoria and Company, etc., provide employment services particularly for selecting higher level and middle level executives. These agencies also undertake A to Z functions of recruiting and selecting personnel of behalf of various organizations. They charge fees for their services.

- **On Campus Recruitment:** Many organizations conduct preliminary search of prospective employees by conducting interviews at the campuses of various institutes, universities, and colleges. This source is quite useful for selecting people to the posts of management trainees, technical supervisor, scientist, and technicians. The organizations hold preliminary interviews on the campus on the predetermined date and candidates found suitable are called for indepth interviews at specified places.

- **Deputation:** Many organizations take people on deputation from other organizations. Such people are given choice either to return to their original organization after a certain time or to opt for the present organization. At the early stage of establishment of public sector orgnanizations, this source was quite common for filling managerial vacancies. People from civil and defense services were put on deputation in these organizations. Organizations promoted by various industrial groups also use this source to fill up higher managerial positions. People working in one organization are also deputed in another belonging to the same industrial house or the companies controlled by a holding/ parent company.

- **Employee Recommendations:** Employee recommendations can be considered to employ personnel particularly at the lower levels. The idea behind employee recommendations as a source of potential applicants is that the present employees may have specific knowledge of the individuals who may be their friends, relatives, or acquaintances. If the present employees are reasonably satisfied with their jobs, they communicate these feelings to many persons in their communities.

- **Labour Unions:** In many organizations, labour unions are used as source of manpower supply, though at the lower levels. Many such union leaders whose styles are cooperative and constructive can be promoted to supervisory level. In many organizations, unions are asked to make recommendations for employment of people as a matter of goodwill gesture and cooperation.

- **Gate Hiring:** The concept of gate hiring is to select people who approach by their own for employment in the organization. This happens mostly in the case of unskilled and semi-skilled workers. Gate hiring is quite useful and convenient method at the initial stage of establishment of an organization when large number of such people may be required. It can be made effective by prompt disposal of applications, by providing information about the organization's policy and procedures regarding such hiring and by providing facilities to such gate callers.

Hence it is important to understand that is not necessary that a particular organization will utilize all sources to employ people of all types. Some of the sources are more useful for a particular category of employees. For example, advertisement and deputation are more useful for employing managerial personnel. Similarly, labour unions and gate hiring are more suitable to employ labour force and unskilled personnel.

5.5.2 Internal Sources

Although recruiting may require to utilise the services of employment agencies and to depend on classified ads, existing employees are often treated to be the main source of recruitment. Some surveys indicated that up to 90 percent of all management positions are filled internally. Filling open positions with inside candidates has several advantages. Employees see that competence is rewarded and morale and performance may thus be enhanced. Having already been with the firm for some time, inside candidates may be more committed to company goals and less likely to leave the firm. Promotions from within can boost employee commitment and provide managers a longer term perspective while making business decisions. It may also be safer to promote employees from within, since the firm likely to have a more accurate assessment of the person's skills. Inside candidate may also require less orientation and training than outsiders.

Yet promotion from within can also backfire. Employees who apply for jobs and don't get them may become discontented; informing unsuccessful applicants as to why they were rejected and what remedial actions they might take to be more success in the future is thus essential. Similarly, many employers require managers to post job openings and interview all inside candidates. Yet the manager often knows ahead of time exact whom he or she wants to hire, and requiring the person to interview a stream of unsuspecting inside candidates is therefore a waste of time for all concerned. Groups may also not be as satisfied when their new boss is appointed from within their own ranks as when he or she is a newcomer, sometimes, for instance, it is difficult for the newly chosen leader to shake off the reputation of being "one of the gang". Perhaps the biggest drawback, however, is inbreeding. When an entire management team has been brought up through the ranks, there may be a tendency to make decisions 'by the book'. And to maintain the status quo, when an innovative and new direction is needed. Balancing the benefit of morale and loyalty with the drawback of inbreeding is thus a challenge.

Promotions and Transfers: This is a method of filling vacancies from within through transfers and promotions. Transfer is a lateral movement within the same grade, from one job to another. It may lead to changes in duties and responsibilities, working conditions, etc., but not necessarily salary. Promotion, on the other hand, involves movement of employee from a lower level position to a higher-level position accmpanied by (usually) changes in duties, responsibilities, status and value. Organizations generally prepare badli lists or a central pool of persons from which vacancies can be filled for manual jobs. Such persons are usually passed on to various departments, depending on internal requirements. If a person remains on such rolls for 240 days or more, he gets the status of a permanent employee as per the Industrial Disputes Act and is therefore entitled to all relevant benefits, including provident fund, gratuity, retrenchment compensation etc.

Job Posting: Job posting is another way of hiring people from within. In this method, the organization publicizes job openings on bulletin boards, electronic media and similar outlets. One of the important advantage of this method is that it offers a chance to highly qualified applicants working within the company to ask for growth opportunities within the company without looking for greener pastures outside.

Employee Referrals: Employee referral means using personal contacts to locate job opportunities. It is a recommendation from a current employee regarding a job applicant. The logic behind employee referral is that "it takes one to know one". Employees working in the organization, in this case, are encouraged to recommend the names of their friends working in other organizations for a possible vacancy in the near future. In fact, this has become a popular way of recruiting people in the highly competitive Information Technology Industry now a days. Companies offer rich rewards also to employees whose recommendations are accepted after the routine screening and examining process is over and job offers are extended to the suggested candidates. As a goodwill gesture, companies also consider the names recommended by unions as well.

Recommender gives a realistic picture about the job. The applicant can weigh the pros and cons carefully before handling over the CV.

It's an excellent means of locating potential employees in hard-to-fill positions. The recommender earns a reward and the company can avoid expensive recruiting search - in case the candidate gets selected.

Recommenders may confuse friendship with job competence. Factors such as bias, nepotism, and eagerness to see their friends in the company may come in the way of hiring a suitable candidate.

Persons who are already working in an organization constitute the 'internal source'. They may be retrenched or retired employees, dependents of deceased employees may also constitute this source. Whenever any vacancy arises, someone from within the organization is upgraded, transferred, promoted or even demoted.

Merits and Demerits of Internal Sources of Recruitment

Merits :

- **Economical :** The cost of recruiting internal candidates is minimal. No expenses are incurred on advertising.

- **Suitable :** Organizations can pick the right-candidates having the requisite skills. The candidates can choose a right vacancy where their talents can be fully utilized.

- **Reliable :** The organization has knowledge about the suitability of a candidate for a position. It is said that, 'Known devils are better than unknown angels !'

- **Satisfying :** A policy of preferring people from within offers regular promotional avenues for employees. It motivates them to work hard and earn promotions. They will work with loyalty, commitment and enthusiasm.

    Demerits :

- **Limited Choice :** The organization is forced to select candidates from a limited pool. It may have to sacrifice quality and settle down for less qualified candidates.

- **Inbreeding :** It discourages entry for talented people who are available outside an organization. Existing employees may fail to behave in invovative ways and inject necessary dynamism to enterprise activites.

- **Inefficiency :** Promotions based on length of service rather than merit, may prove to be a blessing for inefficient candidates. They do not have to work hard and prove their worth.

- **Bone of contention :** Recruitment from within may lead to infighting among employees aspiring for limited, higher level positions in an organization. As years roll by, the race for premium positions may end up on a bitter note.

Merits and Demerits of External Sources of Recruitment

Merits :

- **Wide Choice :** The organization has the freedom to select candidates from a large pool. Persons with requisite qualifications could be picked up.

- **Injection of fresh blood :** People with special skills and knowledge could be hired to stir up the existing employees and pave the way for innovative ways of working.

- **Motivational force :** It helps in motivating internal employees to work hard and compete with external candidates while seeking career growth. Such a competitive atmosphere would help an employee to work to the best of his abilities.

- **Long-term Benefits :** Talented people could join the ranks, new ideas could find meaningful expression, a competitive atmosphere would compel people to give out their best and earn rewards, etc.

Demerits :

- **Expensive :** Hiring costs could go up substantially. Tapping multifarious sources of recruitment is not an easy task either.

- **Time consuming :** It takes time to advertise, screen, to test and to select suitable employees. Where suitable ones are not available, the process has to be repeated.

- **De-motivating :** Existing employees who have put in considerable service may resist the process of filling up vacancies from outside. The feeling that their services have not been recognized by the organization, forces them to work with less enthusiasm and motivation.

- **Uncertainty :** There is no guarantee that the organization, ultimately, will be able to hire the services of suitable candidates. It may end up hiring someone who does not 'fit' and who may not be able to adjust in the new set-up.

5.5.3 Internet Recruiting :

Finding well qualified applicants quickly at the lowest possible cost is a primary goal for recruiters. Recent trends indicate that, if someone is looking for a job in the technical field or to fill a technical job, one considers using the Internet. The same may well be true for non-technical jobs in the near future.

Advantages

A majority of firms that have actually used the Internet for recruiting considers. Internet more cost-effective than most of the other recruitment methods. Other advantages include :
- Access to more people and broader selection of applicants.
- The ability to target the type of people needed.
- Access to people with a technical background who know computers.
- Convenience.
- Quicker response and turn around.
- Ease of use.

Disadvantages

Using the Internet to recruit poses a dilemma with respect to attracting the passive 'job seeker' the person who is not actively searching on the Internet, but may nonethless be interested in openings in organization. To find these passive job seekers, companies might consider setting up their own Websites which welcome applicants. An increased volume of applicants may also become a problem if Internet recruiting is used. An organization must ensure that it uses an adequate tracking mechanism to deal with this increased volume. A further disadvantage is that not everyone has access to or uses the internet.

Activity A :

Visit few organizations and contact the recruiters. Collect information that how they generate potential candidates for different jobs through various external recruitment sources. Describe the sources, for different jobs and their relative advantages :

<u>**Jobs**</u>   <u>**Recruitment Sources**</u> <u>**Relative Advantages**</u>

(i)   _____   _____   _____

(ii)   _____   _____   _____

(iii)   _____   _____   _____

(iv)   _____   _____   _____

(v)   _____   _____   _____

5.6 Recruitment Policies and Procedures

The first step in planning for the recruitment of employees into the organization is to formulate proper policies and procedures. A recruitment policy indicates the organizations' code of conduct in this area of activity. A typical policy statement for recruitment may run thus.

Recruitment Policy Statement

In its recruitment activities, the company will -

- Advertise all vacancies internally.
- Reply to every job applicant without any delay.
- Inform job applicants the basic details and job conditions of every job advertised.
- Process all applications with efficiency and courtesy.
- Seek candidates on the basis of their qualifications.
- Aim to ensure that every person invited for interview will be given a fair and thorough bearing.
- The company will not discriminate unfairly amongst potential applicants on the basis of sex, race, religion, caste, etc.
- Knowingly make any false or exaggerated claims in its recruitment literature or job advertisements.

After making the recruitment policy explicit, the company may evolve a detailed procedure to make the whole exercise systematic. Such a systematic approach will enable people within (or outside) the organization to follow a predictable path. The recruitment procedures should, however, be flexible enough to permit personnel department to respond quickly to demands made on them by various departments and by potential candidates. Recruitment should be remembered as a marketing activity as well as a public relations exercise when recruiting people, organizations are going out into their external

environment and competing with others for suitable candidates. Such activities therefore, should be conducted in a manner which sustain would or enhance help to the prestige and public image of the organization concerned. Fair and objective recruitment policies and standards would add to the image of the organization in the long run. One way in which managers engaged in recruiting people can follow a systematic approach is to adopt a checklist such as the one given below :

Check List for Hiring People :
- Has the vacancy been agreed by a responsible manager ?
- Is there an up-to-date job description for the vacancy ?
- What are the conditions of employment for the vacancy (salary, hours of work, fringe benfits, perquisites, holidays etc.) ?
- Has a personnel specification/candidates profile (in terms of physique, intelligence, aptitude, qualifications experience etc.) been prepared ?
- Has a notice of the vacancy been circulated internally ?
- Has a job advertisement been agreed ? Have details of the vacancy been forwarded to relevant agencies ?
- Do all potential candidates (internal or external) know where to apply and in what form ?
- What are the arrangements for drawing up a shortlist of candidates ?
- What about the interviewing dates and arrangements for selection of candidates ?
- Have the short listed candidates or waitlisted candidates been informed sufficiently in advance and asked to furnish detailed references ?
- Have unsuitable candidates or waitlisted candidates been informed for their position in a polite way by thanking them for their interest and attendance ?

5.7 Selection

One of the most difficult tasks a manager or an enterpreneur faces today is finding the right person for the job. Given the high costs of hiring, keeping good employees, legal constraints of hiring process, increasing role of technology in hiring and the volatility of job market, employee selection becomes a critical aspect of human resource management.

Employee selection is the process of putting right men on right job. It is a procedure of matching organizational requirements with the skills and qualification of people. Effective selection can be done only when there is effective matching. By selecting best candidate for the required job, the organization will get quality performance of employees. Moreover, organization will face less of absenteeism and employee turnover problems. By selecting right candidate for the required job, organization will also save time and money. Proper screening of candidates take place during selection procedure. All the potential candidates who apply for the given job are tested throughly.

The process of interviewing and evaluating candidates for a specific job and selecting an individual for employment are based on certain criterion. Employee selection can range from a very simple process to a very complicated process depending on the firm hiring the employee and the position for which the selection is taking place. Certain employment laws such as anti-discrimination laws must be obeyed during the employee selection process.

But selection must be differentiated from recruitment, though these are two phases of employment process. Recruitment is considered to be a positive process as it motivates more candidates to apply for the job. It creates a pool of applicants. It is just sourcing of prospects. While selection is a negative process as the inappropriate candidates are rejected here. Recruitment precedes selection in staffing process. Selection involves choosing the best candidate with best abilities, skills and knowledge for the required job.

5.8 Purpose of Selection

The main purpose of selection is to acquire people who are most suitable to meet the organizational expectations from them. It is to pick up the most promising personnel who for the job and the organization. Following are the other objectives of employee selection :

- Gather as much relevant information as possible
- Organize and evaluate the information
- Assess each candidate in order to forecast performance on the job, and give information to applicants, so that they can judge whether or not they wish to accept an offer of employment.

Hence, selection is about collecting evidence to enable you to make an accurate judgement about a candidate's strengths and weaknesses in relation to the job.

5.9 Selection Tools and Procedure

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

(i)   The Application Form :

Strengths :
- Relevant biographical data and facts can be verified which have been shown to be valid performance measures for some jobs.
- When items on the form have been weighed to reflect job relatedness, this device provide to be a valid predictor for diverse groups.

Weaknesses :
- Usually only a couple of items on the form provide to be valid predictors of job performance and specific job related items are missing in most of the cases.
- Weighted-item applications are difficult and expensive to create and maintain.

(ii)   Written Tests :

Strengths :
- Test of intellectual ability, spatial and mechanical ability, perceptual accuracy, and motor ability are moderately valid predictors for may semi skilled and unskilled lower-level jobs in industrial organizations.
- Intelligence test are reasonably good predictors for supervisory positions.

Weaknesses :

- Intelligence and other tested characteristics can be somewhat removed from actual job performance, thus reducing their validity.

(iii) Performance - Simulation Test :

Strengths :

- Based on job analysis data and easily meet the requirement of job relatedness.

- Have proven to be valid predictors of job performance.

Weaknesses :

• Expensive to create and administer.

(iv) Interview :

Strengths :
• Structured and well organized to be effective predictors.
• Interviewers use common questioning to be effective predictors.

Weaknesses :
• Interviewers are not aware of necessity of certain questions.
• Subject to potential biase, especially if interviews are not well structured and standardised.

(v) Background Investigations :

Strengths :

• Verification of background data are valuable sources of information.

Weaknesses :
• Reference checks are essentially worthless as a selection tool as in most of the cases such checks are not realistic.

(vi) Physical Examination :

Strengths :
• Has some validity for jobs with certain physical requirements.
• Done primarily for insurance and avoidance of claims under workmen compensation purposes.

Weaknesses :

• Must be sure that physical requirements are job related and do not discriminate.

5.9.1 Selection Procedure

Procedure of selection involves a number of steps. The basic idea is to collect maximum possible information about the candidates so as to ascertain their suitability for employment. Following description explains the procedure being used for selection of people :

1. Sereening of Application :

Prospective employees have to fill up some sort of application form. These forms have a variety of information about the applicants like their bio-data, achievements, experience, etc.

2. Selection Tests :

Many organizations hold different kinds of selection tests to know more about the candidates or to reject the candidates who not fulfill the eligibility so as to be called for interview, etc. Selection tests normally supplement the information provided in application forms. Such forms may contain factual information about candidates. Selection tests may give information about their aptitude, interest, personality etc, which may not be known by application forms.

Types of Test

• **Achievement Test :** It is also called performance test or trade test. Achievement is concerned

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

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

$$IQ = \frac{Mental\,Age}{Actual\,Age} \times 100$$

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

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

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

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

The above discussion shows that different tests are used for different purposes. Each of them has the usefulness and limitations in specified areas. Therefore, a combination of tests should be used for hiring manpower. Moreover, these tests should be related with the nature of posts to be filled up.

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

(i) Selection tests are standardized and unbiased methods of soliciting information about the prospective employees. Thus, a person who does not get selected on the basis of selection tests cannot argue for the partiality in selection process. It is to be noted that in many organizations, impartiality in selection process is of prime importance like pubilc sector organizations.

(ii) Selection tests can be used to weed out the large number of candidates who may not be considered for employment in the organization. Normally, organizations receive applications from large number of candidates seeking jobs in the organization. They all meet the basic requirements of the jobs, but all cannot be called for interview because it is a very time-consuming process. Selection tests will provide the cut-off point above which candidates can be called for interview. Thus, the tests will save lot of time and money.

(iii) The tests are able to uncover the qualities and potentials of prospective employees, which cannot be known by other methods including personal interview. Since the people are taken in the organization not only for the present jobs but they are promoted over the period of time, tests provide good opportunities to test their potentials for such promotions also. Thus, tests are more reliable source for predicting the overall suitability of candidates for the employment.

Limitations of Selection Test :

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

(i) Selection test cannot make a hundred percent prediction of an individual's on the job success. At best, they just reveal about those who have scored above cut-off points and those who have scored below cut-off points. Hence it is desirable to use test as only a supplementary method of selection.

(ii) If the number of candidate is small the use of test is not economical. In such a case it is desirable to select persons on the basis of interview only.

3. Interviews :

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

Role of Interview :

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

(i) It is the only method of direct contact between the candidates in action-how he looks, his mannerism, dressing sense, appearance, method of interaction, answering style, etc.

(ii) Most of the information can be gathered through interview only, which may not be available in

application form or cannot be disclosed by selection tests, such as : family background, future plans; etc.

(iii) The interview can be used as a tool for giving information about the organization as well, such as its policies, nature of work to be performed by the candidate, salary and other benefits to be offered. Negotiations, if any, about the salary and perks to be offered to the candidate can also be undertaken.

Hence, we should remember that interview can be used as a method to promote goodwill amongst the candidates by offering courtesy, providing vocational literature, constructive suggestions, and by showing interest in them.

4. Checking of References :

Many organizations ask the candidates to provide the names of references from whom more information about the candidates can be solicited. Such information may be related to character, work history, experiences, etc. The usual references may be previous employers, persons associated with the educational institutions from where the candidates have been educated, or other persons of prominence who may be aware of the candidates behaviour and ability. In our country, references are not given adequate importance because of their biase but these can give very useful information, which may not be available otherwise.

5. Physical Examination :

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

6. Approval by Appropriate Authority :

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

Activity B :

(i) During selection procedure, how many rounds of technical interviews & HR rounds are conducted for lower level candidates ?

_____

_____

_____

100

(ii)   Does the same hold good for managerial level cadre too ?

_____

_____

_____

_____

5.10 Placement

As and when hiring formalities are completed, the candidates are placed on their jobs, initially on probation basis. The probation period may range from three months to two years. During this period, newly hired people are observed keenly, and when they complete this period successfully, they become permanent employees of the organization. After a candidate is selected for employment, he is placed on the job.

After selecting, the candidate should be placed on a suitable job. Placement is the actual positioning of an employee to a specific job. It involves assigning a specific rank and responsibility to an employee. The line manager takes the placement decisions after matching the requirements of a job with the qualification of a candidate. Most organizations put new recruits on probation for a given period of time, after which their services are confirmed. During this period, the performance of the probationer is closely monitored. If the new recruit fails to adjust himself to the job and turns out as poor performer, the organization may consider his name for placement elsewhere. Such second placement is called differential placement. Usually the employees supervisor, in consultation with the higher levels of line management, takes decisions regarding the future placement of each employee. Placement is an important human resource activity. If neglected, it may create employee adjustment problems leading to absenteeism, turnover, accidents, poor performance, etc. The employee will also suffer seriously. He may quit the organization in frustration, complaining bitterly about everything. Proper placement is, therefore, important to both the employee and the organization. The benefit of proper placements are as follows :
* Show good results on the job.
* Get along with people easily.
* Keep his spirits high, reports for duty regularly.
* Avoid mistakes and accidents.

5.11 Summary

This unit provided you an exposure to attracting the talent in an organization right from the idea that, manpower is required to be put on jobs to the point of final picking up the most suitable candidate, placing him on right job so that he may feel at ease amongst his colleagnes, supervisor and organization. It has also made you familiar with the various steps involved in the process, their purpose and significances under recruitment. You can appreciate the significance of alternative sources and the situations in which they are advisable. You have also came to know that selection and placement are linked to each other and how matching positions with people enable an organization to make best use of abilities of men with requirements of his job.

5.12 Key Words

* **Deputation :** It is an arrangement when people are given choice either to return to their original organization after a certain time or to opt for the present organization.

- **Employee Leasing :** Acquiring employees of another organization on hiring basis who are having specific skills to meet the short term requirements.

- **Gate Training :** Selecting people who show their interest on their own for employment in some organization.

- **Referrals :** Using contacts and recommendations of existing employees to locate job opportunities.

- **Simulation :** Something made to resemble something else.

- **Sub-Contracting :** To meet occassional increase in demand for its products or services, the firm is allowing outside agency to undertake part of the work.

- **Yield Ratios :** The ratios which indicate the number of contacts needed to generate a given number of hires at a point of time.

5.13 Self Assessment Test

1. What do you mean by Recruitment ? What is its need? Examine the merits and demerits of internal and external recruitment.

2. What are the various sources of manpower supply for an organization ?

3. "Recruitment is generating application while selection is choosing some out of them." Discuss.

4. Highlight the contributions of psychological tests in improving the selection of employees.

5. "Recruiting the employee is only the beginning - the problems commence with his induction." Discuss.

6. Write short notes on :
   (a) Application blank
   (b) Aptitude test
   (c) Interview
   (d) Medical examination
   (e) Placement

UNIT - 6 : TRAINING AND DEVELOPMENT

Unit Structure

6.0 Objectives

After studying this unit you should be able to :

- Explain the concept of training
- Discuss the need and importance of training
- Describe various methods of training
- Identify how training effectiveness may be evaluated
- Explain various methods of executive development

6.1 Introduction

Organization and individual should develop and progress simultaneously for their survival and attainment of mutual goals. Management has to develop the organization through human resource development. Employee training is the important sub-system of human resource development. It is a specialised function and is one of the fundamental operative functions for human resources management. Human Resource is the most important resource of any organization. Trained Employee is a price less stone.

After an employee is selected, placed and introduced he or she must be provided with training facilities. Training is the act of increasing the knowledge and skill of an employee for doing a particular job. Training is a short-term educational process and utilises a systematic and organized procedure by which employees learn technical knowledge and skills for a definite purpose. **Dale S. Beach** define training as "... the organized procedure by which people learn knowledge and/or skill for a definite purpose".

Training improves, changes, moulds employee's knowledge, skill, behaviour, aptitude, and attitude towards the requirements of a job and an organization. Training refers to the teaching and learning activities carried on for the primary purpose of helping members of an organization, to acquire and apply the knowledge, skills, abilities and attitudes needed by a particular job and the organization.

"Training is the art of increasing knowledge and skills of an employee for doing a particular job". **(Flippo)**

"Training is the intentional act of providing means for learning to take place". **(Planty)**

Training tries to improve skills or add to the existing level of knowledge so that the employees are better equipped to do their present job or to prepare them for a higher position with increased responsibility and helps them to cope with the pressures of changing environment. Training is a systematic procss of changing the behaviour, knowledge and attitude to bridge the gap between employee characteristics and organizational expectations. Thus, training bridges the differences between job requirements and employee's present specifications.

6.2 Areas of Training

Organization provide training to their employees in the following areas :
- Company policies and procedures
- Specific skills
- Human relations
- Problem solving
- Managerial and supervisory skills; and
- Apprentice training

1. **Company policies and procedures :** Training is provided in this area with a view to acquainting the new employee with the company rules, practices, procedures, tradition, services offered by the company etc. This acquaintance enables the new employee to adjust himself with the changing situations. Information regarding company rules and policies creates favourable attitudes and confidence in the minds of new employee about the company and its products or services. The company also provides first hand information to the employee about the skills needed by the company, its development programmes, quality of products/services and the like. This enables the new employees to know their share of contribution to the organization's growth and development.

2. **Training in specific skills :** This area of training is to enable the employees discharge their duties more effectively. The trainer trains the employees regarding various skills necessary to do the actual job. For example, the clerk in the bank should be trained in the skills of making entries correctly in the ledger, skills and airthmetical calculations, quick comparison of figures, entries and the like. Similarly, the technical officers are to be trained in the skills of project appraisal, supervision, follow-up and the like.

3. **Human Relations Training :** Human relations training assumes greater significance in organizations as employees have to maintain human relations not only with other employees but also with their customers. Employees are to be trained in the areas of self-learning, interpersonal competence, group dynamics, perception, leadership styles, motivation, grievance redressal, disciplinary procedure, and the like. This training enables the employees for better team work, which leads to improved efficiency and productivity of the organization.

4. **Problem Solving Training :** Most of the organizational problems are common to the employees dealing with the same activity at different levels of the organization. Further some of the problems of different managers may have the same root cause. Hence, management may call together all managerial personnel to discuss common problems so as to arrive at effective solutions across the table. This not only helps in solving the problems but also serves as a forum for the exchange of ideas and information that could be utilised. The trainer has to organize these meetings, train and encourage the trainees to participate actively in such meetings.

5. **Managerial and Supervisory Training :** Even the non-managers sometimes perform managerial and supervisory functions like planning, decision-making, organizing, maintaining inter-personal relations, directing and controlling. Hence, management has to train the employee in managerial and supervisory skills also.

6. **Apprentice Training :** The Apprentice Act, 1961 requires industrial units of specified industries to provide training in basic skills and knowledge in specified trades to educate apprentices with a view to improving their employment opportunities or to enable them to start their own industry. This type of training ranges between one year to four years. This training is generally used to provide technical knowledge in various trades, crafts etc.

6.3 Training Objectives

Generally line managers ask the human resource manager to formulate the training policies. The human resource manager formulates the following training objectives in keeping with the company's goals and objectives :

- To prepare the employee both new and old to meet the present as well as the changing requirements of the job and the organization.

- To prevent obsolescence.

- To impart the new entrants the basic knowledge and skill they need for an intelligent performance of definite job.

- To prepare employees for higher level tasks.

- To assist employees to function more effectively in their present positions by exposing them to the latest concepts, information and techniques and developing the skills they will need in their particular fields.

- To build up a second line of competent officers and prepare them to occupy more responsible positions.

- To broaden the minds of senior managers by providing them with opportunities for an interchange of experiences within and outside with a view to correcting the narrowness of outlook that may arise from over specialization.

- To develop the potential of people for the next level job.

- To ensure smooth and efficient working of a department.

- To ensure economical output of required quality.

- To promote individuals and their collective morale, a sense of responsibility, co-operative attitudes and good interpersonal relationships.

6.4 Needs and Benefits

Every organization whether big or small, productive or non-productive, economic or social, old or newly established should provide training to all employees irrespective of their qualifications, skills, suitability for the job etc. Thus, no organization can abstain from training employees.

Training is not something that is done once to new employees; it is used continuously in every well run establishment. Further, technological changes and automation require up-dating of skills and knowledge. As such an organization has to retrain the old employees.

Specifically, the need for training arises due to the following reasons :

1. **To Match the Employee Specifications with the Job Requirements and the Organizational Needs :** An employee's specification may not exactly suit to the requirements of the job and of the organization irrespective of his past experience, qualifications, skills, knowledge etc.

   Thus, every manager finds deviations between employee's present specifications and the job requirements and the organizational needs. Training is needed to fill these gaps by developing and moulding the employee's skills, knowledge, attitude, behaviour etc. to the tune of the job requirements and the organizational needs.

2. **Organizational Viability and the Transormation Process :** The primary goal of most of the organizations is to ensure viability which is continuously influenced by environmental pressure. If the organization does not adapt itself to the changing factors in the environment, it will lose its market share. Similarly if the organization desires to adapt these changes, first it has to train the employees and impart specific skills and knowledge in order to enable them to contribute to the organizational efficiency and to cope with the changing environment. In addition, it provides continuity to the organizational processes and development. The productivity of the organization can be improved by developing the efficiency of transformation process which in turn depends on enhancement of the existing level of skills and knowledge of the employees. The achievement of these objectives mostly depends on the effectiveness of the human resources that the organization posses. Employee effectiveness can be secured by proper training.

3. **Technological Advances :** Every organization in order to survive and to be effective should adopt the latest technology, i.e., mechanization, computerization and automation. Adoption of latest technological means and methods, will not be complete until they are managed by empoyees possessing skill to operate them. Hence, organizations should train their employees to enrich them in the areas of changing technical skills and knowledge from time to time.

4. **Organizational Complexity ;** Organization of most of the companies has become complex. This leads to growth in number and kind of employees and layers in organization hierarchy. This creates the complex problems of co-ordination and integration of activities adaptable for and adaptable to the expanding and diversifying situations. This situation calls for training to inculcate skills of co-ordination, integration and adaptability to the requirements of growth, divresification and expansion. Companies constantly search for opportunities to improve organizational effectiveness. Training is responsible for much of the planned change and effectiveness in an organization as it prepares the people to be the change agents and to implement the programmes of effectiveness. Thus, training solves the problems of organizational complexity.

5. **Human Relations :** The emerging trends in approach towards personnel management has changed from the commodity approach to the partnership approach. Therefore, management of most of the organizations has to maintain human relations besides maintaining sound industrial relations although. Hence, training in human relations in necessary to deal with human problems (including alienation, interpersonal and inter-group conflicts etc.) and to maintain cordial human relations.

6. **Change in the Job Assignment :** Training is also necessary when the existing employee is promoted to the higher level in the organization and when there is some new job or occupation is assigned due to transfer. Training is also necessary to equip the old employees with the advance disciplines, techniques or technology.

The need for training also - arises to :

- Increase productivity.
- Improve quality of the product or service.
- Help a company to fulfill its future manpower needs.
- Improve organizational climate.
- Prevent obsolescence.
- Ensure personal growth.
- Minimize the resistance to change.

Activity A :

How are training needs identified in your organization or the organization you are familiar with, Contact Human Resource or Training Manager for the purpose :

(i) _____

(ii) _____

(iii) _____

(iv) _____

How does Training Benefit the Organization ?

(A) Training is beneficial to the organization as well as the individual. Follwoing are the apparent benefits of training :

- Leads to improved profitability and/or more positive attitudes toward profit orientation.
- Improves the job knowledge and skills at all levels of the organization.
- Improves the morale of the workforce.
- Helps people to identify the organizational goals.
- Helps to create a better corporate image.
- Fosters authenticity, openness and trust
- Improves the relationship between boss and subordinate.
- Aids in organizational development.
- Learning through the trainee.
- Helps in preparing guidelines for work.
- Aids in understanding and carrying out organizational policies.
- Provides information for future needs in all areas of the organization.
- Organization gets more effective decision-making and problem solving.
- Aids in development of people for promotion from within.
- Aids in developing leadership skills, motivation, loyalty, better attitudes, and other aspects that successful workers and managers usually display.
- Aids in increasing productivity and/or quality of work.
- Helps to keep costs down in many areas, e.g., production, personnel, administration, etc.
- Develops a sense of responsibility towards the organization for being competent and knowledgeable.
- Improves labour-management relations.
- Reduces outside consulting costs by utilising competent internal consulting. Stimulates preventive management as opposed to putting out fires.
- Eliminates sub-optimal behaviour.
- Creates an appropriate climate for growth.
- Aids in improving organizational communication.
- Helps employees to adjust with change.

- Aids in handling conflict, thereby helping to prevent stress and anxiety.

(B) Benefits to the Individual which in turn benefits the organization :
- Helps the individual in making better decisions and effective problem solving.
- Through training and development, motivational variables of recognition, achievement, growth, responsibility and advancement are internalised and operationalised,
- Aids in encouraging and achieving self-development and self-confidence. Helps a person to handle stress, tension, frustration and conflict.
- Provides information for improving leadership knowledge, communication skills and needed attitudes.
- Increases job satisfaction and recognition.
- Moves a person toward personal goals while improving interactive skills. Satisfies, personal needs of the trainer as well as of the trainee.
- Provides the trainee an avenue for growth and a say in his/her own future. Develops a sense of growth through contineous learning.
- Helps a person in developing speaking, listening skills and writing skills.
- Helps in eliminating fear in attempting new tasks.

(C) Benefits related to personnel and human relations, intra and intergroup relations and policy implementation :
- Improves communication between groups and individuals.
- Aids in orientation for new employees and those taking new jobs through transfer or promotion.
- Provides information on equal opportunity and affirmative action.
- Provides information on governmental laws and administrative policies.
- Improves interpersonal skills.
- Makes organization policies, rules and regulations viable.
- Improves morale.
- Builds cohesiveness in groups.
- Provides a good climate for learning, growth, and coordination.
- Makes the organization a better place to work and live.

The increasing competition, increases the significance of training. Training matches the employee with the job from time to time. Further, the trained employees invite organizational change and are ready to take up any type of assignment. The success of any organization, to a greater extent depends on the amount, qualitative and timely training provided by an organization.

Further the imporance of training can also be viewed from the need for training and the benefits of training.

6.5 Training for Different Employees

The employees who are to be of trained can be different types and each type would require a different type of training.

Unskilled workers are given training in improved methods of handling machines and materials. The objective here is to secure reduction in cost of production and waste. Training is given on the job itself, by immediate superior officers.

Semi-skilled workers require training to cope with requirements arising out of adoption of mechanisation, rationalisation and technical processes. Training is given by more proficient workers, bosses or inspectors. It may be given either in the section or department of the worker or in segregated training shops. *Skilled workers* are given training through apprenticeship in training centres or in the industry itself.

Salesmen are trained in the art of salesmanship, in handling customers, planning their work, and facing challenges of market place. Supervisory staff constitute a very important link in the chain administration. They have to cope with the increasing demands of the enterprise in which they are employed and to develop team spirit among people under their charge. A training programme for them should aim at helping the supervisors to improve their performance, and to prepare them for assuming greater responsibilities at higher levels of management.

6.6 Executive Development

Executive or management development is a systematic process of growth and development by which the managers develop their abilities to manage. It is the result of not only participation in formal courses of instruction but also of actual job experience. It is training and development concerned with improving the performance of the managers by giving them opportunities for growth and development.

6.6.1 Role of the Organization

The role of the organization in management development is to estabilsh the programme and to provide the developmental opportunities for its present and potential managers. Just exposing the managers to lectures, case studies, readings, job rotation, assignments and the like does not guarantee that they will learn. What is more important is the effort of the individuals as well. Each individual has to make his own contribution to the development of himself, as others can only create the opportunity. The saying "We can take the horse to the water but we cannot make it drink" cannot be forgotten here.

Executive development is eventually something that the executive has to attain himself. But he will do it better if he is given encouragement, guidance and opportunity by his company. The role of the company is to provide conditions that accelerate the growth. And these conditions should be part of the organizatinal climate itself, in order to be away from the unrealistic expectation that we can create and develop managers only in class room.

6.6.2 Who is an Executive and What does he do ?

The word executive has been used for people at different levels of hierarchy. To some, the term means only the top man at the top rung or the ladder. To others an executive is any person who supervises others. But in fact to be called a manager one neither has to be at the top of the organization, nor should one necessarily supervises others. All those who perform all or some of the basic functions of management to some degree regularly or occasionally can be called managers. Needless to say that their actions have significant impact on the performance on the part or whole of the organization. Therefore, a scientist who keeps himself to the laboratory is as much a manager as a foreman who supervises a group of workers. Even a worker may be considered as (potential) manager for the purpose of management development, one of the objectives of which is to prepare for management succession.

6.6.3 Characteristics of an Executive
- He moves rapidly from job to job.
- He is flexible, realistic and sensitive to the complexities of his work environment.
- He earns his spurs by handling critical assignments, which are more important than routine work done well.

- Very often, he has a "sponsorer", someone from the higher management who is impressed by his abilities, finds him useful to have around, and who looks after his interests.
- He engages in "anticipatory socialization"; at each stage he copies the values of those who are a step above him.
- He is not necessarily an "organization conformist". High level managers tend to be more "inner directed" and less concerned with pleasing others.

6.6.4 Knowledge and Skills of an Executive

Though the composition of the skills is the same for all managers at all levels, their content and proportion differs depending on the level at which a manager is, and also the nature of the work he does. A foreman requires more of technical skills and human skills. He must be able to teach his men the technical aspects of the products and processes. He must also be good at human relations in order to motivate, coordinate and direct his subordinates.

Technical skills are less important whereas the conceptual skills are especially important at the top level. Human skills are important at all levels. It should also be remembered that at similar level the skills required of a production executive differ from that of a marketing executive.

6.6.5 Whose Responsibility ?

Though the success of the Executive Development depends on the commitment of executives at all levels, its launching should be done by the chief of the organization, since it is a fundamental policy decision that involves time, resources and organizational efficiency. Planning and administration of the programme may be assigned over to a committee composed of senior executives, while the day-to-day administration of the same may be performed by the personnel department.

6.6.6 Evaluation of Management Development

Earlier efficient and loyal workers used to be promoted to the supervisory or management positions however it was soon realised that "superior performers do not necessarily be promoted as managers. This relationship necessitated the need for planned programmes for the selection, training and development of managerial personnel."

Formal management development programmes started emerging in the late 1940s and 1950s. Several forces have operated to cause the expansion of executive development activities. To name only a few :

1. Shift from owner managed to professionally managed enterprises.

2. Management has been recognised as a distinct kind of occupation consisting of acquired skills and a unified body of knowledge.

6.6.7 Objectives of Executive Development

Management development programmes are organized with a view to achieve specific objectives, which are :
- To overhaul the management machinery.
- To improve performance of managers.
- To specialise overall view of the functions of an organization and to equip them to co-ordinate with each other's efforts effectively.
- To identify the persons with the required potential and to prepare them for senior positions.
- To increase morale of the members of the management group.

- To increase the versatility of the management group.
- To keep the executives abreast with the changes and developments in their respective fields.
- To create the management succession which can take over in case of contingencies.
- To improve thought process and analytical ability.
- To broaden the outlook of the executive regarding his role position and responsibilities.
- To understand the conceptual issues relating to economic, social and technical areas.
- To stimulate creative thinking.

However in practice achievement of the above stated objectives is very difficult as some factors inhibits the management development process.

6.6.8 Essential Ingredients of the Executive Developement Programmes

The essential ingredients of the executive development programme can be explained through the steps of management development process.

The important steps or ingredients of a management development programmes are :

1. Analysing of organizational present and development needs.

2. Appraisal of present management talent.

3. Inventory of management manpower.

4. Planning of individual development programme.

5. Establishment of development programme.

6. Evaluation of the programme.

6.6.9 Basic Requisites for the Success of Executive Development Programmes

1. The top management should accept responsibility for getting the policy of development executed. For this purpose, a senior officer may be placed in charge to initiate and implement the MDP (Management Development Programme).

2. Management development is essentially a "line job". It takes place on the job and involves both the man and his boss.

3. Every manager must accept direct responsibility for developing managers under his control and a high priority should be given to this task.

4. Management development must be geared to the needs of the company and the individual.

5. A policy of promotion from within is a necessary incentive for managers to develop in an organization.

6. Management development starts with the selection of the right material for managerial ranks. It is essential to ensure that really good material is fed into the programme at the entry levels.

7. There should be a realistic time table in accordance with the needs of a company. This time table should take into account period and the resources which are available and which will be required.

In our view, the management development programme should be based on a definite strategy, which should spell out the type, coverage and objectives of the programme. The multi-tier supervisory and management development programme should start from the first line supervisor and go all the way up to the top management.

6.7 Methods of Training and Development

All training and executive development methods can be broadly classified as on the job method and off the job methods. In on the job methods under-study and multiple methods are used for executive development only whereas all other methods are used for training and development both. A brief description of these methods is given as under :-

(A)   On-the-Job Techniques

These are the most widely used techniques. No other technique may interest the trainee so much as these do, since the location of the learner is not an artificial one as it happens in the class-room. The success of these techniques depends on the immediate supervisor and his potential to train others. On-the-job techniques are especially useful for certain groups like scientific and technical personnel.

Though the costs of training initially appear to be low they may turn out to be high when wastages of all kinds are considered under this type of training.

Important on-the-job training techniques are : coaching, job rotation, under study, and multiple management

- **Coaching :** In coaching the trainee is placed under a particular supervisor who acts as an instructor and teaches job knowledge and skills to the trainee. He tells him what he wants him to do, how it can be done and follows up while it is being done and correct the errors.

  Coaching should be distinguished from counselling. Counselling involves a discussion between the boss and his subordinates areas concerned with the man's hopes, fears, emotions, and aspirations. It reaches into very personal and delicate matters. To be done correctly, counselling demands considerable background and ability on the part of the counsellor. If carried out poorly, it may do considerable damage.

  The act of coaching can be done in several ways. The executive apart from asking them to do the routine work, may ask them to tackle some complex problem by giving them chance to participate in decision-making.

  One of the important limitations of this technique is that the individual cannot develop much beyond the limits of his own boss's abilities.

- **Job Rotation :** The transferring of executives from one job to another job and from one department to another department in a systematic manner is called Job Rotation. When a manager is posted to a new job as part of such a programme, it is not merely an orientation assignment. He has to assume the full responsibility and perform all kinds of duties.

  The idea behind this is to give him the required diversified skills and a broader outlook, which are very important at the senior management levels. It is upto the management to provide a variety of job experiences for those who have the potential for higher ranks before they are promoted.

  Job rotation increases the interdepartmental co-operation and reduces the monotony of work. It enables the executives to get an exposure in general management and does not allow them to confine themselves to their specialised field only.

- **Apprenticeship :** Under this a major part of training time is spent on the 'on-the-job' productive work. Each apprentice is given a programme of assignments according to a predetermined schedule which provides for efficient training in trade skills. This method is appropriate for training in crafts,

trades and technical areas, specially when proficiency in a job is the result of a relatively long training or apprenticeship period, e.g., job of a craftsman, a machinist, a printer, a tool maker, a pattern designer, a mechanic etc.

- **Under Study :** An under study is a person who is in training to assume at a future time, the ful fledged responsibility of a given position currently held by his superior." This method supplies the organization a person with as much competence as the superior to fill his post which may fall vacant because of promotion, retirement or transfer.

  Under study may be-chosen by the department or the person who is heading it. He will then teach what all his job involves and gives him a feel of what his job is. Under study also learns the decision making capability as his superior involves him in the discussion of day-to-day operating problems as well as long-term problems. The leadership skills can also be taught to under study by assigning him the task of supervising two or three people of the department.

- **Vestibule Training :** This method attempts to duplicate on-the-job situations in a company classroom. The trainees are taken through as short course under working conditions that is identical to actual shop, sales or office conditions. This technique enables the trainee to concentrate on learning new skill rather than on performing an actual job. Vestibule training is suitable where it is not advisable to put the burden of training on line supervisors and where special coaching is required. However, trainees have to face the adjustment problem when they are placed the actual work place.

- **Multiple Management :** Multiple Management is a system in which permanent advisory comittees of managers study problems of the company and make recommendataion to higher management. It is also called 'Junior-board of executives' system. These committees discuss the actual problems and alternative solutions followed by a sound decisions are taken.

  The technique of multiple management has certain advantages over the other techniques. They are :

1. Trainees have the opportunity to aquire the knowledge of various aspects of business.

2. It helps to identify the trainees who have the skills and capabiilties of an effective manager.

(B) Off-the-Job Methods

Because of the fact that on-the-job techniques have their own limitations, off-the-job techniques are considered important. The following are some of the important off-the-job techniqus :
- Case study.
- Incident method.
- Role playing.
- In basket method
- Business game.
- Sensitivity training.
- Simulation
- Grid training
- Conferences
- Lectures

Case Study, role playing, business games, sensitivity training, grid training and conferences are basically used for executive development. A brief description of the methods is as follows :

- **Case Study :** Cases are prepared on the basis of actual business situations that occured in various organizations. The trainees are given cases for discussion and deciding upon the case. They are asked to identify the apparent and hidden problems for which they have to suggest solutions. The situation is generally described in a comprehensive manner and the trainee has to distinguish the significant facts from the insignificant, analyse them, identify different alternative solutions, select and suggest the best. This whole experience improves the participant's decision-making skill by sharpening their analytical and judging abilities.

- **Incident Method :** This method was developed by **Paul Pigors**. It aims to develop the trainee in the areas of intellectual ability, practical judgement and social awareness. Under this method each empoyee is developed in a group process. Incidents are prepared on the basis of actual situations which happened in different organizations. Each employee in the training group is asked to study the incident and to make short-term decisions in the role of a person who has to cope with the incident in the actual situation. Later, the group studies and discusses the incident and take decisions relating to incident. Thus, this method is similar to a combination of case method and in basket method.

- **Role Playing :** Under this a problem situation is simulated by asking the participants to assume the role of particular person in a given situation. The participant interacts with follow participants assuming different roles. Mental set of the role is described but no dialogue is provided. The whole play may be tape-recorded and the trainee may then be given the opportunity to examine his or her own performance. Role playing gives the participants vicarious experiences which are of much use to understand people better. This method teaches human relations skills through actual practice. The exemplary role playing situations are : a grievance discussion, employment interview, a sales presentation etc.

- **In Basket Method :** Under this trainees are first given background information about a simulated company, its products, key personnel, various memoranda, requests and all data pertaining to the firm. The trainee has to understand all this, make notes, delegate tasks and prepare memos within a specified amount of time. Abilities which this exercise develops are : (i) Situational judgement in being able to recall details, establish priorities, interrelate items and determine need for more information. (ii) Social sensitivity in exhibiting courtesy in written notes, scheduling meetings with personnel involved and explaining reasons for actions taken, and (iii) willingness to make decision and take action.

- **Business Games :** Under this method, the traineees are divided into groups or different teams. Each team has to discuss and arrive at decisions concerning various areas as production, pricing, research expenditure, advertising etc. assuming itself to be the management of a simulated firm. The other teams assume themselves as competitors and react to the decision. This immediate feedback helps to know the relative performance of each team. The team's cooperative decision promotes greater interaction among participants and gives them an experience to cooperate during group processes. All this develops organizational ability, quickness of thinking, leadership qualities and the ability to adapt under stress.

- **Sensitivity Training :** The main objective of sensitivity training is the development of awareness of and sensitivity of behavioural patterns of oneself and others. This development results in the (i) increased oppenness with others, (ii) greather concern for others, (iii) increased tolerance for

individual differences, (iv) less ethnic prejudice, (v) understanding of group processes, (vi) enhanced listening skills, (vii) increased trust and support.

The role played by the trainee here is not a structured one as in role play. It is a laboratory situation where one gets a chance to know more about himself and the impact of his behaviour on other. It develops the managerial sensitivity, trust, and respect for others. One of the limitations of sensitivity training is that it exacts a huge emotional cost from the manager.

- **Simulation :** Under this technique the situation is duplicated in such a way that it carries a closer resemblance to the actual job situation. The trainee experiences a feeling that he is actually encountering all those conditions. Then he is asked to assume a particular role in the circumstances and solve the problems by making a decision. He is immediately given a feedback of his performance.

One of the limitations of this method is that it is very difficult to duplicate the situation to the extent of making the trainee feel the pressures and realities of actual decision making on the job. The very fact that the trainee knows that it is an artificial situation prevents him from experiencing all that he experiences in real job situation.

- **Managerial Grid :** It is a six phase programme lasting from three to five years. It starts with upgrading managerial skills, continues to group improvement; improves inter group relations, goes into corporate planning, develops implementation method and ends with an evaluation phase. The grid represents several possible leadership styles. Each style represents a different combination of two basic orientations - concern for people and concern for production.

- **Conferences :** A conference is a meeting of several people to discuss the subject of common interest. Contribution from conferenees are being expected as each one builds upon ideas of other participants. This method is best suited when a problem has to be analysed and examined from different view points.

It helps the members to develop an ability to modify their attitudes. Participants enjoy the process of learning as they get an opportunity to express their views.

The success of the conference depends on the conference leader. In order to make the conference a success, the conference leader must be able to see that the discussion is thorough and concentrate on the central problem by encouraging the participants to develop alternatives, present their view points and by preventing domination by a few participants.

- **Lectures :** It is the simplest of all techniques. This is the best technique to present and explain series of facts, concepts, and principles. The lecturer organises the material and gives it to a group of trainees in the form of talk. Following are main uses of lectures with reference executive development :

- It is direct and can be used for a larger group of trainees.

- It presents the overview and scope of the subject clearly.

- It presents the principles, concepts, policies and experiences in the shortest time. Thus, it is a time saving technique.

However, lectures do not give scope for student participation and may sometimes be monotonous which in turn hinders learning. Skills can be learnt only by doing and therefore lectures are of less use for technical skills.

6.8 Evaluation of Training

Evaluation of training is the last step in training process or cycle. As the communication process is incomplete without feedlack, in the same way training process is incomplete without proper evaluation training effectiveness need to be assessed. The following description is related with evaluation of training:

- Understanding the evaluation of training and tearning.
- The significance and process of evaluation
- Feedback process and forms
- Action plans and follow-up

Evaluation means the assessment of value or worth. Evaluation of training is the act of Judging whether or not it is worthwhile in terms of set criteria (objectives). A comprehensive and effective evaluation plan is a critical component of any successful training programme. It should be structured to generate information of the impact of training or the reaction; on the amount of learning that has taken place; on the trainees I behaviour; and its contribution to the Job/organization. Therefore evaluation of training is a measure of how well it has met the needs of its human resources. An index of contribution of training to organizatinoal success through evaluation strengthens training as a key organizational activity. Hamblin (1970) described evaluation of training as, "any attempt to obtain information (feedback) about the training programme and to assess he value of training in the light of that information for improving further training."

6.8.1 Need for Evaluation

Since evaluation is an integral part of the whole process of training and development, the details have to be conceived much before the actual training activity; rather-than its ritualistic tagging at the end of training. The trainer should be fairly clear about :

How to evaluate ?

What to evaluate ?

When to evaluate ?

Answer to the following questions depend on the need for evaluation.

6.8.2 Why to evaluate ?

Evaluation of training could be multipurpose :

- To determine the extent and degree of a training programme fulfilling its set objectivs and interalia indication.

- The suitability and feasibility of the objectives set for training.

- Provide feedback on the performance of the trainees, training staff, the quality of training and other facilities provided during training.

- Identify and analyse whether the training inputs, techniques and methods were in line with the objectives intended to be achieved through training.

- Enable improvements in the assessment of training needs.

- Aid the learning process of the trainee by providing knowledge about results attained.

- Provide a self-correcting feedback system to improve the design and implementation of current and future training.

- Highlight the impact of training on the behaviour and performance of the individual.

- Determine the cost benefit returns through investment on training.

- Judge the impact of training for organizational benefits.

Unfortunately most organizations assess training outcome in terms of the number of courses carried out, numbers of trained employees, cost incurred on training and reaction of the participants towards the course, the faculty and the overall training facilities.

Obviously, multiple evaluation objectives call for different evaluative procedures and strategies. What to be assessed, when and how, depends on the type of data required through evaluation. Therefore, it is always desirable to be clear of the criteria and objectives of the evaluation while setting the objectives of training rather than postpone it to a later date.

6.8.3 Principles of Evaluation

Evaluation is an integral part of an operating system meant to aid trainers to plan and adjust training activities in an attempt to increase the probability of achieving the desired action or goals. In order to integrate training practices with business policy and objectives, evaluation has to be based on sound principles such as :

1. Trainer must be clear about the purpose of evaluation, to be able to set the standards and criteria of evaluation.

2. For an objective evaluation, the methodology and criteria of evaluation should be based on observable and as far as possible measurable standards of assessment which have been agreed upon by the evaluators and the users of the training system.

3. Evaluation has to be accepted as a process than an end product of training.

4. As a process, it has to be continuous. The 'one-spot' assessment cannot guide trainers for improving subsequent programmes, therefore it has to begin before the actual training activity and end much after the conclusion of visible training activity.

5. The training objectives should be an outcome of overall organizational goals.

6. Evaluation data should be directive rather than conclusive. It must be comprehensive enough to guide trainers in the collection of information that will enable them to comment on current training effectiveness and to improve subsequent training.

7. A good evaluation system is tailor-made and should provide specific data about its strength and weakness. Generalisations drawn from one training activity my be unapplicable for training across different levels and to meet different standards. Besides, they should refrain from using single instances for conclusions and generalisations.

8. A good evaluation system should provide sufficient scope for self appraisal by the trainer or evaluator.

9. Role of the evaluator needs to be based on sound working relationship with the participants, trainers, senior line managers and policy makers. Normally a researcher or a fresher is attached to the trainer to carry out end of the course evaluation. This evaluator may have the expertise of developing and designing-evaluative tools and techniques but it would be insufficient in promoting utilisation of evaluation results. Evaluator's acceptance by the participants his interpersonal sensitivity and trust for frank sharing of feedback is a must. This would modify their role as one of giving and receiving feedback rather than just receiving feedback. They have to be proactive than argumentative.

11. Effective communication and coordination are essential. Training and evaluation plans should be discussed so that there is commonality of purpose amongst the trainers, the evaluators and those sponsoring the trainees.

12. Reporting system of evaluative data should be simple, clear, adequate and available for interpretation. It requires the evaluator to be sensitive to the feelings of the employees. He has to be tactful and honest. As far as possible terminology used should be concise and free from jargons.

13. Realistic targets must be set. A sense of urgency is desirable but deadline that are unrealistically high will result in poor quality.

14. Finally, evaluation would always insist on complete, objective and continuous feedback on the progress and deficiencies of training and to be able to maintain the momentum of the training programme and subsequent improvements.

6.9 Summary

To conclude, training is the act of increasing the skills and knowledge of an employee pertaining to a particular job where as development increases managerial potential for future assignments through the acquisition, understanding and use of new knowledge, insights and capabilities. Training is required in every organization so as to prepare the employees to meet the emerging trends. There are various methods of training and development. On the basis of training need analysis, a particular method of training or development is chosen for the incumbent for the managers. Now a days training and development has almost become a strategic function for an organization. Evaluation of training is as important as execution of training and the concept of retraining is based on this.

6.10 Key Words

- **Coaching :** A procedure by which a superior teaches job knowledge and skills to a subordinate.

- **Counselling :** Process of help extended by a manager to his subordinates to enhance their potential.

- **Sensitivity Training :** Also known as T-group training means the development of awareness and sensitivity to behavioural patterns of oneself and others.

- **Simulation :** Training method which is closely 'duplicated' to real job conditions which is used to avoid serious errors in given or real work situations.

- **Vestibule Training :** A training method attempt to duplicate on the job situations in a company classroom.

6.11 Self Assessment Test

1. Define "training". What are the differences between training and development ?

2. Briefly discuss the various methods of imparting training.

3. Discuss the essential features of a good training programme.

4. "No organization can choose today between training and no training". Comment.

5. Explain for following :

   (i) On-the-job management development techniques and

   (ii) Off-the-job techniques of training and development of managers.

6. Write short notes on :

   (i) Lecture Method

   (ii) Case Study Method

   (iii) Sensitivity Training

   (iv) Role-Playing

7. Discuss the need and ways to evaluate training programme in an organization.

UNIT - 7 : CAREER PLANNING

Unit Structure

7.0 Objectives

After studying this unit you shall be able to understand :-

- What is a "Career"?
- Stages in the career of an individual.
- Meaning and definition of career planning.
- Objectives, need and importance of career planning.
- Career Planning process.
- Requisites for effective career planning.
- Evaluation of career planning effectiveness
- Concept of Career Anchors.
- Succession planning - meaning and requirements
- Integration of career planning with other HRD concepts.

7.1 Concept of Career

In general people understand that career relates to some kind of work that people do in an organization. But, the fact is that it is a broader concept than a single job or task in an organization. We define career as the set of experiences and activities that people engage in related to their job and livelihood over the course of their working life. In other words, "a career is a sequence of positions occupied by him or her making an occupation, vocation or profession during the course of his work life". It suggests that a career includes -

- The various specific jobs that a person performs.

- The kind of responsibilities and activities that comprise those jobs.

- Movements and transitions between jobs, and

- An individuals overall asessment of and feelings of satisfaction with these various components of his/her career.

- In earlier days, people generally worked for single organizations and they presumed that if they performed well, they would advance up the organizational heirarchy. Even when people changed jobs, they tended to work for other organizations in the same industry.

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- In recent times, conceptualization of careers have considerably become more general. A lot of changes are taking place in the work patterns of individuals than in the past because of outsourcing, changes in organizational structures, downsizing etc.

- People now work in different industries, take breaks and sabbaticals in their work span.

Features :

(i)   It is a proper sequence of job related activities.

(ii) It may be individual - centered or organization - centred.

(iii) It is a sequence of career progression within an occupation.

(iv) It is a lateral movement in an occupation of an individual over his employment span.

(v)   It is a sum total of all the jobs occupied by a person during his working life.

(vi) It represents an organised path taken by an individual across time and space.

(vii) It develops over time.

(viii) It is the individual who ultimately judges the success of his career.

(ix) In career, one experiences psychological succes. It provides a feeling of personal accomplishment and fulfilment.

(x)   Every career path has a plateau also from which an individual is likely move to a higher level of work responsibility.

In a nutshell, career according to D.T. Hall "consists of changes in values, attitudes and motivation that occur as a person grows older."

According to S.E. Sullivan, "a person's career is shaped by many complex factors such as performance, experience, influential parents, caste, links and a certain amount of luck."

7.2 Stages in a Career

A.   Traditional Career Stages :

Traditionally, accepted view of a career included stages that a typical individual progresses through. The four career stages are -
- Exploration
- Establishment
- Maintainence
- Disengagment.

Exploration is the first stage. During this period, a person tries to identify the kind of work that he is interested in doing.

- This is generally the first job that one undertakes.

- During this stage, a person tries to assess his own interests, values, preferences and career opportunities and relates them to what he thinks represents a feasible career option for himself.

- The second stage of a typical career is called the **establishment stage**. During this period, the individual begins create a meaningful and relevant role for himself in the organization.

- The **maintainence stage** is the next stage in a typical career. During this stage the individual begins to reach a level in the organization that optimizes his talents or capabilities.

- The final stage of a typical career is the **disengagement stage**. During this stage, the individual begins to pull away from her work in organization, her priorities change and work may become

less important to her. Therefore, some take up part time work stations, some retire from organizations, some simply cut back on their activities and responsibilities.

B.   Career stages in the Contemporary era :

The contemporary era is characterized by downsizing and layoffs. Hence, people may find themselves disengaging from the organization at a relatively young age, and they may also anticipate beginning the entire process again by seeking new opportunities, new challenges and new interests.

The contemporary era focuses more on 'career age' (i.e. how long a person has been in a particular jobs) rather than choronological age and directly incorporates the premise of multiple career stages.

At each stage in the person's career he or she faces a different set of issues and decisions. Sometimes, individuals may choose to enter certain careers because they are considered 'hot' or because of general economic trends, at other points of time, because they are more consistent with their own interests, education and values.

7.3   Career Planning : Meaning and Definition

Career planning is the process by which one selects career goals and the path to these goals. It essentially means helping the employees to plan their career in terms of their capacities within the context of organizational needs. It is a process to synthesize and harmonize the needs of the organization with the aspirations of the employees so that individual can realize self fulfillment and the organizational effectiveness can be improved. According to Schermerborn, Hund and Osborn "Career planning is a process of systematically matching career goals and individual capabilities with opportunities for their fulfilment."
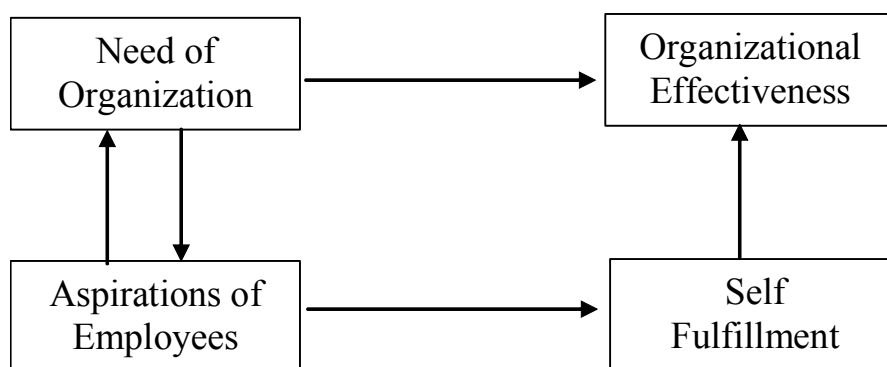
Characteristics of Career Planning

(i)   Career planning is identifying and matching the needs of individuals and organizations.

(ii)   It is individuals choice of occupation, organization and career path.

(iii)   It is not an event or end in itself. It is a continuous process of developing human resources for achieving optimum results .

(iv)   It defines life career, abilities and interests of employees.

(v)   It develops and shares a personal life career diagram.

(vi)   It helps the individuals to develop skills required to fulfil different career roles within or outside an oganization.

(vii)   It is a management technique for mapping out the entire career of young employees in higher skilled, supervisory and managerial positions.

(viii) It provides employees to make strategy for work life balance.

(ix) It is a tool by which people balance career demands with personal and family needs.

(x) Career planning assists in finding those employees who could be groomed for higher level positions, on the strength of their performance.

7.4 Objectives of Career Planning

The major objectives of career planning are :-
(1) To encourage individuals to explore and gather information, which enables them to synthesize, gain competencies, make decisions, set goals and take action.
(2) To increase employee productivity.
(3) To prevent job 'burn out' and obsolescence.
(4) To improve the quality of employee's work life.
(5) To help companies meet internal staffing requirements and reduce turnover.
(6) To develop an awareness of each employee's uniqueness.
(7) To identify positive characteristics about employees, retain them by offering careers and not just jobs in order to achieve organizational effectiveness.
(8) To identify personal interests, abilities, strengths and weaknesses and their relationship with career.
(9) To explore personal value systems of employees and how they relate to oroganizational culture.
(10) To improve employee morale and motivation.
(11) To meet the immediate and future human resource needs of the organisation on a timely basis.
(12) To foster effective team building skills.
(13) To develop respect towards the feelings and beliefs of others.
(14) To attract, engage and retain talented professionals in the organization.

7.5 Importance of Career Planning

Career planning is important for both the organizations, as well as, the employees. Its importance can be explained as follows :-

1) **Full use of Employee Potential** : Every employee has a desire to grow and scale new heights in his workplace continuously. If the organizations provide enough opportunities, one can pursue his career goals and maximize his potential, thereby enhancing productivity of the organizations too.

2) **High Motivation** : The morale of employees is higher when he can foresee a clear career path to realize his ambitions, as well as, align them to organizational goals.

3) **No Employee Turnover** : When the intention of the organization is clearly communicated that it focuses on employee development, the employees loyalty towards the organization increases. This reduces employee turnover.

4) **Achieving Success** : It is the quality of the people that determines the continued survival and growth of the organization. Good career planning determines the satisfaction level of the work force and consequently it adds to the success or failure of the organization.

5) *Adequate Supply of Future Work force* : With career planning, organization will be able to develop the employees so that when the time comes, there will be adequate supply of right types of skills and abilities needed to enable the organization to achieve its objectives.

6) *Employee Growth* : Employees are mootivated to grow and develop their potential abilities when the career planning is done in the right perspective in the organization.

7) *Preparing Employees for Certain Jobs* : Career planning can help the organization prepare

certain categories of employees for more important jobs and this contributes to succession planning for the organization.

In a nutshell, we can see that career planning is needed in the organizations to benefit it in the long run.
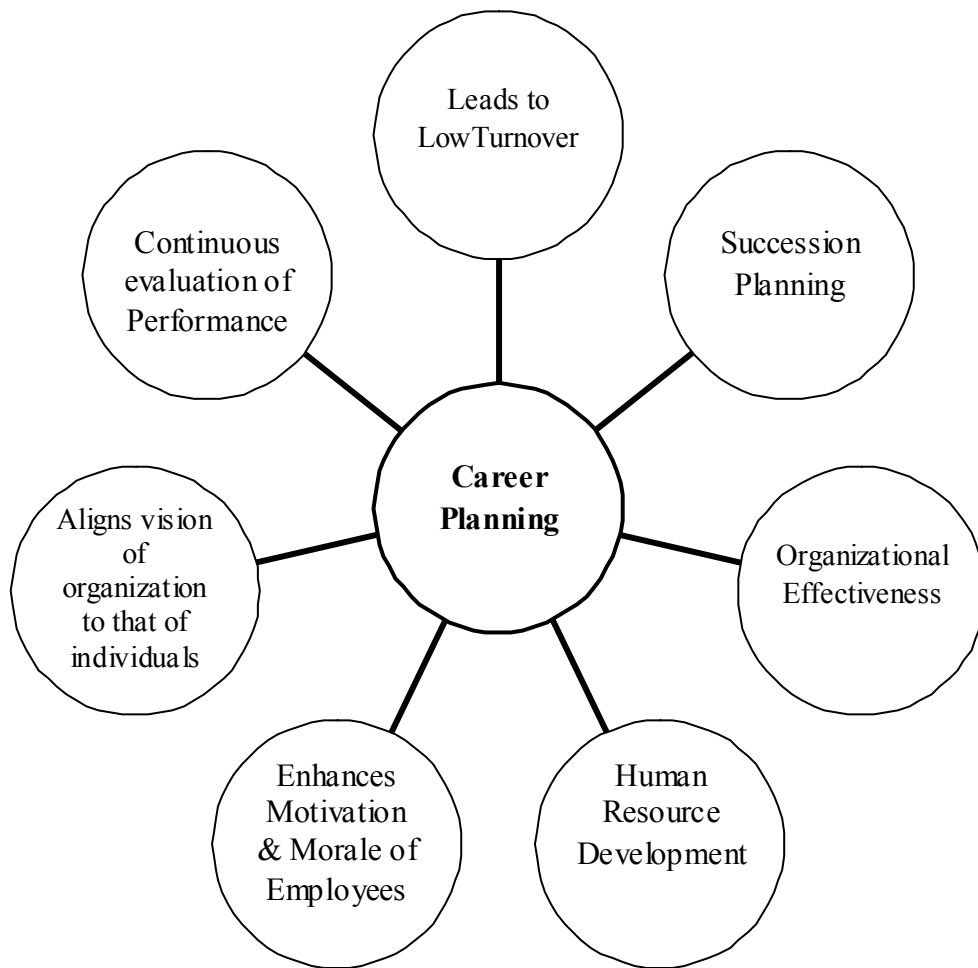
7.6 Career Planning Process

The career planning process involves different activities or steps. These are as follows :-
1. Identifying Individual Needs and Aspirations.
2. Exploring Career.
3. Analysing Career Opportunities.
4. Career Goal Setting.
5. Aligning Needs and Opportunities
6. Preparing for Career.
7. Self-Marketing
8. Action Plans, Periodic Review and Counselling.

These Steps are disccused below :

1.   Identifying Individual Needs and Aspirations :

Most individuals do not have a clear cut idea about their career aspirations, anchors and goals. The human resource manager must, therefore, help an employee by providing as much information as possible regarding their skills, experience and aptitudes. This information can be given in seminars or workshop.

The basis purpose of such an exercise is to help an employee form a clear view about what he should do to build his career within the company. HR Manager help employees set their career goals, identify career paths and uncover specific career development activities. A data bank can be formed to provide information on the career histories, skills needed and career preferences of employees.

The employee should develop an understanding of self-which includes one's values, interests, aptitudes, abilities, personal traits and desired life styles.

2.   **Exploring Career** :

At this step, the employee will begin to identify potential careers, gather information about those careers, and match the career information with the results from self assessment. He will consider the follwing :-

(a) Learning career entrance requirements.
(b) Learning careers of one's interests.
(c) Investigating education and training required.
(d) Learning skills and experience required.
(e) Planning academic and career alternatives.
(d) Learning job market trends.

On the basis of the above information an organization can prepare "personnel skills inventory" which would contain data on employee skills and career goals. In most of the organizations, such informatin is computerised and periodically reviewed and updated.

3.   **Analysing Career Opportunities :**

After identifying career needs and preparation of personnel skill inventory, the organization has to develop career paths for each position. Career paths show "Career progression". They indicate the various positions that one could hold over a period of time, if one is able to perform well. Career path can be changed over time in tune with employee's needs and oganizational requirements. Career paths are logical mapping out of jobs, which represent a potential progression track that an employee may follow over time. Such mapping of job progressions are done in the form of career ladders by clubbing together similar lines of occupations in job families. For successful mapping out of career paths, at the outset, it is essential to identify the job families. After such identification, requisite skills for all the positions along these paths need too be determined.

4.   **Career Goal Setting :**

In this step individuals evaluate occupational choices and gain practical experience through internships, cooperative education, relevant industrial training, work experiences and organization activities. Goal setting can be done with the help of career counselling, information services, HR department and skills inventories.

5.   **Aligning Needs and Oppqrtunities :**

After employees have identified their needs and have considered the existing career oopportunities, the next task is of alignment. This step consists of two parts : (a) Identifying the potential of employees and (b) to undertake career development programmes. Through performance appraisal, the potential of emplyees can be assessed to some extent. This appraisal will show who will need further training to accept added responsibilities. After identifying the potential of employees certain development techniques such as special assignments, planned position rotation, supervisory coaching, job enrichment, understudy programmes can be undertaken to update employee knowledge and skills.

6.   **Career Preparation :**

It is essential to acquire the additional skills and knowledge for starting new career. For this purpose, organizations should provide the following facilities to employees :

(i) *Mentoring* : It involves advising, role modeling, sharing contacts and giving general support.

(ii) *Coaching* : It consists of ongoing meetings and discussing employee's career goals.

(iii) *Job Rotation* : It is assigning employees to various jobs so that they acquire a wider base of skills.

(iv) *Caree Assistance Programmes* : Firms should offer such programmes to support employees' education and development.

(v) *Managing Self-Development* : It involves the analysing strengths and developments, preparing personal development plan and identifying ways of increasing knowledge and skills.

7.   **Self-Marketing :**

-    This step is crucial to career planning process. Without adopting self-marketing strategies, all the career goals and preparation are useless. Employees have to market their skills to their present or prospective firm so thay can attain their career vision with case.

8.   **Action Plans and Periodic Review :**

-    The action plans of individual career development are made reviewing the whole thing every now and then, this is helpful for the employee to know in which direction he is moving, what changes are likely to take place and what kind of skills are needed to face new challenges. The HR Manager should find out how employees are doing, what are their goals and aspirations. It should be ensured that the career paths are in tune with individual needs and the overall organizational goals.

7.7   Requisites for Effective Career Planning

(1)   **Flexibility :** Career planning, in general, should be tentative and flexible as far as possible so that both the organization and the individual employees should be able to make necessary changes in the event of necessity.

(2)   **Ascertain Career Expectations :** it is always appropriate if the career expectations of individual employees are ascertained before making the career planning. An employee's achievement motivation is bound to increase if he is taken into confidence, particularly regarding his career prospects and future career growth. It is rewarding if every employee is kept informed of his future career growth, enabling him to update himself to suit the changing oganizational situations.

(3)   **Cooperation :** A career planning can be effective only if the employers and employees cooperate in the process. Hence the employer must first evaluate, examine and make assessment of the HR needs and the potentiality of the existing employees before starting the planning process. They should also keep the respective employees informed of the various career opportunities, career alternatives and prospects. The employees on the other hand must consider and make assessment of their abilities, interests, aptitudes and career expectations as well as the career prospects and priorities. Effective communication of the career options, choices, path, and proper perspective must precede the actual planning process. This would enable the management to minimise resistance from the part of employees and their cooperation can be ensured.

7.8   Evaluation of Career Planning Effectiveness

Implementation of career planning is crucial for the effectiveness of human resource management. As mentioned earlier effective implementation depends on mutual cooperation of both human resource

management and the people whose careers are planned. Hence all the efforts must be made to ensure maximum cooperation and minimum resistance, from the people. Ultimately the effectiveness can be determined by evaluation, which may consider certain aspects, viz. :

(1) How many of the people affected welcomed the process ?
(2) How many have resisted and rejected the plan ?
(3) How many have voluntarily cooperated with the training and development programmes ?
(4) How many have accepted the succession planning ?
(5) What is the feedback and how much effective is the feedback ?
(6) Does the career planning accommodate all or at least majority of the people who deserve career growth and development ?
(7) Is the career planning able to meet aspirations of at least majority of the people ?
(8) Does the career choice of people reconcile with the planning ?
(9) Are the results worth the cost incurred on career planning and development ?
(10) Does the career planning provide adequate human reserve ?

7.9   Integration with other HRD Concepts

(i) *Human Resource Planning* is the process of analysing and estimating the need for and availability of employees. Through Human Resurce Planning, the personnel department is able to prepare a summary of skills and potentials available within the organization.

(ii) *Career Planning* process evaluates one's abilities and interests, considering alternative career opportunities, establishing career goals and planning practical development activities.

(iii) *Career Development* process, on the other hand, aims to increase an employee's potential for advancement and career change by providing necessary job skills. Career development is an integral part of the career planning process as career planning provides the opportunity for assessing occupational and career choices of an employee, his performance appraisal and devising a suitable development programme for him.

(iv) *Manpower Planning*, among other things, provides higher management with the data of the inventory of skills and potential available in the organisation, based on which, expansion, technology upgradation, etc. are undertaken by the organization.

(v) *Succession Planning* involves identification of likely vacancies for higher level executives and locating likely successors to mach such vacancies.

(vi) *Career Management* - The process of enabling employees to better understand and develop their skills and interests, and to use these interests and skills more effectively.

Employers have a significant impact on employees' career through their human resource policies. Recruiting, selecting, placing, training, appraising, rewarding, promoting, and separating the employee - all affect the person's career. This, in turn, affects the satisfaction of employees and success of the firm. Hence, some firms have established career managerment cells. These cells provide career information and guidance. They also deal with career management processes.

Career management involves both organizational actions and individual initiatives with an objective to strike a balance between needs and opportunities given the changes therein whether foreseen or not. A career management includes both individual career planning and organizational initiatives to have a balance between career goals and organizational needs. Both supplement each other. Individual employees will not be willing to respond to opportunities provided by the organisation if they have not planned well their career progression.

Michael Armstorng has decribed the process of career management as in the following figure.

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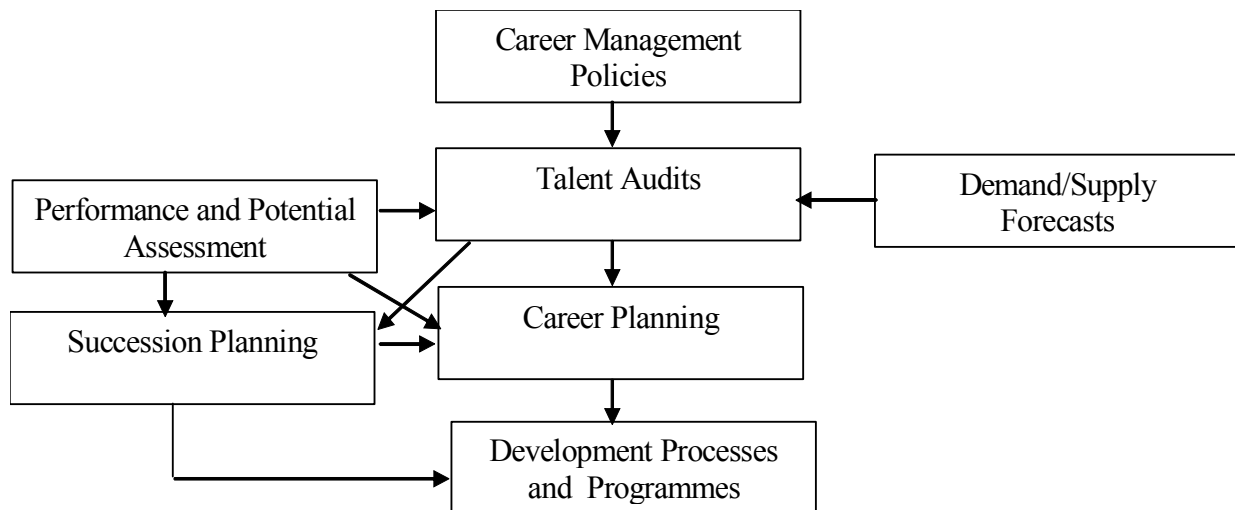
The components of this process shows their inter-relationships with each other.

1. **Career Management Policies** : The organization needs to decide on the extent to which it 'makes or buys' talented people. Should it grow its own talent (a promotion from within policy) or should it rely on external recruitment (bringing 'fresh blood' into the organisation) ? The policy may be to recruit potentially high performers who will be good at their present job and are rewarded accordingly. There may also be a policy to train managers for a future.

2. **Talent Audits** : Talent audits review the stocks of talent available and make demand and supply forecasts and performance and potential assessments. They provide the basis for succession and career planning.

3. **Performance and Potential Assessments** : The aim of performance and potential assessment is to identify training and development needs, provide guidance on possible directions in which an individual's career might go, and indicate who has potential for promotion. This information can be obtained from performance management processes.

4. **Demand and Supply Forecasts** : These are provided by the use of human resource planning.

5. **Succession Planning** : Succession planning is the process of assessing and auditing the talent in the organisation in order to answer three fundamental questions :

 (1) Are there enough potential successors available - a supply of people coming through who can take key roles in the longer term ?

 (2) Are they good enough ?
 (3) Do they have the right skills and attributes for the future ?

Succession is based on the information supplied by talent audits, supply and demand forecasts and performance and potential reviews.

6. **Career Planning** : It uses all the information provided by the organisation's assessments of requirements, the assessments of performance, and potential and management succession plans, and translates it into the form of individual career development programmes and general arrangements for management development, career counselling and mentoring.

7.10 Career Anchors

On many occasions people may stick to a particular job or a career. Just like boats but down their anchors to keep them form drifting too far, "people put down anchors to stabilize their career decisions

and keep them within constraints." This is a decision for no-mobility. In order to avoid erratic or random decisions, they develop career anchors. Stephen P. Robbins had observed that the anchor may pull people back into situations that are more congruent with their self image if they sense a job situation would not be consistent with their talents, needs and values.

Five specific patterns of career anchors have been identified by Stephen Robbins, viz.,

 (a) Technical/Functional Competence Anchor,
 (b) Managerial Competence Anchor,
 (c) Security Anchor,
 (d) Autonomy Anchor, and
 (e) Creativity Anchor.

Technical or Functional Competence Anchor focuses on the actual content of a person's work. A person who is proficient in computer software may get into a job of a clerk for the sake of his exigency where he will never establish. But a computer software job that recognizes his worth will enable him to establish, resulting in his career anchor there, mainly because of his technical or functional competence.

People with **Managerial Competence** and capability would prefer to hold and exercise managerial responsibility. If they get the opportunity to put in practice their managerial capability, interpersonal skills and exercise power and authority they would have a career anchor in such a position.

Very often **work stability** is the key factor for career anchor. Security of employment is everybody's concern. Japanese practice of life time employment is a pertinent example. Many people prefer to gain job security in countries like India where there is a preference for government jobs though it lacks dynamism. Positions which lack security may be incongruent with people, though the benefits are higher. Hence positions with job security and attractive pension plans will have less employee turnover. Career anchor is common in such positions.

Autonomy or Freedom for Action may act as an important factor which attracts some people to have career anchor. Once all the primary needs are satisfied, an individual may desire for positions to exercise power and autonomy where they can satisfy their need for superiority and ultimate decision power. They seek to get rid of organizational constraints and control from any other quarters. Stability would be desired for in such positions.

Creativity Anchor is another important anchor pattern. The positions which provide opportunity to use the creative skills of people may attract them more than anything else. They will continue to stabilize themselves in such positions though they are subject to other constraints. Working in research and development, functioning on a new project, innovation situation, a position of authority where creative skills are valued, and such other positions are preferred by many people. They may attain stability in such positions.

Thus career anchor is a pattern of deliberate attempt of a person to opt for stability in specific job

Career anchor perspective of each employee is important for a human resource manager. Particularly, career decisions of managers and executive performers holding key positions are crucial for every organization. Hence it is an important job on the part of the human resource managers to motivate such people to make career anchor decisions. Moreover no organization would like to be a training ground for employees and executives of its competitors. A person, who gets himself trained for a specific job, is expected to continue in the organization and grow with the growth of the organization.

It is in this context that the career development of key employees is viewed by many organization, If an employee is satisfied by the facility provided by an organization for his specific propose (any of the above seven determinants or any other factor which influences him to make career anchor decision) his positive career anchor decision would facilitate his continuous association with the organization. Hence human resource managers integrate career development priorities in their human resource planning efforts.

7.11 Succession Planning

Succession planning is done to identify and develop people to replace current jobholders in key managerial positions. This plan assures a steady flow of internal talent to fill important vacancies. The absence of succession plan can hamper the progress and future prospects of a firm. following points need due consideration.

(i) Critical plans needing immediate action get postponed.
(ii) The organisation remains headless and directionless for a while.

Organizational survival and growth are the most important responsibilities which can best be fulfilled by planning management succession to enusre the availability of the right number and right kind of management staff at the right time and in the right position.

Succession planning is the task of identifying particular individuals as possible successors for specific positions among particular individuals already working in the organisation. The following activities form the core of succession planning :

(i) Analysis of the demand for manager and professional by level, function, skill.
(ii) Audit of existing executives and projection of likely future supply from internal and external sources.
(iii) Planning individual career paths based on objective estimates of future needs.
(iv) Estimate of the future needs of the firm as well as those of the individuals
(v) Career counselling undertaken in the organisation.
(vi) Promotion schemes against the future needs of the business.
(vii) Training and development schemes to prepare individuals for future roles.
(viii) Estimate of future human resource requirements.
(ix) Recruitment procedure and internal appointment procedures.
(x) Annual appraisal process.

7.11.1 Features

1. Succession planning is once-a-year exercise.

2. Usually, it is done by top management to meet their responsibilities to shareholders.

3. It is much more than an organisation chart showing who will succeed whom.

4. It is not rigid but a flexible plan which copes with changes in business such as unexpected resignations, the emergence of new talents. etc.

5. It is a part of annual appraisal process. Peter Wallum says, "It is a part of annual cycle of performance management".

6. It encourages 'hiring from within' and creates a healthy environment where employees have careers

and not merely jobs. It helps in identifying human resource shortages and skill shortages before opening occur. Thereafter, it becomes easy to groom qualified candidates for future vacancies.

7. Succession planning is generally needed for key positions at higher levels, while career planning covers executives at a all levels. Career planning, by its very nature, includes succession planning. Both are complementary and interdependent.

8. Succession planning is done in different time frames to ensure the availability of right managerial personnel at the right time in right positions for continuing organizational vitality and strength. These time frames are immediate (within 1 year), intermediate (1 to 5 years) and long range (behond 5 years)

7.11.2 Steps of Succession Planning

The following steps are required to do succession planning :

1. **To Prepare Management Staffing Plan :** The first step is to prepare and develop a management staffing plan for all anticipated needs in different time frames. For important positions at the top managerial level, such planning should be done keeping in view the possibility of death, disability, premature retirement, job mobility, etc. Other of external factors like, economic factors, overall manpower factors should also be considered while making such plan.

2. **Staffing and Development** - The second step is staffing and development. Staffing is concerned with recruitment, selection and placement. Selection and placement may be either done from outside or from within the organisation through promotion and transfer. Development of managerial personnel is done through training, job rotation, creating 'Assistant-to' positions, projects and boards assignments, performance appraisal, counselling and guidance.

3. **Creating Congenial Environment** - The next step is to ensure congenial organizational environment to retain the desired managerial personnel. Unless this is done, the whole exercise of developing a successor may be ineffecitive.

4. **To Develop Performance Appraisal System** - The next step is to develop a good performance appraisal system to get feedgack on managerial performance and to review their progress and shortfalls.

5. **To Prepare Management Resource Inventory** - The HR manager should develop the management resource inventory. Such inventory contains details of personal data, performance reocrds, skills potential, career goals and career paths of managerial personnel.

7.12 Summary

The concept of 'Career' is gaining evergrowing importance. It implies the jobs that a person perform, the kind of responsibilities that are a part of the job, the movements between job and the overall satisfaction a person feels associated with his job.

Traditionally, career moved through four stages - exploration, establishment, maintainence and disengagement. But, the contemporary era is characterized by downsizing and delayering. It focuses more on 'career age' (i.e. how long a person has been in a particular jobs) rather than choronological age and directly incorporates the premise of multiple career stages. Now a days, most of the companies are undertaking 'Career Planing' as an important activity within the organization. 'Career Planing' is a process of systematically matching career goals and individual capabilities with opportunities for their fulfilment.

Career planning plays an important role in realizing the full potential of the employees, raises the motivation level of the employees, reduces employee turnover, enhances organizational effectiveness and thereby its probability of success. It also helps in adequate supply of future work force, employee growth

and succession planning. Career planning involves various activities which are as follows - Identifying individual needs and aspirations, exploring career, Analyzing career opportunities, Career goal setting, aligning needs and opportunities, preparing for career, self marketing, action plans, periodic reviews and counselling. Career planning is a part of overall process of career management. 'Carer Anchors' are important criteria by which employees take a decision of 'no mobility'. People stick to a particular job or a career.

People put down anchors to stabilise their career decisions and keep them within constraints. Five specific patterns of career anchors have been identifed by Stephen Robbins -

- Functional competence anchor
- Managerial competence anchor
- Security anchor, autonomy anchor and creativity anchor

Succession Planning is also an important component of career management exercise. Organizational survival and growth are the most important responsibilities which can best be fulfilled by planning management succession to ensure the availability of the right number and the right kind of management staff at the right time and in the right position.

7.13 Key Words

- **Career** : A career is a sequence of positions occupied by him or her making an occupation, vacation or profession during the course of his work life.

- **Career States** : The four career stages are - Exploration, Establishment, Maintainence and Disengagment..

- **Career Planning** : Career planning is a process of systematically matching career goals and individual capabilities with opportunities for their fulfilment.

- **Human Resource Planning** is the process of analysing and estimating the need for and availability of employees. Through Human Resurce Planning, the personnel department is able to prepare a summary of skills and potentials available within the organisatioon.

- **Career Development** process, aims to increase an employee's potential for advancement and career change by providing necessary job skills. Career development is an integral part of the career planning process as career planning provides the opportunity for assessing ooccupational and career choices of an employee, his perfrmance appraisal and devising a suitable development programme for him.

- **Manpower Planning**: among other things, provides higher management with the data of the inventory of skills and potential available in the organisation, based on which, expansion, technlogy upgradation, etc. are undertaken by the organisation.

- **Career Management** : The process of enabling employees to better understand and develop their skills and interests, and to use these interests and skills more effectively.

- **Career Anchor** - Stephen P. Robbins observes that the anchor may pull people back into situations that are more congruent with their self image if they sense a job or job situation would not be consistent with their talents, need and values.

- **Succession Planning** : Succession planning is the task of identifying particular individuals as possible successors for specific positions among particular individuals already working in the organisation

7.14 Self Assessment Test

1   Define the concept of 'Career'. What changes have taken place in career stages from traditional to modern times.

2   What are the needs, importance and benefits of career planning ? While pointing them out, also explain. What do you mean by career planning ?

3   Write short notes on -
(i) Objectives of Career Planning.
(ii) Characteristics of Career Planning.

4   Explain in delail the career planning process.

5   What are the requisites for effective career planning ? How would you evaluate the effectiveness of career planning ?

6   "A career management includes both individual career planning and organizational initiatives to have a balance between career goals and organizational needs" Do you agree ? Comment.

7   What do you undertstand by 'career anchors'. Discuss the specific patterns of career anchors.

8   "Organizational growth and survival are the most important responsibilities which can best be fulfilled by planning management succession". What do you understand by 'succession planning' ? Explain the steps of succession planning.

ACTIVITY -1

You are a Human Resource Manager in an Organization. What benefits would you seek for the organization while conducting a career planning exercise.

ACTIVITY -2

As a human resource manager, how would you motivate people in your organization to make career anchor decisions.

UNIT - 8 : WAGE & SALARY ADMINISTRATION

Unit Structure

8.0 Objectives

After studying this unit you should be able to understand :

*   The Concept of Wage & Salary administration
*   The objective, principles and factors influencing wage & salary administyration (WSA).
*   Theories of wages
*   Types of wages
*   Process of wage determination
*   Wage policy in India
*   Issues related to Wages in India

8.1 Introduction

Organizations expect efficiens performance from their employees in order to contribute to the attainment of individual goal and for attaining organizational as well as individual goals they reward their employees. The reward given to the employee can be in any form. Either it may be financial (i.e. wages/ salary, allowances, incentive payments, bonuses, profit sharing etc) or non-financial (i.e. canteen facilities, conveyance facilities, medical care, paid vacations, paid sick leaves etc.).

The financial reward constitue a very large component of operating costs. Maximum disputes in any organization can be seen is for remuneration. Without fair and attractive compensation no organization can attract or retain qualified and motivated employees. So the remuneration is directly or indirectly one of the main springs of motivation in society.

The application of a systematic approach to the problem of ensuring that employees are paid in a logical, equitable and fair manner is known as Wage & Salary Administration. It includes job evaluation, wage salary survey, development and maintenance of wage structure rules for administration of wages, profit sharing and other incentives and control of pay roll costs.

8.2 Objectives of Wages & Salary Administration

The basic purpose of wage and salary administration is to establish & maintain an equitable wage and salary structure and an equitable labour cost structure. A sound wage & salary administration seeks to achieve the following objectives :

1. To attract/acquire qualified competent personnel by ensuring an adequate payment for all jobs.

2. To retain the present employees by paying at a competitive level, which can minimize the incidence of quitting & increase employee loyalty.

3. To establish a fair & equitable remuneration by paying similar wage for similar work i.e. internal equity and external equity for other organizations.

4. To improve productivity in response to increased morale of employees.

5. To ensure desired behaviour like performance, loyalty, accepting new responsiblities & changes etc.

6. To control costs. Labour & administrative cost can be kept in line with the ability of the company to pay.

7. To simplify collective bargaining procedures & negotiation.

8. To promote organization feasibility.

9. To improve public image of the company as progressive employer.

10. To comply with legal requirements relating to wages and salaries.

8.3 Principles of Wage & Salary Administration

The generally accepted principles governing the fixation of wage & salary are :

1. Wage & Salary's plan & policies should be flexible.

2. Must be in the interest of the employer, the employees the consumer & the community.

3. Should be stated clearly in writing to ensure uniform and consistent application.

4. Should always be consistent with overall organization plans and programmes.

5. Should be in confirmity with the social & economic objectives of the country like attainment of equality in income distribution and controlling inflationary trends.

6. Wage & salary plan should simplify administrative process.

7. Should be checked against the standards set in advance in the wage policy.

8. Wage policy & programme should be reviewed & revised periodically in confirmity with changing needs.

8.4 Elements of Wage and Salary

Wage and salary system should have relationship with the performance, satisfaction and attainment of goals of an individual. Henderson identified the following elements of wage and salary system.

1. Identifying the available salary opportunities, their costs, estimating the worth of the memebers of these salary opportunities and communicating them to the employees.

2. Relating salary to needs and goals.

3. Developing quality, quantity and time standards relating to work and goals.

4. Determining the effort necessary to achieve standards.

5. Measuring the actual performance.

6. Comparing the performance with the salary received.

7. Measuring the job satisfaction gained by the employees.

8. Evaluating the unsatisfied wants and unreached goals of the employees.

9. Finding out the dissatisfaction arising from unfulfilled needs and unattained goals.

10. Adjusting the salary levels accordingly with a view to enabling the employees to reach unreached goals and fulfil the unfulfilled needs.

8.5 Factors influencing Wage & Salary

The main facotrs influencing wage or salary levels are as follows:

1. **Demand for and supply of labours-** If demand for skill is high and supply is low, the result is a rise in the price to be paid for these skills.

2. **Organization's ability to pay-** An organization's ability to pay its employees is an important determinant of wage level. Ability to pay depends upon the profit earning capacity of the enterprise. Companies that have good sales and, therefore, high profits tend to pay higher wages than those which are running at a loss or earning low profits because of the high cost of production or low sales.

3. **Cost of living -** Due to inflation, the real wages decline affecting the purchasing power of workers. Therefore dearness allowance is given according to changes in the consumer price index. Labour agreements generally have a clause providing for automatic increase in pay as cost of living rises.

4. **Prevailing market rates of wages-** While fixing wages prevailing wages in the particular industry / region are also considered to retain or attract qualified/skilled workers.

5. **Productivity -** There is an increasing trend towards linking wage increases to gain in productivity or performance of workers. In some concerns annual increment in wages is based on merit, while in other companies pay increases every year without any relation to the performance of a worker.

6. **Job requirements -** Wages depend largely on the type of job and the level of its difficulty i.e. it depends on the physical and mental effort required in a particular job. The relative worth of a job can be estimated through its job evaluation.

7. **State Rules and Regulation regarding wage -** Wage policy & laws of the government exercise a significant influence on wage levels. Government has enacted laws to protect the interest of the working class. No organization can violate laws relating to minimum of wages, payment bonus, dearness allowance and other allowances etc.

8. Worker skill and educational level also decide the wages to be paid by the organization.

9. Trade union's pressure and bargaining power also play a significant role in deciding the wage for a particular job.

8.6 Process of Wage Determination

Usually, the steps involved in determining wage rates are performing job analysis wage surverys, analysis of relevant organizational problems forming wage structure, framing rules of wage administration, explaining these to the employes, assigning grades and price to each job and paying the guaranteed wage.
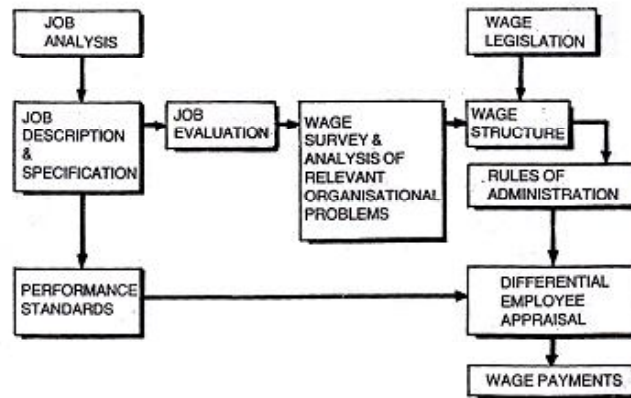

Figure 8.1 Wage Determination Process

The Process of Job Analysis

Results of job description lead to job spefications. A job analysis describes the duties, responsibilities, working condition and inter-relationship between the job and the other jobs with which it is associated. It attempts to record and analyse details concerning the training, skills, required efforts, qualifications, abilities, experience, and responsibilities expected of an employee. After determining the job specifications, the actual process of grading, rating or evaluating the job occurs. A job is rated in order to determine its values relative to all other jobs in the organization which are subject to evaluation. The next step is that of providing the job with a price. This involves converting the relative job values into specific monetary values or translating the job classes into rate ranges.

Wage Survey

Once the relative worth of jobs has been determined by job evaluation, the actual amount to be paid must be determined. This is done by conducting wage of salary surveys in the area concerned. Such surveys seek to answer questions like what are other firms paying/ What are they doing by way of social insurance? What is the level of pay offered by other firms for similar occupations? etc. They gather information about 'benchmark jobs' which are usually known as good indicators.

There are various ways to conduct a survey. Most firms either use the result of "packaged surveys" available from the research bodies, employer's associations, Goverment Labour Bureaus, etc., or they participate in wage surveys and receive copies of result, or else they conduct their own. These survey may be carried out by mailed questionnaire, telephone, or personal interviews with othe managers and personnel agencies.

Such wage surverys provide many kinds of useful information about difference in wage levels for particular kinds of occupations. This can have a great influence on an Organization's compensation policy.

Relevant Organizational Problems

In addition to the results of job analysis and wage surveys, several other variables have to be given due consideration in establishing wage structure. For example, whether there exists well-established and well-accepted relationship among certain jobs which can upset job evaluation, whether the organization would recruit new employees after revised wage structure, are the prevaling rates in industry or community inconsistent with the results of job evaluation? What will be the result of paying lower of higher compensation, and what should be the relationship between the wage structure and the fringe benefit structure?

Developing Wage Structure

On the basis of foregoing steps an equitable wage structure is prepared. While detemining such a structure several points need to be considered :

(a) legislation relating to wages;
(b) payments equal to more or less than prevailing wage rates;
(c) number and width of paygrades;
(d) jobs to be placed in each pay grade;
(e) provision for merit increases;
(f) differenl between pay plans; and
(g) dealing with wages/salaries that are not in line with the structure.

Wage Administration Rules

Rules are required to determine the degree to which advance will be based on length of service rather than merit, the frequency with which pay would be based on length of service rather than merit, the frequency with which pay increments will be awarded, the rules that will govern promotions from one pay grade to another, and the way control over wage/salary costs can be maintained. Once the rules are framed these should be communicated to the employees.

Employee Appraisal

In order to reward merit and performance, it is necessary to evaluate the performance of individual employees. Some differentials in pay are maintained on the basis of employees performance. This is necessary to provide incentive for hardwork and superior performance is evaluated against predetermined standards of performance.

The technique of wage curve is often used to develop rate ranges. A minimum and maximum rate for each grade (eg. 10% below and above the wage line) may be decided. The minimum and maximum lines are drawn on the curve. Some overlapping between rate ranges is allowed. Thus, a person who has worked for several years on the job may earn more that what a new employee would earn on the next higher pay scale (Fig. 8.2)
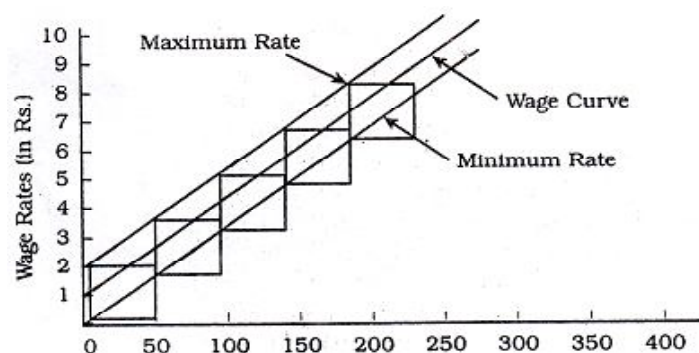

Figure 8.2 Wage Curve

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8.7 Theory of Wage Payment

Various methods of wage payment are adopted by different industries and countries. They may be payment by time or payment by results, including payment at piece rates. There are a number of theories on wages. Main theories may be summed up as follows:

1. **Subsistence Theory -** Also known as "Iron Law of wages", was propounded by David Ricardo. (1772-1823). This theory states that. "The labourers are paid to enable them to subsist and perpetuate the race without increase or diminution."

2. **Wages Fund Theory -** This theory was developed by Adam Smith (1723-1790). His basic assumption was that wages are paid out of a pre-determined fund of wealth which lay surplus with wealthy persons- as a result of savings. If the fund was large, wages would be high; if it was small, wages would be reduced to the subsistence level. The demand for labour and the wages that could be paid to them were determined by the size of the fund.

3. **Standard of Living Theory -** Karl Max pointed out that the "Wage of labour is determined by a traditional standard of living, which in turn, is determined by the mode of production of the country concerned."

4. **Residual Claimant Theory -** According to Walker, the wages are determined on the basis of the amount left after the payment of rent, profits and interest to land, entrepreneur and capital respectively out of the production value.

   The amount of wages = Production value - (Rent + Profits + Interest)

5. **Marginal Productivity Theory -** According to J.B. Clark, the wages are determined on the basis of marginal contributions of the worker to the production. The employer stops employing further workers where the contributions of the most recently employed worker are equal to his wages.

6. **The Bargaining Theory of Wages -** According to this theory the wages and other terms of employment are determined on the basis of the relative bargaining strength of the two parties, viz., the employer and the employees. Webbs stated that, "the higgling of the market which under a system of free competition and individual bargaining determines the conditions of employment....."

7. **Behavioural Wage Theory -** According to behavioural scientists, wages are determined on the basis of several factors like the size, nature, prestige of the Organization, strength of the union, social norms, traditions, customs, prestige of certain jobs in terms of authority, responsibility and status, level of job satisfaction, morale, desired lines of employee behaviour and level of performance.

8.8 Methods of Wage Payment

Methods of Wages paid to labours are basically of two types and others are the combination of both or modificattions of these two. They are briefly described as below:

1. Time Wage System

This is the oldest and most common method of fixing wages. Under this, workers are paid according to the work done during a certain period of time, at the rate of so much per hour, per day, per week, per fortnight or per month or any other fixed period of time. The output by worker is not taken into consideration in fixing the wages, he is paid at the settled rate as soon as the time contracted for is spent.

Merits :

    (i) - Simple in Calculation.

    (ii) - Quality of work is maintained as worker is not in hurry to finish the given task

Demerits :

The main drawbacks of this system are :

(i) It does not take into account the fact that men are of different abilities and that if all the persons are paid equally, better workmen will have no incentive to work harder and better. They will therefore be drawn down to the level of the least efficient workman. Halsey observes : "Matters naturally settle down to an easy going pace in which the workmen have little interest in their work and the employer pays extravagantly for his product." Taylor says. "The men are paid according to the position which they fill and not according to their character, energy, skill and reliablility."

(ii) The labour charges for a particular job do not remain constant. This puts the authorities in a difficult position in the matter of quoting rates for a particular piece of work.

(iii) As there is no specific demand to the worker that a piece of work needs to be completed in a given period of time, there is always the possibility of a systematic evasion of work by workmen.

(iv) This system permits many a man to work at a task in which he has no interest he might make his mark in some other job.

(v) As the employer does not know the amount of work that will be put in by each worker, the total expenditure on wages for turning out a certain piece of work cannot be adequately assessed.

(vi) As no record of an individual worker's output is maintained, it becomes difficult for the employer to determine his relative efficiency for purpose of promotion.

2. The Piece-Wage System

In this system, the worker is paid a fixed rate per unit produced or job completed. The rate is normally developed on the basis of analysis of previous performance and establishment of average performance of a particular standard of workmanship.

The following are some of the **advantages** claimed for this system :

1) As the worker is paid more when he produces more, he is inclined to put forth his best efforts. This results in increased productivity which benefits both the employer and the employee.

2) The employee helps management in avoiding delays through break-downs and ensuring the receipt of the proper quality of raw mateiral as his own performance and ultimate payment are likely to decline by reason of the operations of such factors.

3) This results in less supervision being required as the chances of the worker goofing off are very less.

4) The superior worker is induced to work hard as at the end of the period he finds that his pay packet is larger than that of the lazy worker.

The *disadvantages* claimed for this method are as follows :

1) In his effort to produce more, the worker may disregard the spoiling of his tools and machinery used by him for the production.

2) If he is paid merely on the basis of the numbers of items produced without regard to quality, the quality of production is likely to decine. There is thus a tendency to sacrifice quality in favour of quantity.

3) Particularly in the Indian context, once the worker has earned enough through this method, he is inclined to remain absent and take a holiday because of his savings.

4) This system may result in excessive fatigue as the employee tries to work his hardest and at his maximum speed to earn as much as he can.

3. The Premium Bonus Method

As in the piece-wage system the employee is not guaranteed any minimum wage, in case the supply of labour is abundant, the peiec-wage rate could be lowered to lead to sweating and othe evils. Because of this, trade unions began to object to the piece-wage system. They pressed for a guarantee of a fair minimum wage in connection with certain trades. As a result of this, a number of systems of wage payments emerged technically known as the *progressive wage system* or the *premium Bomus Methods* of payments.

4. Balance or Debt Method

This method is a combination of time and piece wage systems. The worker is guaranteed a time rate with an alternative piece rate. If the wages calculated at piece rate exceed the time rate, the worker gets credit. On the other hand, if time wages exceed piece wages, the worker is paid time wage and the deficit is carried forward as debt to be reconserved in future.

Suppose, the time rate is Rs. 250 per week and the piece rate is Rs. 2 per unit. The wages of a worker who produces 150, 100, 125 units in three weeks will be calculated as follows:

Table 8.1 : Balance Method

Week	Price Wage	Time Wages	Credit	Debit	Balance
	Rs.	Rs.	Rs.	Rs.	Rs.
First	300 (150 x 2)	250	50	NIL	50
Second	200 (100 x 2)	250	-	50	NIL
Third	250 (125 x 2)	250	NIL	NIL	NIL

This method provides a sense of security to employees. At the same time an employee is given the opportunity to increase his earning beyond the guaranteed time wage. This method is appropriate in industries where the flow of work is minimum, e.g., dock workers. But rates in this method has to be fixed on the most scientific basis.

8.9 Wage Differential

Wages differ in different employments or occupation, industries and localities, and also between the persons in the same employment or grade. These can be termed as occupational wage differentials, inter-industry, inter-firm, inter-area or geographical differential and personal differential.

These categories are futher discussed as given below :

1. **Occupational differential** - are due to varying requirements of physical skills, endurance, knowledge etc. varying demand and supply conditions and the like.

2. **Inter-firm differential or inter-unit wage differentials -** reflect relative wage levels of workers in different units in the same or similar occupation. It may be due to difference in the quality of labour employed by different firms, imperfection in the labour market and difference in the efficiency of equipment, supervision and other non-labour factors.

3. **Inter-area or regional differential -** Such differentials arise when workers are in the same industry and the same occupational group, but live in different geographcial areas are paid different wages. These are the results of living and working conditions, such as unsatifactory climate, isolation, sub-standard housing, disparties in the cost of living and the availability of manpower etc.

4. **Inter-industry differential -** When workers are in the same occupation and the same area but in different industries are paid different wages. This kind of differential reflects skill differential. The industries paying higher wages have mostly been industries with a large number of skilled workers, while those paying less have been industries with a large proportion of unskilled-semi-skilled workers. Factors influencing these differentials are the extent of unionisation, the structure of product markets, ones ability to pay as per labour-capital ratio and the stage of development of an industry.

5. **Personal wage differential -** are mainly due to variations in personal characteristics like sex, age, skill, knowledge etc. of employee who work in the same unit & are in the same or similar occupation.

8.10 Wage Policy in India

The wage and employment policies relating to the unorganised workers & in particular the issue of minimum wages paid to them has been a subject of considerable discussion among union leaders & labour experts in general while minimum wage legislation has to a great extent been effective in providing protection to workers in the organised sector, with periodic revisions. This has not been the case with unorganised workers, who remain largely outside the purview of minimum wage legislation.

In India 93% of the total work force work in the informal sector, such as contract labour, construction worker, casual labour, sweepers, employees in shop, workers in agriculture, domestic workers etc.

The minimum wage legislation is the main labour legislation for the worker in this sector. In India, the policy on wage determination has been to fix minimum wages in sweating employments and to promote fair wage agreements in the more organized industries. Wages in the organised sector are determined through negotiation and settlements between employer and employees. On the other hand, in unorganised sector, where labour is vulnerable to exploitation due to illiteracy and does not have effective bargaining power, the intervention of the government becomes necessary both from the perspective of social justice & also for increasing efficiency and productivity in the economy.

Wage settlements, labour market situation, company's nature & size etc. are some of the several factors on which pay structure of company depends. Pay structure consist of certain grades, scale and range of pay in each scale. The job value is similar for all jobs in particular grade though the actual pay in a grade depends upon length of service & performance of employee.

In India, the pay structure comprises of following components :

  (i)   Basic Salary/Wage
 (ii)   Dearness allowance & other allowances
(iii)   Bonus & other incentives
 (iv)   Fringe benefits or perquisites.

(i) Basic Wage :- It is the price for service rendered. It varies according to the mental and physical requirements of the jobs which are measured through job evaluations.

(ii) Dearness Allowance & Other Allowance :- This allowance is given to protect the real wages of workers during inflation. It is also known as cost of living allowance under section 3 of minimum wages act.

(iii) Bonus - According to Bonus Commission (1961), bonus is, "Sharing by the workers in the prosperity of the concern in which they are employed. In the case of low paid workers such sharing in the prosperity augments their earnings and helps to 'bridge' the gap between the actual wage and the need based wage".

Bonus should be paid from available surplus.

Available surplus = Gross Profit - (depreciation according to Income Tax Act + Actual return preference Capital + 7% return an equity capital + 4% Reserves & surplus).

(iv) Fringe Benefits - These are the wide range of benefits and services provided by an employer according to job profile and performance. These are also known as indirect compensation. These benefits should are computed in terms of money and cannot be predetermined.

8.10.1 State Regulation of Wages

India aims at rapid economic growth, industrial peace, price stability, equitable distribution of income and progressively rising standard of living for the working class. In order to realise these objectives, the Government of India regulates wage rates through the following methods.

  (i)   **The Minimum Wages Act, 1948 -** The Government realised that wages in 'sweated' trades cannot be left to be determined on the basis of free play of demand and supply in the labour market. Therefore, the government (Central and State) *prescribes minimum rate of wages* in certain sweated and unorganised employments specified under the Minimum Wages Act. The Act also provides for regulation of overtime rate. The minimum wages can be fixed by hour, day, month or such other long period. The Act provides for setting up of a tripartite machinery (consisting of representatives of employers, unions and the government) to advise the appropriate Government in the fixation and revision of minimum wage rates. The Act also provides for the review and revision of minimum wages at intervals not exceeding five years. The real aim of the Minimum Wages Act is to prevent exploitation of labour through payment of unduly low wages. But the implementation of the Act has not been satisfactory. Minimum wages have not been reviewed and revised for periods longer than five years thereby leading to decline in real wages due to inflation. The Act neither defines minimum wages nor lays down norms for its detemination. According to the National Commission on Labour a national minimum wages for the countary as a whole is neither feasible nor desirable due to wide spread regional disparities.

 (ii)   **The Payment of Wages Act, 1936 -** The main object of this Act is to ensure regular and prompt payment of wages and to prevent unauthorised deduction and arbitrary fines from wages. It also regulates the rate of payment for overtime work. The Act is applicable to persons employed in factories/industrial establishments who are drawing less than the specified pay.

(iii) The Equal Remuneration Act, 1976 - The main objective of this Act is to prevent discrimination in remuneration on the basis of sex. Under the Act it is the duty of the employer to pay equal remuneration to men and women workers for the same work or work of a similar nature. No discrimination is to be made against women in recruitment and in conditions of service unless provided for under any law for the time being in force.

(iv) Section 529-A of the Companies Act, 1956 - This section aims to protect workers claim in the event of insolvency of their employer. In case of winding up of a company workers dues are to be paid in priority to all others debts in full. If the company's assets are inadequate to meet these in full, these dues and debts due to several creditors are to abate in equal ratio.

(v) The Industrial Disputes Act, 1947 - Under the Act, conciliation is compulsory in all wage disputes in public utility serivces and optimal in othe industrial establishments. The Act also empowers the appropriate Government to constitute one or more Industrial Tribunals or National tribunals and refers a wage dispute to these Tribunals for adjudication.

(vi) Wage Boards - Government of India sets up Tripartite Wages Boards on industry-wise basis to fix and revise pay. These Boards are set up on adhoc basis on the demand of trade unions and employers as there is no law providing for their establishment. A Wage Board consists of an impartial chairman, two independent members, and 2 or 3 representative of workers and employers each. The recommendations of Wage Boards are first submitted to the goverment. The Government may accept, modify or reject the recommendations. Once accepted, the parties are requested to enforce the recommendations.

While detemining wages, Wage Boards takes into account the following factors :

(a) Need-based minimum wages.

(b) Industry's capacity to pay.

(c) Productivity of Labour.

(d) Prevailing rates of wages.

(e) Various wage legislation.

(f) Level of income and its distributions.

(g) Place of the industry in the economy.

(h) Needs of industry in a developing economy.

(i) Requirements of social justice.

(j) Need to provide incentive for improving productivity.

Wage Boards have been helpful in standardisation of wage structures. But they suffer from several weaknesses :

(i) they take unduly long time in completing their task.

(ii) majority of their recommendations are not unanimous, and

(iii) their recommendations have not been fully implemented as these are not statutory.

(vii) Pay Commissions - Wages and allowances of Central and State Government employees are determined through pay commissions. The disputes arising out of pay commission and their implementation are decided by commissions of inquiry, adjudication by tribunals and the joint consultative machinery.

8.11 Executive Compensation

The pay band of executives consists of several components such as the following :

(a) Salary

(b) Bonus based on company's profits or commission as percentage of profit.

(c) Stock options involving issue of the company's shares at a special price i.e. can be lower than market value.

(d) Fringe Benefits or perquisites such as free furnished house, servants, car along with driver, telephone facility, discount coupons, sponsorship for executive development programmes, entertainment allowances etc.

These compensation depends on several facts, some of them are as follows :

(i) Job Profile :- Higher skilled and greater responsiblities in the job, more the pay scale.

(ii) Ability to pay :- Large (in sales volume) fast growing and diversified companies generally pay higher remuneration to their executives.

(iii) Performance of Executives :- Executive who continuosly perform out of the way are in great demand and receive rewards.

(iv) Education & Experience :- Due to lack of professionally trained and experienced managers the remuneration is high for such profile executives.

8.12 Issues in Wage Policy in India

Theoretically speaking, since capital is scarce and labour abundant and less productive, wages are relatively lower in India. But minimum wages are not market clearing wages. They are regulatory wages to ensure that market wages do not fall below subsistence level. Minimum wages are expected to cover the essential current costs of accommodation, food and clothing of a small family.

The Minimum Wage Act while being very progressive has led to specific problems. Doubts have been raised on the existence of a clear and coherent wage policy in India. This is mainly due to its poor norms of fixation, enforcement, implementation and coverage in various parts of the country.

Some of issues and concerns faced in India regarding minimum wages is summarized below:

(a) Norms for fixing minimum wages

The Act does not set out a minimum wage in rupee terms but just stipulates that the wage be a living wage which is to be decided by each state. Certain norms have been laid out including that of calorie requirements, yards of cloth per family and so on. The Act stipulates that minimum wage rates are to be revised keeping in mind inflation. However, in many states while fixing the minimum wages, they are not linked to the payment of dearness allowance. As a result, real wages of workers keep eroding due to inflation.

Additionally, the guidelines laid down for the minimum wage by the 15th Indian Labour Conference (ILc) and the Supreme Court suggest that a minimum wage for 8 hours of work should be high enough to cover all the basic needs of the worker, his/her spouse and two children.

Another inadequacy is that though the Minimum Wages Act (MWA) requires wages to be revised every five years, this rarely happens annd there are instances of wages not being revised for more than 20

years. The MWA also has a clause which states that if wages are not revised, the existing wages should continue. This has only led to greater laziness and unaccountability on the part of labour departments, leaving some workers to live below poverty line. Further to overcome these inadequacies, the National Commission on Rural Labour in 1990, Recommended that the MWA should be amended to compel timely revision of wages. It should also ensure automatic enhancement of wages every six months on the basis of the Consumer Price Index. But this amendment has remained an unfulfilled dream for workers.

The machinery for fixation of minimum wages in India has not been uniform. Fixation of different rates in different regions for different categories of workers often makes the structure of minimum wage very complex. Also, different wages are fixed for the same work in different sectors. For instance, a peon in the metal-rolling industry may be fixed higher or lower wages than a peon in the plastic industry or in a shop or commercial establishment though a peon's job will be the same wherever he may work. To overcome these deficiencies, several states have rationalised all the different occupation categories into just four categories, that is, unskilled, semi-skilled, skilled and highly-skilled. As per this system, only one notification is applicable to an industries, rather than the time-counsuming system of notifying wages individually for various industries. Though the system gives a clear and detailed information of minimum wages, it has not been adopted by all states.

(b) Coverage

In order to have minimum wage fixed, the employment or industrial activity has to be included in the schedule of Employment. Currently the number of scheduled employments in the Central government is 45 whereas in the state sphere the number is 1232. The criterion for inclusion in the list of scheduled employment is that there should be at least 1000 workers engaged in that activity in the state. Thus many activities are excluded from the list. This criterion for inclusion has left a very large number of workers in the unorganised sector outside the purview of the Minimum Wage Act.

(c) Enforcement

Poor enforcement of the Act is another issue prevalent in most of the states in India. This is mainly due to lack of awareness amongst the workers about minimum wage provisions and their entitlement under the labour are laws. This is particularly true in remote areas and in areas where workers are not unionized or otherwise unorganized. As a result their wages have long since failed to keep pace with rising cost and continue to diminish in real value over time.

(d) Implementatian

The main problem of minimum wage legislation in India is its poor implementation. The Act empowers the appropriate government (Central, State or local) to fix a minimum wage for workers in unorganized sectors. However, often exemptions from the payment of minimum wages have been granted to industries. In addition, minimum wage levels have been revised only at long intervals (where the actual prescribed limit is within 5 years). Such a failure in implementation of MWA is not only due to loopholes in policy design but is also an outcome of lapses in the administration.

Poor implementation of MWA does not affect organized workers as much as it does to workers in unorgainzed sectors. Unorganized workers are employed with millions of employers, (generally small trade, enterpriese, sole proprietor or household) who are scattered and hence become difficult to cover them under law. This diversity in locations and nature of work has left them vulnerable to exploitation in the absence of a broad legal standards. Also, many workers for the fear of losing their job do not report about payments lower than the minimum wage rate. At times, these workers are even forced by their employers to certify payment below minimum wages.

8.13 Summary

The main objective of wage and salary administration is to establish and maintain an equitable wage and salary system to obtain, retain and motivate people of required skills in an organization. The wage and salary administration is based on the principles- external equity, internal equity and individual worth. Demand & supply of labour, prevailing market rate, cost of living, organizations ability to pay, productivity, job requirement, state rules and regulations are some of the factors influencing Wage and Salary administration. Time wage and Piece wage system are the two basic methods of wage payments. The process of wage determination involves job analysis job, evaluation, wage survey, developing wage structure, determining rules for wage administration and employee appraisal. Theories of wages include wage fund theory, subsistence theory, standard of living theory, residual claimant theory, marginal productivity theory, bargaining theory of wages, and behaviourial theory. Wage differentials are the result of occupational differences, inter-firm differential, regional differences, inter-industry differences, and personal differences. In order to protect the interest of workers, the legislations enacted by the governments of India are Minimum Wages Act, 1948; Payments of Wages Act, 1936; Payments of Bonus Act, 1965; Equal Remuneration Act, 1976; Wage Board and Pay Commission. Unlike the remuneratian of the rank and file worker, the executive/managerial remuneration is decided in a manner to duly compensate the ability, increased responsibility and performance of executives/managers in an organization.

8.14 Key Words

- **Wages -** Payment made to labour is generally referred to as wages.

- **Salary -** Money paid periodically to persons whose output cannot be easily measured, such as clerical staff as well as supervisory and managerial staff, is referred to as salaries. Generally paid on monthly basis.

- **Wage Structure -** It is generally the levels or hierarchy of job and pay ranges. It is inter relationship of the levels of pay for different types of employees.

- **Earnings -** Earnings are the total amount of remuneration received by an employee during a given period. These include salary (pay), dearness allowance, house rent allowance, city compen satory allowance, overtime payments etc.

- **Nominal Wage -** It is the wage paid or received in monetary terms. It is also known as money wage.

- **Real Wage -** Real wage is the amount of wage arrived after discounting nominal wage by the living cost. It represents the purchasing power of money wage.

- **Take Home Salary -** It is the amount of salary left with the employee after making authorised deduction like contribution to the provident fund, life insuarance premium, income tax and other charges.

- **Minimum Wage -** It is the amount of remuneration which could meet the "normal needs of the average employee regarded as a human being living in a civilised society." It is defined as the amount or remuneration, "which may be sufficient to enable a worker to live reasonable comfort, having regard to all obligations to which an average worker would ordinarily be sujected to."

- **Statutory Minimum Wage -** It is the amount of remuneration fixed according to the provisions of the Minimum Wages Act, 1948.

- **Collective Bargaining -** It is a process of voluntary regotiation between employers and employee (generally trade union) aimed at reaching agreements which regulate working conditions.

- **Job evaluation -** Job evaluation is the process of determining the worth of one job in relation to that of the other jobs in a company so that a fair and equitable wages & salary system can be established.

8.15 Self Assessment Test

1   Explain the terms wages and salary.

2   What are the objectives of wages and salary administration?

3   Explain the two systems of wage payment bringing out their merits and demerits?

4   State the factors that affect wage and salary administration?

5   Are wage differential justified? Comment.

6   What do you mean by wage structure? Outline the components of wage structure.

7   Write notes on :
    (i)   Payment of Bonus Act
    (ii)   Wage Board
    (iii)   Minimum Wages Act
    (iv)   Wage Policy in India
    (v)   Issues in Minimum Wage Policy

UNIT - 9 : JOB EVALUATION

Unit Structure

9.0 Objectives

The purpose of this unit is to bring out the concept, importance, methods and several other important issues of job evaluation which are integral to establishing a rational pay structure as a part of the effective human resource management (HRM).

After studying this you should be able to understand about the following:
- The background and relationship of the term Job Evaluation with other important terms of HRM
- The objectives , functions and role of job evaluation ;
- The essentials for an effective program of the Job evaluation ;
- Methods and techniques of job evaluation ;
- Limitations of job evaluation ;
- How to conduct an exercise of job evaluation

9.1 Introduction

Job evaluation aims at measuring the value of job descriptions. It is the process of analysis and assessment of jobs to ascertain their worth in a systematic way. The process starts from Job Analysis and ends with classification of jobs according to their worth. Thus job evaluation is something much more than job analysis which only provides the basic data to be evaluated.

In other words, job evaluation is the process of determining the worth of one job in relation to that of another without regard to the personalities (people who do the job). It analyses and assesses the content of jobs, and place them in some standard rank order. The end result of job evaluation is used as the basis for a fair and logical remuneration system.

Determination of equitable compensation structure is essential to luiuld effective relationship between employer and employee. Generally wage payments within the organizations are determined by a set of interrelated activities viz. job analysis ,job specifications and job descriptions ,survey of wages and salaries , analysis of wage laws, administration of wage payments etc.

The most critical decision regarding compensation for a job naturally involves comparison of the given job with other jobs. This comparison could be within the organization or with the similar jobs in other organizations. The first comparison is done with the help of job evaluation and the later with the help of wage and salary surveys.

Job evaluation as an exercise in Human Resource Management originated in United States in 1970s.
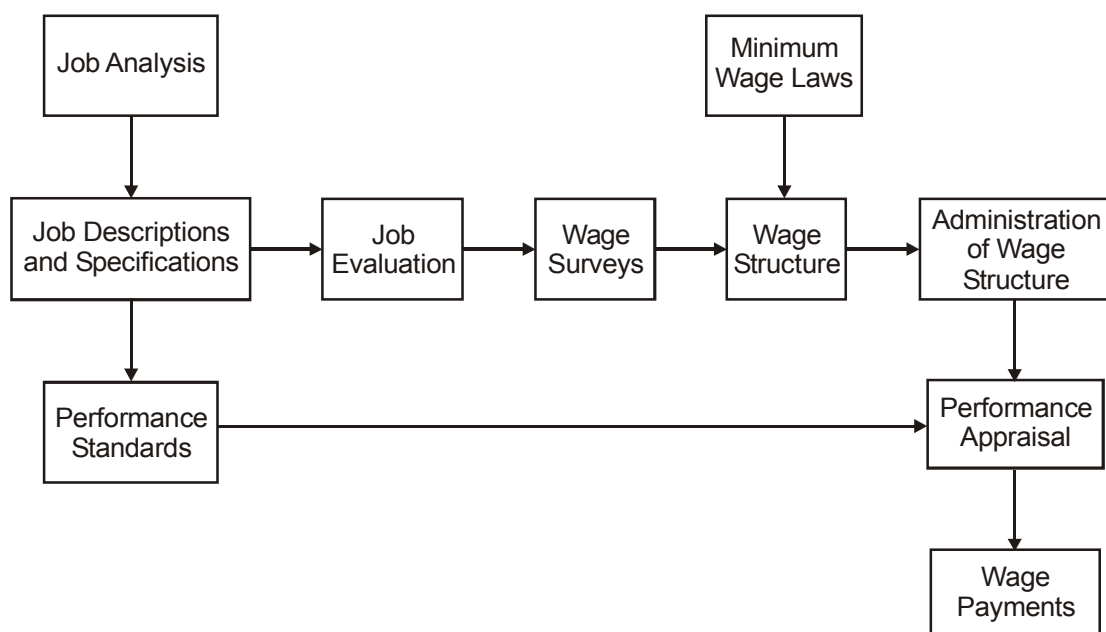
Fig.1 Determination of Job evaluvation.

9.2 Definitions of Job Evaluation

- According to the international labour office(ILO) :-" Job evaluation is an attempt to determine and compare the demands which the normal performance of a particular job makes on normal workers, without taking into account the individuals abilities or performance of the workers concerned"

- The British institute of management defines job evaluation as :-" the process of analysis and assessment of jobs to ascertain reliably their negative worth using the assessment as the basis for a balanced wage structure"

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

9.3 Why Job Evaluation?

Based on several definitions, discussions, references and texts on job evaluation the significance of job evaluation could be explained in terms of primary and auxiliary objectives. Two major objectives of job evaluation are :

(a) Internal Consistency i.e. equitability in the wage structure of the firm ; and

(b) External Consistency i.e. firm's overall wage structure to be in line with that of industry in which the firm operates

The other objectives of the job evaluation are :

- To reduce labor turnover
- To increase productivity
- To reduce disputes and negotiations

A properly devised job evaluation scheme provides management with definite, systematic and reliable data for working out wage and salary scales. Logical wage scales, in turn, reduce wage grievances and dissatisfaction with wage differentials. Job evaluation ensures fair treatment for each employee. It also provides a logical base for promotions.

9.4 Uses of Job Analysis

Good human resource management demands both the employee and the employer a clear understanding of the duties and responsibilities to be performed on a job. Job analysis helps in this understanding by drawing attention to a unit of work and its linkage with other units of work. more specifically, the uses of job analysis may be summarized thus:-

A. Human resource planning: - Job analysis helps in forecasting human resource requirements in terms of knowledge and skills. But showing lateral and vertical relationships between jobs, it facilitates the formulation of a systematic promotion and transfer policy. It also helps in determining quality of human resources needed in an organization.

B. Recruitment: - Job analysis is used to find out how and when to hire people for future job openings. An understanding of the skills needed and the positions that are vacant in future helps managers to plan and hire people in a systematic way.

C. Selection:- Without a proper understanding of what is to be done on a job, it is not possible to select the right person. If a super bazaar manger has not clearly identified what a clerk is to do, it is difficult to ascertain if the person selected is to position stores item, run a cash register or keep the account books.

D. Placement and Orientation:-After selecting people, we have to place them on jobs best suited to their interests, activities and aptitude. If we are not sure about what needs to be done on a job, it is not possible to identify the right person suited for the job. Similarly, effective job orientation cannot be achieved without proper understandings of the needs of each job. To teach new employees how to handle a job we have to clearly define the job.

E. Training:- If there is any confusion about what the job is and what is supposed to be done, proper training efforts cannot be initiated. Whether or not a current or potential job holder requires additional training can be determined only after the specific needs of the jobs have been identified through a job analysis.

F. Counseling: - Managers can properly counsel employees about their career when they understand the different jobs in the organization. Likewise employees can better appreciate their career options when they understand the specific needs of various other jobs.

G. Employees safety:- They reveals unsafe working conditions which are associated with the job. By studying how the various operations are taken up in a job, managers can find unsafe practices. This helps in rectifying things easily.

H. Performance appraisal: - This is based on actual and expected performance by the employees. Every organization has to pay a fair remuneration to people based on their performance.

I. Job design and redesign: - Ones the jobs are understood properly, it is easy to locate weak spots and undertake remedial steps. We can eliminate unnecessary movements, simplify certain steps and improve the existing once through continuous monitoring. In short, we can redesign jobs to match the mental make-up of employees.

J. Job evaluation:- It helps in finding the relative of the job, based on criteria such as degree of difficulty, type of work done, skills and knowledge needed.

9.5 Significance of Job Evaluation

Job evaluation leads to the following benefits :

- Job evaluation is a valuable technique in the hands of the management by which a more rational and consistent (internal and external) wage and salary structure can be evolved. Internal consistency is concerned with the maintenance of relative wages within the firm and external consistency refers to a desired relativity of a firm's structure to that of the industry or region.

- Job evaluation helps in bringing or maintaining, harmonious relations between labour and management since it tends to eliminate wage inequalites within the organization and the industry.

- Because of increasing mechanisation and automation in industry, it has become unrealistic to pay workers primarily on the basis of their output. In many cases, it is the machine that determines the rate of production, so job evaluation will be of much use in fixing the wages.

- Job evaluation standardises the process of determining the wage differentials for various jobs. It means uniform standards will be applied to all jobs in the organization to know their relative worth.

- Job evaluation standardises the process of determining the wage differentials for various jobs. It means uniform standards will be applied to all jobs in the organization to know their relative worth.

- Job differences should not be based on skill differences only. Job evaluation takes into account various other factors like risks and working conditions also to determine the worth of jobs. Jobs

are no longer differentiated mainly by the degree of skills required as differences in other job characteristics such as responsibility, effort required and nature of work have assumed greater importance for such jobs. There is thus no justification for paying wages according to skills requirements only. Job evaluation takes all relevent factors into account to determine wages.

• Job evaluation provides a rate for the job and not for the man. Because of division of labour and specialisation any large enterprise may have hundreds or thousands of different jobs to be performed by a substantial number of workers. Many workers work together on the same, similar or technically interdependent jobs. and fix wages accordingly. This is possible only by job evaluation.

• Job evaluation helps in keeping down the costs of recruitment and selection of workers. It also assists in retaining the workers or, in other words, keeping down the rate of labour turnover because workers' wages are determined systematically by the process of job evaluation. Job evaluation involves job analysis which is of great use while recruiting new employees. Selection can be made objective by matching the qualifications of the candidate with the job specifications.

9.6 Principles of Job Evaluation

• Clearly defined and identifiable jobs must exist. These jobs will be accurately described in an agreed job description.

• All jobs in an organization will be evaluated using an agreed job evaluation scheme.

• Job evaluators will need to gain a thorough understanding of the job.

• Job evaluation is concerned with jobs not people. it is not person that is being evaluated.

• The job is assessed as if it were being carried out in a fully competent and acceptable manner.

• Job evaluation is based on judgmental and is not scientific. However if applied correctly it can enable objective correctly it can enable objective judgments to be made.

• It is possible to make a judgment about a job's contribution relative to other jobs in an organization.

• The real test of the evaluation results is their acceptability to all participants.

• Job evaluation can aid organizational problem solving as it highlights duplication of tasks and gaps between jobs and functions.

9.6.1 Job Evaluation - the Future

As organization constantly evolve and new organizations emerge there will be constant challenges imposed on to existing principles of job evaluation. Whether existing job evaluation techniques and accompanying schemes remain relevant in a faster moving and constantly changing world, where new jobs and roles are invented on a regular basis, remain to be seen. The formal points a system, used by so many organizations is often already seen to be inflexiable.sticking rigidly to an existing scheme may impose barriers to change. Constantly updating and writing new jobs together with the time that has to be spent administering the job evaluation schemes may become too cumbersome and time consuming for the benefits that are derived.

9.7 Process of Job Evaluation

The process of job evaluation involves the fllowing steps :-

- **Gaining acceptance :** Before undertaking job evaluation, top management must explain the aims and uses of the programme to the employees and unions. To elaborate the programme further, oral presentations could be made. Letters, booklets could be used to classify all relevant aspects of the job evaluation programme.

- **Creating job evaluation committee :** It is not possible for a single person to evaluate all the key jobs in an organization. Usually a job evaluation committee consisting of experienced employees, union representatives and HR experts is created to set the ball rolling.

- **Finding the jobs to be evaluated :** Every job need not be evaluated. This may be too time consurming and costly. Certain key jobs in each department may be identified. While picking up the jobs, care must be taken to ensure that they represent the type of work performed in that department.

- **Analysing and preparing job description :** This requires the preparation of a job description and also an analysis of job needs for successful performance.

- **Selecting the method of evaluation :** The most important method of evaluating the jobs must be identified now, keeping the job factors as well as organizational demands in mind.

- **Classifying jobs :** The relative worth of various jobs in an organization may be found out after arranging jobs in order of importance using criteria such as skill requirements, experience needed, under which conditions job is performed, type of responsibilities to be shouldered, degree of supervision needed, the amount of stress caused by the job, etc. Weights can be assigned to each such factor. When we finally add all the weights, the worth of a job is determined. The points may then be converted into monetary values.

- **Installing the programme :** Once the evaluation process is over and a plan of action is ready, management must explain it to employees and put it into operation.

- **Reviewing periodically :** In the light of changes in environmental conditions (technology, products, services, etc.) jobs need to be examined closely. For example, the traditional clerical functions have undergone a rapid change in sectors like banking, insurance and railways, after computerisation. New job descriptions need to be written and the skill needs of new jobs need to be duly incorporated in the evaluation process. Otherwise, employees may feel that all the relevant job factors – based on which their pay has been determined – has not been evaluated properly.

9.8 Job Evaluation Porgramme

Job evaluation is launched, certain matters must be decided, e.g. whom it will cover, whether hourly paid job only or salaried jobs, and up to what level; whether outside consultants should be entrusted with the work ; in what manner the employees will be consulted; and whether the time and general climate are appropriate for launching the programme. The process of job evaluation involves the following steps

1. A thorough examination of the jobs.
2. The preparation of job descriptions and usually an analysis of job requirements needed for its successful performance.

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┌─────────────────────────────────┐
│           JOB ANALYSIS          │
│   a process of obtaining job facts │
└─────────────────────────────────┘
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┌─────────────────────────┐         ┌─────────────────────────┐
│     JOB DESCRIPTION     │         │    JOB SPECIFICATION    │
│  a statement of duties and │       │ a statement of human qualities │
│   responsibilities of a job │       │        to fill the job        │
└─────────────────────────┘         └─────────────────────────┘
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┌─────────────────────────────────────────┐
│                JOB RATING                 │
│ using some method to study job description │
│   & specification and assigning a relative │
│            score to each job.             │
└─────────────────────────────────────────┘
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┌─────────────────────────────────────────┐
│             MONEY ALLOCATION              │
│ assigning a money rate of pay to each job │
│            according to its worth         │
└─────────────────────────────────────────┘
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┌─────────────────────────────────────────┐
│             JOB CLASSIFICATION            │
│   grading jobs according to scale of pay  │
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3. The comparison of one job with others.

4. The arrangement of jobs in their correct sequence in terms of value to the firm.

5. The relation of the sequence to a money scale.

An effective job evaluation system should fulfill the following conditions :

(a) it should be carried out with a high degree of integrity and fair mindedness ;

(b) it calls for mutual trust between management and unions ;

(c) the evaluator or committee of evaluators should have a wide knowledge of all the jobs dealt with;

(d) the workers should be informed of what is intended and be reassured early in the discussions that no rate of pay would be cut as a result of job evaluation, and

(e) the details of the scheme should not clash with provisions of a collective agreement.

9.9 Methods of Job Evaluation

Several systems of job evaluation have been developed to take the various factors (such as level of difficulty, need for specialized skills, education & qualifications, demand and supply etc.) into account. The methods can be classified as under :

A.   Non-quantitative Methods

    (a) Ranking or Job Comparison Method

    (b) Grading or Job Classification Method

B.   Quantitative Methods

    (a) Point Rating Method

    (b) Factor Comparison Method

All these methods are discussed in detail as below:

Ranking Method

It is simplest of all the methods. As per this method , a committee of several executives is constituted which evaluates the job descriptions and ranks them in order of importance , beginning with most important job to least important job in the organization. No specific factors are used for consideration. In this method, jobs are not split up into their components parts. Instead, comparison is made on the basis of whole jobs. Jobs are arranged from highest to lowest, in order of their values or merit to the organization. Jobs also can be arranged according t other relative difficulty in performing them. The jobs are examined as a whole rather than on the basis of important factors in the job, and the job at the top of the list will have the lowest value.

Jobs are usually ranked in each department and then the department rankings are combined to develop an organization ranking.

Following techniques are generally used for ranking purposes:
1. Utilizing job descriptions ;
2. Making paired comparisons and
3. Ranking along a number line

This is a simple system to judge each job as a whole to understand its relative worth by ranking one whole job against another job. To start with, a job description is prepared in a narrative form - stating duties, responsibilities and qualifications - for the job. Jobs are then ranked in order of relative difficulty or value to the company and grade levels are then defined and wage levels are finalized.

One of the disadvantages of this method is that the degree of difference between jobs cannot be indicated. Ranking therefore may be incorrect and unduly influenced.

Relative value of the employees (currently occupying the jobs) may be ranked rather than the jobs. This method may be adequate for the easily defined jobs of a small number of workmen but it is regarded as impractical for complicated jobs and large number of workmen. Following table is a hypothetical illustration of ranking of jobs:-

Table:- array of jobs according to the ranking method

Rank		Monthly Salaries
1.	Accountant	Rs. 3,000
2.	Accounts clerk	Rs. 1,800
3.	Purchase assistant	Rs. 1,700
4.	Machine-operator	Rs. 1,400
5.	Typist	Rs. 900
6.	Office boy	Rs. 600

The variation in payment of salaries depends on the variation of the nature of the jobs performed by the employees. The ranking method is simple to understand and practice and it is best suited for a small organization. Its simplicity, however works to its disadvantage in big organizations because rankings are difficult to develop in a large, complex organizations.Morever this kind of ranking is highly subjective in nature and may offend many employees. Therefore a more scientific and fruitful way of job evaluation is called for.

Merits:-ranking method has following merits:
- It is the simplest method.
- It is quite economical to put it into effect.
- It is less time consuming.

Demerits:-this method suffers from the following demerits:
- The main demerit of the ranking method is that there are no definite standards of judgment and also there is no way of measuring the difference between jobs
- Its suffer from its sheer unmanageably when there are a large number of jobs.

Job Grading or Classification Method

This is different from ranking as in this case grade and wage levels are predetermined before jobs are ranked and descriptions are written defining the types of jobs which should fall into each group . Under this method, usually a committee allocates jobs to each group using job description. This method is an improvement over ranking method as in this method a predetermined scale of values is provideds separate classes may include office, clerical, managerial personnel etc.

This method involves:
(I) Establishment of job classes or grades
(II) Definition of each grade , and
(III) Classification of individual jobs according to how well their characteristics match those of the different grade definitions

The job evaluation committee goes through each job descriptions and carefully weighs it in the light of certain factors like skills required experience etc. In this way it assigns each job to a particular grade. For each grade there is a different rate of wage.

It is relatively simpler and inexpensive system to determine the wage structure in an organization. The generalizations made in defining grades are a disadvantage. Other limitations are similar to the ranking system. The job classification method is less subjective when compared to the earlier ranking method. The system is very easy to understand and acceptable to almost all employees without hesitation. One strong point in favor of the method is that it takes into account all the factors that a job comprises. This system can be effectively used for a variety of jobs. Following are the brief description of such sclassification in an office:-
(a) Class I- executives: - further classification under this category may be office manager. Deputy Officer Manager, officer superintendent, departmental supervisor, etc.
(b) Class II: - skilled workers: - under this category may come the purchasing assistant, cashier, receipts clerk, etc.
(c) Class III: - semiskilled workers: - under this category may come steno typists, machine-operators, switchboard operators etc.
(d) Class IV: - Unskilled workers: - this category comprises dataries, file clerks, office boys, etc.

Merits: - The main merits of grading method of job evaluation are:
- This method is easy to understand and simple to operate.
- It is economical and therefore, suitable for small organization.
- The grouping of jobs into classifications makes pay determination problems easy to administer.
- This methods is useful for government jobs.

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demerits :- The job classification method are:-

- Even when the requirements of different jobs differ, they may be combined into a single category, depending on the status a job
- It is difficult to write all- inclusive descriptions of a grade.
- The method oversimplifies sharp differences between different jobs and different grades.
- When individual job description and grade descriptions do not match well. The evaluators have the tendency to classify the job using their subjective judgments.

Point Method

Under this system, to achieve a higher level of accuracy, each job is broken down into its component factors or characteristics and then evaluated separately rather than evaluating the job as a whole.

A narrative job description is prepared and is supplemented by a statement of the various requirements (present in the job). Characteristics like experience and training, mental and physical effort, common to the jobs are selected and a point value for each characteristic or factor is determined.

Factors are defined objectively and points are given to each factor based on its estimated importance.

Consolidated point values are finally converted into monetary terms.

This is the most widely used method of job evaluation. Under this method, a quantitative evaluation of different jobs, in terms of various factors is made.

In contrast to the ranking and grading methods, which measure jobs as whole jobs, the point system is more analytical in dealing with job factors. A job factor is a specific requirement levied upon the job-holder. The major factors are skills, effort, responsibility etc. These factors or points are later converted into money value. The procedure for the design of 'Point Method' is discussed below:

1. List the types of jobs to be evaluated ;
2. Determine the factors to be used in this method and define them properly ;
3. Define the number of degrees to be allocated in each factor and prepare a suitable definition of each ;
4. Assign points to each degree of each factor
5. Select a certain number of key jobs, say 10-15 , and evaluate each in terms of scale so constructed;
6. Design the wage structure.

Merits: - This method has the following merits:-

- It is the most comprehensive and accurate method of job evaluation
- Prejudice and human judgement are minimised, i.e. the system cannot be easily manipulated.
- Being the systematic method, workers of the organization favour this method.
- The scales developed in this method can be used for long time.
- Jobs can be easily placed in distinct categories.

Demerits: - The drawbacks of the method are :-

- It is both time-consuming and expensive method.
- It is diffcult to understand for an average worker.
- A lot of clerical work in involved in recording rating scales.
- It is not suitable for managerial jobs wherein the work content is not measurable in quantitative terms.

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Factor Comparison Method

This method is similar to the points rating system as here also each job is broken into factors. The only difference is, here five factors are used, i.e. mental requirements, skill requirements, physical requirements, responsibility and working conditions.

After job descriptions, key jobs are judged and related to one another. The jobs are considered one by one and reviewed to understand how much of the current wage rate for the job is paid for each factor.

Key jobs are arranged in a scale in order of their value for each factor.

Remaining jobs are compared with the key job factors and a comparative money value is determined for each factor in each individual job. The total of the factor value so determined for each job represents its rate . This is a complex system; however, higher degree of accuracy can be attained through this.

Thoman E. Hitten is given the credit to use this method for the first time. This method determines the relative rank of the jobs to be evaluated in relation to monetary scale. It is often used for white collar , professional and managerial positions , although it is equally suitable for grading other jobs as well .

It is essentially a combination of the ranking and point systems . Like rank order method , it rates jobs by comparing one job with another and, like the point system , it is more analytical in the sense of subdividing jobs into compensable factors. Final ratings are expressed in terms of number.

In this method , five factors are generally evaluated for each job. These are comparatively fewer than point system but are nevertheless sufficient , because each factor is defined broadly.

The five factors which are primarily used are - mental requirements , skills , physical requirements, responsibilities and working conditions .

The process consists of following steps :

1. Select the factors and define them clearly ;

2. Select the key jobs which would serve as standard against which all other jobs are compared.(a key job is the one whose content has become stabilized over a period of time and whose wage rate is considered to be presently correct by the management and the union .) ;

3. Allocate wage for each key job to different factors ;

4. Develop a job comparison scale and insert key jobs in them. When all the key jothebs have been evaluated and wages allocated in this manner , a job comparison scale is constructed ;

5. Evaluate the job in question , factor by factor , in relation to the key jobs on job comparison scale . (Thus each job is to be evaluated and compared to other jobs in terms of each factor) ;

6. Design ,adjust and operate the wage structure.

    This method is relatively more objective as the weights are not selected arbitrarily. It is flexible also as there is no upper limit on the rating that a job may receive on a factor . The biggest limitation of the method is in terms of possibility of the errors . The use of present wages for key jobs may initially bring errors into the plan. The content and value of these jobs may change over a period of time and this may lead to future errors also. It is a very expensive system of job evaluation because experts have to be appointed particularly in selecting weights. Since the method is complicated, an average worker cannot understand its functioning.

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Merits: - This method has the following merits:-

- It is more objective method of job evaluation.
- The method is flexible as there is no upper limit on the rating of a factor.
- It is easy method and can he explained to the employees.
- The use of limited number of factors (usually five) ensures less chances of overlapping and over-weighting of factors.
- It facilitates determing the relative worth of different jobs.

Demerits: - The drawbacks of this method are :-

- It is an expensive and time-consuming method.
- Using the same five factors for evaluating jobs may not always be appropriate because jobs differ across and within organizations.
- It is difficult to understand and operate.

9.10 Advantages of Job Evaluation

Job evaluation is the corner-stone of wage and salary administration. Its main uses are as follows:

- Job evaluation is a logical and objective technique of ranking jobs and thereby removing wage inequilities. It is helpful in developing an equitable, rational and consistent wage and salary structure.

- It helps to improve industrial relations by reducing employee doubts and grievances arising out of wages. It increases employee satisfaction on wage differentials.
- It helps in fitting new jobs at their appropriate places in the existing wage structure.
- It provides a clear and objective basis for wage negotiations and collective bargaining.
- It simplifies wage administration by making wage rates more uniform.
- It facilitates job redesign by reallocating the easy and difficult tasks equally among different jobs.
- It reveals jobs which require less or more skilled workers than those already performing these jobs. In this way job evaluation facilities better utilization of the workforce.
- Due to increasing mechanization Performance depends in many cases more on the machine than on the worker. In such cases, it is unrealistic to pay workers on the basis of their output. Job evaluation is a realistic basis of wages fixation in these cases.
- Job evaluation invariably involves detailed analysis of a job. Data generated in job evaluation is very useful in selection, placement and training of employees.

9.11 Limitations of Job Evaluation

Job evaluation alone cannot establish a wage scale .For wage fixation, we need to take into cognizance statutory requirements like Minimum wages Act, 1948 . Similarly other factors of wage fixation like capacity to pay , inter-industry wage variation , inter-regional wage variation , collective bargaining agreements etc. also need to be given importance.

- Job evaluation is not fully objective and scientific. There is considerable scope for subjective judgement and human error. There is no standard list of factors to be considered and some job factors cannot be measured accurately.

- Job evaluation fails to consider several factors which influence the value of a given job from workers' point of view. Demand and supply of a particular skill, security of service, career prospects, social status, nature of supervision, etc. are such factors.

- Job evaluation makes the wage and salary structure inflexible by freezing wage differentials between jobs. It makes little provision for adjusting to prevailing wage rates and changing conditions.

- Job evaluation is not well suited to determining the relative worth of managerial jobs. These jobs involve considerable planning, decision-making and supervision of others. These executive skills cannot be measured in quantitative terms.

- Some methods of job evaluation are difficult to understand. Workers and trade unions often oppose job evaluation. They fear that it will do away with collective bargaining for settlement of wage rates.

- Job evaluation is a time-consuming and expensive process. As job contents change revaluation of jobs becomes necessary. Moreover, job standardigation essential for proper evaluation may be difficult under changing conditions.

9.12 Essentials of a Job Evaluation Programme

We have seen that each method of job evaluation is a mixed blessing with advantages and disadvantages. So to say that no method is completely fool proof. In such case, a in organization may try to adopt a job evaluation method blending all merits of different methods of job evaluation. So the following essentials may help make a job evaluation programme successful:-

- Before launching a job evaluation programmes certain issues need to be decided beforehand employees to be covered; job evaluators - internal or external; consultation of employees and existence of suitable atmosphere for launching of job evaluation programme.

- An accurate and comprehensive job analysis, job description and job specification should be done.

- The management aim in relation to the job evaluation programme should be made to all those concerned. There should not be any hidden agenda.

- All the relevant internal and external factors should be taken into account before arriving at the final shape of the programme.

- The supervisors should have the complete and concrete knowledge of the programme. They should be in the position to explain the programme to their people and also how it works.

- The details of the administration of the plan should be made simple to avoid employee's doubts, fears and apprehensions about the plan.

- Efforts should be made to provide maximum transparency in preparation and implementation of the programme.One way to ensure it is encouraging employee's participation in the programme.

- Every stage of programmme should be given wide publicity through employee publications, notice boards, departmental meetings, and even letters to employee's homes.

- The programme must have the full approval and support from the top management and acceptance of the trade unions.

- Job evaluation should rate the jobs, not the job holder.

- Factors to be considered for job evaluation should be clearly defined.

- Job grades should not be extended to a large number as these make the evaluation inflexible because of the narrow coverage of the job description.

- Changes, if any, the evaluation method is carried out before the programme is installed.

- Separate pat structure should be maintained for major groups of employees such as factory workers, office workers and salesmen.

- The scheme should be administrated by the industrial relation staff.

- Finally, the better the state of industrial relations in the organization. The easier it is effectively introducing job evaluation programme.

9.13 Summary

Job evaluation is the systematic process of determining the relative worth of jobs in order to establish which jobs should be paid more than others within the organization. Four basic approaches to job evaluation are the ranking method ,the classification method , the point method and the factor comparison method. The exercise of job evaluation is fairly useful to wage and salary structure of the organization but has some limitations also. Several conditions are required to make job evaluation sucessesful.Ranking method, grading method, factor comparison method, and point method are the techniques of job evaluation. Graining acceptance constituting the job evaluation committee, selecting jobs to be evaluated, describing the jobs, selecting the method the evaluations, weighting the job factors, assigning money values and perodic reviews are the elements of job evaluations process.

9.14 Key Words

- **Job -** A group of positions similar in there sigmificant duties such as tecnical assistant, computers programmers.

- **Task -** Identifiable work activity carried out for specific purpose. For example typing a latter.

- **Job Analysis -** the systematic collection and arrangement of information about jobs in an organization;

- **Job description -** Written statement of work the job holders does, how it is done, underword conditions it is done and why it is done.

- **Job specification -** A profile of a human characteristics (knowledge, skills and abilities) needed by a person doing the job.

- **Ranking method -** A method of a job evaluation which ranks employes from highest to lowest.

- **Point method -** A method of a job evaluation where jobs are classified on identification criteria and the degree to which these criteria exist on the job.

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- **Factor comparison method -** A method of job evaluation where job factors are compared to determine the worth of a job.

- **Performance Appraisal -** a formal process in an organization whereby each employee is evaluated to find how he is performing ;

- **Wage Curve -** shows the relationship between the value of the job and the average wage paid for this job ;

- **Employee compensation -** All forms of pay or rewards accruing to employees and arising from their employment.

- **Benchmark job -** A job that is used to anchor the employer's pay scale and around which other jobs are arranged in order of relative worth.

- **Ergonomics -** Deals with designing jobs and equipment to fit the physical abilities of individuals.

9.15 Self Assessment Test

1. Job evaluation determines the worth of the job and not of the job-holder. Comment

2. Considering all methods, why is the point method the most widely used for job evaluation?

3. How can a job evaluation program be made more effective?

4. Describe the job evaluation processor with the help of a diagram.

5. Job analysis, job description, and job evaluation are human resource management activities, which are directly or indirectly related to manpower planning, recruitment and selections, performance appraisal, compensation and employee training.
   (a) Illustrate with appropriate examples the concepts of job analysis, job description and job evaluation and their importance in modern organizations.
   (b) Explain with suitable concepts and examples how the above activities are linked with manpower planning, recruitment and selection. performance appraisal, compensation and employee training.

6. Explain the objectives of Job Evaluation.

7. Discuss the advantages and limitations of Job Evaluation and basis of theory.

8. Explain the procedures envolved in the evaluation of a Job

9. Explain briefly the quantitative methods of Job evaluation

10. Define the Job Evaluation methods used in any organization, you are familiar with. How can you use Job Evaluation to decide compensation

11. Take up the comparative study of few business firms in an industry pertaining to the wage structure and job evaluation.

12. How can we reward the truly exceptional performing employee, if we pay predominantly for jobs rather than for the people ?

UNIT - 10 : TRADE UNIONISM

Unit Structure

10.0 Objectives

After studying this unit you shall be able to understand :-
- Emergence of Labour Problem
- Trade Union Concept, Definition, and Theories of Trade Union.
- General features of Trade Union.
- Types of Trade Union.
- Various Problems that Trade Unions face.
- Objectives of Trade Unions and Methods of achieving them.
- Concept of Union Security.
- Criticisms of Trade Union.

10.1 Introduction

The Industrial Revolution was a landmark in the history of Industrial Society. The way with the businesses are carried out have changed drastically due to the industrialisation process. Although, industrialisation opened up innumerable opportunities, it also threw as many challenges for the organizations, businesses and society, as well. The modern labour movement has been an inevitable reaction to the modern industrialisation process. It created such conditions which led to the birth of Labour movement. The industrial process has brought about technological changes which led to changes in the nature of the labour problem and also in the labour movement.

Birth of the Labour Problem :

When a man hires another man for wages, the labour problem is said to have begun. Between these two persons, the relationship is that of master and servant, employer and employee. The relationship between them is governed by a tacit understanding about the terms and conditions of work, such as wages, allowances, work structure, workload, hours of work, benefits, amenities and work culture. This is the simplest form of labour management relationship. With the growth of industrialisation, the changes in the economics world over, the labour problem and the relationships tend to get more and more complex.

Causes of the labour problems

The factors contributing to labour problem are :

(i) The desire of the employers to get maximum profits out of the industry with least inputs.

(ii) The changes in the structure of the industry from a simple to a more complex one.

(iii) The psychological feel of the workers of not being treated as humans by their employers.

(iv) For political reasons, workers are encouraged to bring presure on the government and the public, so that their problems are heard and create a stir.
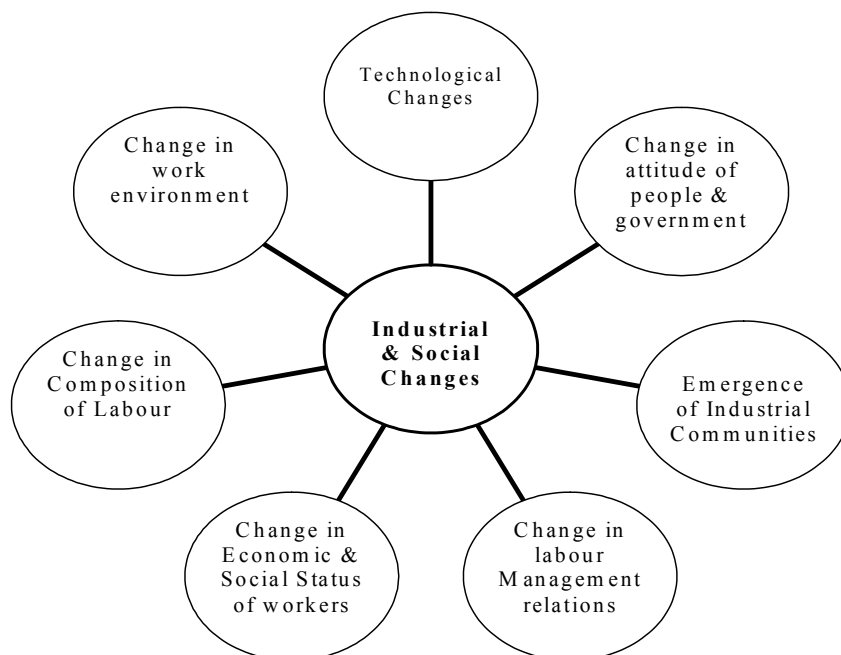
Labour Problems and the Emergence of Trade Unions :

The initial growth of industry brought in its wake wide inequalities of income and wealth. The industrialists had considerable economic power in their hands and exploited the workers.

Due to a host of factors, the form and nature of labour problems changed drastically -

- The concentration of big industries in urban areas created the labour problem in its civic aspects, such as housing, transport, civic amenities etc.

- Changes in industry due to technology, mechanisation, modernisation and automation, have led to changes in the labour problems also.

- The composition of labour force is also changing. Social and economic status of the workers has undergone considerable changes.

- Changes in attitudes of both the workers and the employers have led the organizations to formulate their labour policy cautiously

In a nutshell, we can say that the industrial and social changes have led to the emergence of an overall change in teh workers and their interaction with organizations.

All these changes have led to the emergence and growth of trade unions in order to understand, analyse and taekle the problems of both - the employers and the workers.

10.2 Trade Unions : The Concept

Trade Union was born in reaction to modern industrialisation. Workers were exposed to a new environment consisting of workplaces which were not only new but also quite undesirable and often inhuman. They were exploited and were taken advantage of by the employers by being paid less and also by not being provided amicable working conditions.

To solve the problems of the workers, which were created by modern industry, trade unions came into existence. The workers are individually weak bargainers due to the inherent limitations in them. For them the wages that they earn are a source of their livelihood and hence, they jointly express their dissatisfaction and collectively bargain for better treatement and security by the employers.

The Trade Union, therefore, came into being as an agent of workers and working class, at large. The basic idea behind trade unions is the idea of "joint action".

The Concept

The classic definition of trade union was given by Sidney and Beatric Webb. According to them -

A trade union is "a continuous association of wage earners for the purpose of maintaining and improving the conditions of their working lives."

"Continuous association" implies that the organization is of a permanent nature and wage earners also includes "salary earners" in its purview.

The definition of trade union as cited by Dale Yoder - "A trade union is a continuous association of wage - earners for the purpose of maintaining or improving the conditions of their working lives."

The characteristies which define a trade union includes -

1. A statement that the organization is a trade union.

2. A statement of its main objectives, stressing on the fact that the organization so formed is for the betterment of its members.

3. Registration with the Registrar of Trade Unions having jurisdiction on the area where trade union functions.

4. Independence from the employer.

5. Affiliation with the Central Trade Union Organization.

   The larger trade unions generally show up the above characteristics, although the smaller ones might not be evident of all of them.

10.3 Trade Union Theories

There are a number of theories of the concept and practice of trade unionism. These are :

(1)   Moral and Ethical Theories

• These theories view the emergence of trade unionism as an offspring of advancing ethical and moral values in the 19th century. The evil in society emanates from continuing accumulation of wealth.

• Christian Socialists like Ludlow, Maurice and Kingsley harped on the principle of the brotherhood of man and the consequent development of mutual obligations.

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- The Christian Socialists laid stress on moral responsibility in support of the trade unions for the full realization of the energies and resources of the weaker member of the population. Out of compassion for the unfortunate and the poor arose the demand for justice which became a driving force for unionism.

(2) Marxian Social Revolutionary Theory

The Marxian approach to trade unions is based on the concept of class-struggle between the employers and the workers. The theory assigns to the trade unions the role of bringing about a revolution in society. In the communist Manifesto (1847), Karl Marx and Fredrick Engels give the origin of trade unions in the following words :

- The trade union is viewed as a revolutionary and political organisation. It has a social revolution goal of capturing the government. This concept of trade unionism is based on the idea of class truggle.

- In their struggle against employers, the workers unite to form trade unions; they may overthrow the employers to acquire ownership of the means of production.

- Trade unions look upon employers as enemies of the working class.

- The theory believes in direct action by trade unions - strikes, bundhs, gheraos and even voilence.

- In many countries - Canada, the U.K., France, Australia, Sweden, apart from the socialist countries like Russia. and China - labour parties, with the assistance of trade unions, have formed governments, thus gaining power to stop exploitation of the working class.

(3) Gandhian Theory

Mahatma Gandhi's views of the role of a trade union were contrary to those of Marx.

- Marix believed in class struggle. Gandhiji admitted the existence of the two classes; but, with his faith in the goodness of man, he ruled out the need for classs struggle.

- Many of Gandhiji's views have arisen out of the fundamental principles of his idealism, such as faith in the goodness of the individual, purity of means, economic equality, trusteeship, removing the evils of industrialism.

- He believed that the trade union should be internally used for the reformation of workers, as good citizens as also for their defence against assaults from outside.

- Trade unions can be moral institutions for the improvement of behaviour, and belief in the dignity of labour.

- Gandhiji advised workers to organise because then they would have more wealth and resources through their labour than the capitalists through their money. He established the Textile Labour Association (TLA) at Ahmedabad on the lines of these principles.

(4) Other Theories

There are other theories, such as the industrial democracy theory, the syndicalism theory, the theory that claims that trade unions are a power pressure group counterveiling the power of the employers, trade unions as business organisations, trade unions as functional organisations fulfilling the various needs of the workers; the trade union as a psychological reaction, trade union as the result of technolgical changes, trade union indicating the social relations involving the workers. And, finally, the environmental theory.

10.4 General Features of Trade Union

The general features of Trade Union are as follows :-

(1)   The trade union is an association of either of employees or employers or of independent workers. Such unions may consist of -
   • Merchant's or employers' associations. (like the Indian Jute Mills Association, the All India Manufacturers Organisation etc.)
   • The general labour unions.
   • The friendly societies, and
   • Combination of professional bodies like (All India Teacher's Association etc.)

(2)   Labour unions are relatviely permanent association of workers and are not temporary or casual.

(3)   Engaging itself in securing economic benefits for its members is the prime concern of a trade union.

(4)   There has been a constant change in the form, structure and character of trade unions. They have become large, organized, legal and recognised organisations over a period of time.

(5)   Although, a number of ideologies have influenced the origin and growth of trade unions, the modern trade unions retains the following characteristices from its early origins -
   • It is economically oriented.
   • It acts as an instrument of defence against exploitation.
   • It implies class distinction.
   • It is an outcome of an individualistic, democratic society.
   • It emphasises joint, coordinated action and collective bargaining.
   • It works on the principle of "unity is strength".

10.5 Functions of Trade Unions

The functions of modern trade unions are wide and more comprehensive than the traditional ones. Traditionally, trade unions have been defensive in character and their focus was to safeguard the immediate economic interests of its members. Rise in wages and better working conditions remained the primary concern of trade unions. The trade unions of today are not content merely with the primary activities. They are more complex, have wider responsibilities, grown in size and stature, with broader range of interest and won a large measure of recognition.

Nevertheless, the functions of trade unions can be studied under the following heads -

1)   ***Basic Functions*** :
   -   The essence of trade unions is their organized strength.
   -   Their organized strength enables them to conduct negotiations effectively and bargain often successfully with employers on behalf of their members.
   -   In India, trade unions are weak organization having small membership and limited financial resources. Such unions get caught up only in recruitment of members and collection of dues to improve their finances.

2)   ***Economic Functions*** :
   -   The core of trade union activities is the promotion of the economic interests of the workers by bargaining with employers for wage increases and better conditions of work.
   -   Complimentary to the eoncomic function of trade unions is the insurance function. The personal risks of sickness, accident disablement etc. are covered by trade unions which the members are individually exposed to.

3) ***Welfare Functions*** :

  - The welfare function of trade unions forms part of their broader social responsibilities.

  - Trade unions also try to include in its ambit a wide range of welfare activities - sports, cultural programmes, libraries, vocational training etc.

  - The welfare function also focuses on improving the standard of living and providing ample opportunities to acquire the skills and knowledge.

4) ***Legal Functions*** :

  - The trade unions and their leaders are occupied in interpreting the laws on diverse labour subjects to the benefit of their members. They also participate in the law making process either through conferences or through their representations in various legislative bodies.
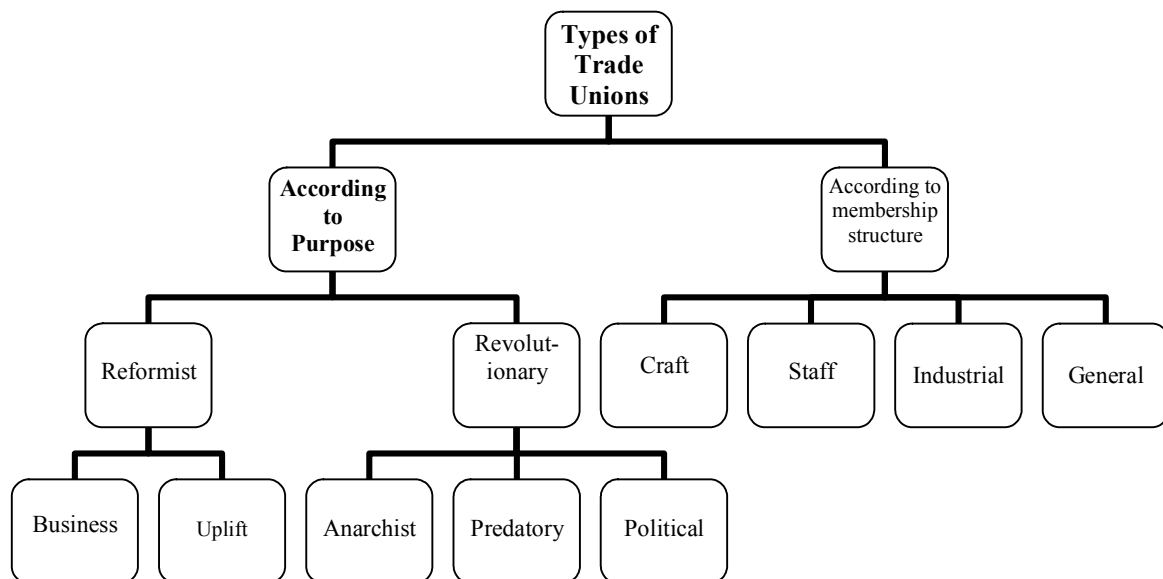
5) ***Political Functions*** :

  - The close association between trade unions and the political forces cannot be under mined. Their link with each other could be utilised to bring about changes through legal enactments which are favourable to workers.

10.6 Types of Trade Unions

A wide variety of trade unions have emerged across the globe ever since industrialization.

A. __According to Purpose__ :

Under this head, we generally asociate two types of unions in accordance with the purpose for which they have been formed.

(i) ***Reformist union***

  - These unions are those which aim at the preservation of the capitalist society and the maintainence of usual employer - employee relationship.

  - They neither seek comprehensive change nor wish to destroy the existing social, economic or political structure of the state. They desire only to modify in accordance with the changes that the members consider important according to the current scenario.

- Reformist union are further sub-divided according to objectives -

(a) *Business Unionism* is that form of labour cooperation in which employees enter the successful business relationships with employers, that is, they are maintained primarily to respresent workers in collective bargaining with their employees. They try to bring economic advantages to their members, including increased wages and improved working conditions through collective bargaining using peaceful means as for as possible.

(b) *Friendly or Uplift Unionism* - This type of union is idealistic in nature and aspires to elevate the moral, intellectual and social life of workers and emphasises social considerations like education, health, insurance and benefits.

(ii) *Revolutionary Unions* :

These unions are revolutionary in nature which seek to destroy the present structure completely and replace it with new institution. The revolutionary unions generally seek to replace capitalist by a socialist or a communist system.

The revolutionary unionism is of the following types :-

(a) *Anarchist Unions* are those which try to destroy the existing economic system by revolutionary means.

(b) *Political Unions* are those which gain power through political action.

(c) *Predatory Union* does not subscribe to any ideology. It can adopt any method which will deliver the goods by whatever method seems to be appropriate at the tune. It may employ business, friendly or revolutionary methods for the achievement of its goals.

- A hold up union represents a combination of unscrupulous business agents of a labour origanization with equally unscrupulous employers to thrust exhorbitant prices upon customers.

- A guerilla union does not beleive in cooperation with employers. It aims at exploiting whatever and whatsoever it can mostly resorting to terrorism in its efforts to enforce its demands.

Union Classified on the basis of Membership Structure

On the basis of its membership pattern four types of unions have been recognized.

(i) *Craft Union* - It is an organisation of workers employed in a particular craft or trade or in related trade/crafts/occupation. Workers who have similar skills, craft training and specialisation are linked together. Their members are generally craft conscious rather than class conscious, which aim at safeguarding the interests of the members against the onslaughts of employers.

(ii) *Staff Union* - The term 'Staff Union' is popularly used to refer both craft and industrial unions. It seeks to recruit members from non-manual sectors including clerks, supervisors, operators, technicians managers etc. An increasing number of women participation is visible in such types of union. These unions tend to use more sophisticated means of bargaining than other types.

(iii) *Industrial Union* - It is an organization of workers which links all craftsmen and skilled workers in any one industry regardless of differences in skills, craft, sex, position etc. The common bond here is the industry in which the workers are employed.

(iv) *General Union* - It is that organization which covers various industries and labourers having different type of skills. The objectives of these unions are all embracing in character.

10.7 Problems of Trade Unions

Although, India has the largest number of trade unions, yet they could not develop into effective voluntary organizations for certain reasons. Some of these are -

- The unrealistic policies of the government which were more idealistic and less practical.

- The too ambitious goals of the government without creating an atmosphere for its applicability.

- The encouragement by the government to the growth of a large number of weak and dependent unions.

- The deep and selfish interference by political groups and parties.

In spite of the slow growth, trade unions have brought about some economic, political and social changes for the better conditions of workers. But the fact remains, a century old trade union movement of the country is still suffering from a host of problems.

The most important and pressing problems of Indian trade Unions are as follows -

i) **Union Growth** (Industry wise and Area wise) - Trade union activities are mostly concentrated in the large scale industry sector, and there too in regard to manual labour only. For e.g. the cotton textile mills witnessed some of the most destructive strikes, as well as, some of the most effective labour organizations. Another important feature of trade unionism is that it is mainly, concentrated in a few states and in bigger industrial centres in those states.

ii) **Small size of Unions** - Small size of unions is due to various factors, namely -

- The fact that any seven workers can form a union has resulted into a large number of unions.

- The women workers are not actively involved.

- With the birth of a new union leader, a new union is formed.

- Because of small size, unions suffer from lack of adequate funds and find it difficult to engage the services of experts to aid and advise the members.

- They also have a weak bargaining power to face the challenges of employers.

- Because of weak bargaining power they become dependent on some political party or some outside personalities

iii) **Financial Weakness** - The trade unions suffer from financial weakness. The average income of the trade unions has been low not because of the poverty of the workers but because of certain other factors, namely -

- The workers are apathetic towards trade unions and do not want to contribute a part of their hard earned money.

- Members, instead of making regular payments to the union, make ad-hoc payments if a dispute arises, which shows "a lack of commitment to the union."

- The subscription rates are kept unduly low due to multiplicity of unions and even they are not collected regularly.

The insufficiency of funds is the main reason for the deplorable conditions of many a small union. Neither can they take any welfare activity for its members, nor can they engage competent and skilled staff. Honorary workers cannot safeguard the interest of individual workers for want of time at their disposal.

iv) ***Multiplicity of Unions and inter-Union rivalry*** - The multiplicity of rival unions and the inter union rivalry are an important feature and one of the great weaknesses of the Indian trade union movement. The multiplicity of unions leads to inter-union rivalries, which ultimately cuts at the very root of unionism, weakens the power of collective bargaining and reduces the effectiveness of workers in securing their legitimate rights.

v) ***Leadership Issue*** : Should the leadership be from within the organization or lie outside is an important issue. There are a host of reasons that have led to the growth of outside leadership. A few reasons are-

- The illiterate and the narrow visioned rank and file are no match to bargain effectively with the management, hence it paves way for outside leaders who are more dynamic and effective.

- The resource - ridden union often search for resourceful persons who can lead and guide them. These outside leaders not only help the unions to fight for their cause but also prevent the workers from the tyrannies of management.

- At times for want of finances, the union fails to appoint wholetime office bearers for looking after its diverse activities. The vacum thus created is invariably filled by the outside leaders who render free services to the union.

The outside leadership of unions leads to political unionism, leading to multiplicity of unions and intra union rivalry. The leadership, therefore, should be promoted from within and given a more responsible role. For this, they should be educated which will streamline politics, free democratic trade union organisations and gear them up to higher standards of efficiency.

vi) ***Unions and Politics*** - The influence of political parties is one of the biggest problems which the trade unions face. This can be done away with only by imparting education and raising trade union leaders from within.

vii) ***The Problem of Recognition of Trade Unions*** - Our industrial relations system do not bind employers to recognize any union. Nevertheless, a number of recommendations have been made from time to time by National Commission of Labour, and code of discipline has been laid down to empower the trade unions for thier effective functioning.

10.8 Trade Unions : Essentials for Success

- The first and foremost requirement for the success of any trade union is to have an entightened labour force. This implies that there should be existence of correct leadership.

- The Foundation on which any trade union is laid should be very solid.

- The objectives of a trade union should be clearly enunciated. The complexity of objectives could create confusion and suspicion.

- A good union should primarily focus on protecting the interests of its members and win a reasonable measure of economic justice for them.

- A good union should be run by the members and for the members.

- A good union must be honest in its financial, as well as, its all other operations. The integrity of a good union is all inclusive.

- A union must look beyond its own horizon contributing not only to its own self but also to the society and the nation at large.

Requirements for effective working of Trade Unions

A trade union to carry out their activities effectively need three characteristics -

(i) *Internal Strength* - The union must be internally strong so that it can effectively protect workers against management militancy.

(ii) *Awareness about the realities* - The environmental characteristics and the strength of the union involved should be kept in mind while adopting a particular course of action. Appropriate means should be available to support the chosen course of action.

(iii) *Internally democratic* - Internal democracy is essential to build up the unity of the workers. It must safeguard the worker's right of participation in the management process.

10.9 Objectives of Trade Unions

A comprehensive list of the objectives of a trade union are as follows :-

• Provide steady employment.

• Provide economic security to employees in case of lay off, retirement or transfer.

• Rationalise personnel policies.

• Bring change in economic order.

• Replace managerial dictatorship by workers democracy.

• Maintain harmonious realtions between workers and employees.

• To work as a negotiating machinery.

• To improve organizational growth by reducing the rate of absenteeism, labour turnover etc.

• To maintain the voice of workers in vital organizational decisions affecting the workers.

• To provide legal sanctions for workers.

• To provide educational, medical and recreational facilities for the welfare of their members.

• To adapt themselves to the changing needs of the workers.

• To provide adequate machinery to settle disputes between the employer and employee.

• To reduce the conflicts and differences among various groups in the interest of the organization as well as society at large.

The objectives of a trade union are usually achieved through methods like-

• Mutual Insurance

• Collective Bargaining

• Legal enactment.

1. *Mutual Insurance* - The method of mutual insurance focuses mainly on welfare benefits for its members for unproving their conditions. A common fund is created which is utilized to finance strikes, welfare activities and other mutual benefit schemes.

This method prevents a worker from accepting employment on terms which are less advantageous to him. This method has four advantages -

(i) It includes the hesitant recriuts to join the union.

(ii) It improves financial position of the union.

(iii) It helps in maintaining discipline and enforcing discipline of union on its members.

(iv) It keeps members united during long strikes by providing necessary financial and other support.

2. ***Collective Bargaining*** - Collective bargaining seeks more effective results in comparyson to individual bargaining. The negotiations can be conducted at local, regional or national level. The could range from issues of wages and bonus, dearness allowance, working hours to medical and welfare measures. The collective bargaining is useful so far as it :-

(i) Tries to achieve the participation of workers in Management.

(ii) Acts as an instrument in determining wages and working conditions.

(iii) Acts as an effective device for achieving industrial peace, and

(iv) Keeps at a minimum political interference

3. ***Legal Enactments*** - The methods of legal enactments and proper law enforcement helps the union to realise their objectives. The labour laws pertaining to employment, including working conditions, wages, social lsecurity, labour disputes, trade unions etc. have provided protection to one and all - women, children and even male workers.

10.10 Union Security

Individual employees, if not required to become members in good standing in the union, may refuse to follow contract provisions. Other employees, although benefiting from union activities, may also refuse to support the union. These "free riders" can create dissatisfaction among union members, who may also likewise refuse to continue their support to union activities. For these reasons, unions often propose some system of union security, of which all employees are required to be or to become and to remain union members.

The Union Security covers -

(a) ***Sole or Exclusive Bargaining Agent*** - Under this type of security, the union is accepted as a bargaining agent for all employees (members and non-members) in the unit.

(b) ***Preferential Union Shop*** - Under this, additional recognition is granted to a union by agreement that management shall give the first chance to union members in recruitment.

(c) ***Maintenance of Membership*** - Under which all employees who are or who become members of the union must remain members in good standing for the duration of the contract as a condition of employment.

(d) ***Agency Shop*** - Under which an employee in the bargaining unit is obliged to pay dues to the union in return for the collective bargaining service which it is rendering him, although he does not joint the union.

(e) ***Union shop*** - Under which all the employees in the bargaining unit must become members of the union after a specified date. The union shop is preliminary to the acceptance of collective bargaining. A "union shop is desirable for the contribution it can make to stabilise industrial relations. A union whose security is beyond question can afford to be more reasonable on other matters such as promotions, lay-offs and other points of which discrimination might be practical against union members".

(f) *Closed Shop* - Under it only union members are employed by the employer, and the union often acts as an employment agency for the industry. This type of security exercises control over the supply of labour and thereby strengthens the union organisation. The closed shop enables the union to ration job opportunities among members of the union on some equitable basis. It improves discipline and brings about a greater feeling of responsibility and interest in their jobs on the part of employees because they have a voice in determining their working conditions. As employment is made contingent upon the maintenance of good standing in the union, the commitment of the employee to permanent union membership is secured. The closed shop is criticised on several counts besides the benefits it offers. By creating a labour monopoly, the employer is deprived of the privilege of selecting a worker of his choice. It diminishes the powers of foremen and supervisors, and thus creates a problem of discipline in the plant becasue a closed shop exercises great influence on the employees. The union employee is obliged to accept the decisions of the union, and in the case of non-agreement or non-observance of the decision, he runs the risk of losing the job through expulsion from the union.

(g) *Open Shop* - Under this, union membership is not compulsory before or after recruitment or both union and non-union members are employed. It implies "right to work", with union membership having nothing to do with employment. It is often favoured by employers to keep unions and union members out of their plants. For that purpose, it is disliked by unions.

(h) *Check Off* - It is a practice under which the employer deducts union dues from the pay of the workers and hands over the deductions to the union. The union lays down the procedure whereby the employer collects for it, its subscription from members by withholding the necessary amount from the wages of the union members.

The National Commission on Labour discussed the advantages and disadvantages of union security measures and made these recommendations.

(a) A closed shop is niether practicable nor desirable. A union shop is more feasible.

(b) Neither should be introduced by the state. The union security measures should be allowed to evolve as a natural process of trade union growth.

(c) An enabling provision to permit, check-off on demand by a recognized union would be adequate.

10.11 Criticisms of Trade Unions

Although, trade unions are formed for noble causes, yet they are not free from criticisms as listed below :

1. **Increased potential for strikes** - Trade union leaders give threats of strike to management to get their demands accepted frequently and might resort to foul means.

2. **Narrow Perspective** - The illiteracy of the workers prevent them to adopt a broad and progressive view.

3. **Resistance to Change** - Trade unions do not welcome changes in work methods which might otherwise be beneficial.

4. **Political Leqadership** - Political involvement of trade union leaders might mar the very purpose of trade unions.

5. **Inter - Union Rivalry** - The inter-union rivalry has also defeated the very purpose of trade unions.

6. **Interference of political leaders** also creates confusion and the self - interest of political leaders sometimes become overpowering.

7. **Increased costs** - Increased costs in the form of more wages, better working conditions has to be accompained by increased productivity. If it does not result into higher productivity then the organizations might have to bear with higher costs in the long run.

8. **Shift in employee Commitment** - Workers feel more committed to the union than to the organization. This can result into reduced employee commitment, lower morale, resistance to change and subordination of organizational goals to individual goals.

9. **Employment is Restricted** - Sometimes, labour unions create artificial scarcity of labour by demanding that only union members should be employed. In a situation like this, the employer may prefer not to fill the vacancies for fear of union leaders creating trouble.

10.12 Summary

Trade union was born in reaction to modern industrialisation. The problems of the workers which were created by modern industry led to the emergence of trade unions. A trade union is "a continous association of wage earners for the purpose of maintaining and imporving the conditions of their working lives." Trade unions are economically oriented, acting as an instrument of defence, implies class distinction and works on the principle of unity is strength. Besides the economic function, they also perform welfare, legal and political functions. Trade unions can be of various types depending on the purpose for which they are formed or the membership structure that it possesses. Trade unions face a few problems like uneven growth, small size, political interference financial weakness, interunion rivalry, leadership issues to name a few which tend to affect the working of the unions. Mutual insurance, collective bargaining and legal enactments are some of the important methods by which trade unions achieve their objectives. The problem of 'free riders', that is those who do not join the union as members is taken care of by the union security measures. Despite the role that trade unions play, as a bargainer for the workers to improve their working environment, social status and their participation in decision making process of organization, they are not free from criticisms. Increased potential for strikes, narrow perspective, political leadership, lack of employee commitment are few important criticisms which are levied against them, of which they should try to keep themselves rid of.

10.13 Key Words

- **Trade Union** : A trade union is "a continuous association of wage earners for the purpose of maintaining and improving the conditions of their working lives."

- **Reformist Union** : These unions are those which aim at the preservation of the capitalist society and the maintainence of usual employer - employee relationship.

- **Revolutionary Unions** : These unions are revolutionary in nature which seeks to destroy the present structure completely and replace it with new institution. The revolutionary unions generally seek to replace capitalist by a socialist or a communist system.

- **Anarchist Unions** are those which try to destroy the existing economic system by revolutionary means.

- **Predatory Union** does not subscribe to any ideology. It can adopt any method which will deliver the goods by whatever method seems to be appropriate at the time. It may employ business, friendly or revolutionary methods for the achievement of its goals.

- **Craft Union** - It is an organisation of workers employed in a particular craft or trade or in related trade/crafts/occupation. Workers who have similar skills, craft training and specialisation are linked together.

- **Staff Union** - The term 'Staff Union' is popularly used to refer both craft and industrial unions.

- **Bargaining Power** - The power that the collective union exerts on the employers and managment to get their demands fulfilled.

- **Inter-Union rivalry** - The multiplicity of rival unions and the inter union rivalry are an important feature and one of the great weaknesses of the Indian trade union movement. The multiplicity of unions leads to inter-union rivalries, which ultimately cuts at the very root of unionism, weakens the power of collective bargaining and reduces the effectiveness of workers in securing their legitimate rights.

- **Mutual Insurance** - The method of mutual insurance focuses mainly on welfare benefits for its members for improving their conditions.

- **Collective bargainging** - The strength of the trade unions by which they collectively bargain resulting into overall positive results for the workers at large.

- **Legal enactment** - The method of legal enactments and proper law enforcement helps the union to realize their objectives with the help of laws pertaining to employment.

- **Union security** : The free riders or those who are not a past of trade unions might pose problems for union members. For this reason unions often propose some system of union security of which all employees are required to be or become or remain union members.

10.14 Self Assessment Test

1 Define a trade Union. What are its basic characteristics.

2 "Trade unions perform a host of functions besides the economic ones" Comment.

3 Trade Unions have grown in different forms and types. Explain them.

4 What are the main problems that the trade unions face ? How do they affect the trade union's efficiency.

5 What are the essentials for success of a trade union?. What different methods does it use to achieve the objectives?

6 Explain the concept of union security.

ACTIVITY -1

Imagine you are a trade union leader. What consideration would guide you to work for the benefit of workers and organization both.

ACTIVITY -2

The non-members of the organization are creating problems for trade union of which you are a leader. How would you guard against them.

UNIT - 11 : DISCIPLINARY ACTION

Unit Structure

11.0 Objectives

After studying this unit you should be able to understand :
- The concept of discipline
- The objectives, underlying values and salient features of discipline
- Process of discipline
- The types of Discipline
- Disciplinary action

11.1 Introduction

Maintenance of harmonious human relations in an organization depends upon the promotion and maintenance of discipline. No organization can prosper without discipline. Discipline has been a matter. There are some people who believe that maintenance of discipline is the concern of only higher echelons in an organization. But in actual practice, discipline is concerned with employees at all levels.

Broadly speaking, discipline means orderly behaviour of individuals towards the desired goals of the group. The word 'discipline' owes its origin to religion, but it was in the army that it helped achieve spectacular results. When big battles were won not by the numerically superior army, but by the one that had better disciplined soldiers who had a very high morale, a more intense motivation to win, and had the benefit of effective leadership, popular imagination marvelled at such achievements. Discipline, thus, came to be equated with the army. But now it is widely used in schools, colleges, industries and other institutions.

In simple words, discipline means orderliness or the absence of disorder, chaos and confusion in human behaviour and action. It occurs when employees behave in an orderly and responsible manner. According to Richard D. Calhoon, "discipline may be considered as the force that prompts individuals or groups to observe rule, regulations, standards and procedures deemed necessary for an organization." In the words of Ordway Tead, "discipline is the orderly conduct of affairs by the members of an organization who adhere to its necessary regulations because they desire to cooperate harmoniously in forwarding the end which the group has in view, and willingly recognise that, to do this, their wishes must be brought into a reasonable unison with the requirements of the groups in action."

11.2 Definitions of Discipline

- According to Richard D. Calhoon, "Discipline may be considered as a force that prompts individuals or groups to observe the rules, regulations and procedures which are deemed to be necessary for the effective functioning of an organization.".

- William R.Spreigel and Edward Schultz define discipline as "the force that prompts an individual or a group to observe the rules, regulations and procedures which are deemed to be necessary to the attainment of an objective, it is force or fear of force which restrains an individual or a group from doing things which are deemed to be destructive of group objectives. It is also the exercise of restraint or the enforcement of penalties for the violation of group regulations".

- **Bremblett** takes discipline as co-operation for smooth working in the organization. He does not stress on the rigidity of observing rules and regulations but their complinance in some orderly way. In his words, "Discipline in the broad sense means orderliness–the opposite of confusion. It does not mean a strict and technical observance of rigid rules and regulations. It simply means working, co-operating, and behaving in a normal and orderly way, as any responsible person would expect an employer to do."

- **Ordway Tead** observes, "Discipline is the orderly conduct of affairs by the members of an organization who adhere to its necessary regulations because they desire to co-operate harmoniously in forwarding the end which the group has in view, and willingly recognise that, to do this, their wishes must be brought into a reasonable unison, with the requirements of the group in action.

In Tead's view discipline is the outcome of group's harmonious behaviour for making concerted efforts to achieve the goals.

Discipline is either positive or negative. Positive discipline refers to the willingness of individuals and groups to carry out the instructions that are issued to them. Negative discipline is the one where management has to exert pressure by fear or punishment for asking persons to undertake some activites and restrain them from undertaking others.

11.3 Objectives of Discipline

The objectives of discipline are to :

- **Motivate an employee to comply with the company's performance standards :** An employee receives discipline after failing to meet some obligation of job. The failure could be either directly related to the tasks performed by the employee or ignoring rules and regulations that define proper conduct at work.

- **Maintain respect and trust between the supervisor and employee :** Discipline if not properly administered can create problems like low morale, resentment, and illwill between the supervisor and the employee. In such case, improvement in employee's behaviour, if any, will be relatively short-lived and the supervisor will need to discipline the employee again and again. On the contrary, properly administered discipline will not only improve employee behaviour but will also minimize future disciplinary problems through good relationship between the supervisor and the employee.

- **Improve the performance of the employee :** Discipline for poor task performance should not be applied while employees are on training or learning the job. Nor should employees be disciplined for problems beyond their control, for example, failure to meet output standards due to the lack of raw materials. Yet, discipline should be exercised when employees are found responsible for unsatisfactory performance.

- **Increase the morale and working efficiency of the employees.**

- **Foster industrial peace which is the very foundation of industrial democracy.**

11.4 Principles of Industrial discipline

The basic prerequisites of discipline in industrial organizations are as follows :

- The goals or objectives of industrial discipline should be clearly stated. The goals must he presented in clear manner and should have unambiguous terms, the must specify the standards expected of the workmen.

- Specific and clear rules and regulations should be laid down in consultation with the workers. Such rules and regulations should serve as a code of conduct for the workers and managers.

- The code of conduct or the rules and regulations should be communicated to all in the organization and must be understood, in the same terms, by those who enforce the rules and those who have to obey such rules. Whenever a new employee joins the organization, he must be made to understand the rules and regulations so that he may produce acceptable behaviour.

- The rules of conduct must contain provision for investigation and settlement of grievances arising out of and during the course of employment.

- The discipline policy should lay greater emphasis on the prevention of the breach of discipline rather on the administration of penalties. The approach to discipline should be positive and constructive.

- The management should ensure that their own conduct and policies do not encourage breach of discipline. This will promote self-discipline among workers.

- The enforcement authority must be specified. The procedure for appeal against the disciplinary action by the aggrieved party should also be provided.

- The quantum of prescribed punishment in specified cases of indiscipline should be known.

- All rules and regulations should be executed objectively and consistently. They should be appraised regularly to keep them suitable and up to date.

- Disciplinary action should not be vindicative or should not be used to victimise employees but to prevent recurrence of indiscipline in future. The discipline policy should seek to prevent the breach

of discipline rather than the administer penalties. Penalties should be used only when they become absolutely necessary.

- There should be a suitable grievance procedure for the prompt redressal of all grievances of employees. All awards and agreements should be implemented without delay and discrimination.

- A discipline committee may be constituted to look into the causes of indiscipline in the enterprise and to suggest suitable measures for their removal.

If the above pre-conditions exist and the policies are administered with objective fairness, the chances are that there will be a higher tone of discipline in the organization for the benefit of all concerned.

11.5 Types of Discipline

The need for disciplinary action is felt everywhere-be it at home, in the school, university or an organization whenever one breaks the rules. One must have observed the various ways the parents use to discipline their naughty children in the shopping centers. The three prominent ways are discussed below :

- Some children well understand the proper behaviour expected of them in the shopping center and behave accordingly. They remain all the time sticking to their parents. They neither touch, pull, push any item nor demand instantly for ice cream, toy, etc.. Obviously, such children do not need to be disciplined. They gracefully accept no for an answer. Perhaps you were one of them.

- You might have seen other children also treating the supermarket a place for fun and play, screaming and howling, running up and down, here and there, and thus, creating trouble for everyone concerned. Faced and annoyed with such behaviour, some parents react angrily, subjecting the child publicly to verbal and physical abuse. These parents by shaking their fingers and just try to sternly warn the sobbing child that repeated rowdiness will result in further stern punishments. The child has, thus, been struck with the fear of punishment, at least for the time being till in the shopping center.

- Other parents apply a different approach to discipline their children showing such inappropriate behaviour. They take calmly their child aside and clearly explain what type of behaviour is expected of them and how their such misconduct creates problems and inconvenience to other customers and shopkeepers. Remember, they do not react to their children with charged emotions, threats, or abuse but speak to the children with love and respect. The result is both parents and their children walk away with a mutual understanding about what's right and what's wrong.

Just as parents apply disciplinary techniques to correct misconduct of their children at the shopping centres, so are applied by managers which are broadly classified into two types :

Types of Discipline

Action applied by managers.

1. Positive Discipline
2. Negative Discipline

These are discussed one by one.

Positive Discipline. This is also called 'self-imposed discipline'. It involves creation of an atmosphere in the organization through rewards, appreciation, incentive payment, promotion, constructive support etc. to motivate employees to work willingly to accomplish the set goals. In essence, positive discipline emphasises the concept of self-discipline or self-control. Thus, it reduces the need for personal supervision to make employees conform to organizational rules, regulations, procedures and standards. According to William R. Spriegel, "Positive discipline does not replace reason but applies reason to the achievement of a common objective. Positive discipline does not restrict the individual but enables him to have a greater freedom in that he enjoys a greater degree of self-expression in striving to achieve the group objective, which he identifies as his own".

Evidences suggest that self-disciplined person tends to be a better worker than one who is not. Self-discipline, when developed from within, leads to building up morale and *esprit de corps* that is the desideratum of the time to run organizations successfully.

Negative Discipline. It is also called 'enforced discipline'. In case of negative discipline, employees are forced to obey orders and abide by rules and regulations that have been laid down, failing to which penalties and punishment would be imposed on them. Thus, the objective of using punitive or coercive discipline is to ensure that employees do not violate rules and regulations formed by the organization. In other words, the purpose of negative discipline is to scare other employees and ensue that they do not indulge in undesirable behaviour. It is worth mentioning here that negative discipline cannot eliminate the undesirable behaviour of the employees, but can merely suppress it.

Punishment is not pleasant. It causes resentment and hostility on the part of employees. That is why this kind of discipline results in only the minimum standards of performance on the part of employees. This is precisely the reason why it is rarely used in the organizations. Because punitive discipline leads to resentment, it needs to be exercised in a progressive, sequential and chronological manner. A progressive system of discipline generally contains five steps, viz., an oral reprimand, a written reprimand, a second written warning, temporary suspension and dismissal or discharge.

11.6 Causes of Indiscipline

The main causes of indiscipline are as follows :
- Ineffective leadership. Accordingly to Henry Fayol, "discipline is what the leaders make it."
- Lack of a well-defined code of conduct to guide behaviour on both sides.
- Faulty supervision.
- Divide and rule policy of management.
- Bias or favouritism in disciplinary actions–unfair management practices.
- Lack of timely redressal of employee grievances.
- Lack of promotional opportunities causing a feeling of stagnation.
- Defective communication system.
- Inadequate attention to personal problems.
- Victimisation and excessive work measures.
- Uninteresting work.
- Drunkness and family problems.
- Political and trade union influences.
- Low wages and poor working conditions.

11.7 Essentials of a Good Disciplinary System

The observance of discipline should become a part of the employees. This will help in creating congenial, co-operating and encouraging atmosphere in the organization. Discipline should be observed voluntarily by everyone. Sometimes, it has to be enforced by fear or punishment in the interest of the discipline. The following are the essentials of a good disciplinary system :

- **Proper Understanding of Rules.** The first essential of a disciplinary system is the proper understanding of rules and procedures to be followed in the organization. If the employees do not understand the rules and their implications for non-observance then they will not be able to follow them well. The supervisors should also have a proper knowledge of various rules etc. If they are well versed with rules then they will be able to communicate them properly to the subordinates. So the knowledge and understanding of rules is essential for a disciplinary system.

- **Quick Action.** Whenever there is a violation of the rules and procedures, then quick action should be taken to enquire into it. The person guilty of violation should be immediately punished. The person will feel the pinch of punishment and will be careful in future. In case the action is delayed then the defaulter will forget the violation and the punishment will not have the desired effect.

- **Properly defined Procedure.** There should be a properly defined procedure for taking disciplinary action. Whenever a violation of discipline occurs the concerned superior should report it to the competent authority. There should be an enquiry into the violation and the circumstances leading to it. The reasons for non-observance of discipline should be determined for taking appropriate action. All possible facts should be gathered about the event and the circumstances related to it. The past record of the concerned person should also be seen to find out whether he is a habitual discipline breaker or not. After making the enquiry the disciplinary action to be taken should be decided. The action should be such that it should discourage the repetition of violations. The aim of disciplinary action should be to rectify and avoid a violation in future rather than punishing a person. The accused person should also be given a proper hearing before taking any action. He should also have a right to appeal against the action.

- **Fair Action.** Disciplinary action should be very fair. All violations whether big or small should be taken note of. Once a small violation is ignored, it may encourage others to make big violation also. There should be no distinction among the persons making violation. Rules should be the same for every person and their violations should also attract the same amount of action. The offenders should be given a chance to explain their position. No body should be taken as guilty unless otherwise is proved.

- **Discipline Action be Taken Tactfully.** Disciplinary action against a defaulting employee should be taken tactfully. The subordinate must be informed of his wrong acts for which action is taken against him. He should also be told how he can avoid such punishments in future. Action should be taken only by the immediate superior because it is he who remains in constant touch with the person. Disciplinary action should always be taken in private. If the subordinate is reprimanded before his colleagues then he will become offended and arrogant. The purpose of such action is to rectify the employees and not to insult them. So disciplinary action should be taken tactfully otherwise it will prove counter productive.

11.8 Causes of Indiscipline

What is indiscipline? In simple words, what is not discipline is 'indiscipline'. Indiscipline is also called 'misconduct'. Misconduct is a transgression of some established or definite rules and regulations which is prejudicial to the interests of the employer, or which is likely to impair the reputation of the employer, or create unrest among other employees. Indiscipline can be created by the employees while on the job, off the job, inside organization or outside organization. It is, therefore, necessary for the management to determine what constitutes indiscipline or misconduct.

Based on the severity of the consequences flowing from indiscipline or misconduct, they are divided into three categories. These are :

- **Minor Infractions :** These refer to actions which do either no harm or very little harm, Carelessness, wage garnishment, and negligence are some of the examples of minor infractions. Yes, accumulation of these may become serious in due course of time.

- **Major Infractions :** The acts which damage morale such as cheating, lying, stealing, refusal to carry out orders, etc. fall under the category of major infractions.

- **Intolerable Offences :** These refer to acts of drastic and illegal nature. Examples of some of these offences/acts are threat to use weapons, use of hard drugs on the job, fighting, smoking at the place where inflammables and combustibles are kept.

Considering all acts of employees omissions and commissions which constitute indiscipline or misconduct, one can, with little difficulty, list a series of causes of indiscipline. For simplicity's sake, we have classified the major ones into four broad categories: attendance, on the job, dishonesty, and outside activities.

11.9 Strategies for a Good Disciplinary System

- **Knowledge of Rules.** Both the supervisor and the worker should clearly understand the rules and regulations of the organization. For this purpose, the organization should develop a code of discipline in cooperation with the workers. This code should contain in writing the rules, regulations and procedures considered necessary to maintain discipline. These must be known to all concerned along with the punishment for their violations. Code of discipline should be published in employee handbook.

- **Prompt Action.** All violations and misconducts should be promptly enquired into. When the penalty is imposed immediately after the misconduct, the offender identifies the punishment with the act he has committed. Therefore, he tries to avoid the offence in future. Punishment should not be delayed otherwise it will lose its effect.

- **Fair Action.** All acts of indiscipline should be punished consistently and uniformly. All persons should receive the same punishment for the same offence. If different rules were applied to different persons management would be accused of favouritism. The disciplinary system should be based on the principles of natural justice. There should be fair treatment to all without any bias or prejudice. Punishment should be decided after enquiry and the worker should be given the opportunity to explain his action.

- **Well-defined Procedure.** The procedure to be used for disciplinary action should be clearly laid

down. Definite and precise provisions for appeal and review of all disciplinary actions should be provided for. The authority for taking disciplinary action should be vested in a responsible officer, preferably in the immediate boss. The employee should be told the reasons for action taken against him and the action should be taken in private.

- **Constructive Approach.** The disciplinary system should be as far as possible preventive rather than punitive. Focus should be on preventing violations rather than on administering penalties. This is necessary to ensure that infringement of rules and regulations are not frequent. Self-discipline is the best form of discipline and management should encourage such sense of discipline among employees. After taking the disciplinary action the supervisor must assume a normal attitude towards the worker.

- **Review and Revision.** All rules and regulations should be appraised at regular intervals to ensure that they are appropriate to the changing times. If a particular rule is violated time and again, it should be thoroughly studied to discover and remove the causes of such violations.

Red Hot-stove Rule

Douglas McGregor has suggested this rule to guide managers in enforcing discipline. The rule is based on an analogy between touching a red hot stove and violating rules of discipline. When a person touches a hot stove.

- The burn is immediate.

- He had warning as he knew that he would get burnt if he touched it.

- The effect is consistent. Everyone who touches a red hot stove would be burned.

- The effect is impersonal. A person is burned because he touched the stove and not because of who he is.

- The effect is commensurate with the gravity of misconduct. A person who repeatedly touches the hot stove is burnt more than one who touched it only once.

The same should be with discipline. The disciplinary process should begin immediately after the violation of rules/regulations is noticed. It must give a clear warning that so much penalty would be imposed for a given offence. The same kind of punishment should be consistently imposed for the same offence. Punishment should be impersonal, i.e., it should be imposed regardless of the status of the offender. Punishment should be commensurate with the gravity of the offence. For example, a worker guilty of minor misconduct, e.g., irregular attendance should be given less punishment than that given to a worker found guilty of major misconduct like the theft of employer's property.

11.10 Self Discipline and control

Behavioural scientists view discipline as a self-control to meet organizational objectives. Megginson clarified the term thus: "By self-discipline he means the training that corrects, moulds and strengthens. It refers to one's efforts at self-control for the purpose of adjusting oneself to certain needs and demands. This form of discipline is raised on two psychological principles. First, punishment seldom produces the desired results. Often, it produces undesirable results. Secondly, a self-respecting person tends to be better worker than one who is not".
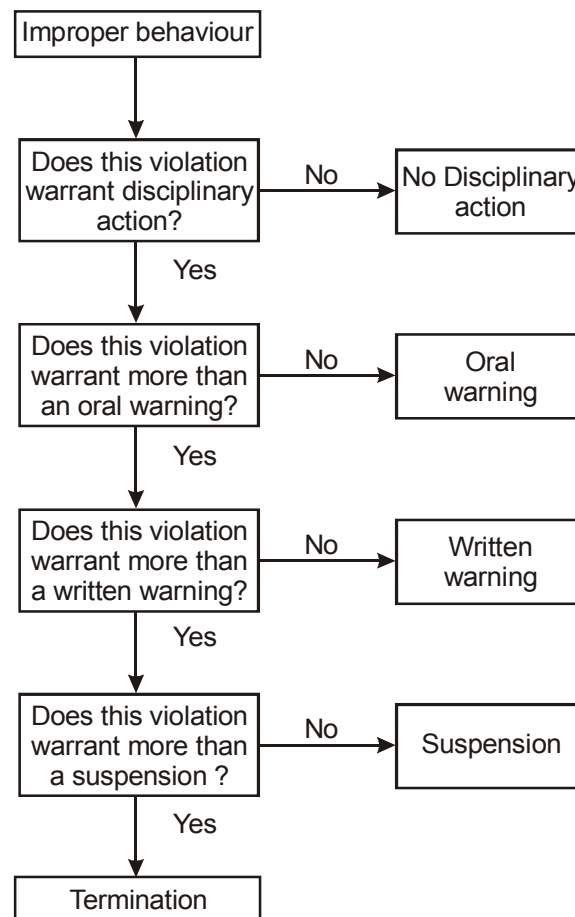
11.11 Progressive Discipline

The concept of progressive discipline states that penalities must be appropriate to the violation. If inappropriate behaviour is minor in nature and has not previously occurred, an oral warning may be sufficient. If the violation requires a written warning, it must be done according to a procedure. After written warnings, if the conduct of the employee is still not along desired lines, serious punitive steps could be initiated. In case of major violations such as hitting a supervisor may justify the termination of an employee immediately.

In order to assist a manager to recognise the proper level of disciplinary action, some firms have formalised the procedure. One approach in the establishment of progressive disciplinary action is shown in Figure

Figure : The Progressive Discipline Approach

11.12 Disciplinary Action

The preventive measures ensure better behavioural compliance though these may not ensure such a compliance by all since individuals differ and they do not respond uniformly to similar stimuli. Therefore, if the act of indiscipline takes place, the organization should have effective machinery for taking disciplinary actions. Disciplinary action involves taking corrective action including administration of punishment for indisciplined behaviour so that the employee concerned does not repeat the same in near future. The

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action does not change the past behaviour but attempts to prevent its occurrence in future. Since disciplinary action may involve inflictment of punishment, it should be taken in such a way that it becomes effective in preventing the occurrence of indisciplined behaviour in future. To make the action effective, certain guidelines and procedures should be followed.

11.13 Procedure of Disciplinary Action

Positive discipline is not just a simple act of supervisor discussing performance problems with an employee. Rather, it is a procedure comprising a number of steps. Important steps in that procedure are:

1. Location of Responsibility
2. Define Performance Expectations
3. Communication of Policy, Procedures and Rules.
4. Collection of Performance Data
5. Framing Charges and Intimation
6. Consideration of Explanation
7. Awarding Punishment
8. Follow up

These are briefly discussed in the following pagagraphs:

• **Location of Responsibility :**

The question: who should administer discipline is a subject to some debate. In one view, the responsibility for administering discipline should fall on the shoulders of immediate supervisor of the employee. The reason being the immediate supervisor is responsible for employee's output. He/she also knows better about employee's performance problems. The contrary opinion expressed in this regard is that discipline should be administered on an equitable and uniform basis by the H R department. However, this approach has its drawbacks: first, the H R department must spend inordinate amounts of time on disciplinary matters, second, the supervisor will lose some control over subordinates.

In order to overcome the problem of where to place the responsibility for discipline, the supervisor should be entrusted with the responsibility to administer less severe forms of discipline, such as an oral warning or a written notice. For serious situations involving discharge or suspension, the supervisor should consult with H R representatives in order to administer such disciplines.

• **Define Performance Expectations :**

A core ingredient in every disciplinary procedure is to clearly define the standard of behaviour that management expects from its employees. Employee standards of performance or behaviour must be in conformity with the organizational objectives. Obviously, these standards need to be revised along with change in organizational goals and objectives. Many organizations provide their employees with written principles of behaviour in the form of 'Employee Manuals.

• **Communication of Policy, Procedures and Rules :**

In order to maintain satisfactory levels of employee performance, the disciplinary policy, procedures and rules formulated by the organization need to be clearly communicated to the employees. Employees about their expected behaviour should be communicated through employee handbooks/manuals, orientation programmes, rules and regulations distributed in writing to employees or posted on bulletin boards.

- **Collection of Performance Data :**

Before an employee is disciplined, it is of the utmost importance to prove that some rule, regulation or standard is violated and, thus, unsatisfactory performance has taken place. Here, one problem is while collection of some performance data is easy, others are difficult. For example, an employee's absence routinely recorded is rarely subject to misinterpretation. However, there are some measures of performance such as "horseplay', 'insubordination', and abusive language to supervisors', which are some what subjective and difficult to record.

Knowledge about concrete records of unsatisfactory performance of employees is considered important for three reasons. First, the burden of proof lies with the manager or employer. This is based on the common law that a person is innocent until proven guilty. Secondly an employee if convinced with proof about his unsatisfactory performance, is more likely to improve his/her behaviour or performance. Thirdly, if the accused employee questions the punishment awarded to him/her and the grievance reaches arbitration, the arbitrator may ask the employer to supply the proof of employee misconduct or undesirable behaviour.

- **Framing Charges and Intimation :**

Once the prima facie case of employee's misconduct is established, the employer then issues a notice to employee stating charges labelled against him. Such a notice is generally known as a 'show cause notice'. In the notice, each charge needs to be clearly specified. Also, the accused employee should be given an opportunity to explain his/her position.

- **Consideration of Explanation :**

On receipt of explanation from the accused employee, the management may consider any one of the three types of options available to it :

1. If the accused employee confesses the charge labelled against him/her, the management can dispense any further enquiry and award punishment to the accused employee.

2. In case the management is satisfied with the explanation given by the accused, the charged against him/her can be cancelled and quashed.

3. If the management is not satisfied with the explanation given by the accused, the management can proceed to further probing of the matter so that the fact is established and an appropriate action can be taken.

- **Awarding Punishment :**

Once the unsatisfactory performance of the accused is well established, the management then awards punishment to the accused employee. As already mentioned, while awarding punishment, the management should follow a procedure of 'progressive discipline'. The progressive discipline is characterised by either a penalty commensurate with the offense or a series of increasing serious penalties for continued unsatisfactory performance. These are discussed in the subsequent section.

- **Follow Up :**

The last step in the procedure of positive discipline is follow-up. It means, once the punishment is awarded, it is necessary to keep vigil whether the punishment has any salutary effect on the behaviour and performance of the accused employee or not. If not the corrective measures like corrective counseling should be introduced to improve the accused's behaviour.

11.14 Factors Contributing to Indiscipline

There are a number of factors which contribute to indiscipline. It is generally taken as the failure of manager because he is not fit to implement it properly. Some factors contributing to indiscipline are given as follows :

1. **Lack of Consistency.** Lack of consistency in enforcing discipline contributes to indiscipline. When a casual approach is made in taking disciplinary action then resentment erupts among employees. The management should be impartial, fair and judicious in taking disciplinary actions.

2. **Absence of Code Discipline.** The absence of well defined code of discipline also leads to indiscipline. The management and employees are not aware of what constitutes indiscipline. In case there is a code of conduct then employees will try to adhere to its provisions. The adoption of a code of conduct leads to personal restraints etc. So a code of conduct for both management and the managed is essential for creating congenial atmosphere in the organization.

3. **Policy of Divide and Rule.** Certain management organization follow a policy of divide and rule. The feeling among managements may be that weak workers will be managed well. This is a wrong conception. The division among workers will lead to more indiscipline due to their rivalries. The absence of team spirit among workers will bring more quarrels and indiscipline.

4. **Faulty Supervision.** When the supervision is faulty then indiscipline will be more. The supervisors come in direct contact with employees. If supervision do not follow well laid down rules and procedures for control then subordinates will pick up wrong things. The wrong impression about superiors will sow the seeds of indiscipline

5. **Neglect of Personal Problems of Employees.** The negligence on the part of management in attending to the personal problems of employees will also contribute to indiscipline. The personal problems of employees will have impact on their behaviour. If the employees remain worried about their problems then their behaviour on the job will also be influenced. Management should give proper attention to the personal problems of employees.

6. **Delay in Settling Grievances.** Undue delay in settling grievances of workers will adversely affect the morale of employees. They will try to adopt unwanted courses like strikes, etc. to give vent to their dissatisfaction. This will lead to indiscipline among employees and will erode the authority of management. The grievances of employees should be redressed at the earliest for avoiding ugly situations.

11.15 Disciplinary Actions

Discipline particularly positive discipline follows a typical sequence from mild to harsh: These vary from oral warning, written notice, suspension, demotion, pay cut and dismissal in that order. These six steps are the topics for discussion in this section.

Oral Warning

The mildest form of discipline is the oral warning. This is usually awarded on minor offences like late coming, absenteeism, etc. which are committed for the first time. A common practice followed in this regard is to make a temporary record of this warning and place the same in the employee's file. Once the employee has shown better performance and willingness to adhere to rules and regulations, the record of the oral reprimand is removed from his file.

Written Notice

The second step in order of severity in progressive discipline is the written notice or warning. This is awarded for repeated minor offences or some major lapses. The procedure involved in writing of the warning is the same as the oral warning. The only difference is that the discussion concluded with the employee being told that a written warning will be issued. Then, the manager writes up the warning. A copy of the warning is sent to the personnel department. Like oral warning, organizations may allow employees to purge their personnel file of these warnings after some period of time, i.e. usually two years of proper work behaviour.

Suspension

Suspension, also called lay off, is the next logical step taken in progressive discipline. Suspension as punishment is a warded for some major/serious offences. Suspension may be for a certain period ranging from one day to several weeks or months. During the suspension period, the employee is paid a reduced pay known as 'subsistence allowance'. Full pay can be given if the suspension is withdrawn.

However, suspension can have some implications for both the organization and the employee. For organization, suspension means loss of the employee for the lay off period. It is particularly so if the suspended employee is a skilled one. From the employee's standpoint, suspension can result in a more negative frame of mind than before the layoff. Nonetheless, one reason why management considers suspending employee is to give an awakening to the problem employee.

Demotion

For the serious offences where suspension has not been effective and management wants to avoid dismissal, demotion is considered as an alternative punishment. It is noteworthy that, in contrast to the previous disciplinary actions, demotion is not temporary, but a constant one. It has serious implications for employee morale and motivation.

Pay Cut

Another alternative, also rarely applied in practice, is cutting the problem employee's pay. This is awarded mostly when offence led to damage or loss of property. A part of the loss is recovered from such pay cut of the employee.

Dismissal/Discharge

Dismissal is the ultimate disciplinary action taken against problem employee. This punishment is awarded only for the most serious offences involving integrity. Both dismissal and discharge lead to employee separation from the organization. However, the severity of punishment is more in dismissal than discharge. In case of dismissal, the employee is deprived of service benefits such as gratuity, provident fund, pension and other perquisites and even disqualified for securing job in other organizations. As regards discharge, it is termination of employee's job with notice and with service benefits earned so far.

Both dismissal and discharge involve implications for employee such as emotional trauma, difficulty in securing job elsewhere, etc.. This may compel the dismissed employee to take legal action against the decision. Hence, a dismissal or discharge as disciplinary action needs to be given a long and hard consideration. It is against this backdrop, some statutory provisions have been made to handle with discipline. In the next section, we will briefly describe these statutory provisions concerning discipline.

11.16 Code of Discipline

The Indian Labour Conference at its 15th session in 1957 envolved a code of industrial discipline. The code voluntarily binds the employers and workers to settle all grievances and disputes by mutual negotiations, conciliation and voluntary arbitration. The main features of this code are :

1. Both employers and employees should recognise the rights and responsibilities of each other and should willingly discharge their respective obligations. There should be no unilateral action on either side.

2. There should be no strike or lockout without proper notice and efforts should be made to settle all disputes through the existing machinery for the settlement of industrial disputes.

3. Neither party will have recourse to coercion, intimidation, litigation and victimisation but will settle all differences by mutual negotiations, conciliation and voluntary arbitration.

4. A mutually agreed grievance procedure will be set up and both the parties will abide by it without taking arbitrary action.

5. Both employers and trade unions will educate their members regarding their mutual obligations.

6. Management will not increase work loads without prior agreement or settlement with the workers.

7. Employers will take prompt action for the settlement of grievances and for the implementation of all awards and agreements.

8. Management will take immediate action against all officers found guilty of provoking indiscipline among workers.

9. The employers will provide all facilities for the unfettered growth of trade unions. They will discourage the use of unfair labour practices like victimisation of the members of recognised trade unions.

10. Unions will avoid demonstrations, rowdyism and all forms of physical duress and workers will not indulge in union activity during working hours.

11. Unions will discourage negligence of duty, damage to property, careless operation, go-slow tactics, insubordination and other unfair labour practices on the part of workers. They will also take action against their office-bearers and members who work against the spirit of the code.

Thus, the Code of Discipline consists of three sets of principles, namely (a) obligations to be observed by management, (b) obligations to be observed by trade unions, and (c) principles binding on both the parties.

The Code of Discipline has been helpful in improving industrial relations in the country. It has focussed the attention of employers and workers on their respective obligations. The code was reinforced by the Industrial Truce Resolution in 1962. In 1965 a seminar was held on the working of the code, and it was concluded that the contents of the code are satisfactory but its implementation has been ineffective. In 1967 the Central Implementation and Review Committee of the Union Ministry of Labour and Employment made an evaluation of the code. With the passage of time the spirit of the code has been lost sight of and a genuine desire to exercise self-restraint is lacking.

The code has not been very effective in ensuring harmonious relations among employers and employees due to the following reasons :

(i) Lack of self-imposed voluntary restraint on the part of both the employers and labour unions.

(ii) Erosion of workers' wages due to increasing prices.

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(iii) Rivalry among trade unions.

(iv) Conflicts between the code and the law.

(v) The state of indiscipline in the body politic.

(vi) Reasons beyond the control of employer.

The National Commission on Labour recommended that the following provisions of the code should be made statutory:

(a) recognition of the representative union as the sole bargaining agent;

(b) setting up of a grievance machinery;

(c) prohibition on strikes and lockouts without proper notice;

(d) penalties for unfair practices; and

(e) provision for voluntary arbitration.

However, the code by itself cannot maintain discipline in industry unless the parties subscribing to it have full faith in it and make a determined bid to observe it both in letter and spirit.

11.17 Code of Discipline in Indian Industry

In India, the problem of indiscipline was debated by the Indian labour conference held in 1957. The conference noted the alarming record of breach of discipline by employers and employees. A sub committee was appointed to draft a model code of Discipline which would be acceptable to all. A code of Discipline drafted by the subcommittee was duly ratified by the central organizations of workers and employers at the 16th Session of the Indian Labour Conference in March 1958 and it became operative from 1st June 1958. The code is based on the following principles :

(i) There should be no lockout or strike without due notice.

(ii) No unilateral action should be taken in connection with any industrial matter.

(iii) There should be no recourse to go slow tactics.

(iv) No deliberate damage should be caused to plant or property.

(v) The existing machinery for the settlement of disputes should be utilised.

(vi) Acts of violence, coercion, intimidation or incitement should not be indulged in.

(vii) Awards and agreements should be speedily implemented.

(viii) Any agreement which is likely to destroy cordial industrial relations should be avoided.

11.18.1 Objectives of the Code

The code of Discipline is intended to achieved the following objectives :

(i) Maintaining peace and order in industry.

(ii) Promoting constructive criticism at all levels of management and employment.

(iii) Avoiding work stoppages in industry.

(iv) Securing the settlement of disputes and grievances by a mutually agreed procedure and avoiding litigations.

(v) Facilitating a free growth of trade unions.

(vi) Bringing home to the employees and management the importance of recognition of one another's rights and responsibilities.

(vii) Eliminating all forms of coercion, intimidation and violations of rules, regulations and procedures governing industrial relations.

11.18 Summary

Discipline is a condition in the organization when employees conduct themselves in accordance with the organization's rules and standards of acceptable behaviour. Discipline is characterised by self-discipline, negative and punitive approach. The main objectives of discipline are to motivate employees to comply with the organization's performance standards, maintain respect and trust between the supervisor and employee and improve employee's performance. Discipline is classified into positive and negative types. The general guidelines in administering discipline include making disciplinary action corrective, progressive and following the "hot-stove" rule, i.e., discipline should be immediate, provide ample warning, be consistent, and be impersonal. Disciplinary action follows a procedure comprising a number of steps such as location of responsibility; communication of policy, rules and regulations; framing charges and intimating the same to the accused employee, consideration of his/her explanation; awarding punishment and follow-up. Disciplinary actions taken against the accused employee include oral warning, written notice, suspension, demotion, pay cut and discharge/dismissal in that order. Indiscipline is caused by faulty leadership, raised management practices, political and trade union factors, etc. The industrial employment act, the industrial disputes act and the payment of wages act contain statutory provisions regarding Discipline. A code of Discipline in Indian industry was adopted by the Indian labaur conferces in 1957. Chrominance means discontent in conection with the employment.

11.19 Key Words

- **Grievance :** Any discontent or dissatisfaction, whether expressed or not, whether valid or not, arising out of anything connected with the company which employee thinks, believes or even feels to be unfair.

- **Whistle blowing :** Employee disclosure of an employer's illegal, immoral or illegitimate practices to persons or organizations that may be able to take connective actions.

- **Just cause :** Sufficient justification for taking employment related actions.

- **Due process :** In employment matters, the opportunity for individuals to explain and defend their actions against charges of misconduct or other reasons.

- **Right to privacy :** Defined in legal terms for individuals as the freedom from unauthorised and unreasonable intrusion into their personal affairs.

- **Employment at will :** The right of an employer to fire and employee without giving reason and the right of an employee to quit when he or she chooses.

- **Misconduct :** Violation of established rules and norms of behaviour (both formal and informal).

- **Standing orders :** Service rules and other agreed terms of employment certified by an authority as per the provisions of the Industrial Employment (Standing orders) Act, 1946.

- **Discipline :** In a restricted sense, it is the act of imposing penalties for wrong behaviour; broadly speaking, it is orderliness, conformance to established rules and codes of conduct.

- **Wrongful discharge :** Occurs when an employer terminates an individual's employment for reasons that are illegal or improper.

- **Downsizing :** The process of reducing, usually dramatically, the number of people employed by the firm.

- **Suspension or layoff :** A situation in which the employees are temporarily taken off work, being told there is not work for them but that management intends to recall them when work is available.

  (Applicable only to lay-off; in suspension, the employee is not allowed to work until departmental enquiry leads to further course of action, spanning a range of possibilities from reinstatement to dismissal.)

- **Dismissal :** Termination from employment for any of the misconducts mentioned in the Industrial Employment (Standing orders) Act, 1946.

- **Termination interview :** The interview in which an employee is informed of the fact that he or she has been dismissed.

- **Arbitration award :** Final and binding award issued by an arbitrator in a labour – management dispute.

- **Domestic enquiry :** An opportunity provided to an accused person to defend himself by presenting his own witnesses and other evidence.

- **Red-hot stove rule :** The theory that discipline should be immediate, consistent, and impersonal, and should include a warning.

- **Positive discipline :** System of discipline that focuses on the early correction of employee misconduct with he employee taking total responsibility for correcting the problem.

11.20 Self Assessment Test

1. Define the term 'Discipline". Discuss its salient features and chief objectives.

2. What are the causes of indiscipline in the Indian industries. Suggest how to maintain discipline.

3. Write an essay on "Code of Discipline." stating clearly its objectives and terms of agreement it serves. Discuss the purpose it is intended for?

4. Why is discipline important in industry? Discuss this statement

5. Explain the procedure for taking disciplinary action.

6. Discuss the essentials of a sound disciplinary action.

7. Write short notes :-
   (1) Code of industrial discipline
   (2) Hot stove rule

8 Bring out the differences between positive and negative discipline.

9 Discuss various factors contributing to an act of discipline.

10 "Discipline may be considered as a force that promotes individuals as groups to observe the rules and regulation" Discuss.

11 What is the purpose of discipline? How can we ensure that this purpose is achieved ?

12 Effective discipline can have a positive effect on the productivity of employes. Discuss

13 If your were asked to develop a policy on discipline, what topic would you include in that policy?

14 "You can't discipline employees today the way your could a generation ago" Do you agree or disagree? Discuss.

Activities :

1 In the highest form of discipline, all are self regulated and all are free" Discus this statement and enumerate the measures that are necessary for the maintence of discipline in an industrial organization.

2 "Too often discipline is thought of only in the negative sense. In reality positive discipline is more effective and plays a larger role in business management." Discuss this statement and point out the principles to be borne in mind while taking disciplinary action.

3 Thermax Ltd. is a medium sized company in the manufacturing sector employing about 700 people including 50 managerial employees at different levels. Mr. Saxena was the Production Manager, with 5 Senior Production Engineers, 10 Junior Production Engineers and other clerical staff reporting to him. One day, Mr. Kumar–a Junior Production Engineer–approached Mr. Saxena with a personal request to be relieved from office early as he had some pressing work at home. Mr. Saxena replied that he could not be bothered with his personal problems at the workplace and that he should have made alternative arrangements to look after his domestic affairs.

Explain Mr. Saxena's response in terms of his approach and style in dealing with his subordinate. Illustrate your answer with appropriate concepts and examples.

4 Differentiate the meaning of grievance from that of dispute. Explain the steps that you will suggest for resolving employee grievances. Examine the possible implications of unresolved grievances on employee motivation and organizational culture.

5 "What industries need today is highly committed employees." Keeping this in view, explain the role of motivation, communication and other alternatives to traditional model of discipline in a business organization.

6 Organise a debate at your work place. Have one person take the position that 'Grievances have to be solved in a flexible manner, adopting an open door policy'. Have another take the position that 'Grievances have to be redressed through a model grievances procedure' – framed in advance and applied in an objective way.

7 You know that a co-worker uses, sells and distributes drugs to other co-workers. What would you do? Inform HR department? Post an anonymous massage on the company's website? Say nothing, fearing violent consequences?

8 An employee in the software design department was fired for refusing use-licensed software provided to him by his supervisor. What type of wrongful discharge suit, if any, could he file?
a. Breach of contractual relationship
b. Public policy violation
c. There is no wrongful discharge in this case
d. Breach of good faith
e. Breach of implied contract.

UNIT - 12 : GRIEVANCE HANDLING

Unit Structure

12.0 Objectives

After studying this unit you should be able to understand;
- The concept of Grievance Handling
- Meaning and Salient Features of Grievance Handling
- Process and Model of Grievance Handling
- Trends in Grievance Handling in Indian Industry

12.1 Introduction

Effective grievance management is an integral part of Human Relations Management. In an organization a grievance may be presented by an employee or group employees, with respect to any measure or a situation that directly affects the individual or is likely to affect, the conditions of employment of many workers. A grievance is a sign of an employee's discontentment with his job or grievances generally arise out of the day-to-day working relations in an organization. An employee protests, against an act or policy of the management, that he considers as violating the employee's rights.

If such a grievance is transformed into a general claim, either by the union, or by a group of employees, then the claim falls outside the scope of grievance procedure as it is a collective grievance and therefore it falls under collective bargaining

12.2 Objectives of Grievance Handling

When an employee has a grievance and takes it to the management, the grievance redressal authority must analyze it in order to identify the root cause. If the management fails to take the necessary corrective action, the employee's morale and consequently his performance will get affected. To maintain healthy employee-employer relations it is mandatory to have an effective grievance redressal procedure as:
- It keeps a check on arbitrary actions: It helps to solve problem before it gets serious and serves as an outlet for employees gripes, discontent and frustration.
- It helps to maintain harmonious industrial relations
- It helps in upward communication. It is not possible that all the complaints would be settled by first level supervisors.
- It helps the management to win the trust and confidence of the employees.
- To encourage human problems to be brought to the surface. Management can learn about them and may try corrective action.

12.3 Salient Features of Grievance Handling

Grievance is a sign of an employee's discontent, either with the job, his relationship with his colleagues or with the organization. It is the feeling of dissatisfaction, distress or injustice in connection with one's employment situation that is brought to the notice of the management.

- In a democratic set up any employee should be in a position to express his dissatisfaction, whether it be a minor irritation, a serious problem, or a difference of opinion in the work assignment or in the terms and conditions of employment. The feeling of discontent or dissatisfaction becomes a complaint when (a) it has not assumed (b) the matter has been presented in a highly informal way. A complaint turns into a grievance when (I) there is a feeling of injustice (II) expressing the feeling formally, either verbally or in writing and (III) it is related to policies, procedures and operations of the organization.

- It is a complaint or representation made in writing.

- It may be a real or imaginary feeling of personal injustice which an employee has concerning his employment relation.

- Grievance is caused due to the difference between the employee expectation and management practices.

- Grievance must not be allowed to accumulate as grievances breed grievances.

- Piling up of grievances may create frustration, disloyalty, non cooperation, absenteeism; go slow, demonstration, gherao, strike etc.

- Proper disposal of grievance needs a serious consideration for harmonious industrial relations and maintenance of industrial peace.

Grievance can be broadly classified into three ways based on the cause:

Factual grievance related to job contract eg. an employee is not given promotion which is due to him. Various causes of such grievances are:

- **Amenities**: undesirable and unsatisfactory working conditions, loose calculations of seniority rules and unsatisfactory interpretation of agreement, non availability of material in time.

- **Continuity of service:** Transfers of another departments or shift, Superannuation, suppression, Victimization.

- **Compensation:** Complaints about incentive systems, demand for individual wage adjustments, fines, increments, fringe benefits, recovery of dues etc.

- **Disciplinary action**: Disciplinary discharge or lay off, complaints concerning disciplinary measures and procedures.

Imaginary Grievance : When the job contract is not clear-cut and does not indicate the norms defining the limits within which employees should expects the organization to fulfill his needs or aspirations, the employee develop such needs which an organization is not obliged to meet.

Disguised Grievance: When the psychological needs like need for recognition, affection, power are normally ignored by the employer not otherwise included in contract

12.4 Grievance Handling Procedure

If an organization has to move towards excellence, maintenance of harmonious and cordial relationship is a vital condition. Similar to organization' expectations from the employees, the employees do have more expectation in terms what they have contributed to each other. Failure to meet with each others expectation or the deviations from what has already been accepted may lead to indiscipline, Grievance and stress are continuing in nature and often judicial- legal process may not be of much help in resolving them.

Grievance procedure is a formal communication between an employee and the management designed for the settlement of a grievance. The grievance procedures differ from organization to organization.

Guidelines for Grievances Handling Procedure

The following guidelines may help a supervisor while dealing with grievances. He need not follow all these steps in every case. It is sufficient to keep these views in mind while handling grievances. The effectiveness of GHP depends upon the fulfillment of certain prerequisites. They are:

a. **Conformity** with prevailing legislation:

b. **Clarity:** There should be clarity regarding each and every aspect of the grievance procedure in terms of to whom the representation can be made, the form of submission (written/oral), time limit for the redressal etc. The redressing authority should be very clear about what is expected from him, what measures he can take, and the limits to an action etc. Identify the root cause for employee grievance by providing a channel or avenue by which an aggrieved employee may put up his grievance

c. **Short, simple and prompt**: the procedure should be simple, definite and prompt for any complexity, or vagueness or delay may lead to aggravation of the dissatisfaction of the aggrieved employee. If there are too many stages the very purpose of procedure is defeated. Instead of resorting to the formal process an employee will ignore it.

d. **Training**: to supervisors and union representatives in handling grievances.

e. **Follow up**: it needs periodic review of the procedure and introducing the essential structural changes if required.

Do's and Don'ts of Handling gGrievances:

DO's	DONT's
▪ Treat each case as important and get the grievance in writing.	· Discuss the case with union steward alone.
▪ Talk to the employee directly. Encourage him to speak the truth. Give him a patient hearing.	· Make agreement with individuals which are consistent.
▪ Discuss in a private place. Ensure confidentiality, if necessary.	· Apply the grievance remedy to an improper grievance.
▪ Handle each case within a time frame.	· Do not hold back the remedy if the company is wrong.
▪ Examine company provisions in each case. Identify violations, if any. Inform your superior about all grievances.	· Settle grievances on the basis of what is fair. Instead, stick to the labour agreement which, after all, should be your standard.
▪ Get all relevant facts about the grievance. Examine the personal record of the aggrieved worker. See whether any witnesses are available. Visit the work area. The idea is to find where things have gone wrong and who is at fault. Analyse the fact, after taking into consideration the economic, social, psychological and legal issues involved in them.	· Bargain over items not covered by the contract.
	· Argue grievance issues off the work premises.

▪ Gather information from the union representative, what he has to say, what he wants, etc. Give short replies, uncovering the truth as well as provisions. Treat him properly. ▪ Examine prior grievance record. ▪ Demand that proper productivity levels be maintained during the processing of incentive grievances. ▪ Control your emotions, your remarks and behavior. Maintain proper records and follow up the action taken in each case.	· Give away your copy of written grievances. · Settle grievance when you are in doubt. · Give long written grievance answers. · Agree to informal amendments in the contract. · Overlook the precedent value of prior grievance asettlement. · Support another supervisor in a hopeless case. Commit the company in the areas beyond your limits of responsibility and familiarity.

Source: Baer Walter," Grievance Handling", AMA, New York, 1970.

Basically, grievance handling policy is divided into two categories:
1. Open door policy
2. Step-ladder policy

Open door policy: One of the effective ways of minimizing and eliminating the source of an employee's grievance is by having an 'open door policy'. An open door policy facilitates upward communication in the organization where employees can walk into a superior's cabin at any time and express their grievances. Under this policy, the aggrieved employee is free to meet the top executives of the organization and get his grievances redressed. Such a policy works well only in small organizations. However, in bigger organizations, top management executives are usually busy with other ncerned matters of the company. Moreover, it is believed that open door policy is suitable for executives; operational employees may feel shy to go to top management.

Step ladder policy: Under this policy, the aggrieved employee has to follow a step by step procedure for getting his grievance redressed. There are different stages in any grievance redressal procedure, though an organization can design its own grievance redressal procedure, in consensus with its union.

I stage: The employee conveys his grievance verbally to his supervisor. In case it fails, the employee proceeds to the next level.

II stage: The employee fills up the grievance redressal form and approaches the head of the depart ment. In case it fails, the employee proceeds to the next level.

III stage: Here, the grievance committee is given 7 days to reach a settlement. If the decision is taken, then it has to be implemented. In case of failure, then an employee goes to the next stage.

IV stage: If the employee is not satisfied with the decision made by the management, then the employee appeals to the management to review its decision.

V stage: The union discusses the issue and tries to reach a settlement between the grievant employee and the management.

VI stage: In the last stage, a settlement is reached through voluntary arbitration by a third party.

12.5 Grievance Management in Indian Industry

At present, there are three legislations dealing with grievances of employees working in industries. The Industrial Employment (Standing Orders) Act, 1946, requires that every establishment employing 100 or more workers should frame standing orders. These should contain, among other things, a provision for redressal of grievances of workers against unfair treatment and wrongful actions by the employer or his agents. The Factories Act, 1948, provides for the appointment of a Welfare officer in every factory ordinarily employing 500 or more workers. These Welfare officers also looks after complaints and grievances of workers. They will look after proper implementation of the existing labor legislation. Besides, individual disputes relating to discharge, dismissal or retrenchment can be taken up for relief under the Industrial Disputes Act, 1947, amended in 1965.

However, the existing labor legislation is not being implemented properly by employers. There is lack of fairness on their part. Welfare officers have also not been keen on protecting the interests of workers in the organized sector. In certain cases, they are playing a dual role. It is unfortunate that the public sector, which should set up an example for the private sector, has not been implementing labor laws properly.

A Model Grievance Procedure

The 15th session of Indian Labor Conference held in 1957 emphasized the need of an established grievance procedure for the country which would be acceptable to unions as well as to management. In the 16th session of Indian Labor Conference, a model for grievance procedure was drawn up. The International Labour Organization (ILO), clarifies a grievance as a compliant of one or more workers with respect to wages and allowances, conditions of work and interpretation of service stipulation, covering such areas as overtime, leave, transfer, promotions, seniority, job assignment and termination of service failure by management to stick to its contract with the employee

This model grievance procedure drawn up by ILO helps in creation of grievance machinery. According to it, workers' representatives are to be elected for a department or their union is to nominate them. Management has to specify the persons in each department who are to be approached first and the departmental heads who are supposed to be approached in the second step. The Model Grievance Procedure specifies the details of all the steps that are to be followed while redressing grievances. These steps are:

STEP 1: In the first step the grievance is to be submitted to departmental representative, who is a representative of management. He has to give his answer within 48 hours.

STEP 2: If the departmental representative fails to provide a solution, the aggrieved employee can take his grievance to head of the department, who has to give his decision within 3 days.

STEP 3: If the aggrieved employee is not satisfied with the decision of departmental head, he can take the grievance to Grievance Committee. The Grievance Committee makes its recommendations to the manager within 7 days in the form of a report. The final decision of the management on the report of Grievance Committee must be communicated to the aggrieved employee within three days of the receipt of report. An appeal for revision of final decision can be made by the worker if he is not satisfied with it. The management must communicate its decision to the worker within 7 days.

STEP 4: If the grievance still remains unsettled, the case may be referred to voluntary arbitration.
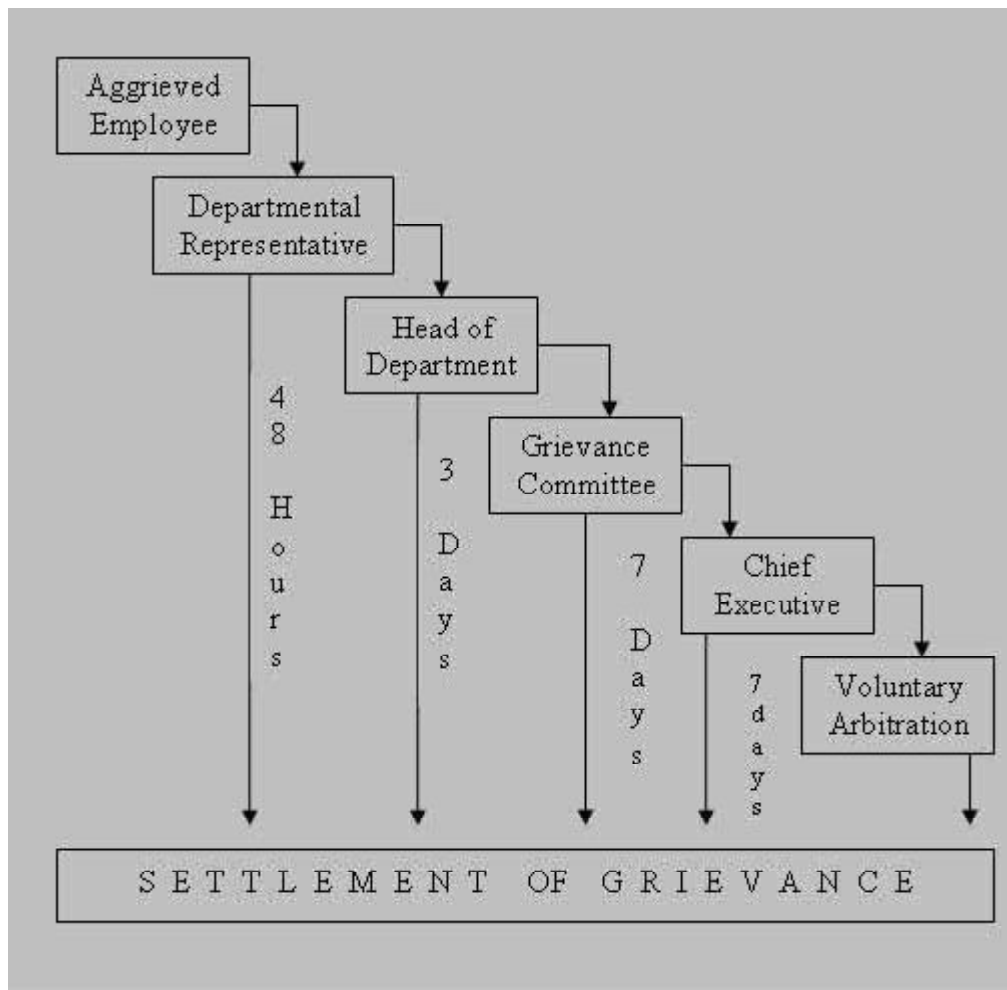
12.6 Summary

When an employee has a grievance and takes it to the management, the grievance redressal authority must analyze it to identify the root cause. If the management fails to take the necessary corrective action, the employee's morale and consequently his performance will get affected. If such a grievance is transformed into a general claim, either by the union, or by a group of employees, then the claim falls outside the scope of grievance procedure as it is a collective grievance and therefore it falls under collective bargaining.

If an organization has to move towards excellence, maintenance of harmonious and cordial relationship is a vital condition. Similar to organization esepectation is the expectations from the employees. The employees do have more expectation in terms what they have contributed to each other. Failure to meet with each others expectation or the deviations from what has already been accepted may lead to indiscipline, grievance and stress are of continuing in nature and often judicial- legal process may not be of much help in resolving them. A well set Grievance Handling Procedure is a key to organizational health.

12.7 Key Words

- **Grievance:** Grievance is a sign of an employee's discontent, either with the job, his relationship with his colleagues or with the organization. It is the feeling of dissatisfaction, distress or injustice in connection with one's employment situation that is brought to the notice of the management

- **Grievance Procedure:** Grievance procedure is a formal communication between an employee and the management designed for the settlement of a grievance. The grievance procedures differ from organization to organization.

- **Conflict:** occurs when two or more people or parties perceive an incompatibility in their goals or expectations.

- **Factual grievance:** related to job contract eg. an employee is not given promotion which is due to him.

- **Imaginary Grievance :** When the job contract is not clear-cut and does not indicate the norms defining the limits within which employees expects the organization fulfill his needs or aspirations, the employee develop such needs which an organization is not obliged to meet.

- **Disguised Grievance:** When the psychological needs like need for recognition, affection, power are normally ignored by the employer not otherwise included in contract

- **An open door policy:** It facilitates upward communication in the organization where employees can walk into a superior's cabin at any time and express their grievances.

- **Step ladder policy**: Under this policy, the aggrieved employee has to follow a step by step procedure for getting his grievance redressed.

- **Supervisor:** An individual (regardless of his/her job description or title) having authority, in the interest of the employer, to hire, transfer, suspend, lay off, recall, promote, discharge, assign, reward or discipline other employees of the employer. A supervisory employee is also one who has responsibility for directing employees, answering their grievances, or recommending disciplinary action, if authority is not merely clerical but requires independent judgment.

- **Aggrieved employee:** An employee having grievance.

12.8 Self Assessment Test

1 What is a grievance? What are the characteristics of grievance?

2 Why is effective grievance handling procedure is necessary for an organization?

3. What are various categories of grievance based on causes?

4 Elaborate Grievance Handling Procedure.

5 The CEO of an IT firm wanted his employees to report any malpractices that they came across in the organization, to the management , without having any fear of being reprimanded. How do you think can the management encourage its employees to put forward their complaints or grievance in an open and confident manner? Explain giving example of Indian firms who have successfully implemented such system.

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UNIT - 13 : COLLECTIVE BARGAINING

Unit Structure

13.0   Objectives

After studying this unit you should be able to understand :

* Objectives of Collective Bargaining
* Meaning and Salient Features of Collective Bargaining
* Collective Bargaining Procedure
* Collective Bargaining in Indian Industry

14.1 Introduction

A grievance is a sign of an employee's discontentment with his job or grievances generally arise out of the day-to-day working relations in an organization. If such a grievance is transformed into a general claim, either by the union, or by a group of employees, then the claim falls outside the scope of grievance procedure as it is a collective grievance and therefore it falls under collective bargaining ILO has defined collective bargaining as, negotiation about working conditions and terms of employment between an employer and a group of employees or one or more employee, organization with a view to reach an agreement wherein the terms serve as a code of defining the rights and obligations of each party in their employment with one another.

13.2 Objectives of Collective Bargaining

* **Collective bargaining** is a management tool that facilitates an amicable and mutually acceptable agreement between the management and the employees, to solve all employment-related problems. The objectives of collective bargaining are

* To facilitate a solution that is acceptable to all the parties involved

* To resolve all conflicts and disputes in a mutually agreeable manner

* To prevent a conducive atmosphere to foster good industrial relations

* To enhance the productivity of the organization by preventing strikes, lock-outs etc

13.3 Meaning and Salient Features of Collective Bargaining

Collective bargaining is process of joint decision making and basically represents a democratic way of life in industry. It is the process of negotiation between firm's and workers' representatives for the purpose of establishing mutually agreeable conditions of employment. It is a technique adopted by two parties to reach an understanding acceptable to both through the process of discussion and negotiation.

Collective bargaining involves discussions and negotiations between two groups as to the terms and conditions of employment. It is called 'collective' because both the employer and the employee act as a group rather than as individuals. It is known as 'bargaining' because the method of reaching an agreement involves proposals and counter proposals, offers and counter offers and other negotiations.

Thus **collective bargaining:**

- is a collective process in which representatives of both the management and employees participate. It is a process in the sense that it consists of a number of steps.

- is a continuous process which aims at establishing stable relationships between the parties involved.

- not only involves the bargaining agreement, but also involves the implementation of such an agreement.

- It helps in building a culture of strong relationships between the management and the employees thus attempts in achieving discipline in the industry. It uses cooperation and consensus for settling disputes rather than conflict and confrontation.

- is a flexible approach, as the parties involved have to adopt a flexible attitude towards negotiations.

- Compromise, accommodate, adjust, convince and agree are the different words that characterize collective bargaining

- The main goal of collective bargaining is to reach a win-win situation

- It is an art because a collective bargaining session is filled with bluffing, oratory dramatics and manipulation displayed by both the parties involved

- It is also a science because understanding the process of collective bargaining and predicting the responses of the other party as accurately as possible can help in better negotiation.

- It a bipartite process. This means there are always two parties involved in the process of collective bargaining. The negotiations generally take place between the employees and the management. It is a form of participation.

- It is a complementary process i.e. each party needs something that the other party has; labor can increase productivity and management can pay better for their efforts.

13.4 Importance of Collective Bargaining

Collective bargaining is a formalized process by which employers and independent trade unions negotiate terms and conditions of employment and in the <u>inuodues</u> ways in which certain employment-related issues are to be regulated at national, organizational and workplace levels.

Importance to employees
- Collective bargaining develops a sense of self respect and responsibility among the employees.
- It increases the strength of the workforce, thereby, increasing their bargaining capacity as a group.

- Collective bargaining increases the morale and productivity of employees.
- It restricts management's freedom for arbitrary action against the employees. Moreover, unilateral actions by the employer are also discouraged.

- Effective collective bargaining machinery strengthens the trade unions movement.

- The workers feel motivated as they can approach the management on various matters and bargain for higher benefits.

- It helps in securing a prompt and fair settlement of grievances. It provides a flexible means for the adjustment of wages and employment conditions to economic and technological changes in the industry, as a result of which the chances for conflicts are reduced.

Importance to employers
- It becomes easier for the management to resolve issues at the bargaining level rather than taking up complaints of individual workers.
- Collective bargaining tends to promote a sense of job security among employees and thereby tends to reduce the cost of labor turnover to management.
- Collective bargaining opens up the channel of communication between the workers and the management and increases worker participation in decision making.
- Collective bargaining plays a vital role in settling and preventing industrial disputes.

Importance to society

- Collective bargaining leads to industrial peace in the country

- It results in establishment of a harmonious industrial climate which supports and helps the pace of a nation's efforts towards economic and social development.

- The discrimination and exploitation of workers is constantly being checked.

- It provides a method or the regulation of the conditions of employment of those who are directly concerned about them.

13.5 Forms of Collective Bargaining

A collective bargaining process generally consists of four types of activities- distributive bargaining, integrative bargaining, attitudinal restructuring and intra-organizational bargaining.

Distributive bargaining: It involves negotiations over the distribution of surplus, the economic issues like wages, salaries and bonus are discussed. In distributive bargaining, one party's gain is another party's loss. This type of bargaining is also known as conjunctive bargaining.

Integrative bargaining: This involves negotiation of an issue on which both the parties may gain, or at least neither party loses. For example, representatives of employer and employee sides may bargain over the better training programme or a better job evaluation method. Here, both the parties are trying to make more of something. This type of bargaining is also known as cooperative bargaining.

Attitudinal restructuring: This involves shaping and reshaping some attitudes like trust or distrust, friendliness or hostility between labor and management. When there is a backlog of bitterness between both the parties, attitudinal restructuring is required to maintain smooth and harmonious industrial relations. It develops a bargaining environment and creates trust and cooperation among the parties.

Intra-organizational bargaining: It generally aims at resolving internal conflicts. This is a type of maneuvering is done to achieve consensus with the workers and management. Even within the union,

there may be differences between groups. For example, skilled workers may feel that they are neglected or women workers may feel that their interests are not looked after properly. Within the management also, there may be differences. Trade unions maneuver to achieve consensus among the conflicting groups.
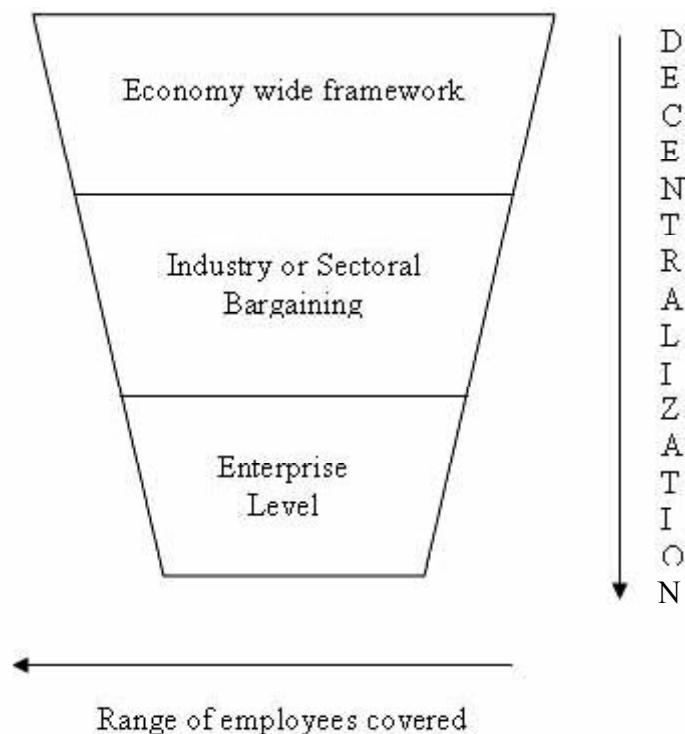
13.6   Levels Of Collective Bargaining

Collective bargaining operates at three levels:
1. Economy-wide (national) bargaining
2. Sectoral bargaining
3. Company/enterprise level

Economy-wide (national) bargaining, is a bipartite or tripartite form of negotiation between union confederations, central employer associations and government agencies. It aims at providing a floor for lower-level bargaining on the terms of employment, often takes into account macroeconomic goals.

Sectoral bargaining, which aims at the standardization of the terms of employment in one industry, includes a range of bargaining patterns. Bargaining may be either broadly or narrowly defined in terms of the industrial activities covered and may be either split up according to territorial subunits or conducted nationally.

Range of employees covered

Company/enterprise level, involves the company and/or establishment. As a supplementary type of bargaining, it emphasizes the point that bargaining levels need not be mutually exclusive.
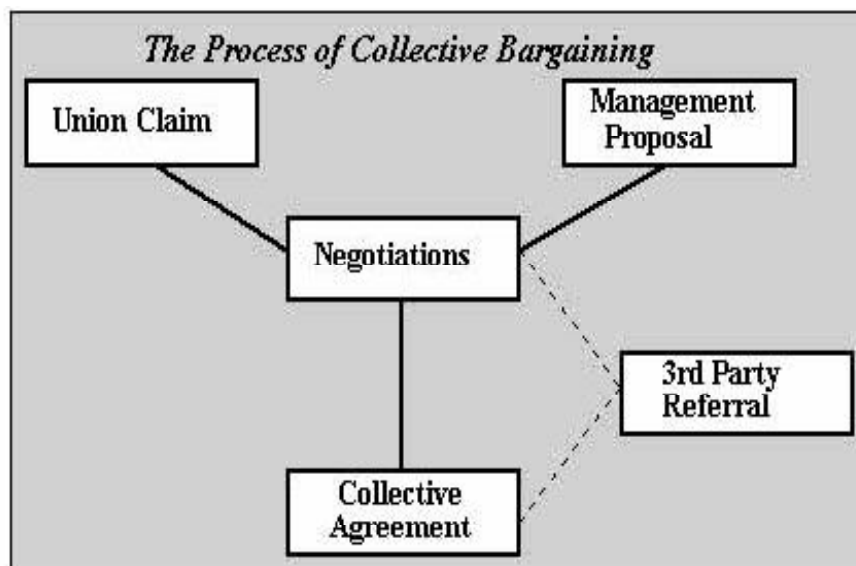
13.7   Collective Bargaining Procedure

Collective bargaining consists of negotiations between an employer and a group of employees that

determine the conditions of employment. Often employees are represented in the bargaining by a union or other labor organization. The result of collective bargaining procedure is called the collective bargaining agreement (CBA). Collective Bargouning agreements may be in the form of procedural agreements or substantive agreements. Procedural agreements deal with the relationship between workers and management and the procedures to be adopted for resolving individual or group disputes.

The collective bargaining process comprises of five core steps:

1. **Prepare:** This phase involves composition of a negotiation team. The negotiation team should consist of representatives of both the parties with adequate knowledge and skills for negotiation. In this phase both the employer's representatives and the union examine their own situation in order to develop the issues that they believe will be most important. The first thing to be done is to determine whether there is actually any reason to negotiate at all. A correct understanding of the main issues to be covered and intimate knowledge of operations, working conditions, production norms and other relevant conditions is required.

2. **Discuss:** Here, the parties decide the ground rules that will guide the negotiations. A process well begun is half done and this is no less true in case of collective bargaining. An environment of mutual trust and understanding is also created so that the collective bargaining agreement would be reached.

3. **Propose:** This phase involves the initial opening statements and the possible options that exist to resolve them. In a word, this phase could be described as 'brainstorming'. The exchange of messages takes place and opinion of both the parties is sought.

4. **Bargain:** negotiations are easy if a problem solving attitude is adopted. This stage comprises the time when 'what ifs' and proporis are set forth and the drafting of agreements take place.

5. **Settlement:** Once the parties are through with the bargaining process, a consensual agreement is reached upon wherein both the parties agree to a common decision regarding the problem or the issue. This stage is described as consisting of effective joint implementation of the agreement through shared visions, strategic planning and negotiated change.

The Process of Collective Bargaining

Broadly speaking, the process of collective bargaining involves three steps – preparation, negotiation and contract administration.

1. **Preparation for negotiation:**

   Both the parties should understand and interpret the existing contract completely to identify the loopholes or problems. They should be in possession of all the facts and figures required for making a strong case. Information is acquired from both internal and external sources.

2. **Negotiation:**

   The process of negotiation begins with the submission of the demands of the trade union to the management. After a verbal agreement is reached a written contract is entered into. If the management and the union representatives fail to reach an agreement, the involvement of a third party becomes necessary. If either or both the parties decline to abide by the decision of the arbitrator, then the conflict reaches the final stage – adjudication.

3. **Contract administration:**

   The terms of the contract and the agreement reached have to be widely circulated among all the employees. The employee and the management should respect the contract and abide by the terms laid down in it.

   Conditions that favor collective bargaining are:

   • There should be a single union, or in case of multiple unions, a common agreement among them.

   • The culture of the organization should foster the right spirit for collective bargaining to be successful.

   • The role of third party should be minimized and agreements should be based on bipartite bargaining.

   All the parties should aim at a win-win situation and not a win-lose situation

13.8 Collective Bargaining in Indian Industry

COLLECTIVE BARGANING in India has been the subject matter of industrial adjudication since long and has been defined by our Law Courts. In *Karol Leather Karamchari Sangathan v. Liberty Footwear* Company3 the Supreme Court observed that, "Collective bargaining is a technique by which dispute as to conditions of employment is resolved amicably by agreement rather than coercion."

According to the Court, the Industrial Disputes Act, 1947 seeks to achieve social justice on the basis of collective bargaining. In an earlier judgment in Titagarh Jute Co. Ltd. v. Sriram Tiwari , the Calcutta High Court clarified that this policy of the legislature is also implicit in the definition of 'industrial dispute'.

In *Ram Prasad Viswakarma v. Industrial Tribunal* 4the Court observed that, "It is well known how before the days of 'collective bargaining', labour was at a great disadvantage in obtaining reasonable terms for contracts of service from its employer. As trade unions developed in the country and Collective bargaining became the rule, the employers found it necessary and convenient to deal with the representatives of workmen, instead of individual workmen, not only for the making or modification of contracts but in the matter of taking disciplinary action against one or more workmen and as regards of other disputes."

In *Bharat Iron Works v. Bhagubhai Balubhai Patel* 5, it was held that "Collective bargaining, being the order of the day in the democratic, social welfare State, legitimate trade union activities, which must shun all kinds of physical threats, coercion or violence, must march with a spirit of tolerance,

understanding and grace in dealings on the part of the employer. Such activities can flow in healthy channel only on mutual cooperation between the employer and the employees and cannot be considered as irksome by the management in the best interests of its business. Dialogue with representatives of a union help striking a delicate balance in adjustments and settlement of various contentious claims and issues."

These definitions only bring out the basic element in the concept i.e., civilized confrontation between employers and employees and the whole process is regulated by statutory provisions.

Outsiders in the Process of Collective bargaining:-

The Trade Unions Act, 1926, permits outsiders to be the office bearers of a union to the extent of half the total number of office bearers. So, it permits one to be the leader of the union who does not actually work in the industry. Sometimes a dismissed employee working as a union leader may create difficulties in the relationship between the union and the employer. Nevertheless, experience shows that outsiders who have little knowledge of the background of labour problems, history of labour movement, fundamentals of trade unionism and the technique of the industry and with even little general education assume the charge of labour union and become the self-appointed custodian of the welfare of workers. The employers, therefore, have been reluctant to discuss and negotiate industrial matters with outsiders, who have no personal or direct knowledge of day to day affairs of the industry.

Accordingly employees refuse recognition to the unions which are either controlled by the politicians or affiliated to a particular political party or controlled by a particular individual. Government cannot morally compel employers to accord recognition to unions without driving out the politicians from them. The State must outright ban "outsiders" from the trade union body. Further, provision for political funds by trade unions should be eliminated, since it invariably encourages the politicians to prey upon them. The National Commission on Labor has overlooked this aspect. The Commission does not favour a legal ban on non-employees for holding the union office. It says that without creating conditions for building up the internal leadership, a complete banning of outsiders would only make unions weaker. The Commission hopes that internal leadership would develop through their education and training. Accordingly the Commission suggests proportion of the outsiders and the workers in a union executive. On realising the problems of outsiders in the Union, the Industrial Relations Bill, 1988 proposes to reduce the number of outsiders to two only.

13.9   Summary

Collective bargaining is the process of negotiation between the management and the worker representatives for resolving differences related to wages, bonus and other benefits. The process of collective bargaining includes three steps – preparation for negotiation, negotiation and contract administration. For the success of collective bargaining there should be a single union, or in case of multiple unions, a common agreement among them. The culture of the organization should foster the right spirit for collective bargaining to be successful. The role of third party should be minimized and agreements should be based on bipartite bargaining. All the parties should aim at a win-win situation and not a win-lose situation

13.10   Key Words

- **Collective Bargaining:** A method of mutually determining wages, hours and terms and conditions of employment through negotiations between representatives of the employer and the union. The results of the bargaining are set forth in a collective bargaining agreement. Collective bargaining determines the conditions of employment for all employees holding jobs in a bargaining unit.

- **Arbitration :** A procedure involving an impartial third party to whom disputing parties submit their differences for decision, usually in accordance with a formal, written procedure. In a collective

bargaining context, the procedure for selection of an arbitrator is generally written into the collective bargaining agreement.

- **Collective Bargaining Agreement (Contract, Labor Contract):** A written agreement or contract arrived at as the result of negotiations between an employer and a union. It usually contains provisions on conditions of employment and the procedures to be used in setting disputes during the term of the contract. It is referred to as a memorandum of understanding (MOU) when the agreement is between a union and a public employer.

- **Confidential Employee:** An employee whose job requires him/her to develop or present management positions on labor relations and/or collective bargaining, or whose duties normally require access to confidential information that contributes significantly to the development of such management positions.

- **Agent:** A person acting for an employer or a union. Acts of the agent implicates the principal for whom the agent acts in matters of unfair labor practices or of conduct subject to court action whether or not specifically authorized or approved.

- **Bargaining Agent :** A labor organization that is the exclusive representative of all employees in a bargaining unit, both union and non-union members.

13.11   Self Assessment Test

1. Why is collective bargaining is important?

2. What are the essential conditions for the successful functioning of collective bargaining?

3. Examine different forms of collective bargaining

4. Discuss collective bargaining of procedure.

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UNIT - 14 : HEALTH, SAFETY AND SOCIAL WELFARE

Unit Structure

14.1 Introduction

Occupational health and safety is a cross-disciplinary area concerned with protecting the safety, health and welfare of people engaged in work or employment. The goal of all occupational health and safety programs is to foster a safe work environment.[1] Secondarily, it may also protect co-workers, family members, employers, customers, suppliers, nearby communities, and other members of the public who are impacted by the workplace environment. It may involve interactions among many subject areas, including occupational medicine, occupational (or industrial) hygiene, health, safety, environmental health, industrial relations, public relation policy, industrial sociology, social law, labour law and occupational health psychology, industrial psychology.

Health and safety of the employees is an important aspect of a company's smooth and successful functioning. It is a decisive factor in organizational effectiveness. It ensures an accident-free industrial environment. Companies must attach the same importance towards achieving high OH&S performance as they do to the other key objectives of their business activities. This is because, proper attention to the safety and welfare of the employees can yield valuable returns to a company by improving employee morale, reducing absenteeism and enhancing productivity, minimizing potential of work-related injuries and illnesses and increasing the quality of manufactured products and/ or rendered services.

Since 1950, the ILO and the WHO have shared a common definition of occupational health. It was adopted by the Joint ILO/WHO Committee on Occupational Health at its first session in 1950 and revised at its twelfth session in 1995. The definition reads: "Occupational health should aim at: the promotion and maintenance of the highest degree of physical, mental and social well-being of workers in all occupations; the prevention amongst workers of departures from health caused by their working conditions; the protection of workers in their employment from risks resulting from factors adverse to health; the placing and maintenance of the worker in an occupational environment adapted to his physiological and psychological capabilities; and, to summarize, the adaptation of work to man and of each man to his job."

Corporate social responsibility is not a new concept in India. However, what is new is the shift in focus from making profits to meeting societal challenges. Now-a-days, employees are actively participating in the social activities even on holidays. This is mainly because employees feel a sense of pride when they are involved in such activities. Moreover, companies are having dedicated departments for CSR.

14.2 Concepts

14.2.1 Hazards, risks, outcomes

- Something that can cause harm if not controlled is **hazard**. Generally describes the direct or indirect degradation, temporary or permanent, of the physical, mental, or social well-being of workers.

- The **outcome** is the harm that results from an uncontrolled hazard eg an acute back or joint injury.

- A combination of the probability that a particular outcome will occur and the severity of the harm involved is known as **risk**. The risk can be expressed numerically (e.g. a 0.5 or 50/50 chance of the outcome occurring during a year), in relative terms (e.g. "high/medium/low"), or with a multi-dimensional classification scheme (e.g. situation-specific risks).

14.2.2 Hazard Assessment

Hazard analysis or hazard assessment is a process in which individual hazards of the workplace are identified, assessed and controlled/eliminated as close to source (location of the hazard) as reasonable and possible. As technology, resources, social expectation or regulatory requirements change, hazard analysis focuses and controls more closely toward the source of the hazard. Thus hazard control is a dynamic program of prevention. Hazard-based programs also have the advantage of not assigning or impling there are "acceptable risks" in the workplace. A hazard-based program may not be able to eliminate all risks, but neither does it accept "satisfactory" — but still risky—outcomes. And as those who calculate and manage the risk are usually managers while those exposed to the risks are a different group, workers, a hazard-based approach can by-pass conflict inherent in a risk-based approach.

14.2.3 Risk Assessment

Modern occupational safety and health legislation usually demand that a risk should be properly assessed o making an intervention. It should be kept in mind that risk management requires risk to be managed to a level which is as low as is reasonably practical.

This assessment should:
- Identify the hazards
- Identify all affected by the hazard and how
- Evaluate the risk
- Identify and prioritize appropriate control measures

The calculation of risk is based on the likelihood of the harm being realized and the consequences. This can be expressed mathematically by assigning low, medium and high likelihood and severity with integers and multiplying them to obtain a risk factor, or qualitatively as a description of the circumstances by which the harm could arise.

The assessment should be recorded and reviewed periodically whenever there is a significant change of work practices. The assessment should include practical recommendations to control the risk. Once recommended controls are implemented, the risk should be re-calculated to determine of it has been lowered to an acceptable level. Generally speaking, newly introduced controls should lower risk by one level, i.e, from high to medium or from medium to low.

- **Mechanical hazards** include: Collisions ,Falls from height ,Struck by objects ,Confined space ,Slips and trips ,Falling on a pointed object ,Compressed air/high pressure fluids (such as cutting fluid) ,Entanglement ,Equipment-related injury ,Crushing ,Cutting ,Friction and abrasion ,Shearing ,Stabbing and puncture

- **Physical hazards includes**: Noise ,Vibration ,Lighting ,radiation ,Cold stress ,Heat stress ,Dehydration (due to sweating)

- **Biological hazards** include: Bacteria ,Virus ,Fungi ,Mold ,Blood-borne pathogens ,Tuberculosis

- **Chemical hazards** eg. Bhopal Gas case

- **Psychosocial issues** include Work-related stress, whose causal factors include excessive working time and overwork ,Violence from outside the organisation ,Bullying, which may include emotional, verbal, and sexual harassment ,Mobbing ,Burnout ,Exposure to unhealthy elements during meetings with business associates, e.g. tobacco, uncontrolled alcohol

14.3 OHS Information Sources

Information required for legal compliance and to monitor and evaluate the effectiveness of the management of OHS include:

• hazard and incident reports together with details of corrective actions; • first aid records; • injury and illness reports; • workers' compensation claims records and other compensation details; • investigation reports; • trends in absenteeism or sick leave records; • workplace inspections; • records of environmental monitoring; • health surveillance and exposure records; • maintenance records; • minutes of meetings including management meetings, staff and • workgroup meetings and OHS committee meetings; • Job Safety Analyses (JSA) and risk assessments; • reports and audits; • enforcement notices and actions; • collated information such as trend analyses of incident and • injury reports; • Material Safety Data Sheets (MSDS) and hazardous • substances/chemical registers; • documentation related to registered plant; • performance appraisal records; • training records; and • information related to performance measures for the OHS • management process.

14.4 Reasons For Occupational Health And Safety

The reasons for establishing good occupational health and safety standards are frequently identified as:

- An employee should not have to risk himself or others associated with the work environment.

- Poor occupational health and safety performance results in cost to the State (e.g. through payments to the incapacitated, costs for medical treatment, and the loss of the competency of the worker). Employing organizations also sustain costs in the event of an incident at work (such as legal fees, fines, compensatory damages, investigation time, lost production, lost goodwill from the workforce, from customers and from the wider community).

- It is accepted that without the extra "encouragement" of potential regulatory action or litigation, many organizations would not act upon their implied moral obligations.

- Understanding and relating to systems, policies and rules

- Holding checks and having control methods for possible hazardous exposures

- Mathematical and statistical analysis

- Examining manufacturing hazards

- Planning safe work practices for systems, facilities, and equipment

Occupational health and safety officers promote health and safety procedures in an organization. They recognize hazards and measure health and safety risks, set suitable safety controls in place, and give recommendations on avoiding accidents to management and employees in an organization.

14.5 Indian Legislation For Implementation of OHS

The Constitution of India has also specified provisions for ensuring occupational health and safety for workers in the form of three Articles i.e. 24, 39(e and f) and 42. The regulation of labour and safety in mines and oil fields is under the Union list. While the welfare of labour including conditions of work, provident funds, employers' invalidity and old age pension and maternity benefit are in the Concurrent list.

The **Ministry of Labour**, Government of India and Labour Departments of the States and Union Territories are responsible for safety and health of workers. **Directorate General of Mines Safety (DGMS)** and **Directorate General Factory Advice Services & Labour Institutes (DGFASLI)** assist the Ministry in technical aspects of occupational safety and health in mines and factories & ports sectors, respectively.

DGMS exercises preventive as well as educational influence over the mining industry. Its mission is the reduction in risks of occupational diseases and casualty to persons employed in mines, by drafting appropriate legislation and setting standards and through a variety of promotional initiatives and awareness programmes. It undertakes inspection of mines, investigation of all fatal accidents, grant of statutory permission, exemptions and relaxations in respect of various mining operation, approval of mines safety equipment, appliances and material, conduct examinations for grant of statutory competency certificate, safety promotional incentives including organization of national awards and national safety conference, etc.

DGFASLI is an attached office to the Ministry of Labour and relates to factories and ports/docks. It renders technical advice to the States/Union Territories in regard to administration and enforcement of the Factories Act. It also undertakes support research facilities and carries out promotional activities through education and training in matters concerning occupational safety and health.

Major Initiatives undertaken by DGFASLI during the Xth Five Year Plan are:-
- Improvement and strengthening of enforcement system for safety and health of dock workers in major ports.
- Development of safety and health information system and data bank.
- Establishment of Regional Labour Institute at Faridabad.
- Setting up of a National Board on occupational safety and health.

14.5.1 Legislations

The statutes relating to OH&S are broadly divided into three:-
- Statutes for safety at workplaces
- Statutes for safety of substances
- Statutes for safety of activities

At present, safety and health statutes for regulating OH&S of persons at work exist only in four sectors:-
- Mining
- Factories
- Ports
- Construction

The Factories Act, 1948

- It regulates health, safety, welfare and other working conditions of workers in factories.

- It is enforced by the State Governments through their factory inspectorates. The Directorate General Factory Advice Service & Labour Institutes (DGFASLI) co-ordinates matters concerning safety, health and welfare of workers in the factories with the State Governments.

- DGFASLI conducts training, studies and surveys on various aspects relating to safety and health of workers through the Central Labour Institute in Mumbai and three other Regional Labour Institutes located at Kolkata, Chennai and Kanpur.

Mines Act, 1952

- It contains provisions for measures relating to the health, safety and welfare of workers in the coal, metalliferous and oil mines.

- The Mines Act, 1952, prescribed duties of the owner (defined as the proprietor, lessee or an agent) to manage mines and mining operation and the health and safety in mines. It also prescribes the number of working hours in mines, the minimum wage rates, and other related matters.

- Directorate General of Mines Safety conducts inspections and inquiries, issues competency tests for the purpose of appointment to various posts in the mines, organises seminars/conferences on various aspects of safety of workers.

- Courts of Inquiry are set up by the Central Government to investigate into the accidents, which result in the death of 10 or above miners. Both penal and pecuniary punishments are prescribed for contravention of obligation and duties under the Act.

Dock Workers (Safety, Health & Welfare) Act, 1986

- It contains provisions for the health, safety and welfare of workers working in ports/docks.

- It is administered by Director General Factory Advice Service and Labour Institutes, Directorate General FASLI as the Chief Inspector there are inspectorates of dock safety at 10 major ports in India viz. Kolkata, Mumbai, Chennai, Visakhapatnam, Paradip, Kandla, Mormugao, Tuticorin, Cochin and New Mangalore

- overall emphasis in the activities of the inspectorates is to contain the accident rates and the number of accidents at the ports.

Employees' Provident Fund and Miscellaneous Provisions Act, 1952

- Benefits available to the workers include the provident fund, employees deposit linked insurance and the pension to the workers and their families

- applicable to 180 industries/classes of establishments employing 20 or more workers

- wage ceiling for coverage is Rs. 6,500 per month

- 24.53 million workers are covered under the Act

- these are administered by the Employees Provident Fund Organisation under the overall supervision and direction of the Central Board of Trustees and Committees

- Central Provident Fund Commissioner (CPFC) is the Chief Executive Officer of the Organisation

Employees' State Insurance Act, 1948

- provides for health care and cash benefits in cases of sickness, maternity and employment injury

- health and medical care facilities are provided to the workers through a network of 140 hospitals, 43 annexes and 1443 dispensaries located throughout the country

- Jointly administered by the Central Government and the State Governments

- while the Central Govt formulates the Scheme, recovers the contribution from employers of covered establishments with the help of its Recovery Officers, builds the infrastructure (hospitals, dispensaries etc.), provides 7/8th of the total expenses, the State Government contributes 1/8th, posts Medical Officers, specialists and paramedical staff, procures and instals equipments, dispenses medicines and has the overall responsibility for the management of the hospitals/dispensaries

- Director General (DG), ESIC is the Chief Executive Officer of the Corporation and functions under the overall Supervision and control of the Board and Committees/Councils formed thereunder

Workmen's Compensation Act, 1923

- provides for compensation to workmen or their survivors in cases of industrial accidents and occupational diseases, resulting in disablement or death

- compensation in case of death ranges from Rs. 50,000 to Rs. 4.56 lakh and in the case of permanent total disablement from Rs. 60,000 to Rs. 5.48 lakh.

Maternity Benefit Act, 1961

- Regulates employment of women before and after child birth and provides for 12 weeks maternity leave, medical bonus and certain other benefits

- The Act is not applicable to the employees covered under the ESI Act, 1948.

Other legislations and the rules framed there under:-
- Plantation Labour Act, 1951
- Explosives Act, 1884
- Petroleum Act, 1934
- Insecticide Act, 1968
- Indian Electricity Act, 1910
- Indian Boilers Act, 1923
- Indian Atomic Energy Act, 1962
- Building and Other Construction Workers (Regulation of Employment and Conditions of Service) Act, 1996
- Be**edi and Cigar Workers' (Conditions of Employment) Act, 1966** .

15.6.2 National Safety Council of India (NSCI)

The **National Safety Council of India (NSCI)** was set up to promote safety consciousness among workers to prevent accidents, minimize dangers and mitigate human suffering, arrange programmes, lectures and conferences on safety, conduct educational campaigns to arouse consciousness among employers and workers and collect educational and information data, etc. It has launched new initiatives in three sectors:-
- Road Transportation Safety
- Safety of Health in Construction Sector
- Safety, Health and Environment in Small and Medium Scale Enterprises(SMEs)

At the international level, NSCI has developed close collaboration with International Labour Organisation (ILO); United Nations Environment Programmes (UNEP); World Bank ; Asian Disaster Preparedness Centre (ADPC),Bangkok; World Environment Centre (WEC), New York; and the member organizations of Asia Pacific Occupational Safety and Health Organisation (APOSHO) of which NSCI is a founder-member.

The **National APELL (Awareness and Preparedness for Emergencies at Local Level) Centre (NAC)** has been established since April 2002 in the NSCI Headquarters under the MoU with the Division of Technology, Industry & Economics (DTIE) of UNEP, Paris. It is the first APELL Centre in the world. It has the technical support and information from UNEP and other international sources and the Ministry of Environment & Forests, Government of India and the stakeholders. It is dedicated primarily to strengthen chemical emergency preparedness and response in India through the use of the internationally accepted APELL process.

14.5.3 Policy

Announcement of **the National Policy On Safety, Health And Environment At Work Place** was also a step towards improvement in safety, health and environment at workplace performance.

Objectives of the policy were:-

- Continuous reduction in incidence of work related injuries, fatalities, diseases, disaster and loss of national assets.

- Continuous reduction in the cost of work place injuries and diseases.

- Extend coverage of work related injuries, fatalities, and diseases for a more comprehensive data base as a means of better performance and monitoring.

- Continuous enhancement of community awareness regarding safety, health and environment at workplace related areas.

14.5.4 Awards

In order to encourage occupational health and safety, certain awards have also been instituted by the Government:-

- The **National Safety Awards for factories and docks**, were instituted in 1965, to give recognition to good safety performance on the part of the industrial undertakings and to stimulate and maintain the interest of both management and workers in accident prevention programmes.

- The **National Safety Awards for mines** were instituted in 1983, to give recognition to outstanding safety performances of mines of national-level which comes within the purview of the Mines Act, 1952.

- The Shram Vir Awards, now known as **Vishwakarma Rashtriya Puraskar** were instituted in 1965. These are meant for workers of factories, mines, plantations and docks and are given to them in recognition of their meritorious performance, which leads to high productivity or economy or higher efficiency.

14.5.5 India and International Labour Organisation (ILO)

India is a founder member of **International Labour Organization**. The principal means of action in ILO is the setting up the 'International Labour Standards' in the form of Conventions and Recommendations. Conventions are international treaties and are the instruments which create legally binding obligations on the countries ratifying them. Recommendations are non-binding guidelines which orient national policies and actions. ILO has so far adopted 182 conventions and 190 recommendations, encompassing subjects such as worker's fundamental rights, worker's protection, social security, labour welfare, occupational safety and health, women and child labour, migrant labour, indigenous and tribal population, etc

The approach of India with regard to International Labour Standards has always been positive. India has accordingly evolved legislative and administrative measures for protection and advancement of the interests of labour in India. The practice followed by India so far has been that a Convention is ratified only when the national laws and practices are in conformity the provisions of the Convention in question. India has so far ratified 41 ILO Conventions. The unratified Conventions of the ILO are also reviewed at appropriate intervals in relation to our National laws and practices.

14.6 Corporate Social Responsibility

Giving a universal definition of Corporate Social Responsibility is bit difficult as there is no common definition. However, there are few common threads that connect all the perspectives of CSR with each other; the dedication to serve the society being most important of them. Most ideal definition of Corporate

Social Responsibility (CSR) has been given by World Business Council for Sustained Development which says, "Corporate Social Responsibility is the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large".

Thus, the meaning of CSR is two fold. On one hand, it exhibits the ethical behavior that an organization exhibits towards its internal and external stakeholders (customers as well as employees). On the other hand, it denotes the responsibility of an organization towards the environment and society in which it operates.

14.7 Why Corporate Social Responsibility/ Welfare Activities?

Firms can no longer continue to exploit environmental resources and escape from their responsibility by acting as separate entities regardless of the interest of the society. Organizations, now, are realizing the need to shift their focus on the interest of society. The sense of being socially responsible has to come from within. CSR involves various voluntary efforts in which companies engage themselves in order to give something back to the society. It involves providing innovative solutions to societal and environmental challenges. Organizations generally believe that acting in a socially responsible manner will create value for them. The fact that an organization is committed to social causes, gives employees a sense that the company would also be committed to the welfare of its employees as well.

Corporate social responsibility (CSR) promotes a vision of business accountability to a wide range of stakeholders, besides shareholders and investors. Key areas of concern are environmental protection and the wellbeing of employees, the community and civil society in general, both now and in the future.

The concept of CSR is underpinned by the idea that corporations can no longer act as isolated economic entities operating in detachment from broader society. Traditional views about competitiveness, survival and profitability are being swept away.

Some of the drivers pushing business towards CSR include:

1. The shrinking role of government

In the past, governments have relied on legislation and regulation to deliver social and environmental objectives in the business sector. Shrinking government resources, coupled with a distrust of regulations, has led to the exploration of voluntary and non-regulatory initiatives instead.

2. Demands for greater disclosure

There is a growing demand for corporate disclosure from stakeholders, including customers, suppliers, employees, communities, investors, and activist organizations.

3. Increased customer interest

There is evidence that the ethical conduct of companies exerts a growing influence on the purchasing decisions of customers. In a recent survey by Environics International, more than one in five consumers reported having either rewarded or punished companies based on their perceived social performance.

4. Growing investor pressure

Investors are changing the way they asses companies' performance, and are making decisions based on criteria that include ethical concerns. The Social Investment Forum reports that in the US in 1999, there was more than $2 trillion worth of assets invested in portfolios that used screens linked to the environment and social responsibility. A separate survey by Environics International revealed that more than a quarter of share-owning Americans took into account ethical considerations when buying and selling stocks. (More on socially responsible investment can be found in the 'Banking and investment' section of the site.)

5. Competitive labour markets

Employees are increasingly looking beyond paychecks and benefits, and seeking out employers whose philosophies and operating practices match their own principles. In order to hire and retain skilled employees, companies are being forced to improve working conditions.

6. Supplier relations

As stakeholders are becoming increasingly interested in business affairs, many companies are taking steps to ensure that their partners conduct themselves in a socially responsible manner. Some are introducing codes of conduct for their suppliers, to ensure that other companies' policies or practices do not tarnish their reputation.

14.8 Benefits of Social Welfare Activites

1. Company benefits:
* Improved financial performance;
* Lower operating costs;
* Enhanced brand image and reputation;
* Increased sales and customer loyalty;
* Greater productivity and quality;
* More ability to attract and retain employees;
* Reduced regulatory oversight;
* Access to capital;
* Workforce diversity;
* Product safety and decreased liability.

2. Benefits to the community and the general public:
* Charitable contributions;
* Employee volunteer programmes;
* Corporate involvement in community education, employment and homelessness programmes;
* Product safety and quality.

3. Environmental benefits:
* Greater material recyclability;
* Better product durability and functionality;
* Greater use of renewable resources;
* Integration of environmental management tools into business plans, including life-cycle assessment and costing, environmental management standards, and eco-labelling.

14.9 Corporate Social Welfare

Nevertheless, many companies continue to overlook CSR in the supply chain - for example by importing and retailing timber that has been illegally harvested. While governments can impose embargos and penalties on offending companies, the organizations themselves can make a commitment to sustainability by being more discerning in their choice of suppliers. The concept of corporate social responsibility is now firmly rooted on the global business agenda. But in order to move from theory to concrete action, many obstacles need to be overcome.

A key challenge facing business is the need for more reliable indicators of progress in the field of CSR, along with the dissemination of CSR strategies. Transparency and dialogue can help to make a business appear more trustworthy, and push up the standards of other organizations at the same time.

The Global Reporting Initiative is an international, multi-stakeholder effort to create a common framework for voluntary reporting of the economic, environmental, and social impact of organization-level activity. Its mission is to improve the comparability and credibility of sustainability reporting worldwide.

There is increased recognition of the importance of public-private partnerships in CSR. Private enterprise are beginning to reach out to other members of civil society such as non-governmental organizations, the United Nations, and national and regional governments. An example of such a partnership is the 'Global Compact'. Launched in 1999 by the United Nations, the Global Compact is a coalition of large businesses, trade unions and environmental and human rights groups, brought together to share a dialogue on corporate social responsibility. The 'Working with NGOs' section offers some insights into the way businesses and lobby groups are working together to mutual benefit.

Management training plays an important role in implementation of CSR strategies, and there is a growing number of conferences and courses available on the subject.

In India, CSR has evolved to encompass employees, customers, stakeholders and sustainable development or corporate citizenship. The spectrum of CSR includes a number of areas as human rights, safety at work, consumer protection, climate protection and caring for the environment, and sustainable management of natural resources. From the perspective of employees, CSR activities include providing health and safety measures, preserving employee rights and discouraging discrimination at workplace. This helps in fostering a healthy environment within the company. For example, after 1945, TATA implemented social welfare provisions for its employees that have since become the legislative norm. From the perspectives of customers, CRS activities may include commitment to product quality, fair pricing policies, and so.

CSR taken up by various genres of companies primarily focuses on poverty alleviation, environmental protection and sustained development. Companies are taking initiatives for developing infrastructure in rural areas, e.g., TATA Motors provides desks, benches, chairs, tables cupboards, electrical fittings and educational and sports material to various primary schools in Singur. The company has also planned similar programmes to upgrade school infrastructure and is also planning to set up a computer laboratory in one of the high schools. Similarly, TVS Electronics was involved in CSR during the Tsunami to provide relief measures to the victims. They have also participated with the government to improve sanitation in a village called Tiruvidenthai. Such initiatives will help in improving the conditions of rural people. Satyam Foundation of Satyam Computer Services Ltd., Infosys Foundation of Infosys Technologies Ltd., GE Foundation of the General Electric Company are exemplary instances of the philanthropic commitment of the corporate sector in India. Irrespective of the profits they make, these foundations are aiming at uplifting of the poor and enhancing the standard of life in the rural sector.

Corporate social responsibility offers manifold benefits both internally and externally to the companies involved in various projects. Externally, it creates a positive image amongst the people for its company and earns a special respect amongst its peers. It creates short term employment opportunities by taking various projects like construction of parks, schools, etc. Working with keeping in view the interests of local community brings a wide range of business benefits. For example, for many businesses, local customers are an important source of sales. By improving the reputation, one may find it easier to recruit employees and retain them. Businesses have a wider impact on the environment also. Plantation and cultivation activities taken up by Intel India are a step towards the same. Recycling used products also acts as a step towards minimizing wastes.

Internally, it cultivates a sense of loyalty and trust amongst the employees in the organizational ethics. It improves operational efficiency of the company and is often accompanied by increases in quality and productivity. More importantly, it serves as a soothing diversion from the routine workplace practices and gives a feeling of satisfaction and a meaning to their lives. Employees feel more motivated and thus, are more productive. Apart from this, CSR helps ensure that the organization comply with regulatory requirements.

NOKIA - CSR ACTIVITIES

Nokia with its mission to 'connect people' is the world leader in mobile communications. The company is deeply concerned about ethical business practices and believes that personal and organisational integrity is essential to long term relationships- whether with customers, employees or stakeholders. The organization is committed to development initiatives and is supporting numerous projects in partnership with several community and charitable organisations worldwide. The focus of its community initiatives are centered on education, corporate giving and disaster relief.

Keeping in line with their international programme of employee volunteering called 'Helping Hands', Nokia India is involved with an NGO working with children with disabilities in Delhi. Nokia's employees provide support to the NGO in terms of help and training in accounts, human resources, IT, working with children and other activities. Environment is another issue that is high on the agenda of the company. The packaging of all their phones are made from recycled paper. Clear instructions are also provided for correct disposal of used batteries with every handset.

Nokia is also set to launch its volunteering programme involving all its employees.

A market leader in the cellular industry in Asia Pacific, Nokia provides innovative, industry- leading and market relevant technology and products to around 20 diverse markets in the region.

Backed by its experience, innovation, user-friendliness and reliable solutions, the company has become the leading supplier of mobile phones and a major supplier of broadband and IP networks. By adding mobility to the internet, Nokia creates new opportunities for companies and further enriches the daily lives of the people. Nokia is a broadly held company with listings on six major exchanges.

PHILIPS INDIA - CSR ACTIVITIES

Sustainability : In keeping with our philosophy of continuous improvement, we are working to strengthen our performance against the triple bottom line. Our efforts are wide-ranging, from improving our process of reporting on our sustainability performance to stakeholder dialogue to supplier management to diversity and inclusion to EcoVision.

Sustainable development is a necessity and the right thing to do. It's also our way of doing business - an investment that creates value and secures our future.

Rural health care : Philips India is committed to the community in which it lives, works and serves. We firmly believe in making a lasting, positive contribution to the people around us. Villages in rural India desperately need preventive health, education and knowledge-based care. To meet these needs, Philips is stepping out as part of its Corporate Social Responsibility, to bring healthcare to those in rural India who need it most.

In association with the Trust for Reaching the Unreached (TRU), Philips introduces Arogya Kiran - a project designed to provide quality healthcare to people in rural India.

14.10 Case Study: Associated Cement Company- CSR Activities

Today we define Corporate Social Responsibility as the way a company balances its economic, social and environmental objectives while addressing stakeholder expectations and enhancing shareholder value.

But ACC has undertaken social volunteering practices almost from its inception, – long before the term corporate social responsibility was coined. The company's earliest initiatives in community development date back to the 1940's in a village on the outskirts of Mumbai while the first formal Village Welfare Scheme was launched in 1952. The community living around many of our factories comprises the weakest sections of rural and tribal India with no access to basic amenities.

Corporate Social Responsibility Policy

"The Company shall continue to have among its objectives the promotion and growth of the national economy through increased productivity, effective utilization of material and manpower resources and continued application of modern scientific and managerial techniques, in keeping with the national aspiration; and the Company shall continue to be mindful of its social and moral responsibilities to consumers, employees, shareholders, society and the local community.

In pursuance of the above objective, ACC acknowledges the importance of the concept of inter-dependence of all sections of society. In particular, its focus revolves around the community residing in the immediate vicinity of its Cement Plants and Mines where it seeks to actively assist in improving the quality of life and making this community self-reliant. In line with its abiding concern for preservation of the ecological balance and safeguarding the health of the community, ACC has always actively demonstrated its firm resolve to protect the environment

Mindful of its great tradition, ACC is deeply committed to enhancing its reputation and respect built over the years in industry and society for its professional style of management based on philosophy of the best in business ethics."

Community & Rural Welfare

Our community development activities revolve around the under-privileged community that lives in the immediate vicinity of our cement plants and is thus more dependent on us. The range of our activities begins with extending educational and medical facilities and goes on to cover vocational guidance and supporting employment-oriented and income-generation projects like agriculture, animal husbandry, cottage industries by developing local skills, using local raw materials and helping create marketing outlets.

At all our cement factories we share our amenities and facilities with members of the local community. This includes sharing education and medical facilities, sports and recreation. Wherever possible we share access to Bore Wells, drinking water and the usage of colony roads.

Education

Education is imparted not only to children of ACC employees but also more importantly to children from rural areas who do not have access to any medium of information or education. ACC schools maintain high standards and are open to other children of the vicinity. Often these schools are the most preferred centers of learning in the district and adjoining areas. Wherever possible, ACC provides funds and infrastructure to help set up local schools, colleges and centers for learning and education.

Healthcare

ACC takes pride in providing various forms of medical assistance to the families of our employees

and also to all those living in surrounding villages. Each factory has a medical center with full-fledged doctors and the latest of basic equipment. Mobile medical services are provided in the vicinity and regular medical camps are held to eradicate diseases, offer medical help, treatment and preventive care.

ACC has come out to provide support to state and national health initiatives such as the eradication of malaria, dengue fever and the dreaded HIV.

HIV/AIDS - Workplace Policy

ACC is desirous of playing a meaningful role in the nationwide effort to eradicate HIV/AIDS and has pledged to support the Confederation of Indian Industry in their initiative. ACC recognizes that a fundamental step in this respect involves a clear statement of the company's internal policy to deal with employees affected by HIV/AIDS. CII has framed a Code of Practice for Industry to guarantee and safeguard the rights of employees infected and affected by HIV/AIDS.

We adopt this as ACC's internal workplace policy for HIV/AIDS. The policy states that the company will provide a safe and healthy work environment for employees. The company will educate its employees and the family on prevention, care and counseling of HIV/AIDS.

The company will educate its employees on safe blood donation and transfusion. If an employee has been infected, information about the illness would be kept confidential by the company. Only the immediate superior would be kept advised to prevent any medical eventuality.

A HIV positive employee will be allowed to continue to work in his or her job unless medical conditions interfere with the specific job he or she is doing. On account of health conditions the employee may be shifted to another comfortable position. The employer should ensure that the co–employees cannot or should not shun their HIV positive peer or refuse to work alongside them. In fact, the company will assure his or her comfort level in the work place. The company will, as a policy, not discriminate against any employee infected by HIV/AIDS with regard to promotions, training and any other privileges, applicable to all employees of the organisation.

While the company may ask a person who is being offered a job to undergo general medical tests before the issue of the appointment letter, the test will not cover HIV/AIDS, without an informed consent and pre test counseling of the candidate.

The company will educate its employees and encourage them to participate in voluntary counseling and testing. However, HIV/AIDS tests will not be a part of any annual or regular health check ups, without the employee's informed consent and pre test counseling.

The company will ensure that proper treatment is available to employees infected with HIV/AIDS. The company will assist the employee in meeting the cost of antiretroviral (ARV) drugs within the prescribed limits as fixed by the Company. The arrangements for treatment will be made at hospitals pre-identified by the company and payment will be made directly to the service provider. All other (non-ARV) HIV/AIDS related costs will be covered as per the company's prevailing scheme for Health and Medical treatment.

It is hoped that this policy will help build positive and supportive attitudes towards those infected as well as promote health and safety amongst the employees.

HIV/AIDS treatment - Anti Retroviral Treatment Centres

In close consultation with the Confederation of Indian Industry (CII), the management of ACC decided to step forward to participate in the national effort to eradicate the HIV/AIDS virus that we recognize as being among the country's most important public health issues.

As a first step, we announced a Workplace policy for HIV/AIDS that protects the fundamental human rights of employees who may unfortunately become affected by HIV/AIDS, while also ensuring that these affected persons get proper care and treatment. Next we decided to set up an Anti Retroviral Treatment Centre for HIV/AIDS treatment. We chose to put up this project in Wadi in the state of Karnataka where we have the largest of our cement plants. Karnataka also happens to be a state where the virus is highly prevalent.

The ACC Wadi ART Centre has all the basic physical infrastructure, Laboratory facilities and trained medical and support personnel. It is housed in a new building constructed by us on an independent piece of land outside our plant and colony. The building has an area of over 2500 square feet and comprises a large reception area with adequate seating, consulting rooms for the doctors, rooms for social workers and counselors, laboratory, pharmacy, pantry and toilets.

The center is fully equipped with new machines and medical equipment as prescribed by NACO ART guidelines. These include a state-of-the art CD4/ CD8 cell counting machine. We believe this is the only center in the district and adjoining districts with such a machine. The ACC Wadi ART Centre has a full complement of medical and support personnel including a doctor, nurse, lab technicians and other staff. The doctor has been trained at Christian Medical College Vellore. The center includes a Voluntary Counseling and Testing Centre (VCTC). We will also be tying up with reputed hospitals in Gulbarga for referaal linkages.

We aim to develop the skill and capability to run this center at Wadi as a world-class facility for the benefit of the public, with the assistance of NACO, CII and prestigious medical institutes such as CMC Vellore.

Disaster Relief

ACC and its employees make timely contribution to help in any national disaster. This is done both at the corporate level, by local units and employees. Apart from the Kargil cause, collective contributions by way of cash, food and clothing has been sent to help victims of calamities such as the Latur earthquake, Himachal Pradesh floods, Orissa cyclone, Gujarat earthquake, Tsunami and floods in Maharashtra.

Gujarat Masons' Training

ACC's contribution to the rebuilding effort after the 2001 earthquake in Gujarat was unique. Anticipating a scarcity of skilled masons and trained supervisors for the reconstruction work - especially in Kutch, Rajkot and Surendranagar districts, the company evolved a scheme to provide construction related training to over 2500 unemployed persons (mostly youth) in earthquake affected villages. Our best civil engineers were deputed to impart training on basic skills needed to work as masons and construction site supervisors and to make earthquake resistant structures, using local materials. This was perhaps the country's first formal training programme of this magnitude for masons and site supervisors, organised by ACC.

Sustainable construction projects

ACC has joined hands with 'Holcim Foundation for sustainable Construction' to encourage sustainable construction projects by seeking partnerships with organizations that work in the area of enabling sustainable improvement of livelihood and habitats. In the first step, we have extended financial support along with Holcim Foundation to what we expect to be the most exemplary sustainable building projects in India – the headquarters building of **Development Alternatives,** a reputed non-government organization in New Delhi. We believe this project is innovative and likely to become a benchmark for large urban workspaces and sustainable building complexes. I am sure it will offer significant learning to students of architecture, civil engineering and town planning. The partnership with Development Alternatives will also help us in establishing solutions for improved rural livelihoods.

Conservation of heritage structures

The services of ACC's Concrete experts have often been utilized in the restoration of several national heritage buildings across the country - such as sections of the Chhatrapati Shivaji Terminus (formerly Victoria Terminus) at Mumbai, the J N Petit and David Sassoon Libraries in Mumbai, churches in Goa, palaces and royal mansions in Mysore and Hyderabad and other old structures in the country.

The historic Vijayraghavgarh fort in Madhya Pradesh was recently restored under ACC's patronage. This is not a core business of the company but an act of corporate volunteering by way of sharing knowledge and expertise.

Global Compact

ACC Limited is a signatory to the United Nations Global Compact. We are committed to the ten principles of the Compact which foster better corporate responsibility in the areas of human rights, labour, environment and anti-corruption. Established in 1936, this company has from its very inception been conscious of its obligations to the community and has always kept in view its social responsibilities. ACC's Vision vividly declares the company's commitment to its corporate social responsibility and sustainable development issues making these an essential part of the business goals for the company. This communication on Progress provides an insight into our recent activities in support of the Global Compact's Objective and our efforts towards continuous improvement. Communication on Progress

Support to national Sport

ACC has had an old and close association with the game of cricket. From the 1950's to the 70's, many cricket legends were employees of ACC during their active cricket careers. This was in the days before cricketers became like the superstars they are today. ACC was then among the few companies which went out of its way to employ young cricketers, including budding young Ranji Trophy hopefuls. ACC joined hands with the Confederation of Indian Industry to sponsor India's National Boxing team at the Athens Olympics in 2004 and the Commonwealth Games. ACC also sponsors and supports other sports at National, regional and local levels such as inter-regional Badminton championships, youth soccer and Rural Sports Meets.

Awards

ACC was the first recipient of ASSOCHAM's first ever National Award for outstanding performance in promoting rural and agricultural development activities in 1976. Decades later, PHD Chamber of Commerce and Industry selected ACC as winner of its Good Corporate Citizen Award for the year 2002. Over the years, there have been many awards and felicitations for achievements in Rural and community development, Safety, Health, Tree plantation, afforestation, Clean mining, Environment awareness and protection. In 2006, we were selected to receive the Good Corporate Citizen Award of the Bombay Chamber of Commerce and Industry.

14.12 Awards & Accolades

Awards have been incorporated by various Socially responsible associations to inhance CSR. Major of them are :

- National Award for outstanding performance in promoting rural and agricultural development – by ASSOCHAM
- Sword of Honour - by British Safety Council, United Kingdom for excellence in safety performance.
- Indira Priyadarshini Vrikshamitra Award — by The Ministry of Environment and Forests for "extraordinary work" carried out in the area of afforestation.
- FICCI Award — for innovative measures for control of pollution, waste management & conservation of mineral resources in mines and plant.

- Subh Karan Sarawagi Environment Award - by The Federation of Indian Mineral Industries for environment protection measures.

- Drona Trophy - By Indian Bureau Of Mines for extra ordinary efforts in protection of Environment and mineral conservation in the large mechanized mines sector.

- Indo German Greentech Environment Excellence Award

- Golden Peacock Environment Management Special Award - for outstanding efforts in Environment Management in the large manufacturing sector.

- Indira Gandhi Memorial National Award - for excellent performance in prevention of pollution and ecological development

- Excellence in Management of Health, Safety and Environment : Certificate of Merit by Indian Chemical Manufacturers Association

- Vishwakarma Rashtriya Puraskar trophy for outstanding performance in safety and mine working

- Good Corporate Citizen Award - by PHD Chamber of Commerce and Industry

- Jamnalal Bajaj Uchit Vyavahar Puraskar - Certificate of Merit by Council for Fair Business Practices

- Greentech Safety Gold and Silver Awards - for outstanding performance in Safety management systems by Greentech Foundation

- FIMI National Award - for valuable contribution in Mining activities from the Federation of Indian Mineral Industry under the Ministry of Coal.

- Rajya Sthariya Paryavaran Puraskar - for outstanding work in Environmental Protection and Environment Performance by the Madhya Pradesh Pollution. Control Board.

- National Award for Fly Ash Utilisation - by Ministry of Power, Ministry of Environment & Forests and Dept of Science & Technology, Govt of India - for manufacture of Portland Pozzolana Cement.

- Good Corporate Citizen Award - by Bombay Chamber of Commerce and Industry for working towards an environmentally sustainable industry while pursuing the objective of creation of a better society.

- National Award for Excellence in Water Management - by the Confederation of Indian Industry (CII)

14.13 Summary

Occupational health and safety has come a long way from its beginnings in the heavy industry sector. It now has an impact on every worker, in every work place, and those charged with managing health and safety are having more and more tasks added to their portfolio. The most significant responsibility is environmental protection. The skills required to manage occupational health and safety are compatible with environmental protection, which is why these responsibilities are so often bolted onto the workplace health and safety professional.

Even though companies are taking serious efforts for the sustained development, some critics still are questioning the concept of CSR. There are people who claim that Corporate Social Responsibility underlies some ulterior motives while others consider it as a myth. Is CSR really a stalking horse for an anti-corporate agenda? The reality is that CSR is not a tactic for brand building; however, it creates an internal brand among its employees. Indulging into activities that help society in one way or the other only adds to the goodwill of a company

14.14 Key Words

- **Occupational health and safety** is a cross-disciplinary area concerned with protecting the safety, health and welfare of people engaged in work or employment

- Something that can cause harm if not controlled is **hazard**.

- The **outcome** is the harm that results from an uncontrolled hazard .

- A combination of the probability that a particular outcome will occur and the severity of the harm involved is known as **risk**

- **Hazard assessment** is a process in which individual hazards of the workplace are identified, assessed and controlled/eliminated as close to source (location of the hazard) as reasonable and possible.

- **Risk Assessment** is the calculation of risk based on the likelihood of the harm being realized and the consequences.

- **Corporate Social Responsibility** is the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large

14.15 Self Assessment Test

1. "Accidents don't just happen, they are caused". Do you agree with this statement? Justify your views with cogent reasons. What measures would you recommend to prevent accidents in an industrial establishment?

2. "Various legislations have imposed upon the employer obligations for providing different kinds of employee services and benefits." Name and explain five such statutory benefits.

3. "Scope of labour welfare needs to he considered pragmatically and has to be both dynamic and elastic." Do you agree? Give reasons.

4. "Various social security legislations in India have provided for financial benefits payable by the employer to his employees without the employees having to make any contribution". Name one such legislation and explain the nature of benefits provided for.

5. "Industrial worker in India is secured against all social risks from birth to death". Do you agree? Give reasons.

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UNIT – 15 : SOCIAL SECURITY

Unit Structure

15.0 Objectives

After studying this unit you should be able to understand:
*   The genesis, concept, purpose and need for social security
*   The structure of social security system in general and India in particular
*   The agencies at different levels involved in extending this facility
*   Different schemes, their beneficiaries and new trends

15.1 Introduction

The concept of social security exists since time immemorial. The oldest institution of social security is the joint family system which took care of the social security needs of all the members. Traditionally family system enabled members and relatives to discharge a sense of shared responsibility towards one another. This is often the best relief for the special needs and care required by the aged and sick members.

However, Industrial revolution worldwide was characterized by demographic changes, modernization and urbanization which affected the quality and number of large family units. The socio-economic changes disturbed the equilibrium of the joint family institution. The rise of new conflicts and tensions was a result of erosion of age old family and fraternal security. The transition from agricultural economy to an industrial economy mandated a renewed social security system. When the individual was unable to take care of his own needs, the need was felt for a formal system of social security to protect the individual and his family. However, information and awareness are the vital factors in widening the coverage of Social Security schemes.

A Social Security System is one whereby the state provides various benefits to those who are unable to provide the same for themselves. As an in-built system, it can be a catalyst in the process of socio-political development and economic growth of any country. The people living under extreme conditions of poverty and deprivation are typically found in remote areas with difficult access to markets and institutions. The majority are uneducated, with poor health, employed in jobs with little security and have an inadequate access to productive assets. Such characteristics make the poor vulnerable to shocks caused by life cycle changes, economic reforms and other types of events like illness or bad weather conditions. The vulnerability of the poor to socio-economic shocks can be reduced by policies that protect their livelihoods, improve their worth as human capital and assist them in times of crises, hence, the need for social security policies arises.

Systems of socio-economic security were introduced in Europe in the late 19th century. The first modern social insurance programme was established in Germany in 1880 by Chancellor Von Bismarck. These were slowly implemented in most countries during the early 20th century and consolidated after the Second World War. These programmes were established as a means of improving the well-being of the poor, to reduce inequality within society and conciliate different social demands, thus avoiding the social and political conflicts, which necessarily arose as capitalist forms of production evolved. *Social Security Programs throughout the World* are the product of a cooperative effort between the Social Security Administration (SSA) and the International Social Security Association (ISSA). Founded in 1927, the ISSA is a nonprofit organization bringing together institutions and administrative bodies from countries throughout the world. The ISSA deals with all forms of compulsory social protection that by legislation or national practice are an integral part of a country's social security system. Two of the most influential examples were the United States' 1935 Social Security Act and the social security programme implemented in the UK, summarized in the 1942 Beveridge Report, which, famously proclaimed the slogan "freedom from fear and want". These programmes established the basis for modern forms of social security, defined by the International Labor Organization (ILO) as "the protection which society provides for its members through a series of public measures against the economic and social distress that otherwise would be caused by the stoppage or substantial reduction of earnings resulting from sickness, maternity, employment injury, invalidity and death; the provision of medical care; and the provision of subsidies for families with children" (ILO, 1984).

Social Security protects not just the subscriber, but also the entire family by giving financial security and health care. Social Security schemes are designed to guarantee at least long-term sustenance to families when the earning member retires, dies or suffers a disability. Thus the main strength of the Social Security system is that it acts as a facilitator - it helps people to plan their own future through insurance and assistance. The success of Social Security schemes however requires the active support and involvement of the different components of an economic system and state machinery.

The introduction of social security programs is difficult in a developing country like India, since the capital and insurance markets are underdeveloped and budget restrictions are high.

Social security policies in developing countries should aim at protection and promotion of both human and physical capital.

In order to guarantee their success, these policies must be combined with sound macroeconomic management policies. While social protection policies would aim at reducing the impact of shocks and strengthening the economic and social capacity of vulnerable groups to respond to shocks, macroeconomic policies would be concerned with preventing the occurrence of shocks by, for example, keeping inflation low, stabilizing interests rates and reducing price fluctuations. The combination of micro and macroeconomic preventive policies would ensure that disadvantaged groups do not suffer further on the distributional scale owing to their inability to respond to shocks.

15.2 Purpose and Contingencies Addressed

The purpose of any social security measure is to give individuals and families the confidence that:
* their level of living and quality of life will not erode by social or economic eventuality;
* provide medical care and income security against the consequences of defined contingencies;
* facilitate the victims physical and vocational rehabilitation;
* prevent or reduce ill health and accidents in the occupations;
* protect against unemployment by maintenance and promotion of job creation, and
* provide benefit for the maintenance of any dependent survivors.

15.3 Social Security System in Indian Constitution

India has adopted the concept of a 'welfare state', where the state plays a key role in the protection and promotion of the economic and social well-being of its citizens. It is based on the principles of equality of opportunity, equitable distribution of wealth, and public responsibility for those unable to avail themselves of the minimal provisions for a good life. Although the Constitution of India is yet to recognize Social Security as a fundamental right, it does require that the State should strive to promote the welfare of the people by extending various benefits of Social Security and Social Assistance to its citizens. The Constitution levies responsibility on the State to provide social security to its citizens. The State discharges duty as an agent of the society to help citizens in adverse situations.

The social security division set up under the Ministry of Labor and Employment focuses on framing policies for workers in the organized sector. Besides, the government has initialized efforts to extend the benefits to the unorganized sector too. The social security legislations in India derive their strength and spirit from the Directive Principles of the State Policy as contained in the Constitution of India and the subjects in the Concurrent List :

Part IV Directive Principles of State Policy

- Article 41 - Right to work, to education & to public assistance in certain cases . The State shall, within the limits of its economic capacity and development, make effective provision for securing the right to work, to education and to public assistance in cases of unemployment, old age, sickness and disablement, and in other cases of undeserved want.

- Article 42 - Provision for just & humane conditions of work and maternity relief. The State shall make provision for securing just and humane conditions of work and for maternity relief.

- Article 47 - requires that the State should raise the level of nutrition and the standard of living of its people and improvement of public health as among its primary duties.

  The obligations cast on the State in the above Articles constitute Social Security.

  The following social security issues are mentioned in the Concurrent List (List III in the Seventh Schedule of the Constitution of India) –

- Item No. 23: Social Security and insurance, employment and unemployment.
- Item No.24: Welfare of Labor including conditions of work, provident funds, employers' liability, workmen's compensation, invalidity and old age pension and maternity benefits.

  Therefore, in the Indian context, Social Security is a comprehensive approach designed to :-

- prevent deprivation
- assure the individual of a basic minimum income for himself and his dependents
- to protect the individual from any uncertainties

The State bears the primary responsibility for developing appropriate system for providing protection and assistance to its workforce. Social Security is increasingly viewed as an integral part of the development process. It helps to create a more positive attitude to the challenge of globalization and the consequent structural and technological changes.

15.4 Sources of Social Security Needs

The International Labor Organization's notion of social security, as expressed in the International Convention No. 102, includes nine core contingencies that lead to stoppage or substantial reduction of earnings.

These are –
- sickness
- maternity
- employment injury
- unemployment
- invalidity
- old age
- death
- the need for long-term medical care
- for supporting families with children

In the Indian context, surveys have revealed the relevance of the following 6 security needs:
- benefits towards old age
- unemployment
- death
- sickness
- employment injury
- maternity benefits

The above stated needs can be understood in the following context :

Need for Health Security

It is described as providing access to healthcare services along with the ability to pay for medical care and medicine when necessary. It ensures low exposure to risk. Such health security should be available and accessible to all citizens without discrimination. . It includes and addresses

- Minor and Major Incidence of Illness – the former can be treated with medication at home and the latter necessitates hospitalization. The latter can be termed as a 'catastrophic' risk i.e. household expenditure incurred on healthcare amounts to more than 5 per cent of the total non-food expenditure.

- Risk of Untreated Morbidity among the Poor – i.e. if the poor lack the resources to pay for healthcare, they often forego it completely or end up indebted & impoverished while trying to pay for it.

- Cost of Treatment - includes direct payment to the hospital and the cost of medicines, investigations and tests.

- Burden of Treatment includes the cost of treatment plus 'the loss of income of the patient and others during the period of illness'. The burden of treatment for an individual or family is defined as the ratio of total cost of illness to the income of the individual or family.

Maternity Needs

India has a high maternal mortality rate (MMR) in comparison to the other developing countries and the Asian region. The MMR was 407 (indicating deaths per 100,000 deliveries) according to the Sample Registration System (SRS) and 540 as per the National Family Health Survey (NFHS). Among poor women facing the additional burden of economic activity in the informal sector where the conditions of work are strenuous, the chances of maternal mortality would be higher, particularly if these women have no access to proper health facilities

Need for Life and Accident Security

An accident is a major crisis for wage workers since it leads to loss of income. It implies additional expenditure of medicines, hospitalisation etc. If the accident leads to partial and/or permanent disability, the financial loss is magnified.

Need for Old Age Security

The proportion of the aged (60+ years) in India is lower in comparison to that of East and South-east Asia. Projections indicate that the current share of 7.47 per cent for the aged is likely to increase to 9.8 per cent by 2021. The important thing from the social security point of view is the need for an institutional mechanism for taking care of the aged informal workers, in general, and the poor, in particular. With the proportion of aged persons expected to increase significantly in the future, their work-related insecurities are also expected to increase due to various reasons : -

- Firstly, adults in poor households face insecurity of work and income. Successive Population Censuses have shown a declining work participation rate (WPR) among the elderly. This may be a positive feature, implying that they are able to retire early. For the informal workers, however, this could be a source of risk, since their earnings during their working lives are unlikely to support their needs in the old age.

- Secondly, in India, the aged generally depend on their children for support. The presence of the aged in poor families adds to the financial burden and further deprivation of the family as a whole.

- Thirdly, the absence of economical public healthcare facilities in adequate numbers and the increasing cost of private healthcare facilities for the aged can be a source of major problem for the household.

Need for Unemployment Security

In 1999-2000, the unemployment rate by daily status was 7.3 per cent and there were 26.6 million unemployed workers in the country. However, a greater proportion of these workers are likely to be urban educated youth. For the informal/unorganised workers, under-employment and low productivity employment with the resultant risk of low incomes and high levels of poverty constitutes a greater source of insecurity. The provision of unemployment allowance to informal workers to help them face certain types of contingencies needs to be considered.

15.5 Nature of Indian Workforce

India is known for its huge geographical spread and magnitude of population. The dimensions and complexities of the problem in India can be better appreciated by taking into consideration the extent of the labor force in the organized and unorganized sectors.

It has a huge working population of 406 million (based on National Sample Survey Organization Survey of 1990-2000). Almost 92% of this workforce is in the unorganized sector. There are numerous occupational groups pursuing economic activities from generation to generation without formal schooling and scattered all over the country with diffused employer-employee relationship.

The characteristic features of employment in Indian context are indicated below:

Distribution of Workforce

TABLE 1

S. No.	According to Occupation (Sector Wise)	% Population Engaged
1	Primary (Agriculture)	62
2	Secondary (Industry)	11
3	Tertiary (Services)	27

TABLE 2

S. No.	Mode of Employment	% Population Engaged
1	Regular Salaried	16
2	Self-Employed	53
3	Casual Wagers	31

As per the 1991 census, total workforce was about 314 million with only 27 million in organized sector. The survey conducted in 2000 estimated the workforce to have increased to about 397 million with only 28 million in the organized sector. Conclusively, there has been a growth of only about one million in the organized sector in comparison the growth of about 55 million in the unorganized sector.

The organized sector comprises of enterprises for which the statistics are available from the budget documents or reports etc. It includes establishments which are covered by the Factories Act, 1948, the Shops and Commercial Establishments Acts of State Governments, the Industrial Employment Standing Orders Act, 1946 etc. This sector has a structure in place for extending social security benefits to the workers.

The unorganized sector includes enterprises unregulated activities and unrecorded data collection. In this sector, unincorporated proprieties or partnership enterprises, enterprises run by cooperative societies, trust, private and limited companies are also covered. The sector is characterized by:
- Scattered and fragmented areas of employment
- Seasonality of employment
- Lack of job security
- Low legislative protection because of their scattered and dispersed nature
- Lack of awareness
- High unemployment levels
- Disparity between required and available training facilities
- Low literacy levels
- Outmoded social customs
- Primitive production technologies
- Feudal production relations

These conditions make it vulnerable to socio-economic hardships. The nature of work in the unorganized sector varies between regions, rural and urban areas, including the remote rural areas and most inhospitable urban concentrations. In the rural areas it comprises of landless agricultural labourers, small and marginal farmers, sharecroppers, persons engaged in animal husbandry, fishing and horticulture, forest workers, bee-keeping, toddy trappers, workers in agro-processing and food processing, artisans such as weavers, blacksmiths, carpenters and goldsmiths.

In the urban areas, it comprises mainly of manual laborers in construction, carpentry, trade, transport, communication and small and tiny manufacturing enterprises, persons who work as garment makers, street vendors, hawkers, head load workers, cobblers, tin smiths, rag pickers among others. According to the international definition accepted by the UN Economic and Social Council (ECOSOC), the term 'informal sector' denotes:

- all private unincorporated enterprises (informal enterprises) or households engaged in the production and sale of goods or services, and

- enterprises with employment size below a pre-determined threshold (SNA, 1993).

The term 'informal workers' includes persons whose employment relationship is, in law or practice, not subject to labor legislation, social protection and certain employment benefits. Combining the two, the International Labor Organization has coined the term 'informal economy' (ILO, 2002).The informal sector can therefore, be considered as a sub-set of the unorganized sector.The Government of India constituted the National Commission for Enterprises in the Unorganized Sector (NCEUS) under Ministry of Small Scale Industries Resolution No. 5(2)/2004-ICC dated 20th September, 2004, under the Chairmanship of Professor Arjun Sengupta. A size criterion in terms of the number of workers, in addition to the ownership criteria is, therefore, found to be appropriate in defining the unorganized/informal sector. Therefore, the Commission has adopted the following definition:

"All unincorporated private enterprises owned by individuals or households engaged in the production and sale of goods and services and operated on a proprietary or a partnership basis and employing less than 10 persons".

The Commission went a step further to take the large number of workers in the agricultural sector in the ambit of the concept of 'enterprise'. The Commission, therefore, believes that in the case of agriculture, each operational holding in crop production, animal husbandry, fishing, etc. needs to be considered as an enterprise for the purpose of applying the definition.

Estimates of Workers in the Organised and Unorganised Sectors (in million, 99-00)

Sl. no.	Category	Rural			Urban			Combined		
		Male	Female	Total	Male	Female	Total	Male	Female	Total
1.	Organised Agriculture	2.96	1.69	4.66	0.11	0.11	0.22	3.07	1.80	4.88
2.	Unorganised Agriculture	137.51	87.09	224.61	4.95	3.24	8.19	142.46	90.34	232.80
3.	Total Agriculture	140.48	88.79	229.26	5.06	3.35	8.41	145.53	92.14	237.67
4.	Organised Non-agriculture	15.91	3.54	19.46	26.86	5.25	32.11	42.77	8.79	51.57
5.	Unorganised Non-agriculture	40.35	11.68	52.03	45.13	10.36	55.49	85.47	22.05	107.52
6.	Total Non-agriculture	56.26	15.23	71.49	71.99	15.61	87.60	128.25	30.84	159.09
7.	Organised Total	18.88	5.24	24.11	26.97	5.36	32.33	45.85	10.60	56.44
8.	Unorganized Total	177.86	98.78	276.64	50.08	13.60	63.68	227.94	112.38	340.32
	Grand Total	196.74	104.02	300.75	77.05	18.96	96.01	273.78	122.98	396.76

Source: Computed from unit level data of NSS 55th Round, 99-00, Employment - Unemployment Survey

The unorganized sector is an enterprise-based concept and does not reflect the characteristics of the jobs or employment relationships. All the casual workers and unpaid family workers in all enterprises, irrespective of the sector, are being considered as unorganized workers. Similarly, self-employed persons in the unorganized sector, private households and other employees not eligible for paid sick/annual leave or other social security benefits offered by the employer, are also being considered as unorganized workers.

Thus the Commission has adopted the following definition of unorganized employment for the purposes of this Report:

"Unorganised Workers are all those who are working in the Unorganised Sector defined earlier and the workers in the formal sector without any employment security and social security provided by the employer".

Estimates of Workers in Formal and Informal Employment (in million)

Sl. no.	Category	Rural			Urban			Combined		
		Male	Female	Total	Male	Female	Total	Male	Female	Total
1.	Total Employment	196.74	104.02	300.75	77.05	18.96	96.01	273.78	122.98	396.76
1.1.	Agriculture	140.48	88.79	229.26	5.06	3.35	8.41	145.53	92.14	237.67
1.2.	Non-agriculture	56.26	15.23	71.49	71.99	15.61	87.60	128.25	30.84	159.09
2.	Organized Employment	10.60	2.04	12.64	18.71	3.33	22.04	29.31	5.37	34.68
2.1.	Agriculture	1.80	0.73	2.53	0.15	0.07	0.22	1.95	0.80	2.75
2.2.	Non-agriculture	8.80	1.31	10.11	18.56	3.25	21.82	27.36	4.57	31.93
3.	**Unorganized Employment**	**186.14**	**101.97**	**288.11**	**58.34**	**15.64**	**73.97**	**244.47**	**117.61**	**362.08**
3.1.	Agriculture	138.68	88.06	226.73	4.91	3.28	8.19	143.58	91.34	234.92
3.2.	Non-agriculture	47.46	13.92	61.38	53.43	12.36	65.78	100.89	26.27	127.18

Source: Computed from unit level data of NSS 55[th] Round, 99-00 Employment-Unemployment Survey

Inter-relationships between Definitions 99-00 (in million)

Sector	Employment Category		
	Formal	Informal	Total
Organised	30.66	25.79	56.45
Unorganised	4.02	336.29	**340.31**
Total	34.68	**362.08**	396.76

Source: Computed from unit level data of NSS 55[th] Round 99-00 Employment-Unemployment Survey

With the opening up of economy the traditional characteristics of Indian labor market has changed dramatically affecting workers of organized and unorganized sectors. Hence, challenge for the State to act as an instrument of delivering social security benefits is Herculean.

15.6 Classification of Social Security Programs

Broadly speaking, four models of social security are currently functioning in the country.
- The Welfare Fund Model
- The Social Assistance Model
- Social Security Scheme Model
- The Mutual Help Model

The schemes inherent in the above models can be further classified on the basis of their focus areas as follows:

Preventive Schemes

Preventive Schemes are aimed at risk prevention. This approach tries to prevent poverty and helps people under below poverty line to come above poverty line. Preventive health care, vaccinations against diseases forms part of the preventive strategies. Majority of the schemes are of social assistance in nature.

Promotional Schemes

These are mainly of means tested social assistance type, aimed at guaranteeing minimum standards of living to weaker groups of population. The State and Central Governments draft schemes financed from the general revenues. These strategies aim at risk mitigation.

Protective Social Security Programmes

In India, the protective social security programmes have been designed to address poverty due to contingencies defined by the ILO. These programmes take care of old-age income needs (Old age pension), survival benefits (Provident Funds), medical need of insured families (Medical Insurance), widow and children/dependant economic needs (Widow/Children/orphan, and dependent pension), maternity benefits, compensation for loss of employment and work injury benefits.

The benefits are extended only to working population majority of whom are in the organized sector through legislations.

15.7 The Indian Social Security System

Government of India has accepted the international commitment by ratifying the Covenant of Social, Economic and Cultural Rights of the United Nations. It, inter alia recognizes the right of everyone to social security including social insurance. India has also ratified some Conventions of the ILO including Workmen's Compensation, (Occupational Diseases) – (No. 18 and revised Convention No. 42 of 1934); Equality of Treatment (Accident Compensation) – No. 19 of 1925; and Equality of Treatment (Social Security) – No. 1 & 8 of 1962.

Most of the social security systems in developed countries are linked to wage employment The key differences in the Indian case are:

i) Absence of a universal social security system.

ii) Lack of employment opportunities is the key concern. The exit rate from the workplace is not higher than the replacement rate as is the case in the developed economies.

iii) 92% of the workforce is in the informal sector which is largely unrecorded and the system of pay roll deduction is difficult to apply.

India is yet to evolve a comprehensive national social security policy for its entire working population. Currently, legally binding social security entitlements are available for a majority of formal workers in the organized sector. Formal social security arrangements in the unorganized sector are confined to a small minority of workers

Since Independence, considerable progress in extension of social security system at State and Central level has been made, but a universal social security programme for the country is still awaited. Improved health care and resultant increase in longevity require more effort to plan for and put in place appropriate institutional mechanisms and programmes to cover a much wider population base.

Social Security To The Workers In The Organized/ Formal Sector:

In the formal/organized sector, social security systems are usually based on contributions from the workers as well as from the employers with or without subsidy from the government

Social Security To The Workers In The Unorganized/ Informal Sector:

The prevalent schemes and mechanisms are quantitatively insufficient for this vast sector. The main problem in extending benefit is limited coverage of both regions (States) as well as segments of workers within regions. As a proportion of the country's vast army of informal workers, they cover only a small share (around 5 to 6 per cent).

In India the coverage gap i.e. workers who do not have access to any formal scheme for old -age income provisioning constitute about 92% of the estimated workforce of 400 million people. It is necessary to devise an appropriate policy measure to help current participants in the labor force build up a minimum retirement income for themselves.

This following classification gives the picture exclusive of various social security schemes run by other ministries for different target groups and the indirect funding through subsidies, PDS, social assistance programs, food-for-work programs, tax concessions etc.

S. No.	Category	Number of People
1	Agricultural sector	180 million
2	Contract, Services, Construction	60 million
3	Trade, Commerce, Transport, Storage & Communications	100 million
4	Others	30 million
	Total	**370 million**

In the initial years of development planning, it was believed that with the process of development, more and more workers would join the organized sector and eventually get covered by formal social security arrangements. However, experience has belied this hope. The opening up of the economy, under the regime of economic reforms, has only excruciated the problem. There is now almost a stagnation of employment in the organized sector with the resultant increase in the inflow of workers into the informal economy.

15.8 Social Security Schemes for Organized Sector

The principal laws enacted in India are the following:

The Employees' State Insurance Act, 1948 (ESI Act)

It covers factories and establishments with 10 or more employees. It provides for comprehensive medical care to the employees and their families including cash benefits during sickness & maternity and monthly payments in case of death or disablement. The Cash benefits are administered by the Central Government through the Employees State Insurance Corporation, whereas the State Governments and Union Territory machineries are administering medical care under the Act. ESI Contribution Rates are :
- Employees : 1.75% of wages
- Employers : 4.75% of wages
- State Govt. : 1/8th share of expenditure

The Workmen's Compensation Act, 1923 (WC Act)

It requires payment of compensation to the workman or his family in cases of employment related injuries resulting in death or disability. The provisions are administered exclusively by the State Governments.

The Maternity Benefit Act, 1961 (M.B. Act)

It provides for 12 weeks wages during maternity and paid leave in certain other related contingencies. In mines and circus industry, the provisions of the Act are administered by the Central Government through the Chief Labor Commissioner (Central) and by the State Governments in factories, plantations and other establishments.

The Payment of Gratuity Act, 1972 (P.G. Act)

It provides 15 days wages for each year of service to employees who have worked for five years or more in establishments having minimum 10 workers. The Act is administered by the Central Government in establishments under its control, establishments having branches in more than one State, major ports, mines, oil fields and the railways and by the State Governments and Union Territory Administrations in all other cases.

The Employees' Provident Funds & Miscellaneous Provisions Act, 1952 (EPF & MP Act)

It applies to specific scheduled factories and establishments employing 20 or more employees, ensuring terminal benefits to provident fund, superannuation pension and family pension in case of death during service. The Act is administered by the Government of India through the Employees' Provident Fund Organization. Separate laws exist for similar benefits for the workers of coal mines & tea plantations as well as seamen.

The act was enriched and widened in scope with amendments;
- 1972 (Payment of Gratuity);
- 976 (Employees' Deposit-Linked Insurance, EDLI);
- 1995 (Employees' Pension Scheme, EPS); and
- 1995 (National Social Assistance Program, NSAP).

EPFO Programs At A Glance

Program Name	Program Type	Financing	Coverage
Employees Provident Fund (EPF)	Mandatory	Employer: 1.67-3.67% Employee:10-12% Government: None	Firms with + 20 employees
Employees Pension Scheme (EPS)	Mandatory	Employer: 8.33% Employee: None Government: 1.16%	Firms with + 20 employees
Employees Deposit Linked Insurance Scheme (EDLI)	Mandatory	Employer: 0.5% Employees: None Government: None	Firms with + 20 employees

Employees Provident Fund (EPF) Mandatory Employer: 1.67-3.67% Employee: 10-12% Government: None Firms with + 20 employees Employees Pension Scheme (EPS) Mandatory Employer: 8.33% Employee: None Government: 1.16% Firms with + 20 employees Employees Deposit Linked Insurance Scheme (EDLI) Mandatory Employer: 0.5% Employees: None Government: None Firms with + 20 employees

EPFO has launched a major project called "Re-Inventing EPF India' to provide world class service to all its clients. As part of this project a unique identity number called Social Security Number (SSN) is allotted to every Provident Fund subscriber. Social Security Number is a unique 14 digit identification number.

The following benefits would accrue to the beneficiaries:

- One unique number for life time including for Pension after retirement.
- 'Any Where Any Time Facility' would be available, after electronic linkage of all offices of EFPO.
- No necessity to transfer Provident fund accumulations every time the employment is changed or shifting to a new place.
- Provident Fund account will be updated every month instead of the present yearly updating.
- When the necessary infrastructure is installed, a person will be able to know Provident Fund balance even over telephone (IVRS), through the internet or through specially set up interactive kiosks.

A Few Examples of Other Retirement Programs Giving Social Security

Program Name	Program Type	Financing	Coverage
Civil Service Pension Scheme	Mandatory	State or Central Government	Civil servants at state & central government level
Government Provident Fund	Mandatory	Employee contributions	Civil servants at state & central government level
Special Provident Funds	Mandatory	Employer & employee contributions	Applies to Workers in particular sectors: Coal, Mines, Tea Plantation, Jammu and Kashmir Seamen, etc.
Public Provident Fund	Voluntary	Contributions	All individuals are eligible to apply
VRS plans	Voluntary	Contributions	Employees as decided by respective establishments
Personal Pension	Voluntary	Purchase of annuity type products	All individuals
State level social assistance	Government sponsored social assistance	State Government	Varies by State & type of Scheme
National Old Age Pension Scheme	Government sponsored social assistance	Central Government	Poor persons above age 65

15.9 Social Security Schemes for Unorganized/Informal Sector

There are several important schemes being run for the benefit of the unorganized sector masses at the following levels:

- The Central Government
- The various State Governments
- Non-governmental Organizations
- Welfare Funds
- Public Initiatives

Some of the important schemes are charted below:

S. No.	Name of Scheme	Sub-Schemes	Details	Agency to Implement
1.	National Social Assistance Programs (1995)	Indira Gandhi National Old Age Pension Scheme (IGNOAPS) National Family Benefit Scheme (NFBS) Annapurna Scheme Indira Gandhi National Widow Pension Scheme (IGNWPS) Indira Gandhi National Disability Pension Scheme (IGNDPS)	Administered by the Ministry of Rural Development. Since 2002-03 transferred to the State Plan. Funds provided as Additional Central Assistance to the States over & above normal allocation for welfare schemes as reflected in the State's budget to ensure a minimum level of expenditure on the welfare schemes. The States have to provide for Mandatory Minimum Provision for these schemes in their respective budgets. It is taken into account while determining the level of Central assistance. The Central assistance depends on the population of the State, poverty ratio, proportion of persons aged 65 years and above, proportion of persons aged 18-64 years, age-specific mortality in the age group of 18-64 years, the crude birth rate, the proportion of first two live births per woman in the total number of births.	States/ UTs
2.	Varishta Pension Bima Yojana (July 14, 2003)		Any citizen above 55 years of age, could pay a lump-sum to get monthly pensions pegged at Rs. 250 and Rs. 2000 per month. These amounts are not indexed to inflation. There is a guaranteed return of 9 % p.a. The difference between the actual yield earned & 9 % will be made up by Central Government. The EPF & MP act is proposed to be amended suitably to allow EPF subscribers to invest in this.	LIC
3.	Social Insurance Scheme	Janashree Bima Yojana	Persons in the age group 18-60 years and living below or marginally above the poverty line. Premium is Rs. 200/- per beneficiary annually of which 50% is given from Social Security Fund and 50% from the beneficiary/state government/nodal agency	LIC

4.	Universal Health Insurance Scheme [UHIS] (2003)		Premium is Rs. 165/- for individuals annually, Rs. 248/- for a family of 5 and Rs. 330/- for a family of 7. For families below the poverty line, the government will provide premium subsidy of Rs. 200/- per individual, Rs. 300/- for a family of 5 and Rs. 400/- for a family of 7. Insurance cover of Rs. 25,000/- on death due to accident and re-imbursement of hospitalization expenses up to Rs. 30,000/- to an individual/family.	Public sector insurance companies
5.	Scheme for Handloom Weavers and Artisans	Thrift Fund Scheme New Insurance Scheme Group Insurance Scheme Work shed-cum-housing, Housing/ Health Package & Group Insurance Scheme Pension Plan Scheme Insurance for power loom weavers	The objective is to extend benefit to master crafts persons unable to work in old age and suffering from occupational hazards. Workers of 18 to 60 years and earning Rs. 700/- per month. The member contributes 8 paisa per rupee of wage earned and the Central and State governments contribute 4 paisa each to the fund. Central Government, State government and the handloom weavers @ Rs. 60/-, Rs. 40/-, and Rs. 20/-, respectively, share the annual premium of Rs. 120/- Temporary advance, partial and final withdrawal benefit available.	Weavers' co-operative societies/ Corporations etc. United India Insurance Company, Office of the Development Commissioner for Handicrafts
6.	Krishi Samajik Suraksha Yojana (July 1, 2001)		Every agricultural worker from 18-50 years. Worker to pay Re. 1/- per day and the contribution of government was Rs. 2/- per day. Benefits included life-cum-accident insurance, the lump sum amount of Rs 4,000/- as money back after the 10th year and to be doubled after every next 10 years till the age of 60 years, pension ranging from Rs. 100/- to Rs. 1900/- per month depending upon the age of entry.	LIC
7.	Umbrella Legislation for the Welfare of Construction Workers	The Building and Other Construction Workers Act (1996) The Building and Other Construction Workers Welfare	It is applicable to every establishment with ten or more workers in any building or construction work, where the project cost is more than Rs. 10 lakh. Contributions from beneficiaries, levy on cess on all construction works at a rate between 1 to 2% of the construction cost incurred by an	State Governments

8.	Welfare Funds	The Beedi workers' Welfare Fund Act, 1976.	These funds mainly provide medical care, education assistance for children, housing, water supply, recreation facilities. 13 major hospitals & more than 300 static-cum-mobile dispensaries cover the target beneficiaries (workers and their families) across country. There are various schemes for re-imbursement of expenses incurred on major surgeries like coronary by-pass, heart surgery, kidney transplant, cancer etc. Maternity benefits are also available. Beedi workers are target beneficiaries and cess is collected from Beedi (Indigenously hand rolled cigarettes) covers 4 million workers.	Ministry of Labor
		The Mica Mines Labor Welfare Fund Act, 1946.	Mica mine workers as beneficiaries and cess collected from mica ore.	
		The Limestone and Dolomite Mines Labor Welfare Fund Act,1972	Limestone and Dolomite mine workers benefited and source of cess is Limestone and Dolomite ore. 100,000 workers are covered.	
		The Iron Ore, Manganese Ore and Chrome Ore Mines Labor Welfare Fund Act,1976.	Iron, Manganese and Chrome mine workers are provided security through cess collected from Iron, Manganese and Chrome Ore.	
		The Cine workers' Welfare Fund Act, 1981.	Cine workers benefited and cess sourced from feature films. It covers approximately 100,000 workers.	
9.	Swarna Jayanti Shahari Rozgar Yojana (SJSRY)		Aim is provide gainful employment to the *urban* unemployed or underemployed poor *by encouraging setting up of self-*employment ventures or provision of wage employment. A centrally sponsored scheme funded on a 75:25 basis between the Centre and the States.	Municipal Board of the Respective state
10.	Employ-ment guarantee under National Rural Employment Guarantee Act, 2005		The Act empowers ordinary people to play an active role in the implementation of employment guarantee schemes. Objective of program is to enhance livelihood security in rural areas by providing at least 100 days of guaranteed wage employment to every household whose adult members volunteer to do unskilled manual work for min wage of Rs. 100/-	Gram Sabha

11.	Unorganiz ed Workers' Social Security Act, 2008		Targets at extending social security measures to unorganized sector workers. The law thereby aims at extending to workers in informal sector status and benefits similar to that of formal sector workers.	
12	Domestic Workers Act, 2008		The legislation aims at regulating payment and working conditions of domestic workers and entitles every registered domestic worker to receive pension, maternity benefits and paid leave that is a paid weekly off.	
13.	Schemes for Elderly and Disabled	An Integrated Program for Older Persons Deendayal Disabled Rehabilitation Scheme	Includes schemes for Old Age Homes, Day Care Centers and Mobile Medicare Units. Assistance provided to for purchase or fitting of Aid's/Appliances. Grant-in-aid provided for rehabilitation of persons with disabilities through projects like Special Schools for Mentally Retarded/Hearing Impaired/Visually Handicapped, Vocational Training Centers etc	Ministry of Social Justice & Empower ment

(Adapted from website of Ministry of Labour, Government of India)

15.10 Summary

Social protection refers to a set of benefits available from the state, market, civil society and households, or through a combination of these agencies, to the individual/households to reduce multi-dimensional deprivation. This multi-dimensional deprivation could be affecting less active poor persons (e.g. the elderly, disabled) and active poor persons (e.g. unemployed). Social security is more applicable in the conditions, where large numbers of citizens depend on the formal economy for their livelihood. Through a defined contribution, this social security may be managed. But, in the context of wide spread informal economy, formal social security arrangements are almost absent for the vast majority of the working population. Besides, in developing countries, the state's capacity to reach the vast majority of the poor people may be limited because of its limited resources. In such a context, multiple agencies that could provide for social protection is important for policy consideration. The framework of social protection is thus capable of holding the state responsible to provide for the poorest sections by regulating non-state agencies. The motivation to do so, in the Indian case, is Directive Principles of State Policy, entrusting the State the responsibility of a Welfare State. This policy is usually applied through various programs designed to provide a population with income at times when they are unable to care for themselves.

15.11 Key Words

- **Underemployment** - A situation in which a worker is employed, but not in the desired capacity, whether in terms of compensation, hours, or level of skill and experience. While not technically unemployed, the underemployed are often competing for available jobs.

- **Rehabilitation** - Restoration of an entity to its normal or near-normal functional capabilities after the occurrence of a disabling event.

- **Vocation** – A term for an occupation to which a person is specially drawn or for which they are suited, trained or qualified.

- **Macroeconomics** – It (from Greek prefix "macr(o)-" meaning "large" + "economics") is a branch of economics that deals with the performance, structure, behavior and decision-making of the entire economy, be that a national, regional, or the global economy

- **Microeconomics -** It (from Greek prefix micro- meaning "small" + "economics") is a branch of economics that studies how the individual parts of the economy, the household and the firms, make decisions to allocate limited resources,[1] typically in markets where goods or services are being bought and sold. Microeconomics examines how these decisions and behaviors affect the supply and demand for goods and services, which determines prices, and how prices, in turn, determine the supply and demand of goods and services.

- **Organized sector** - Those parts of the economy which operate through institutions which feed figures into official statistics. This includes firms organized as companies, payments made via the banking system, incomes reported to the tax authorities, sales reported to the VAT authorities, and employment reported to the National Insurance authorities.

- **Unorganized sector -** Economic activities not conducted through legally incorporated bodies and are not reported to the tax and social security authorities. Such activities range from part-time domestic cleaning, gardening and child-minding to large-scale organized crime and drug-trafficking. While many small-scale activities in the sector are harmless, it frequently involves ignoring health, safety and other legislations and regulations.

- **Welfare state** - A state committed to ensuring for all its citizens at least some minimum standard of living, including housing, education, and medical services.

- **Public Distribution System (PDS)** – Administered by Government, it provides rationed amounts of basic food items and other non food products at below market prices to consumers through a network of Fair Price Shops (FPS) disseminated over the country.

- **Non- Governmental Organization (NGO)** – It is a legally constituted organization created by natural or legal persons that operates independently from any government. In the cases in which NGOs are funded totally or partially by governments, the NGO maintains its non-governmental status by excluding government representatives from membership in the organization.

- **International Labour Organization (ILO) -** It is a specialized agency of the United Nations that deals with labour issues. Its headquarters are in Geneva, Switzerland. Its secretariat — the people who are employed by it throughout the world — is known as the International Labour Office. The organization received the Nobel Peace Prize in 1969**.**

15.12 Self Assessment Test

1   What do you understand by social security? Explain its purpose and the underlying need for such system.

2   What are the issues specific to the Indian case as far as social security is concerned?

3   Discuss the nature of Indian workforce in the context of availing social security benefits.

4   What are the various needs that have to be addressed in any social security mechanism?

5   What provides the Indian social security system a policy dimension?

6   What are the various social security laws for workers of organized sector?

7   Discuss few important schemes for the informal workers'

8   How are the various social security schemes classified?

UNIT – 16 : HUMAN RESOURCE RESEARCH

Unit Structure

16.0   Objectives

After studying this unit, you should be able to understand:
- Approaches of Human Resource Research
- The concept mapping for HR Research
- Ethical Issues in HR Research
- Tools and Techniques of Human Resource Research
- Different kinds of Human Resource Research
- Areas for doing research in HR

16.1 Introduction

Science is the discovery and description of regularities in the universe. Research helps us to develop theories to explain these regularities. Psychological science conducts scientific study in a behavioral context. The need to do research is perhaps embedded in the basic assumptions of science. We conduct research to discover regularities, describe behaviors, discover laws, search for causes, and finally to develop theories. The same holds true for HR research too.

HR research helps us to develop relevant approaches for successful management of organizations. Human resource research, like any other research, is a rigorous scientific activity; it requires systematic development and acquisition of knowledge, it is tailored to specific management needs to answer specific questions within a given time frame.

16.2 Approaches to HR Research

While the process of HR research follows a typical structure, the research approaches may be different and can vary from situation to situation. It may be purely academic, theoretical, or action-oriented. However, the approach appropriate to a given situation depends largely on the specific need of a researcher. The most commonly used HR research approaches are:

1. **Pure basic research:** It intends to resolve, illuminate, and exemplify a theoretical issue. Therefore the basic purpose of this approach is to enhance knowledge and understanding. The results of such research become the source of knowledge for the students of HR and practicing managers. Most of the core management concepts have been developed from pure basic research.

2. **Objective research:** This research focuses on how to overcome a general problem in the application of established knowledge. It is, however, not intended to solve a specific management problem. For conducting objective research, the researcher frames certain clear objectives and hypotheses. He/she then has to test the validity of established knowledge in given situation.

3. **Applied research:** This kind of research solves a particular problem within the organization by application of appropriate knowledge. To illustrate, HR researchers may apply their existing knowledge of leadership to identify the most appropriate leadership style for knowledge workers in an organization. This can lead to a suitable change in the existing style of leadership in the organization. Since such research solves a given organizational problem, it may not add to the existing literature on HR research. However, other organizations may imitate the experiences of a successful organization, as 'best practice management' concepts now require every organization to benchmark with others.

4. **Action research:** It refers to a particular kind of research where the solution of a problem is both an outcome and a part of the research process. The main purpose of this approach is to improve the stock of knowledge while tackling a problem. However, if the researcher changes after the process, the outcome cannot be replicated. This puts a constraint on the validity of research in another situation.

16.3   Concept-Mapping for HR Research

For conducting effective HR management research, it is necessary to explore knowledge, and to gather and share information. This is done using a concept map.

A concept map is a special diagram and is used as a formative assessment and research tool. Thus, concept-mapping is a technique for visualizing the relations between concepts. The purpose of concept mapping is to form or assess the cognitive map of a person or an organization using a diagram. It shows the relationships between concepts.

Concept-mapping significantly improves the level of meaningful learning and communication of the research concept. Is also used to stimulate and organize idea generation. For effective HR management research, concept mapping helps in the following ways:

- It develops an understanding of a body of knowledge.
- It explores new information and relationships.
- It gives access to prior knowledge.
- It helps in gathering new knowledge and information.
- It shares the knowledge and information generated.
- It designs structures or processes.
- It deals with problem-solving.

Every organization has to create and implement a common framework to guide the actions of its employees. This process is implemented through concept-mapping. A concept map visually organizes the ideas of a group or organization. It brings together different stakeholders with a shared vision for any future actions. For HR issue has to address the needs of different stakeholders of the organization. Concept-mapping rapidly integrates various HR inputs and focus groups into a common strategic vision. Through a well-designed concept map, a concise readable graphic or pictorial form can be developed. It will integrate all possible information and explore the relative importance of different ideas based on a shared vision. Brainstorming, nominal group techniques, focus groups, affinity mapping, Delphi techniques, facet theory, and qualitative text analysis are some of the techniques used for concept-mapping. Problem formulation through concept-mapping is of great help in HR research. Concept-mapping is also known as mental mapping or concept-webbing.

Any organizational-level HR research is primarily a group process where teams or groups of stakeholders work together. Academic HR research is usually conducted at an individual level. However, it is important for the researcher to collect information and inputs form various perspectives, keeping in view the cross-sectional impact of concept-mapping.

Steps in Concept-Mapping

Concept-mapping helps individuals to think more effectively as a group. At the same time, it also preserves the individuality of the members. It helps groups to manage the complexity of their ideas without trivializing them or losing detail. William M.K. Trochim (1989) with inputs from Judith A. Cook and Rose J. Setze developed a concept map which is presented below.
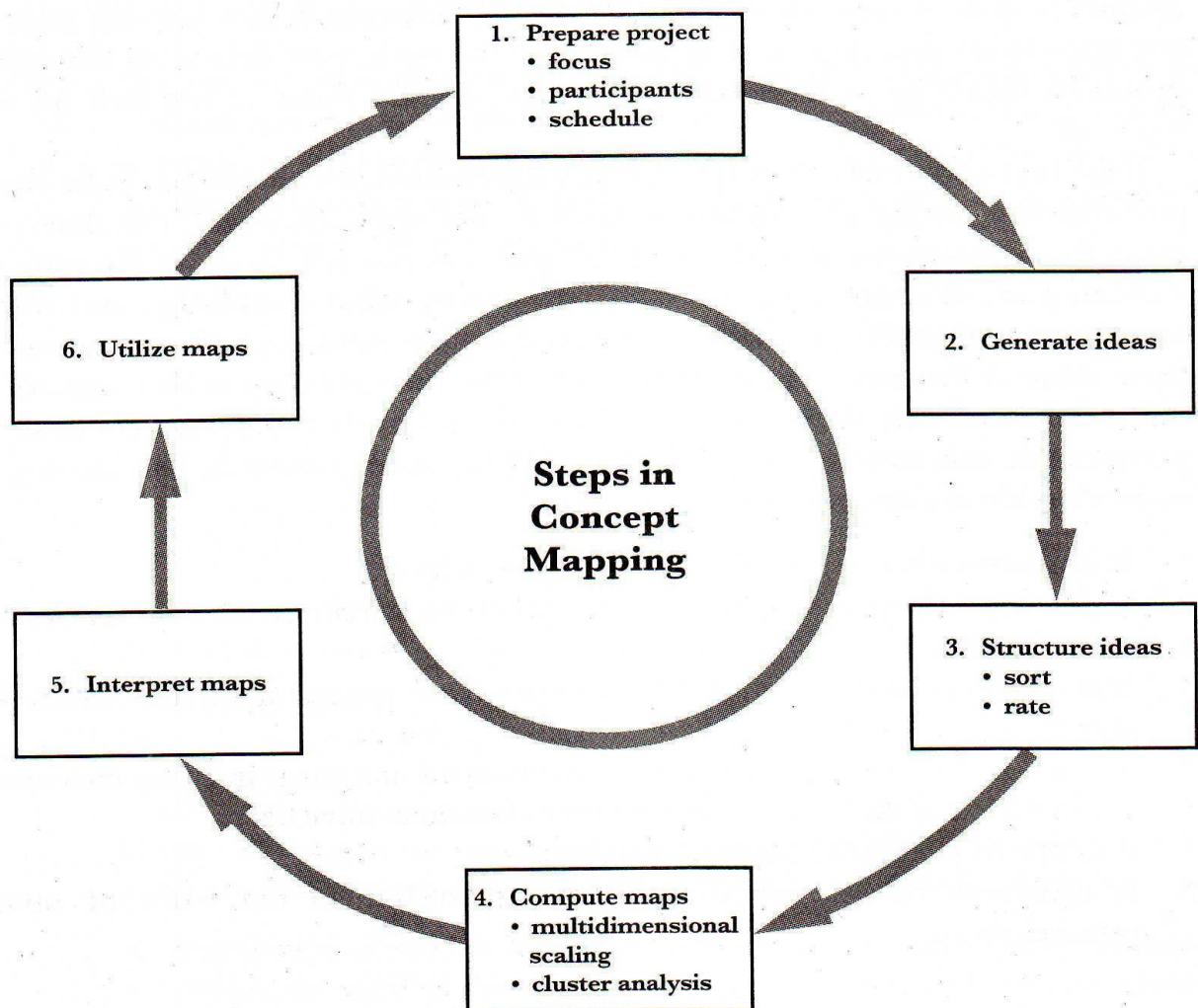
The researchers have listed out certain steps for developing a concept map:
1. Facilitators and participants should identify the focus of the project, such as the components of a new training program or the strategic performance objectives for their organization.
2. The group brainstorms in a facilitated group session.
3. Selected participants organize the ideas by sorting them into groups of related items and then rate them according to priority or relative importance (or on other scales if necessary).

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4. Modern analytic methods are used to map the ideas for the entire group, providing a single graphic that acts as a roadmap or blueprint for subsequent research.

5. Participants interpret the maps, discuss how the ideas are organized, and identify the critical high-priority areas.

The organization uses the results to examine consensus and evaluate subsequent actions

Role of Front-Line Managers in HR Research

In HR research, the front-ling managers also play a very crucial role. They perform various HR-related functions such as (1) employee management, (2) management of operational costs, (3) allocation of work, (4) monitoring work progress, (5) coaching, (6) performance evaluation, (7) discipline and grievance handling, and (8) recruitment and selection.

Leveraging all such roles of line managers, an organization can ensure a productive work-life. Due to their proximity with the employees, involving line managers in applied HR research benefits an organization in many ways.

16.4 Ethical Issues in HR Research

Ethical HR deals with the moral treatment of employees in an organization. In 2004, International Labor Organization (ILO) called for the fundamental rights of employees to liberty and safety in workplace, freedom of association, right to organize, collective bargaining, abolition of forced labor, equality of opportunity and treatment, etc.

Unethical HR practices further only the interests of the shareholders. In such organizations, employees do not get a fair deal. Ethical issues in HRM have started gaining importance with decreasing regulation in the workplace and dwindling power of trade unions. Due to these reasons, employees and the employment relationship has now become a high priority for organizations. Ethical issues in HRM have two dimensions; macro level and the micro level. At the macro level, all the strategic HRM initiatives and their implications of HR practices at the organizational level are reviewed. At the micro level, ethical assessment of individual practices ranging from recruitment to retrenchment is made.

Public sensitivity to the ethics of human experimentation is high due to the ethical issues of HRM. All research involving human subjects (even if only interviews or questionnaires are used) falls within the jurisdiction of the ethics. Most organizations develop their own ethical guidelines to ensure that ethical issues are not violated while doing research on human resources. Some of the important points, which are commonly covered in ethical guidelines for HR research, are:

• Employees can be selected as research subjects only if they consent to participate in the research. The organization should provide all possible information accurately, so that employees can make an informed choice.

• Maintenance of confidentiality ensures that the employees have the right to privacy and confidentiality. Hence, HR research must ensure that individuals are not identified in reports.

Some organizations develop ethics committees to review the compliance of ethical guidelines on HR research. For research on HR in general (other than research at specific organizational level), it is desirable to comply with the above listed issues as these guard against ethical aspects.

16.5 HR Research Tools and Techniques

For doing HR research, it is essential to understand various tools and techniques of data collection and its analysis. Human resource research can either be quantitative or qualitative in nature. The descriptive techniques of quantitative HR research require the collection of numerical data to explain, predict,

and control phenomena. Co-relational, causal, comparative, and experimental research methods are covered under quantitative HR research. Analysis of quantitative HR research requires statistical knowledge. Quantitative data collection instruments are used to fit the samples into predetermined response categories and produce results for subsequent summarization, comparison, and generalization. For correct estimation of the phenomenon of interest, quantitative research requires framing and testing of hypotheses.

Hypotheses are pre-assumptions and are derived from existing theory on the research premises. Based on the research issue, samples can be randomly subjected to different treatments to draw inferences. Where it is not possible, the researcher may collect data on sample characteristics and other situational variables and statistically analyze the influence on the dependent or outcome variable. The researcher employs probability sampling to select the samples, if the observations on samples hold good for the population (for the whole organization). Typical quantitative data gathering strategies include:

- Experimental/clinical trials
- Observing and recording events
- Obtaining relevant data from ERP/MIS
- Administering surveys with structured close-ended question

Qualitative research includes historical research. It collects narrative data to understand phenomena by using verbal synthesis. Qualitative data collection methods play an important role in impact evaluation and assessing changes in employees' perceptions. Qualitative methods can also be used to improve the quality of quantitative evaluations by generating hypothesis and clarifying quantitative evaluation results.

16.6   Kinds of HR Research

There are many kinds of personnel research. The three dimensions that are particularly important in classifying types of research are explained here.

1.   Applied vs. Basic Research

Applied research is designed to solve a particular problem in a particular circumstance, such as determining the cause of low morale in a given department of an organization. Basic research is designed to understand the underlying principles of human behavior. For example, a researcher may be interested to understand what motivates people to work hard at their jobs.

2. Exploratory vs. Confirmatory

Exploratory research is research into the unknown. It is used to investigate issues that are not understood. Like a journalist, the researcher here may become curious and start looking into the cause. The researcher may search for a cause without really knowing what to look for in particular.

In contrast, in confirmatory research the researcher has a pretty good idea about the research problem. That is, he/she has a theory (or several theories), and the objective of the research is to find out if the theory is supported by the facts.

3. Quantitative vs. Qualitative

Quantitative studies measure variables using numeric scales. For example, we might measure a person's height and weight, or we might construct a survey to measure how much respondents like their company's HR policy, using a 1 to 5 point scale.

Qualitative studies are based on direct observation of behaviour or on transcripts of unstructured interviews with the sample participants. For example, we might talk to some executives to understand their style of leadership and how they relate it to their choice of organizations. This can be done in the form of informal discussions and then analysing the responses. It is important to mention here that while confirmatory studies are in general quantitative by nature, exploratory studies are qualitative.

Types of Quantitative Research

There are various types of quantitative research. The organization should select a particular type of quantitative research based on its specific requirements.

i. **Descriptive research** It involves data collection and testing of hypotheses to determine and report the current phenomena. For example, if we want to measure the employee satisfaction level, descriptive research requires collection of employee responses on a structured question-naire. It then analyses hypotheses to draw inferences on the degree of satisfaction or dissatisfaction.

ii. **Correlation research** It determines the degree of relationship among variables using a correlation coefficient (which varies between 0 and 1.00). However, it should not be used as a tool to establish cause-effect relationship. For example, the relationship between incentive value and performance output of employees cannot not be inferred using correlation research.

iii. **Cause-comparative research** It establishes the cause-effect relationship, comparing two relationships. However, in this research we cannot manipulate the cause. For example, if we want to establish a cause-effect relationship between the number of women employees and absenteeism, we cannot, manipulate the gender (i.e., cause), but we can certainly manipulate the effect (absenteeism) by extending some HR support to women employees (such as day care centers, flexible working hours, etc.).

iv. **Experimental research:** It establishes the cause-effect relationship by comparison, and the cause is manipulated. The cause, i.e., the independent variable, makes the difference. The effect, i.e., the dependent variable, is dependent on the cause, In the former case, if the organization decides to evaluate the result of its change in policy on recruitment of female employees (cause) to contain absenteeism (effect variable); the results can be analyzed using experimental research.

16.6.1 Qualitative Research Considerations

Qualitative research helps in checking authenticity of the evaluations as researcher being flexible; here he/she can make use of multiple data collection methods. Thus it enhances credibility of the evaluations. Qualitative research findings cannot be generalized. Hence each research produces unique results, which the researcher makes use of to understand a general pattern.

Types of qualitative researches are:

i. Observational Research

This research approach often yields better results, as researcher can draw conclusions based purely on his/her observation. In observational research, researchers do not interact with the respondents verbally. The researcher simply observes how the employees make decisions about strategic issues or perform some actions. Observational research is an important source of qualitative data collection. It guards against unintended omission and helps in getting a comprehensive view of the research problem. Observational research also helps in leveraging the knowledge and experience of the researcher.

ii. Document Review

This method is used to supplement observational fieldwork through documentary evidences. The researchers here look for contents to authenticate their research. Various important sources for information collection and compilation such as performance records, attendance records, HR reports, various compliance reports pertaining to rules and regulations, etc. can be used for HR research.

iii. Interview Techniques

There are two types of interviews used in HR research: structured and unstructured. The unstructured or informal interview is mostly conducted on a pilot basis for framing hypotheses. However, it also used for certain types of research such as understanding quick response of employees on a changed HR policy, change in attendance system, transfer, relocation, etc. It can be used in cases of money and time constraints.

Unstructured interviews are not controlled. Certain presumptions to map the reaction of people on certain issues guide the researcher in unstructured interviews. Consolidating the responses of the responses of the respondents is a major concern in these interviews. Whatever may be research purpose, unstructured interview inputs help in framing the structured interview questionnaire and also in refining the thought process.

Structured interview is conducted with a set of specific questionnaires. Collection of primary source information in quantitative research is made using this type of interview. The researcher administers a structured set of questionnaire items in an orderly manner on samples. He/she then draws the necessary inferences as per the hypotheses. During the interview process, the respondents are asked uniform questions and their responses are recorded in the questionnaire itself for subsequent quantitative analysis. Since respondents do not get the flexibility to add, remove, or alter questionnaire items, the interview process becomes structured.

Various interview techniques are:

a. **Depth interviews:** Depth interviews are face-to-face encounters between the respondent and the interviewer. In this type of interview, the interviewer uses unstructured or semi-structured approach to unearth innate sentiments, emotions, and attitudes. It has been observed that the respondents often try to avoid sensitive issues, when they are required to give direct answers against structured questionnaire items. At times, their responses may even be misleading

b. **One-on-one interviews:** Instead of bringing ten people together in a two-hour focus group, researchers can spend 20 minutes interviewing ten respondents individually. The in-depth interview produces more responses from each participant. The participants provide individual comments which are uninfluenced by group reactions. Individual interviews can also be conducted over the phone.

c. **Telephone interviews:** These are generally conducted in marketing research. It is used to assess the likely success or failure of a new product or to map customer' satisfaction level. It is also used to research critical marketing issues like pricing, quality level, expectation from product and services. The use of telephone interview in marketing research is quite common in developed countries.

d. **Focus group interviews** Focus group interviews are very powerful survey research instruments in qualitative research. By avoiding one-to-one interview approach, a focus group emphasizes on collection and compilation of information from a target group of people. The interviewer, here plays the role of a moderator and always try to keep the group focused on the issues of concern. As a moderator, the interviewer here is more playing the role of a psychotherapist to generate more and more information raising brief insulting statements. The interviewer here is more of a listener than a talker.

16.7 Human Resource Research Areas

1. Human Resource Planning Research

Human resource planning research requires development of work rules, which are some pre-determined decision about certain course of action that may be taken when certain contingencies arise. Organizations develop such work rules in documented form and use them as a control device to ensure predictability of behavior. Starting and stopping of work, rest periods, time-keeping, insubordination, fighting, drinking, smoking (during work), report of injuries, etc., are normally incorporated in such work rules.

In HRP research, it is necessary to understand various applications of industrial engineering techniques (work study, method study, and work measurement techniques). These techniques provide opportunity for effective use of plant and equipment, effective use of human efforts, measurement of human work, better ways of doing things, developing pre-determined standard time, etc. Other miscellaneous factors in HRP research are layout plan, compliance with statutory requirements, shifts planning (including flexi-work issues), leave reserve, etc.

The primary objective of HRP is to integrate planning and control of man power with the organizational planning to ensure best possible utilization of all resources. This apart, HRP facilitates in coordinating manpower policies of the organization, covering recruitment and selection, training and development programmes, placement and induction programmes, promotion and transfer policies, decisions on remuneration and rewards, etc.

Without proper coordination of manpower policies with each such decision, it is difficult to achieve the corporate objectives. Therefore, it is necessary to harmonize such objectives (corporate) with manpower planning system. Without coordination, company's plans may get frustrated for not having the right people in the right place at the right time. Other secondary objectives are to achieve efficiency of work in all spheres of the corporate body; to ensure cost minimization; to eliminate all types of wastage including wastage including waste of time; to maintain required levels of skill and competency, matching present and future needs of the organization, etc. For achieving all these objectives it is important to undertake systematic HRP research.

2. Compensation Research

Compensation research is now one of the important strategic priorities for organizations. Particularly in developed countries cost of employee compensation is either 1st or 2nd in order of cost burden to the companies. Even Indian organizations are now losing their competitive strength due to high cost of employee compensation. While on the one hand, there is need for optimization of compensation cost, on the other compensation designing should be competitive to retain talents in organizations. We often try to address this issue by outsourcing non-core and even at times core activities, to keep compensation cost-competitive. But this may not be a long-term sustainable solution, particularly when employee retention with long-term employment relationships are now considered the best bet, rather than incremental short-term approach to reduce the cost through job or manpower outsourcing.

Compensation is a methodical approach to assigning a monetary value to employees in return for work performed. Compensation may include any or all of basic pay, overtime pay, commissions, stock option plans, merit pay, profit sharing, bonuses, housing allowance, vacations, and all benefits. Compensation is a term used to describe not only employee salaries but also all other benefits received. This is also referred to as remuneration. Human resource management approach makes compensation issues a prerogative of managers as they can make use of compensation as a tool to enforce performance of employees at workplace to sustain competitive advantage. The strategic use of rewards to regulate behavior and performance has led to the concept of 'compensation management' or 'reward systems'.

'Remuneration' refers to monetary rewards, which are seen as one arm of total compensation.

Compensation is a more holistic term. Traditional wages and salary administration has now started losing ground, because we have to design compensation in a way, so that in employee's hand it becomes more a reward than monthly salaries for the job done. To do so, HR researchers have to understand various aspects of compensation management.

3. Motivational Research in Organizations

There are numerous research literatures on employee motivation. Most of the research work focus on correct reinforcers for employee motivation. The ranked order of motivating factors in research work are : (a) interesting work, (b) good wages, (c) full appreciation of work done, (d) job security, (e) good working conditions, (f) promotions and growth in the organization, (g) feeling of being in on things, (h) personal loyalty to employees, (i) tactful discipline, and (j) sympathetic help with personal problems.

Employee Motivation Research Techniques:

Motivational surveys are usually very helpful in establishing whether employees in an organization are motivated and therefore performing their best. The process of involving and consulting with employees is hugely beneficial and motivational in its own right. This was established in Elton Mayo's Hawthorne studies conducted from 1927 to 1932 at Western Electric's plant in Chicago. Whilst motivational survey is normally unique to an organization, because of specific employee issues, specific nature of industry and culture; some useful generic guidelines apply to most situations.

4. Training and Development Research

Training and development research in HRM primarily covers following areas:
- Evaluation of training using tools like assessment through questionnaire response, various evaluation models, quantitative tools, and metrics.
- Training needs assessment
- Training design

Training evaluation determines the value of training through a systematic process. This is ensured through assessment of effectiveness of training, learning, application of new knowledge and skill in work practices, and through measurement of changes in relation to skills, attitudes, and behaviors. Result of training evaluation may vary from person to person. Systematic evaluation results help management to take decision and introduce changes whenever required. Evaluation process may be immediate, intermediate, or long term.

In training evaluation research issues, we try to focus on cause-and-effect relationship between training and performance; using various quantitative, qualitative, hard, soft measurement tools, and linking training to business results through return on investment (ROI). Investors in people (IIP) approach recommend improvement in organizational performance through training and development. IIP's principles also focus on systematic evaluation of training to understand the impact of organizational investment in people on its performance

As evaluation of training is so important for HR managers, it may either be formative or summative. While formative evaluation assesses the worth of the training while it is happening, summative evaluation is done when the training is completed. Research in training needs analysis and training design categorized under formative evaluation, while training evaluation is categorized under summative evaluation.

5. Performance Management Research

Performance Management System (PMS) reinforces strategic human resource management principles as it helps an organization to achieve the strategic intent, i.e. goals and objectives by ensuring and developing the desired set of competencies among people in the organization through various strategic interventions.

Thus PMS is set of techniques and procedures for improving organizational performance. To sustain competitive advantage, not only does an organization require recruiting the best people but also it focuses on its continuous development through an effective PMS. While development of people is possible through ongoing training and development and skill and knowledge renewals, it must precede PMS which establishes the basis for identifying training and development needs.

Performance management research is perhaps the most important area of HR research. In this era of technological change and global competitiveness, organizations are constantly required to renew and update skill of their people or else they are likely to encounter the problem of manpower obsolescence which, among other, will call for frequent downsizing or right-sizing. Many organizations try to recruit the best fit at a premium price, hoping that will give them perennial competitive advantage. But without back-up performance management systems, such competency sets also quickly become redundant, rendering once good performer to an unwanted stuff for the organization. While performance measurement updates organizations to take a stock on their skill inventories, training helps to address the skill-gap. It is acknowledged worldwide that effective PMS is an essential prerequisite for an organization to achieve and even to sustain competitive advantage.

6. Organizational culture and development Research

Research on organizational culture and development has now become very significant part of HR research. Every organization now tries to address the culture issues and periodically initiate organizational development. OD is a planned change based on the paradigm of understanding the environment, benchmarking and action research. It is a learning process. The active development of an organization towards its desired corporate identity succeeds only if this change process is undertaken holistically. From a behavioral perspective this means, that the behavioral conditions that lie within the person (qualifications, motivation) as well as those lying outside the person (organizational structure, technology) must be modified.

7. HR Audit Research

An audit is a means to measure where organization currently stands and what it has to do to improve its human resources function. It involves systematic reviewing of all aspects of human resources by developing a checklist. Such a checklist ensures that all government regulations and organizational policies are being compiled with. HR researcher make use of HR audit not just to carry out confirmatory tests but as a tool to get insights of organizational HR activities which can subsequently help in designing organizational improvement strategy. By collecting and evaluating HR-related information, HR audit research facilitate in measuring effectiveness of HR and suggest suitable changes in HR policies and practices, so that HR continues to address the organizational strategic business needs. Even though from traditional perspectives we consider HR audit, like any other audit, a diagnostic tool, HR researcher has to make use of this also as a prescriptive tool, to benefit the organization by initiating changes.

Thus personnel/human resources of HR audit is a systematic survey and analysis of different HR functions with a summarized statement of findings and recommendations for correction of deficiencies. Basically it examines and evaluates policies, procedures and practices to determine the effectiveness of HR function in an organization. HR audit ensures that sound and cost-effective policies are implemented. It is a functional audit. It consists of diagnosing, analyzing, evaluating, and assessing future lines of action within the framework of HRM. HR auditing is a basic tool for the management of a company. Its objective is not only the control and quantifying of results, but also the adoption of a wider perspective that will aid in designing future lines of action in the HRM field. Thus, HR auditing must perform two basic functions (Cantera, 1995). First, it must be a management information system whose feedback provides information about the situation in order to facilitate the development of managing processes or the development of HR. Second, it must be a way of controlling and evaluating the policies that are being applied, as well as the established processes.

Records used for HRD audit Research Records provide ready reference and serve as future reference and guide. Reports, on the other hand, describe an incident, event, or situation. Depending upon the organization, the following records/reports are usually checked for HRD audit research:

- time study records and time standards
- cost records
- records on scores obtained in test and other examination
- medical and accident reports
- attitudinal survey reports
- grievance reports
- turnover reports
- data on work stoppages
- performance reports
- pay roll data
- labor costs data

8. Six Sigma Practices in HR Research

Six-sigma approach was earlier limited only to manufacturing. With GE's introduction of six-sigma in transaction processing, it has now been clear that, six-sigma breakthrough methodology is all-pervasive. In every organization, for every product or services, for every process or sub-process, and even for every functional area, six-sigma approach can be adopted to improve the organizational competitiveness. Often organizations misconstrue six-sigma like any other quality certification programme. In reality, however, it is a self-assessment tool for organization to appreciate how far they are able to meet the customer expectations. Along with increased customer satisfaction, six-sigma also reduces cost of quality, which is an invisible, yet significant cost factor for organizations. Eliminating unnecessary process and reducing the cost of quality together with increased customer satisfaction, six-sigma improves the bottom line of an organization, which is more sustainable and effective.

Using six-sigma approach in HR research enables an organization to develop quick responses to critical HR issues, identifying the bottlenecks and introducing the improved HR processes.

16.8 Summary

Human resource research is a scientific activity. It helps us to develop relevant approaches for successful management of organizations. According to the need of a researcher the approaches (pure basic research, objective research, applied research, action research) of HR Research are used. Concept mapping is useful in conducting effective HR management research; it helps individuals to think more effectively as a group. Ethics committees are developed to review the compliance of ethical guidelines on HR research. Different kinds of HR Researches are used to do research in various areas like Human Resource Planning, Compensation, Performance management, Training & Development, Organization Development and even in the practices of Six Sigma.

16.9 Key Words

- **Affinity mapping** is a way to sort large amounts of data into logical groups.

- **Benchmarking** is the process of comparing one's business processes and performance metrics to industry bests and/or best practices from other industries.

- **Brainstorming** is a group creativity technique designed to generate a large number of ideas for the solution of a problem.

- **Coaching** refers to the activity of a coach in developing the abilities of coachees or clients. Coaching tends to focus on the achievement by coachees of a goal or specific skill.

- **Delphi method** is a systematic, interactive forecasting method which relies on a panel of experts.

- **HR Audit** is a systematic survey and analysis of different HR functions with a summarized statement of findings and recommendations for corrections of deficiencies.

- **Nominal group technique** (NGT) is a decision making method for use among groups of many sizes, who want to make their decision quickly, as by a vote, but want everyone's opinions taken into account.

- **Payroll** is the sum of all financial records of salaries, wages, bonuses and deductions.

- **Retrenchment** is to reduce the amount (of costs); to cut down on expenses and to introduce economies.

- **Six Sigma** seeks to improve the quality of process outputs by identifying and removing the causes of defects (errors) and minimizing variability in manufacturing and business processes.

- **Time study** is the study of each of the steps in an operational or production procedure and the time consumed by them, for the purpose of devising methods of increasing efficiency or productivity of workers.

16.10 Self Assessment Test

1. Define HR Research and its various approaches.
2. Why do we require concept making for HR Research? Develop a concept map for doing research on employee motivation.
3. Describe the Ethical Issues and their importance in HR Research.
4. Explain the dimensions that are particularly important in classifying types of HR Research.
5. Elaborate the types of qualitative Researches.
6. What are the tools & techniques for HR Research?
7. What are the key areas for HR Research? Discuss in detail.

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UNIT - 17 : EXPANDING HUMAN CAPITAL

Unit Structure

17.0 Objectives

After studying this unit you should be able to understand:
- The concept of Human Capital
- Why Expanding Human Capital is important
- The components of Expanding HC
- Expanding HC in different Domains
- What are the drivers for Expanding HC
- The tool to measure HC

17.1 Introduction

An important considerations for organizations in the 21st century is their ability to understand the nature of and realize the value of their 'intangible & invisible assets' or 'Human Capital'. The main purpose of Human Capital is to realize the talent potentials of individuals, the accumulation of and investment in talented employees by organizations may not be enough. There must also be motivation and desire on the part of individuals to contribute and invest their skills and experience in the organization. Without such a commitment or engagement, effective utilization of human capital will not happen.

A goal for those focusing on HR management, as well as operating executives and managers, is to enhance the human capital of the organization. Human capital is the total value of human resources to the organization. It is composed of the people in the organization and what capabilities they have and can utilize in their jobs. A critical part of expanding human capital is to utilize the talents of all people inside the organization and to bring in the best from the diverse population outside. Expanding human capital serves societies, firms and individuals as a direct route to economic growth, since people are living and working in the conditions of more knowledge- intensive production in the so called information society.

Due to the shifting demographics in the workforce, HR management must be built to maximize the capabilities of all the diverse human resources. Thus, HR professionals must be those who ensure that all people, regardless of their life circumstances or backgrounds, are provided opportunities to develop their capabilities.

The most valuable economic resource in this country consists of human beings. Government should encourage human capital investment. Employment and training represent investment in human capital, a way of developing the great potential of talent, skills, ability, endeavor and industry that our people possess.

17.2 Importance of Human Capital

Human capital is a valuable concept because it recognizes that people should be treated as assets, rather than as an expense.

Corporations are recognizing the importance of investing in their employees now more than ever before. Companies are beginning to understand that to stay on top in the global economy; they need to place more and more emphasis on developing and retaining their people. Organizations that appreciate the financial impact of their employees often refer to them as human capital.

Human capital is recognition that people in organizations and businesses are important and essential assets who contribute to development and growth, in a similar way to physical assets such as machines and money. The collective attitudes, skills and abilities of people contribute to organizational performance and productivity. Any expenditure in training, development, health and support is an investment, not just an expense.

Now there is a shift from the tangibles to the intangibles. In other words, organizations have shifted their hiring focus from technology to people and process.

This reprioritization of the value of human capital has changed the profile of what a successful candidate looks like, even in the most technical roles.

For example, we have seen an increase in hiring in the areas of insider threat and security monitoring. Given the severe impact of insider threat incidents, companies and technology vendors are starting to focus their resources to address these types of threats. From a hiring profile these positions require heavy technical skills, but that's not what seals the deal in receiving a job offer. To develop an effective insider threat management strategy, a person must have the ability to understand and envision the ways that other people could pose a threat. So companies are searching for security professionals who have technical depth but who also understand human psychology. In the monitoring area the roles require technical skills, but just as importantly, employers are looking for employees who can interpret technology in a way that's useful and in line with the organization's business and risk management goals.

Even in these traditionally operational roles it is the interpretive ability of a candidate to understand the problems they need to solve that's what hiring managers are focusing on.

Relationship and consensus building skills are highly sought after at the middle management level. The job description for a middle management search requires the "ability to build relationships with Business and Technology leadership, audit personnel, legal counterparts, compliance, human resources, and internal and external cross functional teams." To read between the lines: If you are to be successful and valuable you will need to create the personal relationships necessary to address the unique requirements and risk appetites of the business, so that your solutions are measured, balanced and effective.

At the executive level, identifying candidates with proven program management skills is a priority. Many corporations are creating broad-reaching IT risk management and business resiliency programs. In many cases these programs focus on developing and centralizing governance and performance metrics models. Success at this level requires leadership skills with the ability to manage diverse groups and multiple projects while driving results.

So since companies are finally valuing people and their softer skills, does that make it easier to hire good people? The answer is no. In today's business climate, attracting and retaining the best employees is very difficult. The reason is a combination of the change in business practices and the shift in employee attitudes. The business landscape has changed dramatically in the past decade as a result of many factors from the feverish hiring boom of the 90s to the economic slowdown in the earlier part of this decade. During this same period of time, employee attitudes have changed dramatically. Exposure to widespread

layoffs and corporate scandals has led to an erosion of company loyalty and reevaluation of career and life priorities by many employees. So now we have companies looking to acquire the best talent and a growing workforce of talented individuals who are no longer attracted by compensation alone, but who require and value intangibles as well.

The bottom line is this. In order to achieve professional growth and success in the next period of increased talent acquisition, technology professionals are going to have to step out of their comfort zone and develop the holistic, relationship-focused business skills that companies are requiring. And by the same token, companies are going to have to take a more strategic and supportive approach to recruiting and retention if they want to find and keep the new breed of evolving talent.

Nobel Prize-winning economist Gary S. Becker, who coined the term "human capital," says that "the basic resource in any company is the people. The most successful companies and the most successful countries will be those that manage human capital in the most effective and efficient manner."

17.3 Components of Expanding Human Capital

1. Attracting and Retaining Human Resources:

As strategic business contributors, HR professionals must ensure an adequate supply of people with the capabilities needed to fill organizational jobs. Various experts on human capital have predicted a skills shortage that would hurt their competitive edge unless more investment is made in human capital. If that trend spreads as predicted, being able to attract people to the organization with the requisite capabilities currently requires more planning and creative implementation than in the past. For instance, at a computer software firm, growth is being limited by shortages of programmers and systems analysts. The company plans to open a new facility in another state so that a different labor market can be tapped, and the HR director heads up the site-selection team.

As the HR Perspective indicates, in many geographic locations and in many occupations, it is difficult to find sufficient qualified workers with the necessary capabilities. Truck drivers, welders, computer software engineers, legal assistants, and many others are just some jobs for which difficulty in recruiting has occurred.

To meet the staffing challenges, HR professionals are using a greater number of options. Traditionally, work was done by people who were employees. Increasingly today, work is done by independent contract workers, consultants, temporary workers, and others who are not employees of organizations. Developing policies, negotiating contracts, evaluating staffing suppliers, and monitoring work performance of these non-employees requires a broader role than when all workers are employees.

But recruiting and selecting new employees is only part of the challenge. The HR activities in organizations must be revised in order to retain employees. For every employee who does not leave the organization for a new job elsewhere, that is one less employee who has to be recruited from outside. Therefore, significant emphasis is being placed on keeping existing employees and providing growth opportunities for them.

Strategies for Retaining:
• **Communication**

Creating an open culture will always encourage people to share information. Open communication and information sharing have to be on a regular basis. Performance expectation has to be communicated clearly and timely at all levels in the organization.

Wipro Listens & Responds (WLR) aims at taking care of the needs, preferences and choices of employees so as to create talent engagement and productivity. The 360° feedback process followed by Wipro helps personal development and builds confidence in the employees.

Effective communication skills will convey the employees as to what is expected of them and also provide them frequent performance feedbacks. A clear and transparent communication is the key to employee involvement. Every individual should be aware of the goals and the working strategy of the organization. At Infosys, an internal communication program called Insync is practiced which aims at keeping every employee aware of the latest corporate and business developments.

• Greater Employee Involvement

An organization is undoubtedly known by the people it retains, hence integrating individual with organization is needed to achieve greater competitive advantage and increased output.

Employee motivation has to be nurtured and groomed to make them "feel valued". The three soft elements that helped Infosys to grow are organizational attributes such as open-culture, internal commitment and entrepreneurial orientation. Greater employee involvement develops a motivated workforce. It also increases accountability and commitment of one and all. Employee involvement essentially includes the three variables, namely, participation in decision-making, teamwork and communication.

Infosys Technologies was found to boost up the "emotional and intellectual energy" of their managerial employees and was hence declared the Best Employer of India (as reported in *The Business Today-Hewitt Study*, January 11, 2001). Employee involvement has to be more of a philosophy that one follows naturally in a reassuring, and encouraging environment where more of the people talent will be directed towards the organization. Involving employees in the planning process can also result in increased profits for the organization besides boosting up employee satisfaction and improving trust in the management.

• Exit Interviews

Exit interviews have been around for a very long time but with retention becoming more challenging. E.Balaji, chief operating officer, Ma Foi Management Consultants Ltd., believes that exit interviews hold tremendous potential as a mechanism to assess and improve all aspects of a company's working environment, including culture, values, processes and system, quality, employee perception about management, career and development. According to him, exit interviews can provide useful insights about anything that determines the quality of the organization, in terms of the relationships with its staff, customers, suppliers, third – parties and the general public and competitive positioning of the company in retaining and attracting talent.

In most new-age service companies like IT and BPO where attrition levels are high; this process is often used to make counter offers to try and retain the departing employees. In case of average performers, companies choose to keep this as a mere formality.

This is a short term approach; the real value in this process is in the long term focus to look for insights and opportunities to improve the organization in order to retain the existing talent pool.

2. Developing Human Resource Capabilities:

The human capital in organizations is valuable because of the capabilities that the people have. As part of the strategic role, HR managers are often seen as responsible for expanding the capabilities of the human resources in an organization. Currently, considerable emphasis is being focused on the competencies that the employees in the organization have and will need for the organization to grow in the future.

HR management must lead in developing the competencies that employees have in several ways. First, the needed capabilities must be identified and linked to the work done in the organization. This identification often requires active cooperation between HR professionals and operating managers. Next, the capabilities of each employee much be assessed. This approach requires that the competencies and depth of those competencies be identified. For example, in a firm with 100 employees, the HR director

is developing career plans and succession charts to determine if the firm has sufficient human resources to operate and manage the 70% growth it expects over the upcoming four years.

Once the comparison of the "gap" between capabilities needed in the organization and those existing in employees are identified, then **Training and Development** activities must be designed. Strategies for developing capabilities of human resources

Training

To keep track of the emerging trends and to perform effectively, on-the-job learning plays a very significant role. Training is felt essential by one and all to keep pace with the increasing challenges of keeping employment practices up-to-date as also to acquire the core competencies needed for competitive advantage and flexibility.

Training is now accounting for a considerable share in the budget of different organizations and in the long run, it is found to be a worthwhile investment that is essential for the survival of any organization. As reported in the article, "Powering Training" in the *Business* Line, dated May 14, 2007, the Infosys Technologies spent close to $140 mn (about Rs. 560cr) in 2006-07 on training. Similar has been reported for the HCL Technologies, where the training spent per person has more than doubled in the last five years-from about $1,500 to over$4,000. Cognizant Technology Solutions trains through the latest methods of e-learning, and e-books which have helped in managing the cost of per person training under control. At Wipro Technologies, "real life labs" have been set up for training. Teams of eight certified trainers develop and institutionalize training methodologies including behavioral, business and cross-cultural skills training.

Training, when provided throughout the career life, paves the way for employee and organizational development. When people are regularly trained on the latest in their respective fields their urge to learn increases.

For many individuals, continuing to enhance their capabilities and knowing that there are growth opportunities in the organization may lead to greater job satisfaction and longer employment with that organization.

Team Building

Teamwork is not only about working together in teams within the organization but also working with other cultures and building and maintaining effective business relationships across cultures, be it any sort of joint endeavor or other collaboration. For example, Meet Your People Program (MYPP) is an initiative after research conducted at Wipro that enables every manager to create an understanding of the organization's objectives and the team members' role.

A team leader should always be approachable by the members; this calls for a working environment where hierarchy matters the least and faith and mutual respect are of prime concern. A movement called "Propel", initiated at TCS consists of conferences and camps to help people conduct group meetings, transfer their learning as best practice, helping every individual to give his/her best to the company. This, in turn, helps people to learn from one another's ideas; an. individual becomes both an expert as also a practitioner. A harmonious team leader will help in retaining the best talent and nourish leadership qualities from within.

3. Identifying and Rewarding Performance:

Formal reward systems in organizations must be aligned with the strategic goals for the organization. It is important that the human capital in organizations be rewarded competitively for their capabilities. Rewarding should be practiced to encourage the person concerned and also to provide an example to others, to tell them that hard work and contribution never go unnoticed. It is a way of showing

that every person can make a difference and each individual's contribution leads to the success of the organization. Reward and recognition has to be aligned with the culture of the workplace. Meaningful rewards help in creating a positive working environment and employee retention.

As reported in the *Business Line* dated April 10, 2006, Companies such as Wipro Technologies offer employees a travel bonanza with family-members for their-long-service in the organization.

Another example is The Best People Manager (BPM) Award, which recognizes the managers, who have contributed in adopting and institutionalizing Best People Practices to engage, motivate and retain talent. For Cognizant, it has been the policy since 1995-96 to give out gifts to employees every time the company achieves a milestone.

Rewards need not be always in monetary terms. The promptness in responding to the grievances of employees and in sanctioning periodic increments and timely promotion to them also contribute in this context. From individual performance recognition should focus towards team-based rewards at the organizational level also.

4. Compensation Programs:

Once employee performance has been measured, it must be linked to compensation programs. Unlike traditional compensation programs that provide "cost-of-living" or other across-the-board pay increases, HR has to develop and implement more performance-oriented reward programs. Base pay for many jobs and fields has increased faster due to worker shortages than pay structures have increased in organizations. This imbalance has affected employee retention, and has required HR professionals to develop more and different compensation programs tailored to the demands of different employee groups and business unit realities.

There has been a significant increase in variable pay programs, such as gain sharing, team-based incentives, and others. These programs link rewards directly to organizational performance goals, so that the compensation system is integrally linked to the strategic objectives and results of the organization.

Gain sharing

Gain sharing is best described as a system of management in which an organization seeks higher levels of performance through the involvement and participation of its people. As performance improves, employees share financially in the gain. It is a team approach; generally all the employees at a site or operation are included.

The typical Gain sharing organization measures performance and through a pre-determined formula shares the savings with all employees. The organization's actual performance is compared to baseline performance (often a historical standard) to determine the amount of the gain. Employees have an opportunity to earn a Gain sharing bonus (if there is a gain) generally on a monthly or quarterly basis. Gain sharing measures are typically based on operational measures (productivity, spending, quality, customer service) which are more controllable by employees rather than organization-wide profits. Gain sharing applies to all types of business that require employee collaboration and is found in manufacturing, health care, distribution, and service, as well as the public sector and non-profit organizations. Typical elements of a Gain sharing plan include the following:

- Gains and resulting payouts are self-funded based on savings generated by improved performance.

- Gain sharing commonly applies to a single site, or stand-alone organization.

- Many plans often have a year-end reserve fund to account for deficit periods.

- Employees often are involved with the design process.

- A supporting employee involvement system is part of the plan in order to drive improvement initiatives.

17.4 Expanding Human Capital in Various Domains

The Strategic domains in which Human Capital can be expanded are:
1. Leadership Capital
2. Structural Capital
3. Workforce Capital
4. Social Capital
5. Cultural Capital
6. Intellectual Capital
7. Spiritual Capital

1. Leadership Capital

Formulating the strategies for growth is one of the most important functions of leadership. Growth involves human capital decisions. Growth strategy may entail either organic growth or an acquisition strategy. Organic growth of a company through extending new products, adding new products or entering new markets requires human capital resources. HC has a tremendous role to play in mergers and acquisitions too. The post merger integration is very critical in mergers and acquisitions and HC facilitates this.

Procter & Gamble (P&G) is an example of the role that leadership plays in growth. AG Lafley, Chairman, President and Chief Executive, P&G, has been credited with turning P&G around. The ingredients for Lafley's success include a focus on innovation and building the company's brands like Crest, Pampers and Tide. He has also laid considerable emphasis on nurturing talent by instituting leadership programs aimed at everyone from P&G's top 100 managers to the company's new hires. Lafley notes, "our assets at P&G are our people and our brands."

2. Structural Capital

Operating structure and governance are required to drive the organization towards the achievement of its goals. Johnson & Johnson's decentralized organization structure is a case in point. Structuring the board and senior leadership team, defining management roles, designing compensation packages and employment contracts are some of the most powerful domains of HCM. Johnson & Johnson companies operate in three business segments- Consumer, Medical Devices, and Diagnostics and Pharmaceuticals-reflecting the way products and services are delivered to the customers. Within each business segment is a collection of global businesses, each with its own area of focus. They serve as the foundation of each business segment and enable employees to have a direct impact on the success of the business for which they work. "These operating companies, global businesses and business segments are brought together in an organization structure that ensures that their activities align with overall strategic objectives."

Public companies should have a corporate governance structure that balances the power between key shareholders and the management. In the absence of corporate discipline, regulatory and legislative bodies will come out with a number of regulatory measures. This will increase companies' costs. This can be avoided with Expanding Human Capital Management system. For example, Infosys has an effective corporate governance structure that has helped it in achieving its "primary purpose of creating wealth legally and ethically".

3. Workforce Capital

Strategy and structure are only as valuable as the results they produce. There are various ways of getting work done. An employee-based workforce is just one of the choices available now. Outsourcing, automation, casual workers and contracting are some of the other available choices. HCM has an impor-

tant role to play in external workforce sourcing, contracting and management. It has to ensure vendor capabilities and controls, in addition to competitive pricing and service levels. In the case of "off shoring", HCM goes beyond the utilization of lower cost labor. It analyze whether off-shoring would enhance flexibility and capability. It analyzes the risks associated and the business impact of such a strategy. In appropriate situations, it examines the question: "Why use people at all?" It examines the feasibility of displacing people by introducing technology. Investments in technology should have the goal of optimizing the total cost of labor.

Examples of companies that have success fully used employee based workforce as well as others are plenty. Sony first rented a bombed out corner of a department *store i*n Tokyo. Its first permanent headquarters *were* some old warehouses in Shinagawa whose roofs were leaky. Their experiments had to be run under umbrellas. Knowing it could not design and make all the needed parts for its miniaturized electro-mechanical devices, Sony outsourced major portions and taught suppliers how to produce to world quality standards. Nike, Apple, Honda and Polaroid followed the same approach. They continued to focus on a selected set of intellectual skills and leveraged these against multiple products to develop good product-market positions.

4. Social Capital

The concept of social capital highlights the asset value of human relationships which are based on mutual concern, support and trust. Low social capital organizations tend to have higher turnover rates, and that knowledge management travels effectively through organizations along existing social pathways which have been built up between people on the basis of trust and understanding. It also involved learning to collaborate across different cultures in order to enhance the profitability of the business.

5. Cultural Capital

Today, a company's market value lies in intangibles, rather than in the book value of its tangible assets. Intangible market value is driven by the belief in the sustainability of profitable growth and competitive advantage. Perceptions about culture, operational values, ethics and behavior of the leaders and workforce influence the decisions of customers, employees and investors. It is cultural compatibility that decides whether Merger & Acquisition is a success or a failure. Cultural fit supports strategic alignment.

Google is one company that has made effective use of cultural capital to achieve its goals. Though Google has been growing rapidly, it still maintains a small company feel and an emphasis on innovation and commitment to cost containment, which means each employee is a hands-on contributor. There's little in the way of corporate hierarchy and everyone wears several hats. Google's hiring policy is aggressively non-discriminatory and favors ability over experience. As Google expands its development team, it continues to look for those who share an obsessive commitment to create search perfection and have a great time doing it.

6. Intellectual Capital

HCM is about people and ideas and the capability to leverage both to achieve business goals. HCM leverages the learning and the competencies of one employee to train others. It also uses this learning to improve staffing selection criteria to achieve greater levels of performance.

People and their ideas are the common thread that runs through patents and new products, proprietary processes and operational efficiencies, resulting in enhanced value creation. A major German multinational company downsized in 1997, as part of the reorganization, the company offered a buy-out package to a junior marketing manager who had worked for it for about 18 months in the Canadian subsidiary. The parent company was unaware that this employee had taken charge of environmental scanning and market analysis for North America. When this junior employee left, she took with her competitive knowledge of marketing processes and plans worth many millions of dollars to the company.

The German company recognized this employee's value belatedly. It tried to persuade her to withdraw her buy-out decision, but she refused.

7. Spiritual Capital

An organization's spiritual capital is the collective use of its, spiritual assets. Thus, a company with a creative research or marketing department, or one having one or more product geniuses, clearly has assets that go beyond the balance sheet. Beyond the simple use of spiritual assets, spiritual capital is additionally defined as the movement of spirit's intelligence activating and creatively expressing through the use of collective innate' and intangible personal qualities. It is dynamic and foundational to entrepreneurial enterprise and 'the health of the learning organization.

The spiritual capital formation process begins by: (a)identifying our spiritual assets; (b) recognizing the immense present value of our spiritual assets or our inner gifts; (c) expressing spiritual capital through the model of SC =(SA +passion) x I, or Spiritual Capital equals Spiritual assets plus Passion multiplied by Intention.

17.5 Drivers for Expanding Human Capital

Human capital drivers

They are:
1. Leadership
2. Engagement
3. Talent management and learning
4. Innovation

These trends are interdependent.

Effective leadership is essential to gain the full engagement of employees and others. Engagement is essential if talent is to be attracted and retained, and it is specific talent and skills that will contribute to the development of innovatory breakthroughs to produce essential competitive results.

1.   Leadership Trends

The leadership issue remains at the top of the human capital agenda where it has been for the last decade. Leadership has been defined in various ways but it is essentially the ability to influence people to work effectively towards the achievement of an organization's goals. Leadership in the 21st century is increasingly seen as a shared responsibility. Effective leadership emerges through the key players of an organization, who are committed to its purpose and competent to do what it takes to deliver the 'followership' to make it happen.

PwC records in its *Managing tomorrow's people* report that "globalization has led to a need for global leaders in a commercial world when there are not enough people with sufficient skills". PwC Saratoga has little evidence in any field of organizational activity be it commercial, public or political, that the quality of leadership is developing at the pace required by the rapidly changing, globalised and networked world. Over many years, PwC Saratoga has consistently set out to measure the impact of human capital investment. Therefore with leadership, it has been concerned with measuring the impact of effective leadership upon the people they are supposed to lead, rather than the characteristics and behaviors of effective leaders. PwC Saratoga measures the effectiveness of leadership through an index of metrics, evaluating business or organizational impact (value and wealth creation), follower performance (stay ability and productive outputs), talent and skill development (levels of internal promotion and development actions) and corporate social responsibility actions (diversity and community related initiatives). The index compares generic leadership performance across organizations either operating in the same sector or in diverse sectors.

PwC Saratoga takes the view that if the leadership of an organization is effective then its comparative positioning against its competition would be superior, and if leadership effectiveness is improving (possibly via leadership development programs) then its periodic movement in these metrics should be measurably positive.

2. Engagement Trends

Employers over recent years have demonstrated increasing interest in the engagement of their workforces. Engagement has been defined in a variety of ways. An engaged employee as one who will do all that he or she can to deliver the requirements of the employer – and more.

Employee engagement from an employee's point of view is to clearly understand job responsibilities and have a strong desire to perform well in his role. It also helps employees to realize their competencies. Employee engagement from an organizational point of view is to create a belief that employees are valuable assets for the organization. An engaged employee develops a positive attitude towards the organization. He will have knowledge about the business, customers, and work environment, which will help him perform well and have a long term relations with the organization. Employee engagement can act as an employee retention tool for an organization.

Research has shown a link between a highly engaged workforce and bottom line results, and the close relationship between employee engagement and customer satisfaction. It is rare indeed these days to meet any organisation that is not highly customer aware. The theory however continues to outdistance the practice. High levels of customer service normally requires higher levels of employee discretion, which in turn requires higher levels of employee trust and engagement at the very time when employee error can lead to costly repercussion. As Richard Donkin recently pointed out in his *Financial Times* article, *Recruitment: When engagement doesn't lead to a wedding*, levels of employee engagement are beginning to be perceived among some investors as important indicators of a company's financial health, and longer term sustainability.

3. Talent Management and Learning Trends

Talent management is seen as an engine that propels organization towards success. It is a perspective which presupposes that talented people play a crucial role in making or unmaking an organization. Managing talent effectively is a competitive necessity. Filling your critical roles with competent and committed people every time, provides a performance edge that is essential for sustainable success.

PwC's *10th Global CEO Survey* defines talent management as 'attracting, retaining, developing and promoting outstanding talent'.

Talent management has been a key human capital trend for the last decade. The *War for Talent*, popularised by McKinsey, has gained significant momentum. There has certainly been a very high level of talent acquisition over the last ten years as external recruitment and search activity has flourished, but there is very limited evidence on a global basis that talent identification, acquisition, retention, development or leverage is taking place in a disciplined manner.

Joseph Bower reports in the November 2007 Harvard Business Review as follows:- "I was appalled to learn recently that 60% of the respondents to a poll of 1,380 HR directors of large US companies said their firms had no CEO succession plans in place. As this finding suggests, too many companies have over the last two decades ignored the hard work of building future leaders, while senior executives have focused increasingly on meeting the next quarter's earnings target."

Corporate branding is also emerging as a crucial driver, forcing companies to embrace talent management.

4. Innovation Trends

The ability of an organisation to innovate remains one of the major contributors to its continued sustainable economic performance.

Innovation cannot of course be viewed in isolation. The ability of an organization to produce the innovation essential to remain competitive will depend upon a range of other actions it is undertaking, including its leadership development, its talent bank, the engagement of its employees, plus the infrastructures it has in place for exploring new customer offerings. The characteristics of a successful organization in the years ahead have recently been seen to cover: agility – the ability to respond quickly to changing needs; customer focus – putting the customer at the centre of the organization; and innovation – ability to innovate and spot new market opportunities. In a sense, the only innovation that really counts, is that which meets defined customer needs and is agile enough to change direction when those needs change.

Understanding where others stand against your own organization's ability to innovate effectively is a key indicator of future sustainability.

Human Capital Driver Implications

All the above four trends are critical to human capital's impact upon an organization's performance. It is of concern, therefore, that none are considered to be developing at the pace or effectiveness required to meet the demands of the rapidly changing market place.

Human capital practitioners need to take a hard new look at these trends, and strongly question current systems and processes that appear to be producing limited results. It is possible that different approaches may be needed e.g. the identification of 'crucial employees' in talent management, the concept of shared leadership, identifying more focused points of engagement for employees, and building innovation requirements into all employee roles. There is no evidence that the time gap between organizational needs and human capital policy development or performance is closing. And this is not necessarily down to the inability of HR to adapt. It is perhaps more related to the market place changing so rapidly that it is impossible to move people related policies at the same pace. There is therefore always likely to be some form of misalignment between HR functional perceived performance and organizational /people expectations in the future. Those organizations that are best able to manage that misalignment most successfully will be the real winners.

17.6 Measuring Human Capital

Measuring Human Capital

In the 21st century it is seen as imperative that any organization measures its human capital.

Measuring of workforce analysis starts with determining the size and characteristics of the current workforce. The factors used such as employee age, tenure, and separation patterns to project how a workforce will change over a time. This helps an organization understands its internal labor supply. Another aspect of labor supply is the current competency makeup of the workforce. In so doing it is essential for the organization to select the human capital metrics (or key performance indicators) which are relevant to that organization and which will provide an insight into the human capital contribution to the achievement of its corporate goals.

Watson Wyatt created, **Human Capital Index** a tool to measure Human Capital. It was created with the goal in mind of linking human capital to shareholder value.

"The aim of the Watson Wyatt HCI is to show a clear relationship between the effectiveness of a company's human capital and the creation of superior shareholder returns," says Ira Kay, Watson Wyatt's North American Director of human capital. "It is a single, simple measure that quantifies exactly which human resource practices and policies are most closely linked to shareholders value."

"It is important to measure human capital because we're in a world where people pay attention only to things that are quantitative and measured," says Stanford University professor Jeffrey Pfeffer, an advisor on Watson Wyatt's HCI research project and bestselling author on human capital issues. "When

HR professionals go into a meeting with the finance department and suggest that the organization needs to change its compensation structure or be more selective in recruiting, they are asking for things that require time and resources. The only way I think those HR initiatives will be approved is to have some data that demonstrates the economic consequences, or even the consequences for stock price."

Companies with high HCI had high shareholder value, and companies with low HCI had low shareholder value. Better human capital practices lead to a more productive and engaged workforce, which leads to a more loyal customer base, which leads to a better business performance.

17.7 Summary

Expanding human capital is to utilize the talents of all people inside the organization and to bring in the best from the diverse population outside, it serves societies, firms and individuals as a direct route to economic growth. To expand human capital it is very necessary to attract and retain the employees through proper communication, by involving them, and even with the help of exit interviews. The development of human capital is again an important thing to consider for which organizations go for training & team building activities beside this rewarding the employee's performance & providing them compensation through gain sharing must be considered.

There are some strategic domains in which the expansion of human capital can be done and those are Leadership Capital, Structural Capital, Workforce Capital, Social Capital, Cultural Capital, Intellectual Capital, and Spiritual Capital. These can be led by the drivers of human capital such as Leadership, Engagement, Talent management and Innovation. These drivers are critical to human capital's impact upon an organization's performance. For expanding human capital it is very essential to measure it. Human Capital Index is the tool to measure human capital, it shows a clear relationship between the effectiveness of a company's human capital and the creation of superior shareholder returns. Human Capital is the asset of the organization and by developing it not only the organization but even the country can be developed.

17.8 Key Words

- **360° feedback**: It is a appraisal system to obtain performance evaluations on individual employees from multiple perspective or sources.

- **Compensation**: Compensation is the total package of tangible returns provided by the organization to employees in return for their labor.

- **Employee Involvement:** Employee Involvement refers to the process of engaging employees in their work and increasing their participation in decision making.

- **Exit Interviews**: Exit Interviewing and surveying (EIS) are used to gather data from separating employees.

- **Gain Sharing**: Gain Sharing is a term used to describe a set of group based incentive programs that provide employees in a designated work group with a share of the financial gains realized due to increase in productivity, improvements in processes, or reductions in cost.

- **Job Satisfaction**: Job satisfaction may be viewed in terms of individuals' (a) overall affective reactions to a job or (b) reactions to the specific facets of a job.

- **PwC**: "PricewaterhouseCoopers" and "PwC" refer to the network of member firms of PricewaterhouseCoopers International Limited (PwCIL). Each member firm is a separate legal entity and does not act as agent of PwCIL or any other member firm.

- **Recruiting**: Recruiting consists of organizational activities that provide a pool of applicants for the purpose of filling job openings.

- **Saratoga**: Saratoga is a service offering of PricewaterhouseCoopers, teams with executives and HR departments to help them measure, manage and maximize the value of their workforce.

- **Training**: When learning events are planned in a systematic fashion and are related to events in the work environment, they are called training programs.

17.9 Self Assessment Test

1. What do you understand by expanding human capital?

2. Why is the expansion of human capital important?

3. Elaborate the components of human capital and the strategies used for expansion.

4. Discuss the various domains of human capital and their roles in organizations.

5. Give tips for the effective expansion and management of Human Capital.

6. Describe the human capital drivers and say how they are interdependent.

7. Which is the best tool to measure human capital & why? Elaborate.

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