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**HUMAN RESOURCE MANAGEMENT**

(Common to all MBA Programs)

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## **TABLE OF CONTENTS**

<b>UNIT</b>		<b>PAGE NO.</b>
Unit - I	HRM - An Overview	3
Unit - II	Human Resource Planning	83
Unit - III	Training and Development	149
Unit - IV	Compensation and Productivity	193
Unit - V	Industrial Relations	237



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**PAPER – VIII**  
**Human Resources Management**

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**Objectives**

- ▶ To understand and appreciate the importance of the human resources vis-a-vis other resources of the organisation
- ▶ To familiarize the students with methods and techniques of HRM
- ▶ To equip them with the application of the HRM tools in real world business situations.

**Unit-I**

Human Resources Management - Context and Concept of People Management in a Systems Perspective - Organisation and Functions of the HR and Personnel Department - HR Structure and Strategy; Role of Government and Personnel Environment including MNCs.

**Unit – II**

Recruitment and Selection - Human Resource Information System [HRIS] - Manpower Planning - Selection – Induction & Orientation - Performance and Potential Appraisal - Coaching and Mentoring - HRM issues and practices in the context of Outsourcing as a strategy .

**Unit-III**

Human Resources Development –Training and Development Methods - Design & Evaluation of T&D Programmes - Career Development - Promotions and Transfers - Personnel Empowerment including Delegation - Retirement and Other Separation Processes.

#### **Unit-IV**

Financial Compensation- -Productivity and Morale - Principal Compensation Issues & Management - Job Evaluation - Productivity, Employee Morale and Motivation - Stress Management - Quality of Work Life.

#### **Unit - V**

Building Relationships – Facilitating Legislative Framework - Trade Unions - Managing Conflicts - Disciplinary Process - Collective Bargaining - Workers Participation in Management - Concept, Mechanisms and Experiences.

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## UNIT - I

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### Lesson 1 - HRM - An Overview

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#### Lesson Outline

- ▶ Nature of HRM
- ▶ Definition of HRM
- ▶ Development of HRM
- ▶ Environment of HRM

#### learning objectives

*After reading this lesson you should be able to*

- ▶ Understand the nature and scope of the HRM
- ▶ Define HRM
- ▶ Describe the development of HRM
- ▶ Detail the environment of HRM

#### Introduction

Men and resources are involved in all activities. Men were taken for granted for a long time. Greater accent was given to resources, production machinery and top managers. But during the last few decades, with modern large scale production of innumerable products for a wide market, the importance of human resources and their development has come to the fore. The importance of human resources to any organization need not be over-emphasized. Human resource is the wealth of a nation and an organisation. The development process is wide and varied. In this lesson, let us understand the importance and concept of Human Resources Management. (HRM).

## **Human Resources**

In the general parlance, human resources are people and their characteristics at work either at the national level or organisational level. Megginson has defined human resources as follows:

“From the national point of view, human resources are knowledge, skills, creative abilities, talents and attitudes obtained in the population; whereas from the viewpoint of the individual enterprise they represent the total of the inherent abilities, acquired knowledge and skills as exemplified in the talents and aptitudes of its employers”

Sumantra Ghosal considers human resources as human capital. He classifies human capital into three categories – intellectual capital, social capital and emotional capital. Intellectual capital consists of specialized knowledge, tacit knowledge and skills, cognitive complexity and learning capacity. Social capital is made up of network of relationships, sociability, and trustworthiness. Emotional capital consists of self- confidence, ambition and courage, risk-bearing ability and resilience”.

In simple words, HRM is a process of making the efficient and effective use of human resources so that the set goals are achieved.

### **Definition of HRM**

According to Flippo, ‘Personnel Management, or say, human resources management is the planning, organizing, directing and controlling of the procurement, development,

According to Flippo, ‘Personnel Management, or say, human resources 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, organisational and social objectives are accomplished”.

The National Institute of Personal Management (NIPM) of India has defined human resources – personal management as “that part of management which is concerned with people at work and with



their relationship within an enterprise. Its aim is to bring together and develop into an effective organization of the men and women who make up enterprise and have regard for the well-being of the individuals and of working groups, to enable them to make their best contribution to its success”.

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

HRM can be defined as a process of procuring, developing and maintaining competent resources in the organization so that goals of an organization are achieved in an effective and efficient manner. In other words HRM is an art of managing people at work in such a manner that they give best to the organisation.

### **Significance of HRM**

Human resources are the most precious asset of an organization. They are the activators of non-human resources, means for developing competitive advantages and sources of creativity. Ghoshal outlines the role of HRM in managing an organization in the following lines.

“Indian Companies have spruced up their strategic thinking; they have even moved a generation ahead with their organisations. But they still have managers who have been shaped by old models. They are essentially a group of first generation managers whose definitions of roles and tasks, personal skills and competencies, ideas and beliefs about management have been shaped by an earlier model. You cannot manage third generation strategies with second generation organizations and first generation managers to meet the needs of second generation organisations and third generation’s strategic thinking.

The above view indicates the role of HRM in Indian industry. Significance of HRM can be viewed in three contexts; organizational, social and professional.

### **Organizational significance**

- i. Effective utilization of human resources to motivate them and to change their attitudes to work and the organization.
- ii. To develop personnel to meet the demands of the work effectively; and
- iii. To ensure proper recruitment and to retain the personnel in the organization so that right people are available.

### **Social significance**

This aspect aims in achieving the need satisfaction of personnel in the organisation. It is often said that a happy worker is not only happy in his work place but also at home and in society also.

Hence HRM seeks to achieve the following

1. Maintaining balance between jobs and job-seekers, taking into consideration job requirements, job seekers' abilities and aptitudes
2. Providing most productive employment from which socio-psychological satisfaction can be derived.
3. Utilizing human capabilities effectively and matching with government rewards.
4. Eliminating wasteful organizational and individual practices.

### **Professional Significance**

This aspect involves developing people and providing appropriate environment for effective utilization of their capabilities and involves the following.

1. Developing people on a continuous basis to meet the challenges of their jobs.
2. Maintaining the dignity of personnel at the work place.

3. Providing proper physical and social environment at the work place to create a congenial working atmosphere.

### **Concept of HRM**

Human Resources are considered as a very important asset of any organisation and the nation as well. Other resources are of no avail without Human Resources. They can be made more effective and purposeful. There is no limit in their abilities and their abilities can be continuously improved with training, skill, attitude and additional scientific gadgets and machines. Concept of HRM borders on,

1. Men or personnel can do many wonderful things and take up any challenge.
2. They can be trained to do efficient work.
3. Necessary climate can be created to increase their efficiency.
4. Environment and their liberties can be increased to create a congenial atmosphere.

Karen Legge has specified three elements of HRM as follows

1. Human resource policies should be integrated with strategic business planning and used to reinforce appropriate culture.
2. Human resources are valuable and a source of competitive advantage.
3. Human resources can be tapped most effectively by mutually consistent policies which promote commitment and foster a willingness in employees to act flexibly in the interest of the adaptive organisation's pursuit of excellence.

John Storey has specified four elements of HRM as follows:

1. A set of beliefs and assumptions.
2. A strategic thrust embodying decisions about people management.
3. The central involvement of line management

4. Dependence upon a set of levers to determine the employment relationships

### **Development of HRM**

Awareness regarding HRM was felt during the industrial revolution around 1850 in Western Europe and U.S.A. Only during the beginning of 20<sup>th</sup> century, it was felt in India. Since then to the present era, the development of HRM may be classified as follows:

#### **Trade Union Movement Era**

The conditions of workers in the aftermath of factory system as an outcome of industrial revolution, were very pathetic. The first world war worsened the situation. The Royal Commission of Labour in India in 1911, under the chairmanship of J.H. Whitely, recommended the abolition of the 'Jobber' system and the appointment of labour officers in industrial enterprise to perform the recruitment function as well as to settle workers' grievance. Workers also started forming 'trade unions'. The Trade Union Act, 1926 was passed in India. The basic object underlying trade union was to safeguard the worker's interest and to sort out their problems such as use of child labour, long hours of work and poor working conditions. These unions used strikes, slowdowns, walkouts, picketing, as weapons for the acceptance of their problems. These activities of trade unions gave rise to personnel practices such as collective bargaining, grievance handling system, arbitration, disciplinary practices, employee benefit programmes and sound wage structure.

#### **Social Responsibility Era**

In the beginning of 20<sup>th</sup> century, some factory owners, employers started showing humanistic approach towards the workers. Robert Owen, a British industrialist, reformer and humanitarian is considered to be the first to adopt humanistic approach towards workers. He viewed that the principal social and economic environments influence the physical, mental and psychological development of workers. Hence he felt that to improve the productivity, it is necessary to improve conditions of employees by removing them from the adverse environment to a congenial atmosphere with the availability of satisfactory living and working conditions.

The philosophy in Owen's patriarchal approach was that workers are just like children and the owner is just like a father. Therefore the owner should take care of the workers, just like a father looks after his children. Owen himself implemented this philosophy in his cotton mill in Scotland by introducing facilities such as shower baths, toilets, rest rooms and increased minimum wages and housing scheme.

### **Scientific Management Era**

The concept of scientific management was introduced by F.W.Taylor in the USA in the early part of 20<sup>th</sup> century as an alternative to the prevailing system of management by initiative and incentive based on his shop floor job experience.

#### **Taylor developed four principles of scientific management**

1. Development and use of scientific methods in setting work standards, determining a fair work, and best way of doing work.
2. Scientific selection and placement of workers best suited to perform the various tasks and provision of their training and development for maximum efficiency.
3. Clear cut division of work and responsibility between management and workers.
4. Harmonious relationship and close cooperation with workers to achieve performance of work in accordance with the planned jobs and tasks.

In the scientific theory, Taylor viewed men and workers as one driven by fear of hunger and search for profit. Accordingly, if economic reward is tied up with the efforts put on the job, the worker will respond with his maximum physical capability.

Taylor also developed several techniques to introduce his scientific ideas in management.

They were

1. Time study – to measure the time taken to each job and each operation and to standardize the operations of the job.
2. Motion study – to study body movements in workplace and to reduce wasteful motions.
3. Standardization of tools, equipments, machinery and working condition.
4. Incentives – wage plan with differential piece rate for efficient and inefficient workers.

### **Human Relations Era**

During the years 1925 to 1935, experts expressed their opinions towards the human aspects of organisation activities. Hugo Munsterberg in his book, “Psychology and Industrial Efficiency”, suggested the use of psychology in selection, placement, testing and training of employees in an organisation. Elton Mayo and his associates conducted a series of experiments from 1924 to 1932 of the Hawthorne plant of the Western Electric Company in the USA. The main findings of Hawthorne Experiments were as follows:

1. Physical environments at the work place do not have any material impact on the efficiency of work.
2. Favourable attitudes of workers and psychological needs had a beneficial impact on the morale and efficiency of workman.
3. Fulfillment of the worker’s social and psychological needs had a beneficial impact on the morale and efficiency of workmen.
4. Employee groups based on social interactions and common interests exercised a strong influence on worker’s performance.
5. Workers cannot be motivated solely by economic rewards. More important motivators are job security, recognition, right to express their opinion on matters related to them.

The findings have stated that the relationship between the superiors and subordinates should relate to social and psychological

satisfaction of the employees. Employee satisfaction is the best means of making the employee productive.

### **Behavioural Science Era**

Important elements of behavioural approach to HRM is as follows:

1. Individual behaviour is linked with the group behaviour. For example, a person may resist changing his behaviour as an individual. But he or she will readily do so if the group to which he or she belongs, decides to change its behaviour.
2. Informal leadership rather than the formal leadership of manager is more effective in influencing people to achieve standards of performance. According to their view, democratic leadership style of the manager is more acceptable to the subordinates and hence more effective.
3. By nature, people do not dislike work. Most people enjoy work and one is motivated by self control and self development. In fact job itself is a source of motivation and satisfaction to employee.
4. Expanding subordinate influence, self-control and self – direction can improve operating efficiency.

### **Systems Approach Era**

A system may be defined as a set of interdependent parts forming an organized unit or entity. The system is defined as “an organized and complex whole: an assemblage or combination of things or parts forming a complex unitary whole”. The parts, also known as sub-systems, interact with each other and are subject to change. These sub-systems are inter-related and inter dependant. Three broad sub-systems are

- i) Technical sub-system      - The formal relationships among the members of an organisation
- ii) Social sub – system      - Social satisfaction to the members through informal group relations.
- iii) Power sub – systems- Exercise of power or influence by individual or group.

**The system approach is characterized by the following features:**

- i. A system is a group of inter – related elements which are separate entities/ units.
- ii. All the elements are inter– related in an orderly manner.
- iii. There is the need for proper and timely communication to facilitate interaction between the elements.
- iv. The interaction between the elements should lead to achieve some common goal.

At the heart of the systems approach is a Management Information System (MIS) and communication network for collection, analysis and flow of information to facilitate the function of planning and control. Modern thinkers consider HRM as a system that integrates activities with an objective to make the best use of resources which are always scarce.

**Contingency Approach Era**

Contingency refers to the immediate circumstances. Contingency approach believes that there is no one way of managing that works best in all situations. According to this approach, the best way to manage varies with the situation. Hence this approach is called as ‘situational approach’. There may not be one universal way of managing in all situations. A particular approach may yield fruitful results in one situation but may drastically fail in another situation. Therefore managers are to analyse different situations and then use the best approach suitable in that particular situation.

**Development of HRM in India**

Like U.K and USA, the evolution and development of HRM in India was not voluntary. After second world war difficult conditions erupted in India. Malpractices in the recruitment of workers and payment of wages led to trade union movement. In 1931, on the recommendations of The Royal Commission of Labour, ‘Jobber’ system was abolished.



After independence, the Factories Act, 1948 laid down provisions for Labour Officers, Labour welfare, safety and regulation of working hours and working conditions.

Two professional bodies emerged. They are 'The Indian Institute of Personnel Management' (IIPM), Calcutta, now 'Kolkata' and the 'National Institute of Labour Management (NILM), Bombay, now Mumbai. These two institutes are guiding in Human Resource Management and Labour management.

The massive thrust on basic industries in India during the I Five year plan (1956-61), which accelerated public sector undertakings, gave thrust to personnel management and HRD practices. The professionalism in managing organizations became quite discernible by 1970s. There was a clear shift from welfare approach to efficiency approach. The two professional bodies IIPM & NILM merged in 1980 to form National Institute of Personnel Management (NIPM) with Kolkata as headquarters.

Evolving along the years, the approach has shifted to human values and productivity through people. It is against such a shift in managing people in the 1990s, a new approach has emerged as human resources management (HRM). This approach focuses more on development aspects of human resources.

The changing internal environment in organizations calls for better understanding of human resources management. The culture or climate of an organization is made up of traditions, values, habits, ways of organizing, and interpersonal relationships at work. Culture is reflected in organizational structure, strategy, systems, power and reward distribution, conformity, development process, motivational dynamics, organizational clarity, warmth and support received by employees, leadership styles, standard of performance and shared subordinate values. An effective work culture is flexible, integrated, decentralized, performance – oriented, quality conscious, cooperative, collaborative, and supportive. The major elements of HRM strategy and functions can be related to organizational culture. Corporate mission, philosophy and strategic plan give birth to culture in organizations.

## **Relevance of HRM**

HRM is relevant in the modern changed scenario on the following grounds

### **Change management**

The popular terms of the present day world are 'Learning Organization', 'Managing Organizational Change', 'Change Agents' and the like. It is now accepted that any organization can survive in today's socio – economic environment only if it is pro-active to environmental changes. Advances in information technology too are forcing organizations to change their very way of thinking.

### **Competence**

In any organization, it may not be feasible to allocate tasks to individuals at which each one excels. But it is possible to enhance the competence of the individuals to specific tasks through well designed training programmes. HRD attempts to enhance the competence through well defined and planned training programmes.

### **Commitment**

The extent to which the employees are committed to their work and organization has a significant bearing on an organization's performance. Commitment levels can be assessed using informal interviews and questionnaires, statistics on absenteeism, grievances and voluntary separations. Transparency in organizational functioning, employees perception of various HRM policies, channels of communication and role models played by superiors influence employee commitment.

### **Congruence of objective**

It is essential that all new comers to the organization are properly socialized into the existing community and are made aware of the organizational values, work ethos, customs and traditions. It is important that they know what the organization stands for and what it wants to achieve and in this process what is expected from each individual. They

should understand the meaning of existence of the organization. This exercise is commonly referred to as socialization.

### **Motivation**

The performance of the workers could be improved and increased by proper motivation. Most people can exercise far more creativity, self-direction and self control than their present jobs demand. It is, however, necessary to create an environment in which all members can contribute to the limits of their ability. Subordinates must be encouraged to participate in the process of decision making, continuously broadening their self-direction and self-control. These would not only lead to direct improvement in operating efficiency but would also ensure them to groom for higher responsibilities.

### **Environment of HRM**

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

#### **Internal Environment**

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

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

## **Organizational culture and conflict:**

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

## **NIPM & HR Professional Bodies**

NIPM regulates HR practitioners. As a member of NIPM, the dictums are:

As personnel Manager declare that I shall

- ▶ Subscribe to the aims and objects of the National Institute of Personnel Management and be bound by its constitution.
- ▶ Recognize and accept the dignity of an individual as human being, irrespective of religion, language, caste or creed.
- ▶ Maintain high standard of integrity and behaviour demanded by the profession.
- ▶ Conduct myself as responsible member of the management team committed to the achievement of the organizational goals.
- ▶ Take keen interest in the establishment of healthy personnel practices and development of the profession.
- ▶ Try to win confidence and gain respect of the employees and make myself available to them, provide formal and informal intervention to resolve industrial conflicts.
- ▶ Endeavour to enhance the good name of my profession in dealing with other professional bodies, government departments, and

employer's and employees' organizations.

- ▶ Cooperate in maximizing the effectiveness of the profession by exchanging freely information and experience with other members.
- ▶ Not allow any interest other than professional to interfere with my official work.
- ▶ Not to disclose any information of a confidential nature that I may acquire in the course of my professional work without obtaining the consent of those concerned and shall not use confidential information for personal gains.
- ▶ Not accept or offer any improper gratification in any form or manner whatever in connection with or in the course of my professional work. and
- ▶ Not to take acquiesce in such action which may bring the institute or the profession into disrepute.

### **External Environment**

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

### **Economic Factors**

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

### **Political Factors**

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

## **Technical**

Technology is a systematic application of organized knowledge to practical tasks. Technological advances affect the HR functions in several ways. Technology makes the job more intellectual or upgraded. Secondly, it renders workers dislocated, if they do not equip themselves to the job. Thirdly, job becomes challenging for the employees who cope with the requirements of technology. Further, technology reduces human interaction at the work place. Finally, job holders become highly professionalized and knowledge based in the job they perform.

## **Demographic**

Demographic variables include sex, age, literacy, mobility, etc., All these have different dimensions in employment and placement.

## **People management**

Men or personnel should be managed properly and effectively in any organization and at the macro level, in the national level.

Men have some inherent qualities.

- Want job and work
- Have inherent like for the work
- Are liable to likes and dislikes
- Require motivation and training
- Given an opportunity everyone would rise up to the occasion
- Their welfare and safety measure is a concern of the state
- Every opportunity for advancement and knowledge should be provided
- They should be guided but their liberties should not be curbed
- They should be chosen to the right job and right place
- They need adequate salary, perquisites and comforts.

Managing people is an art. A wrong handling may lead to conflicts. A dis-satisfied worker may absent himself or quit. Labour absenteeism and labour turnover are costly to the organization.

Organization does not represent assets and money alone. Every organization is a social institution. They have a responsibility to their employees, society and the government which gives protection and infra-structure.

The core of any organization is its people represented by workers. It has as much responsibility to them as they have to the shareholders. This art of managing men and women in organization has led to the birth and development of HRM.

### **People Management – Indian Scenario**

In the 50's there was a strong belief that employees were recruited not to question 'why' but only 'to do and die'. In the 60s, terms like manpower, staff and personnel came to be used and instead of controlling the employees, it became more and more acceptable to manage personnel as it was felt that the productivity of the workers could be improved, if they were organized for the work. While hierarchy, status, authority, responsibility and accountability are structural concepts, in the Indian context, emotions, feelings, empathetic perceptions, impressions influenced people more than anything else.

The Indian organizations are experiencing some, transitions and changes. The work force of the 50's and 60's has retired. The middle level is now at the top with the hangover of all middle class values. The new generations of MBAs are pouring into industrial organizations. Young executives in their mid 30s are heading HRD/HRM divisions in big companies. Moreover due to very great strides in information technology, there is a need to manage this tradition and give a direction to this change process. The HRM strategies in India in the 21<sup>st</sup> century are focusing on individual organization interface and greater emphasis on organizational effectiveness than on personal success.

### **SELF-Assessment Questions (SAQs)**

1. Define HRM?
2. Explain the significance of HRM?
3. Explain the concept of HRM?
4. Explain the development of HRM?
5. What is meant by systems approach of HRM?
6. What is contingency approach?
7. What is HRM environment?
8. What is people management?

### **Summary**

In this lesson you would have understood various aspects of and importance of HRM. The importance of HRM, that too in India was felt only in the last few decades. The significance of HRM is wide and varied. It has significance in the organization, society, besides the profession itself. The concept of HRM is managing men and developing them.

The present stage of HRM is preceded by Trade Union movement, social responsibility, scientific management era, human relations awareness, behavioural science era, systems approach and contingency approach.

HRM helps in the change management, creation of core competence, instilling commitment and in motivation. HRM is shrouded in the midst of internal and external environment. There is a conspicuous change in people management in India.

### **Answer Key**

1. Definitions of Flippo, NIPM, and Decenzo and Robbins may be looked into.
2. a) organizational significance b) social significance, c) professional significance.



3. Concept – men can do – they can be trained to do – necessary training, atmosphere and liberties may be created.
4. Developments – Scientific Management of F.W.Taylor – Human Relations accent – Evolution of Behavioural Science – systems & Contingency approach.
5. System approach – set of inter-dependent parts – sub – systems – Technical, Social, and power.
6. The same approach need not be copied – each situation should be handled according to the need and magnitude of the problem.
7. HRM environment – both internal & external.
8. People Management – Need for and method.

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## Lesson 2 - Organization of HRM

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### lesson outline

- Nature of Organizational Structure
- Formal and Informal
- Requisites of a good Structure
- Line Authority and staff Authority
- Departmentation
- Organisation structure for HRM

### Learning Objectives

*After reading this lesson you should be able to*

- Understand the organization structure
- Differentiate between formal and informal organization
- Appreciate line authority and staff authority
- Draw an organizational chart

### Introduction

Organisation structure is a basic framework within which the managers' decision making behaviour takes place. Structure basically deals with relationships. Structure is the pattern in which various parts or components are interrelated or interconnected. Organization structure is the pattern of relationships among various components or parts of the organization. This prescribes the relationships among various activities and positions. Since the positions are held by various persons, the structure is the relationship among people in the organization.

Design of basic structure involves such issues as how the work of organization will be divided and assigned among various positions, groups, divisions, departments, etc., and how the coordination necessary to accomplish total organizational objectives will be achieved. Besides the formally established organization structure, people create relationships independent of the formal relationships known as informal relationships or informal organization. Thus organization structure should mean the totality of formal and informal relationships. A good organizational structure is the pre-requisite for efficient HRM. This is discussed in the following pages.

## **Formal Organization Structure**

A **formal organization structure** is required, since a large number of people are associated in achieving organizational objectives. All of them perform various functions which are interdependent and interrelated. There should be a plan for systematic completion of the work of each specialized job so that the total activities accomplish common objectives. Though an organization structure is required primarily to overcome the limitations of individuals, it serves many other purposes too. The advantages of a good organizational structure are as follows:

### **1. Facilitating Management**

A properly designed organization facilitates both management and operation of the enterprise. On the other hand inadequate and faulty structure would discourage and hamper effective management. Management work takes place with certainty and continuity only if appropriate functional groups are provided to help managers. The grouping and arrangement of activities directly affect operating results. Successful managers always try to develop good structure. In many enterprises, a separate unit for organization analysis, is created which looks after authority and responsibility, delegation, communication, control and coordination.

### **2. Facilitating growth**

The organizational structure is the framework within which an enterprise grows. This requires a flexible structure where changes may be

incorporated. With the increase in size, either the quantity of same work increases, or diversification takes place: a sound structure facilitates growth by increasing the efficiency.

### **3. Full utilization of technological improvement**

Many new technological improvements are being made every day and the organization cannot remain aloof to these improvements. The advantages can be best realised by having a suitable organization structure which can quickly adjust to the new technology.

### **4. Encouragement to personnel**

Psychological satisfaction to individuals in the organization is needed. An individual contributes his best when his satisfaction is the most. Psychological satisfaction is largely derived from his work, his relationships, and his work environment. Psychological satisfaction could be provided through good organization structure. A good organization structure also develops provisions for training and promotional avenues.

### **5. Creativity stimulation**

A sound organization based on specialization, stimulates creative thinking and initiatives by providing well defined area of work with provision of development of new and improved ways of working.

## **Good Organization Structure**

The features of a good organization structure are:

### **1. Simplicity**

An organization structure should be simple. The concept of simplicity implies that various organizational relations should be kept to the minimum. Every person in the organization should be clear about to whom he has to consult on a particular matter. Too many levels, too many communication channels, multiplicity of commands or too many committees create more problems than solving them.

## **2. Flexibility**

An organization structure should be flexible enough so that changes can be incorporated whenever there is a need. The structure should be designed not only for the present but also for the future needs. There may be a need for incorporating changes in organization structure. Changes can be incorporated easily, if the structure is flexible. Thus, a flexible structure provides opportunity to incorporate changes whenever needed without adversely affecting other parts.

## **3. Line of Authority**

There should be clear lines of authority running from top to bottom or in horizontal directions. The concept of clear line of authority implies that one should be clear about what he is expected to achieve or contribute and what relationships should be maintained by him in his official level.

## **4. Ultimate Responsibility**

There is always the concept of ultimate responsibility which suggests that although a superior manager assigns some of the work to his subordinates, he is ultimately responsible for performance of total work. Thus, he is responsible for his own work as well as for the work performed by his subordinates. In this concept no superior can absolve himself from the responsibility for the non-performance of work by his subordinates.

## **5. Delegation of Authority**

There should be proper and adequate delegation of authority. Responsibility cannot be delegated without proper authority to the delegate. He can discharge his responsibility properly if he has commensurate authority. A common problem in the organizational life is that managers often fail to delegate adequate authority and suffer with various problems. The organizational structure shall be such that it should be amenable for delegation.

## **6. Managerial Levels**

In an organization there should be minimum managerial levels. Greater the number of managerial levels longer is the line of communication in the chain of command and the communication has to travel along the line creating problems of delay and distortion. Though it may not be possible to suggest how many managerial levels should be kept by an organization as the number of levels is affected by so many variables, the principle of minimum levels hold good.

## **7. Unity of Direction and Command**

It is no good if direction and command are given by more than one person having authority. Sometimes, the structure, if defective may lead to multiplicity of commands, making the subordinate in a fix as to whom he is answerable. If there is a well grouped and arranged organizational structure, it may lead to desirable unity of command.

## **8. Proper emphasis on staff**

Line functions should be separated from staff functions and adequate emphasis should be placed on important staff activities. This is important particularly in large organizations. The line and staff activities are required because both serve different objectives in the organization. A line activity is that which serves the organizational objectives directly. Production activities, marketing activities etc can be considered as good examples for the line activity. On the other hand, contributions of staff activities are indirect, that is, they help in carrying out the line activities to achieve organizational objectives. Personnel, accounting etc., are staff activities.

## **Designing Organization Structure**

### **1. Identification of activities**

In designing the structure, managers must identify the various necessary activities that should be performed in order to achieve the organizational objectives. While identifying the various activities, the deductive method is followed which suggests that in order to achieve a

particular goal, which steps and functions should be undertaken. The major activities are classified into a number of sub-activities. While classifying and reclassifying the activities, it should be borne in mind that

- i. All the necessary activities are performed.
- ii. There is no unnecessary duplication in performing various necessary activities.
- iii. The various activities are performed in a synchronized or coordinated way.

## **2. Grouping of Activities**

Closely related and similar activities are grouped together to form departments, divisions, or sections because coordination of numerous activities can best be achieved by grouping them into basic and derivative departments. Grouping may be done on several bases depending upon the situational requirements. Grouped activities in the form of departments, divisions or sections are assigned to various positions. These positions are occupied by various individuals.

## **3. Prescribing Authority Relationships**

Since organizing process creates various departments and positions therein, authority relationships have to be prescribed for orderly functioning of various departments. These relationships have to be prescribed for various positions in a department. Such relationships may be in the form of line, staff or functional authority relationships.

## **Departmentation**

The first task in designing an organization structure is the identification of activities and grouping them on the basis of some similarity. The process of grouping the activities is known as departmentation. The need for departmentation arises because of specialization of work and the limitations on the number of subordinates that can be directly controlled by a supervisor. Different bases for

grouping are, functions, products, production processes, geographical territories, customer segments etc. Following are the factors that are to be considered in making departmentation:

**1. Specialization**

The basis of departmentation should reflect the specialization in performing the work. If the organization structure reflects well the division of work in the organization through grouping of activities in departments, it could efficiently and effectively contribute to the organization operations.

**2. Coordination**

The best result can be achieved when all activities are performed in coordinated way and each activity contributes in the positive way to others. Thus, the basis of departmentation should ensure that closely connected operations are put together.

**3. Control**

Control is the process of analyzing whether the intended results are being achieved and is according to the target and planning made. If the results are not up to the expectations or not in the line we thought of, control mechanism should be applied. If the structure is properly made in the organization over seeing, responsibility and corrective measures could be taken immediately.

**4. Economy**

A balance should be maintained between the cost of creating a department and its contribution. The existence of a department is desirable only when it contributes more than its cost. For example if the railway administration wants to create a new zone it should consider the cost involved in starting the zone and the benefit that arises in terms of money other than administrative efficiency and convenience.



## **5. Local conditions**

While creating departments, adequate consideration should be given to the requirements of local conditions. This is more important to those organizations which operate in different geographical areas. If a MNC opens a department in India, it should give due consideration to local conditions, in its own interest.

## **6. Human considerations**

Departmentation should also take into consideration the human factor in the organization. Therefore along with technical factors, departments should be created on the basis of availability of personnel, their aspirations and value systems, informal work groups, and attitudes of people towards various forms of organization structure. Often organization structure is a major source of satisfaction or dissatisfaction to human beings. Departmentation scheme providing more human satisfaction is likely to contribute more to the organizational operation.

### **Authority Relationships**

Authority relationship is the cohesive force which integrates different parts of the organization. A manager needs authority to manage his own department as well as to interact with other departments in the organization.

Line authority emerges in superior – subordinate relationships in which the superior is authorized to exercise control over his direct subordinates in a chain of hierarchy. Staff authority involves giving advice to line managers to carry on the operation. While line authority flows downward, staff authority may flow in any direction.

Line authority becomes apparent from the scalar principle. In this the relationship is exercised by direct supervision over a subordinate. The nature of staff relationships is advisory.

## **Line Relationship**

A line manager has a clearly defined role to play in the organization which requires understanding of the nature of line authority. In the organizing process, activities are assigned to the individuals making them responsible for the proper performance of these activities. Authority is delegated to these individuals to perform the activities. These individuals, in turn, assign some of the activities to persons working below them in the hierarchy.

### **Line Authority – Features**

#### **1. Chain of command**

A command relationship exists between each superior and subordinate. Line authority is the heart of this relationship because it entitles a superior to direct the work of his subordinate.

#### **2. Chain of communication**

Line authority is the channel of communication between members of the organization. Communication up and down in the organization flows through the line relationship. In any organization line of communication should be established. There should be a system where everyone reports and also get reported. Such a line is maintained through line of command.

#### **3. Maintains Responsibility**

The line relationship carries ultimate responsibility for the work assigned. Though there is delegation of authority, every individual holding position holds responsibility.

### **Staff organization**

This is advisory in nature. A staff man charged with bringing about improvements in a specific area has two courses of action. He may make a recommendation to a line manager who is directly or indirectly his boss and then rely on the manager to issue the necessary orders to put

the plan into effect or he may try to secure voluntary acceptance of his ideas from other managers without the support of formal orders through line chain. In the second course the staff man can use his persuasive skill to accept.

### **Compulsory Staff Consultation**

Despite all the efforts made by staff man, there is still a possibility that real action may be taken in the area concerning his specialization without his participation. To overcome this, some organizations prescribe the practice of compulsory staff consultation. Under this arrangement, a staff man must be consulted before action is taken.

### **Concurring Authority**

Under certain circumstances, particularly when control over some operations is very important, a staff man may be granted authority so that no action can be taken until the concerned staff man agrees to it. For example, quality control inspector must pass on raw materials or semi finished products before they move to the next stage of production. So also agreement with employees over the matter of wages should be entered only after the personnel manager has agreed for it. In India certain massive public sector projects may be taken by the state or centre only after getting clearance from planning commission.

### **Apprehensions of Staff Managers**

#### **i. Lack of proper use of staff**

Staff people feel that the managers do not make proper use of their services and decisions are made without inputs from staff. But however when something goes wrong in the area of his operation, staff person from the concerned field is made the scapegoat.

#### **ii. Resistance to New ideas**

Line managers often resist new ideas because new ideas mean that there is something wrong with their present way of working. Thus new ideas are treated as fault-finding device in their operation. Hence the innovation of staff people goes waste.

### **iii. Lack of proper authority**

Staff people feel that they contribute to the realization of organizational objectives without really enjoying any authority. Line managers clearly hold most of the cards and enjoy enormous authority.

### **Need for Harmony**

There is bound to be conflict between line managers and staff personnel due to the following reasons.

#### **i. Divergent background**

Line and staff people, often have different backgrounds and individual characteristics. Staff people, are generally younger, better educated, dynamic, and more poised in social interaction than the line people. This difference in outlook is one of the reasons for discord.

#### **ii. Lack of demarcation between line and staff**

Though theoretically line and staff authority is clear, often in practice, demarcation between line and staff is rarely clear. Overlapping of basic functions and a gap could affect personal relationships.. This structure is useful when technology remains static and types of products are not many. Prof. Drucker has defined this type of organization as “functional decentralization”. A typical diagram is shown in Fig. 2.1(a). This structure is useful and advantageous for smaller organizations but difficult for bigger ones. This structure was found ineffective to face keen competition in market due to rapid advancement in technology and development of multiple products.

The advantages of functional type organizations are

- Easier budgeting and cost control
- Better technical control since specialists are grouped together
- Flexibility in use of manpower
- Provide continuity in functional disciplines
- Better control on personnel
- Quick reaction capability.

The disadvantages are

- ▶ No one individual is responsible for the entire operations / products
- ▶ Does not provide the production – oriented emphasis
- ▶ Coordination becomes complex
- ▶ Does not provide single point contact for customers
- ▶ More response time to the customer
- ▶ Duplication and overlapping of responsibility.

**iii. Lack of proper understanding**

Though the authority of line and staff may be clear, yet in practice, people may fail to understand the exact nature. They may overstep and this might result in mistrust.

- i. For creating harmony among line managers and staff people, the following are the suggestions:
- ii. Line people who have the ultimate responsibility should have authority to make operating decisions.
- iii. Staff people may be granted functional authority.
- iv. Persuasion is always better than strict direction.
- v. Periodic coordination meeting can solve many problems.

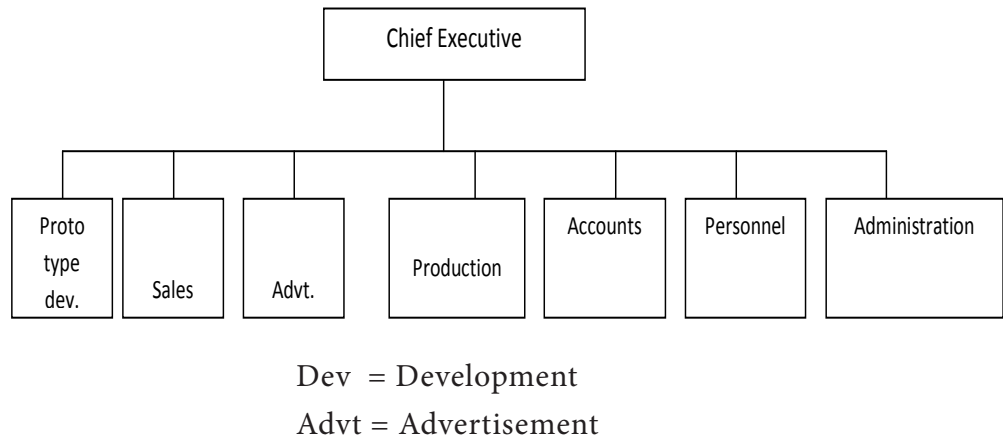
**Traditional Type Organization**

Classical literature identifies organizational structure mainly under three categories:

- ▶ Functional (or Traditional) type organization.
- ▶ Product (or Process) type organization
- ▶ Matrix type organization.

### Functional type

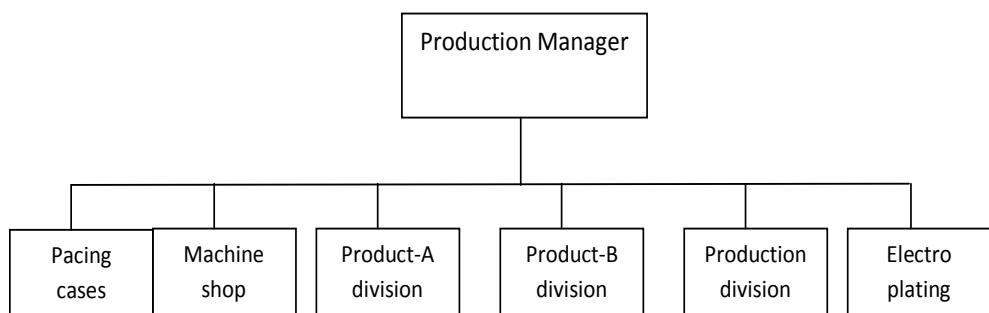
Here the structure is built up on specialization. Departments are grouped, based on specialized knowledge available, viz., production, marketing, sales, materials and finance.



**Fig. 2.1(a) Functional Type Organization**

### Pure product Type Organization

Here the organization is developed with production managers as the line managers who are specialists of a particular type of product or process. See Fig. 2.1(b)



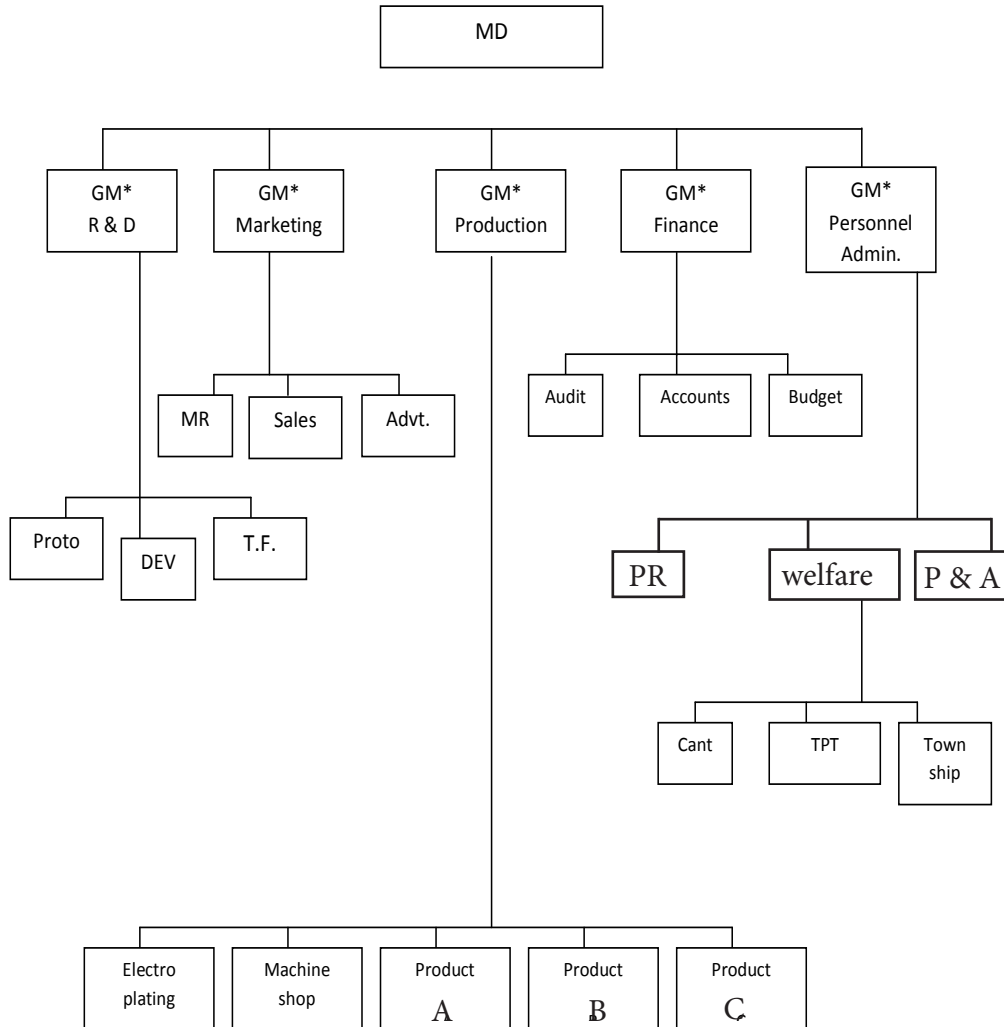
**Fig. 2.1(b) Process Type Organization**

### Matrix Type Organization

This is an attempt to combine advantages of both functional and product type organization structure discussed above. Here the structure is based on more than one basis of grouping. Equal emphasis is given for both the types of structure and both the types of managers viz., line and

staff. This is called matrix structure. See Fig 2.1(c).

The establishment of the organization will vary according to the size of the unit, its geographical distribution, nature of products etc., Hence there is no one best method for universal application.



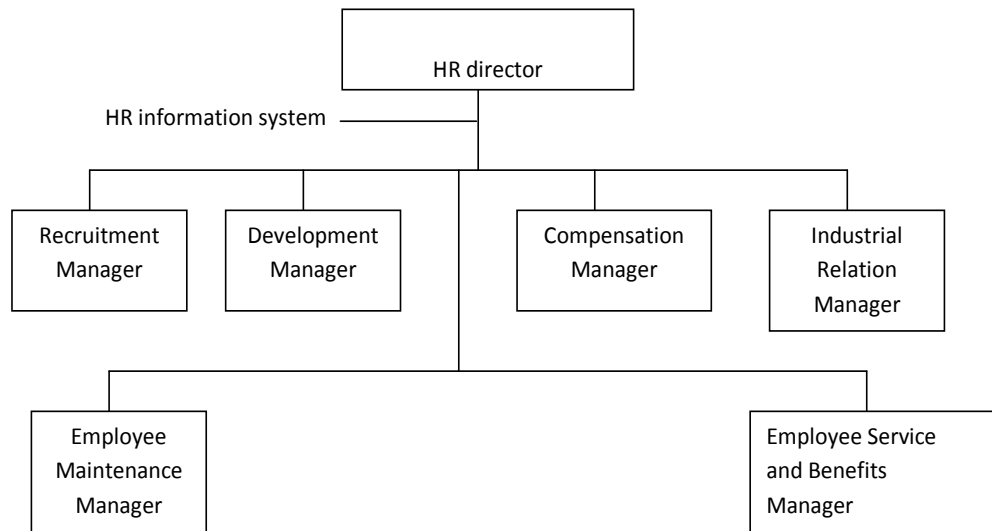
**Abbreviations**

- M.D – Managing Director
- GM – General Manger
- Proto – prototype
- P&A – Personnel & Administration
- \* - Staff managers
- ADVT – Advertisement
- DEV – Development
- PR – Public Relations
- CANT – Canteen
- A & D – Research & Development
- MR – Market Research
- TF – Technology Forecasting
- TPT – Transport

Fig. 2.1(c) Matrix Type Organization

## Function oriented structure for HR Department

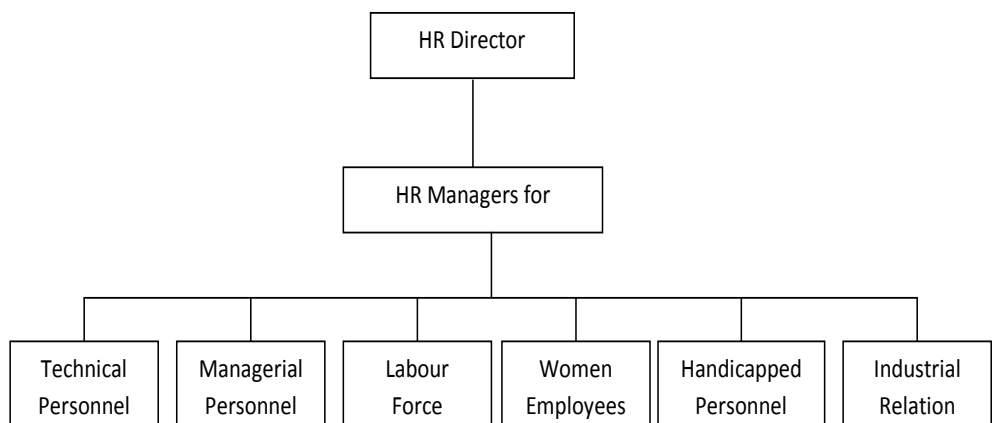
A function oriented structure of HR department is given in Fig. 2.1(d).



**Fig. 2.1(d) Function Oriented Structure**

## People oriented structure

In people-oriented structure, the basis of departmentation is the various categories of people employed in the organization. A people oriented structure for HRM is given in Fig. 2.1(e)



**Fig. 2.1(e) Organization Structure for HRM**



## **Significance of Organization Structure to HRM**

The success of HRM policies largely depends on the entire coordinated efforts of the organization. The unit as well as HRM department shall have a well knit, interlinked organization amenable to free flow of information and also flexible for alteration and changes. Hence a sound organizational structure is a pre-requisite for HRM activities and to achieve organizational objectives.

### **Self-Assessment Questions**

1. Differentiate between formal organization structure and informal organization.
2. What are the pre-requisites of a good organization structure?
3. How should an organization structure be designed?
4. Differentiate staff authority from line authority.
5. Explain traditional types of organization.
6. Suggest organizational structures for HRM department.

### **Summary**

Organization structure is the basic framework. All have to work within this frame. For efficient functioning an effective organizational structure is needed. A formal structure arises and is built on the basis of hierarchy. An informal structure arises out of consultation and belief. The advantages of a good organizational structure are: i. facilitates good management, ii. Helps growth, iii. Gives assistance to technological improvement and iv. encourages the personnel.

Structure facilitates authority relationships, which in turn gives control, order, direction and compliance. There are line relationship, staff relationship, line and staff relationship. There is a need for understanding and coordination between line and staff personnel.

The usual types of organization are i. functional type, ii. Product type and iii. Matrix type.

Both the organization and HRD department shall have a good organization structure. The structure may differ according to size, geographical spread, nature of product or service.

**Answer key**

1. Formal organization – based on hierarchy, while informal organization is automatically developed on faith, confidence and skill. Both are essential and the management should also encourage informal organization.
2. Pre-requisites – simplicity, flexibility, good line of authority, delegation with authority carrying responsibility, different managerial cadres, unit of command and good staff function.
3. Various factors to be considered before modeling organizational charts.
4. Staff authority – advisory – specialists line authority – direct superior and subordinate Advantages of staff authority and needed coordination.
5. Traditional – Functional type, product type and Matrix.

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## Lesson 3 - HRM-Systems Perspective

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### Lesson Outline

- ▶ Features of HRM as a system
- ▶ Sub-systems in HRM
- ▶ Staffing, Training and Development
- ▶ Compensation
- ▶ Industrial Relations
- ▶ Integration of Various Sub-systems

### Learning Objectives

*After reading this lesson you should be able to*

- ▶ Understand the importance of system
- ▶ Appreciate HRM system
- ▶ Comprehend the interlinking between sub-systems
- ▶ Understand the flow of HRM system

### Introduction

Modern business management is becoming complex. More products, more players and more technology make it so. Modern technology is knowledge based, and modern production technique is skill intensive. When problem becomes complex, no single individual or single group of individuals can find a solution which is optimal. We need assistance of persons and groups to put our heads together. Thereafter they work as one team. Now this has become a “system of people” for a common aim of finding a solution of a given problem.

Standford L. Optner in his book on “System Analysis” prefaces with the following remarks:

“Users reinvest too many dollars in the annual costs of the progressive maintenance, a euphemism, for a wide range of failures, which may not be a direct result of the computer programme, but simply a “system” oversight.

The concept of “system analysis” has its origin in Second World War. The first major project taken up in U.S.A. for solution through Systems Analysis was the expansion of “U.S. Air Force”, by 20 times within one year! This task was assigned to Harvard Graduate School of Business Administration and was accomplished in time. Encouraged by the results, a “Think Tank” was established for further analysis in other segments.

### Definition of Terms

<b>System</b>	“A system is an organized whole designed to work together to achieve a common aim consisting of sub-systems which are integrated to each other, with well defined structure, relationships, command and control”.
<b>Sub-System</b>	“Sub-system is a system, consisting of elements like men, machinery, materials and or information, which is not an end by itself but instead forms part of the main system and co-exists with one or more of other systems”.
<b>Integration</b>	“Integrated system consists of sub-systems which are closely related to each other with emphasis on unity of purpose, and overall efficiency, economy, utility and unity”.
<b>Horizontal Integration</b>	“If output of department, systems or sub-system become input to many departments, systems or sub-systems, then the design is based on horizontal integration”.

<b>Vertical Integration</b>	“If output of a department, system or sub-system becomes input to one and only department, system or sub-system, then, the system designed is based on vertical integration.
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## **System Approach**

- ▶ A system is a combination of various parts, known as subsystems. Each part may have various subparts. When a subsystem is considered as a system without reference to the system of which it is a part, it has the same features of a system.
- ▶ Parts and subparts of a system are mutually related to each other. This relationship is not natural, given or unalterable in a social system. Any change in one part may affect other parts depending on the type of relationship among those parts.
- ▶ A system is not merely the totality of parts and subparts but their arrangement is more important. Because of this arrangement, the whole becomes greater than the sum total of parts and subparts.
- ▶ A system has a boundary which separates it from other system.

## **HRM and System**

HRM is a subsystem of organization as a system. Therefore, it must be linked to other sub-systems of the organization. When the level of subsystem are considered, each subsystem can be treated as system. So HRM is a system and therefore, in order to understand it as a system, its features must be identified; its subsystems and their linkages should be scrutinized.

### **Features of HRM as a System**

The following are the features of HRM.

#### **1. HR Management as a Social System**

HRM is a social system and unlike biological or mechanical systems, has the characteristics of social system. HRM as a system consists of many subsystems which are integrated to constitute an entity.

## **2. HR Management as Open System**

HRM, like any other social system, is an open system. It interacts with environment. Out of this interaction, it takes various resources, allocates and combines these resources to produce desirable outputs which are exported to the environment. Thus HRM works as input-output mediator. These features suggest that HRM is not free to decide the things on its own but due weightage has to be given to the environmental factors affecting the management of an organization.

## **3. Adaptive**

Organization is an open system. Its survival and growth in a dynamic environment demands an adaptive system which can continuously adjust to changing environment. Management tends to achieve environmental constancy by bringing the external world under control, or bringing internal modification of organizational functioning to meet the needs of the changing world. As there is a provision of feedback mechanism, management can evaluate its performance and take corrective actions. In fact, the basic role of HR management is in terms of its' adaptability to environment.

## **4. Dynamic**

HRM as a system is dynamic. It suggests that management attempts at achieving equilibrium in the organization. However, this equilibrium is not static as happens in mechanical systems. Management moves towards growth and expansion by preserving some of the energy. Managerial effectiveness depends on this energy exchange.

## **5. Probabilistic**

HRM is probabilistic and not deterministic. A deterministic model always specifies the use of model in a condition with predetermined results. Therefore, the outcome of an action can be predicted accurately. In the case of probabilistic model, the outcome can be assigned only with probability and not certainly. Management has to function in the face of many dynamic variables and these cannot be absolute predictability of these variables. For example, we make forecast of future events but the forecast is relevant to a certain degree only and not to the level of certainty. This is what HRM takes into account.

## **6. Multilevel and Multidimensional**

System approach of management points out the multilevel and multidimensional features of HRM. It has both macro and micro approaches. At macro level, it can be applied to suprasystem, say, a business system as a whole. At micro level, it can be applied to a subsystem of an organization. It has the same characteristics at all these levels; suprasystem level, system level, and subsystem level.

## **7. Multivariable**

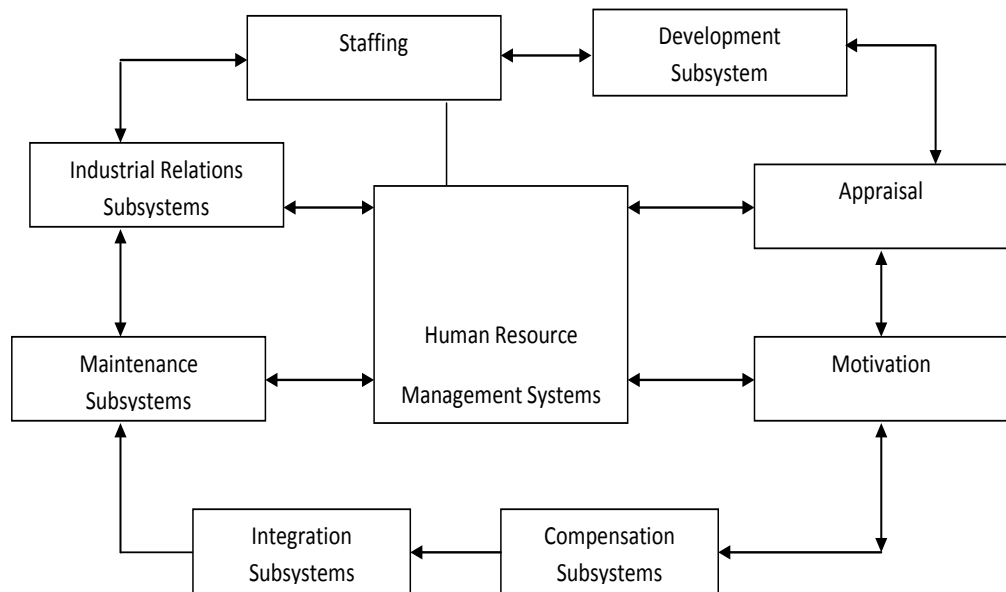
HRM is multivariable and involves taking into account many variables simultaneously. This feature of HRM suggests that there is no simple cause – effect phenomenon. Rather an event may be the result of so many variables which themselves are interrelated and interdependent. This aspect of interrelatedness and interdependence makes managing a quite complex process.

## **8. An Integrated Approach**

Systems approach of HRM takes an integrated view of managing. It identifies the reason for a phenomenon in its wider context taking into account the total factors affecting the phenomenon. In other approaches, a particular phenomenon has been explained in terms of a single factor. HRM tries to integrate the various factors to find out the reasons behind a phenomenon. It emphasizes on how the management of one subsystem of the organization should be taken in relation with others because other subsystems become problem if one subsystem should not be traced into the subsystems only but in a much wider context.

## **Subsystems in HRM**

Every system has subsystem which are arranged and interconnected in a particular way. Each subsystem is identified by certain objective, processes, roles and norms of conduct. HRM being a system, contains various subsystems which are linked to each other. See Fig. 3.1.



**Fig. 3.1**

The various subsystems are connected to each other and all subsystems are connected to the main system viz., HRM system. Each subsystem contributes to the main system and to the organization as a whole. If a particular sub-system does not work properly it has negative impact over other subsystems, just like defective part in a machine spoils other parts and renders the machine ineffective. There should be proper balancing among different subsystems of HRM.

Every subsystem will have further subsystems. Important among various sub systems are the following.

### **Staffing**

Under this subsystem the job of recruitment, selection and placement are undertaken. Following are the principles of recruitment policy.

- Centralized recruitment policy.
- Recruitment compatible with personnel policy of the organization.
- Merit is to be the basis.
- Qualification and experience compatible with job analysis.



- ▶ Rules and procedure to be transparent and adequately published through circular, notices and newspaper advertisements.
- ▶ Proper mix of internal and external candidates.
- ▶ Statutory policies are to be followed.
- ▶ Recruitment policy is to be flexible enough to bring necessary amendments.

### **Sources of Recruitment**

- ▶ Internal
- ▶ External to the organization.

### **Need for External Recruitment**

- ▶ Lack of adequately qualified and experienced persons within the organization.
- ▶ Inducting persons of specialized knowledge.
- ▶ Inducting persons well exposed in successful units.

### **Source for External Recruitment**

- ▶ Campus Recruitment.
- ▶ Personnel Consultants.
- ▶ Professional Bodies.
- ▶ Private Recruitment Agencies.
- ▶ Employment Exchange.
- ▶ Trade Unions.
- ▶ Recommendations of Existing Employees.
- ▶ Solicited Application.
- ▶ Unsolicited Application.

## **Advertisements**

- Details of Vacancy.
- Number of Vacancies.
- Scale of pay.
- Minimum qualification.
- Minimum Experience.
- Desirable qualities.
- Reservation of vacancies.
- Mode of applying – last date.

## **Selection process**

- Short listing.
- Application blank.
- Tests.
- Interviews.
- References
- Medical Examination
- Final Selection.

## **Training and Development**

- To improve knowledge regarding organization, its objectives, philosophy, policies, procedures and practices.
- To increase technical skill and update the knowledge.
- To improve their aptitude and abilities on the job.
- To assist employees to perform better and earn more.
- To help supervisors to increase their management skill especially in their human relations and planning the work.
- To assist managers to improve their personality, sharpen their intelligence and to increase their conceptual skill.
- To prepare managers to take higher responsibility and position by updating their professional knowledge.

- To assist in an overall improvement and development of individual employees.
- To increase the contribution of employees to the organization.

### **Method of Training**

- Orientation training
- On the job-training
- Simulation (vestibule) training.
- Class room training
- Apprenticeship training
- Industrial training

### **Wage and Salary Administration**

#### *The principles involved are*

- Wage plan should be linked to the productivity
- Should be related to job requirement skill and job
- Should have incentive content to motivate workers to put up their best efforts.
- Wages to be fixed for different categories based on job evaluation.
- Wage plan should have a guaranteed minimum wage.
- It should be comparable with wages of other similar industries in similar locations
- It should attract talented personnel to join the organization
- It should be flexible enough to bring about changes as and when found necessary.

The other functions of staffing sub system are:

### **Job Evaluation**

Job evaluation is the evaluation rating of jobs to determine their positions in job hierarchy. The evaluation may be achieved through

assignment of points or the use of some other systematic rating method for essential job requirement such as skill, experience and responsibility.

The various steps of job evaluation are

- i. Job Analysis
- ii. Job Description
- iii. Job Grading
- iv. Job Pricing

Job Evaluation Techniques

- 1) Qualitative Method
  - a. Ranking Job comparison method
  - b. Job classification / Grading method
- 2) Quantitative method
  - a. Factor comparison method
  - b. Point comparison method.

## **MERIT RATING**

It is very well known that the workers differ in their abilities, skills, knowledge and aptitudes. By proper education and training these differences may become small. Yet these differences remain. It is necessary for management to know these differences so as to identify special skills and growth potential of their employees to occupy higher positions of responsibilities through promotions. It is also necessary to know these differences so that each is paid according to his merits. Higher wages are paid to employees who perform continuously better. In order to identify these differences, performance evaluation is needed. This process of performance evaluation of workers is called merit rating. Thus 'merit rating' may be defined as "a systematic, periodic and objective performance evaluation of labour in order to recognize and reward their contributions to the organization, and also identify their potential to hold higher level appointments and jobs".

### **Objectives of Merit Rating**

- ▶ Administrative
- ▶ Personnel Development

### **Administrative objectives**

- Wage increase
- Promotion
- Selection and special assignment
- Training
- Transfer
- Discharge

### **Personnel Development**

- a) Merit rating reveals deficiencies and gives opportunity to remove these defects.
- b) Helps motivation by knowing one's own performance and achievements
- c) Encourages persons to do better by getting recognition and reward of his good performance
- d) Encourages a spirit of competitiveness to perform better.
- e) Opportunity for self-development.

### **JOB – EVALUATION AND MERIT RATING – DIFFERENCE**

1. Job evaluation evaluates the job, merit rating the job-holder.
2. Job evaluation determines the relative worth of the job, whereas the merit rating determines the relative worth of the worker.
3. Job evaluation is made before selection procedure, whereas merit rating is done after placement.
4. Main objective of job evaluation is to establish equitable wage rate, whereas that of merit rating is the development of each worker.

### **PROMOTION, TRANSFER, DEMOTION, DISCHARGE DISMISSALS AND LAY OFFS**

Promotion - promotion is transfer of an employee from a present job to another job which involves substantial increase in pay, status

and responsibility within the same organization. Promotion may not, generally, involve change of place.

Promotion assists the following

- ▶ Motivation
- ▶ Morale
- ▶ Reduction of expenses on training

Promotion may be based on

(i) Seniority (ii) Merit

### **Transfer**

Transfer is the movement of a worker from one job to another job which does not involve substantial change of pay, status or responsibility within an organization which may or may not involve change of place.

### **Demotion**

Demotion involves transfer of a person from his present job to another job which involves substantial reduction in status, responsibility and pay. This may or may not involve change of place.

### **Discharge or Dismissal**

Discharge or dismissal involves separation of an employee from the pay roll of the organization. There are two reasons for discharge

- a. Unsatisfactory performance
- b. Grave misconduct

### **Lay – Off**

S.2 of the Industrial Disputes Act 1947 defines Lay off as follows:

“Lay off means the failure, refusal or inability of employer on account of coal, power or raw materials or accumulation of stock, break-

down of machinery or by any other reason to give employment to a workman whose name is borne on muster roll”.

## **Compensation**

### **Wage Incentives**

Wages are payments in return for the use of labour.

**Wages:** Monetary compensation paid to the workers on hourly basis or piece rates.

**Salaries:** Monetary compensation paid to the stafflike supervisors, executives etc., monthly.

**Time wage rate:** Payment made on basis of time such as hourly, daily, weekly and monthly.

**Real wages:** Real wages represent the goods and services which can be purchased from the money obtained from the wages.

### **Wage payment plans**

Two broad classifications are

- i. Non-incentive wage plans like tune wage rate system.
- ii. Incentive wage plans like piece –rate system.

## **Incentives**

Four types of incentives:

- › Direct Incentives
- › Indirect Incentives
- › Financial Incentives
- › Semi-Financial Incentives
- › Non-Financial Incentives.

## **Motivation**

Motivation is defined as “an inducement which inspires a person to harness all his energy and capabilities and ply the same to the job willingly, in order to achieve the organizational objectives”.

There are two sets of motivation

- i. Positive Motivation – Reward, good pay, recognition, suggestive system, particular, supportive supervision, promotional avenues etc.,
- ii. Negative motivation – Reprimand, fines, demotion, lay off, discharge etc., (Not strictly motivation but detractors).

### **Integration**

All the aforesaid themes are to be integrated and one should not work in isolation.

### **Maintenance**

Everything should go on smoothly and there should not be halting or interruption at any point.

### **Industrial Relations:**

The relations between employer and employee through their trade union is called industrial relations.

Good industrial relationship has the following advantages:

- ▶ Reduces industrial disputes.
- ▶ Improves morale of workers.
- ▶ Develops positive attitude among employees.
- ▶ Promotes better amenities, wages and welfare measures.
- ▶ Improves production and productivity.

### **Industrial Disputes:**

“Any dispute or difference between the employer and employees or between employees and workmen, or between workmen and workman, which is connected with employment or unemployment or the terms of employment or with the conditions of labour of any person”.



## **Causes for Industrial Disputes**

### **Financial Factors**

- Wages
- Allowances
- Bonus
- Financial

### **Working Condition**

- Shop floor facilities.
- Safety and Health hazards.
- Modernisation of production techniques.
- Better facilities of working.

### **Management Factors**

- Personnel policies.
- Recruitment policies.
- Promotion policies.
- Lay offs and Retrenchment.
- Violation of wage agreement.

### **Union Factors**

- Weak Trade Union
- Multiple Unions.
- Poor Trade Union Leadership.

## **Machinery for Settlement of Disputes**

- i. Works Committee.
- ii. Grievance settlement authority.
- iii. Conciliation officer.

- iv. Conciliation Board.
- v. Court of Inquiry.
- vi. Labour courts.
- vii. Industrial Tribunal.
- viii. National Tribunal.
- ix. Arbitration.

It is to be noted that what all we have explained is only sub-systems of HRM. Only the functions of sub-systems are outlined. Every sub-system requires deep analysis and explanation. This is pervasive in the entire lessons.

### **Self-Assessment Question (SAQs)**

1. Define the term system.
2. Explain the need for adaptive system for HRM.
3. Explain the sub-systems of HRM.
4. Explain job evaluation and merit rating.
5. What is meant by integration of sub-systems.

### **Summary**

A system is an organized whole designed to work together to achieve a common aim consisting of sub-systems which are integrated to each other with well defined structure, relationships, command and control.

A subsystem is a part of the main system and co-exists with one or more of other systems.

The various sub-systems in HRM are

1. Staffing sub-system.
2. Development sub-system.
3. Appraisal sub-system.
4. Motivation sub-system.
5. Compensation sub-system.
6. Integration sub-system.

7. Maintenance sub-system and
8. Industrial Relation sub-system.

The success of the system largely depends on coordination and integration of sub-systems.

**Answer Key**

1. See the first paragraph of summary.
2. Organisation is an open system. Its survival and growth in a dynamic environment demands an adaptive system which can adjust continuously to changing environment.
3. See second paragraph of summary.
4. Job evaluation is the evaluation rating of jobs to determine their position in job hierarchy. Merit rating is a systematic periodic and objective performance evaluation of labour and ranking the workers.
5. If sub-systems work in isolation, the desired objective cannot be achieved. Hence all the work of sub-systems should be integrated.

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## Lesson 4 - Function of HRM

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### Lesson Outline

- ▶ HRM objectives
- ▶ Functions of HRM
- ▶ Emerging functions of HRM
- ▶ Personnel Management & HRM Differences
- ▶ Role of HRM in strategic management

### Learning Objectives

*After reading this lesson you should be able to*

- ▶ Understand the functions of HRM
- ▶ Appreciate new dimensions of emerging functions
- ▶ Comprehend the differences between PM & HRM
- ▶ Know the specific role of HRM in strategic management

### Introduction

The primary objective of HRM is to ensure the avail ability of right people for right jobs to achieve the organisational goals effectively. There are various sub-objectives which are discussed in this lesson.

The different functions of HRM are:

- a) Helping the organization to attain its goals effectively and efficiently by recruiting competent and motivated employees.
- b) Utilizing the available human resources effectively.
- c) Increasing employee's job satisfaction and self-actualization.

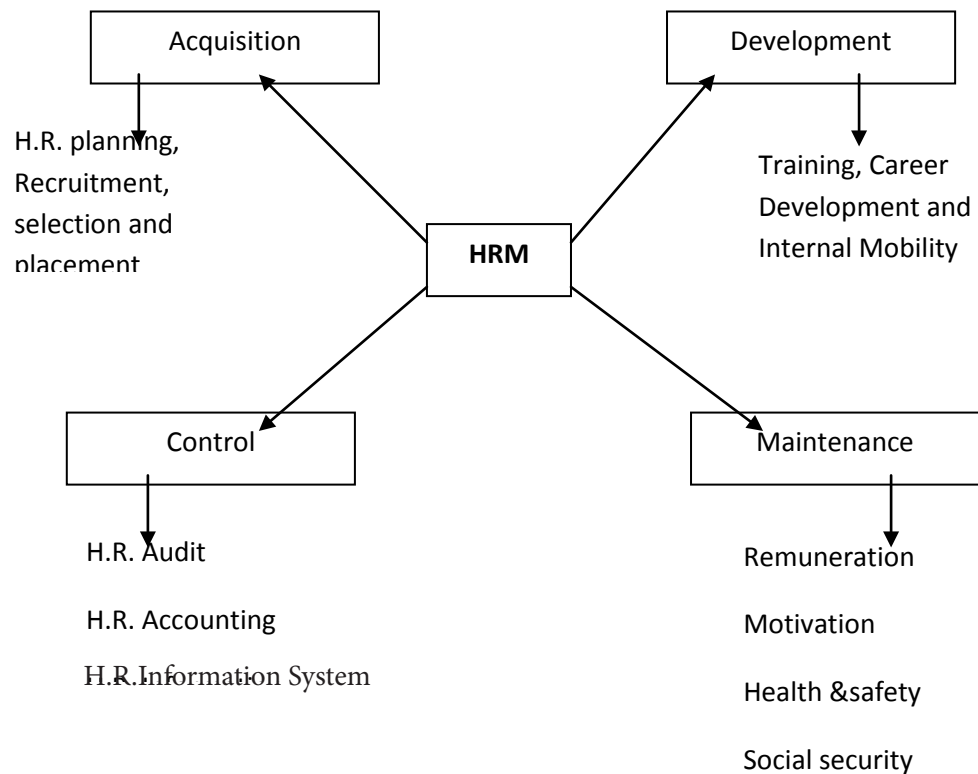
- d) Maintaining the quality work life (QWL)
- e) Maintaining ethical policies and behaviour inside and outside the organization.
- f) Establishing and maintaining cordial relationship between employees & management and
- g) Reconciling individual and group goals with organizational goals.

The objectives and functions of HRM can be tabulated as follows:

	<b>HRM objectives</b>		<b>Functions</b>
1.	Societal objectives	a)	Legal compliance
		b)	Benefits
		c)	Smooth union management relations
2.	Organizational objectives	a)	Human Resource planning
		b)	Employee relations
		c)	Selection
		d)	Training and development
		e)	Appraisal
		f)	Placement
		g)	Assessment
3.	Functional objectives	a)	Appraisal
		b)	Placement
		c)	Assessment
4.	Personal objectives	a)	Training and development
		b)	Appraisal
		c)	Placement
		d)	Compensation
		e)	Assessment

The above classification was given by William B. Werther, Jr and Davis in their book, 'Human Resource and Personnel Management'

The scope of HRM is very wide and manifold. It could be mapped in the following way



### **Functions**

The functions performed by managers are common to all organization. Generally the functions performed by Human Resource Management may be classified into two categories. They are

- i) Managerial Function
- ii) Operative Function

### **Managerial Function**

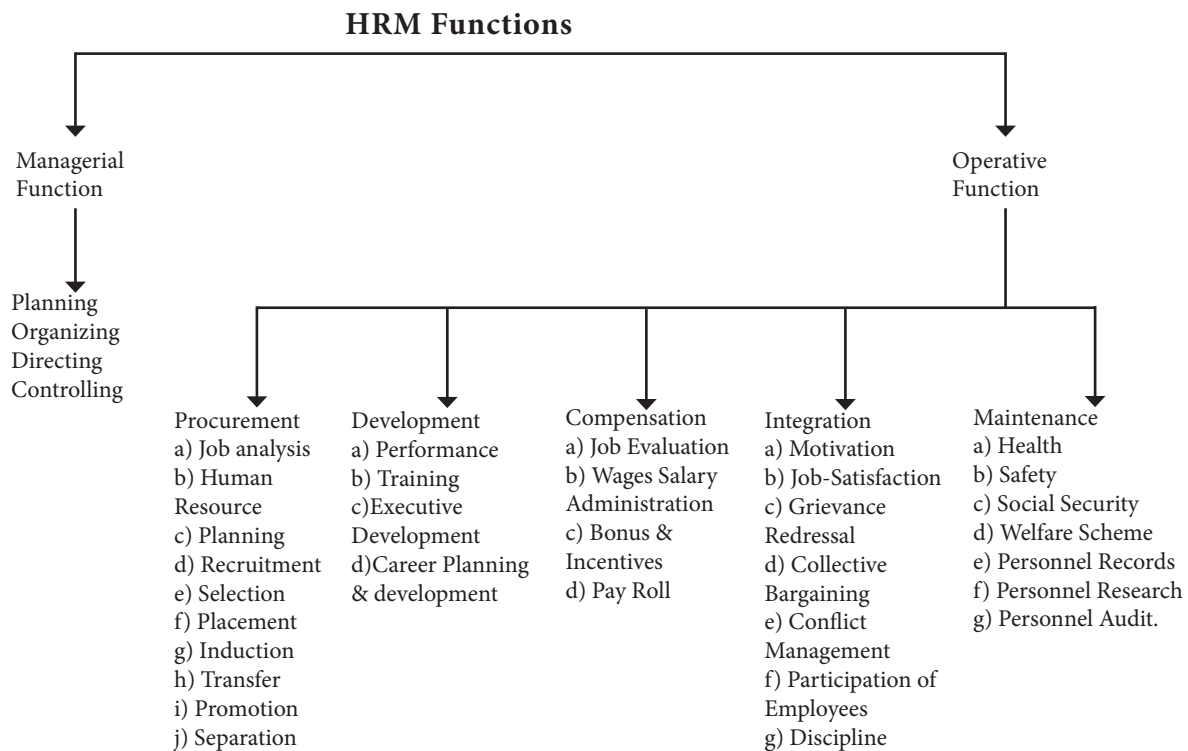
#### **Planning**

This involves predetermined course of action. In this process organizational goals and formulation of policies and programmes for achieving them are chalked out. A well thought out plan makes execution perfect and easy.

#### **Organising**

This is a process by which the structure and allocation of jobs are determined. Organising involves allocating each subordinate a specific task, establishing departments, delegating authority to subordinates,

establishing channels of authority and communication, and coordinating the work of subordinates.



## Staffing

This is a process by which managers select, train, promote and retire the subordinates. This involves deciding the type of people to be hired, recruiting prospective employees, selecting employees, setting performance standard, compensating employees, evaluating performance, counseling employees, training and developing employees.

## Directing

Directing is the process of activating group efforts to achieve the desired goals.

## Controlling

This is the process of setting standards for performance, checking to see how the actual performance compares with these set standards and taking the needed corrective action.

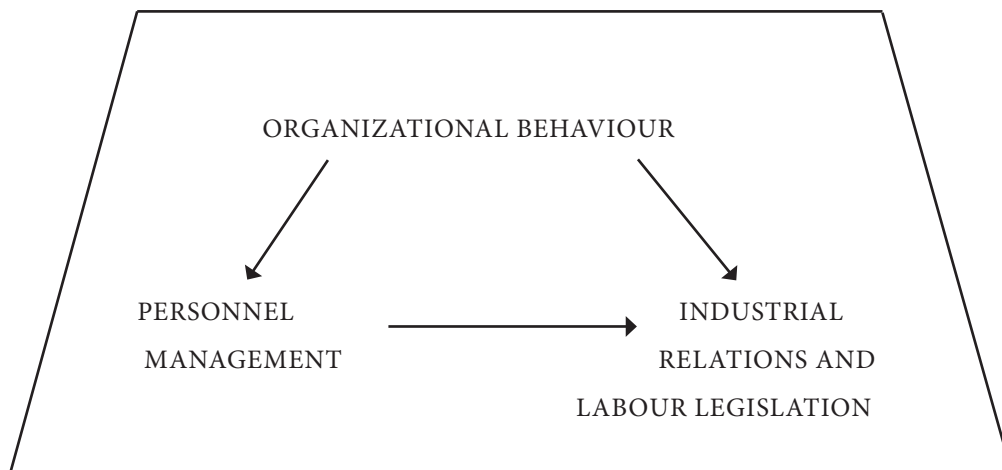
The operating functions already outlined forms the entire gamut of day to day functions of HRM. These functions are explained through out the lesson material forming the syllabus of the year. As a result at this stage the elaboration of operational functions may be redundant.

Human Resource functions are concerned with a variety of activities that significantly influence almost all areas of an organization and aim at

- ▶ Ensuring that the organization fulfils all of its equal employment opportunities and other government obligations.
- ▶ Carrying out a job analysis to establish the specific requirements for individual jobs within an organization.
- ▶ Forecasting the human resource requirements necessary for the organization to achieve its objectives – both in terms of number of employees and skills.
- ▶ Developing and implementing a plan to meet these requirements.
- ▶ Recruiting and selecting personnel to fill specific jobs within an organization.
- ▶ Orienting and training employees.
- ▶ Designing and implementing management and organizational development programmes.
- ▶ Designing systems for appraising the performance of individuals.
- ▶ Assisting employees in developing career plans.
- ▶ Designing and implementing compensation system for all employees.

At present HRM functions can be seen as the amalgam of organizational behaviour, personnel management, industrial relations and labour legislation. This is mapped in the following diagram.





## **Organisational Behaviour**

It is a field of study that tries to examine why people behave the way they do. It focuses on the behaviour of the employees at the levels of an individual group and total organization. Topics such as motivation, job satisfaction, communication, supervision, inter and intra group behaviour, organization development, structures and designs are examined to develop sensitivity to human factors in organizations.

## **Personnel Management**

Personnel Management studies policy formulation and implementation on such issues as human resource planning, recruitment and selection, training and development, performance and potential appraisal, promotions, transfers, quality of working life and compensation management.

## **Industrial Relations and Labour Legislations**

This aspect deals with union – management relationship, Union structure, collective bargaining, grievance handling, discipline management and implementation of various labour legislations.

## **Emerging HRM functions**

Increasing organizational size and its complexity, transition from traditional to professional management, changing social and cultural norms, globalization of industry and availability of information

technology are constantly changing the profile of HRM functions. The present day HRM manager has to play a more dynamic role in not only performing the maintenance functions but should think of more creative ways to satisfy human aspirations to provide the competitive edge to organizations on a sustainable basis.

### **Personnel Management**

Institution of Personnel Management, United Kingdom, has defined personnel management as follows:

“Personnel management is that part of management function which is primarily concerned with the human relationship, within the organization. Its objective is the maintenance of those relationships on a basis which, by consideration of well being of the individual, enables all those engaged in the undertaking to make their maximum contribution to the effective working of that undertaking”.

The various points that emerge from the above definition are:

- i) Personnel Administration is a management function.
- ii) Primary consideration is human relationship.
- iii) Focus is on the well-being of the people.
- iv) Management is the development of people, not directing them.
- v) Ultimate aim is to make the people contribute maximum to the organization.

### **HRM**

Michael J. Jucins has defined human resources as “a whole consisting of inter-related, inter dependent and interacting physiological, psychological, sociological and ethical components.”

According to Leon C. Megginson, “From the national point of view, human resources are knowledge, skills, creative abilities, talents and attitudes obtained in the population; whereas from the view-point of individual enterprise, they represent the total of the inherent abilities, acquired knowledge and skills as exemplified in the talents and aptitudes of employees”.

## **Personnel Management and Human Resource Management-Differences**

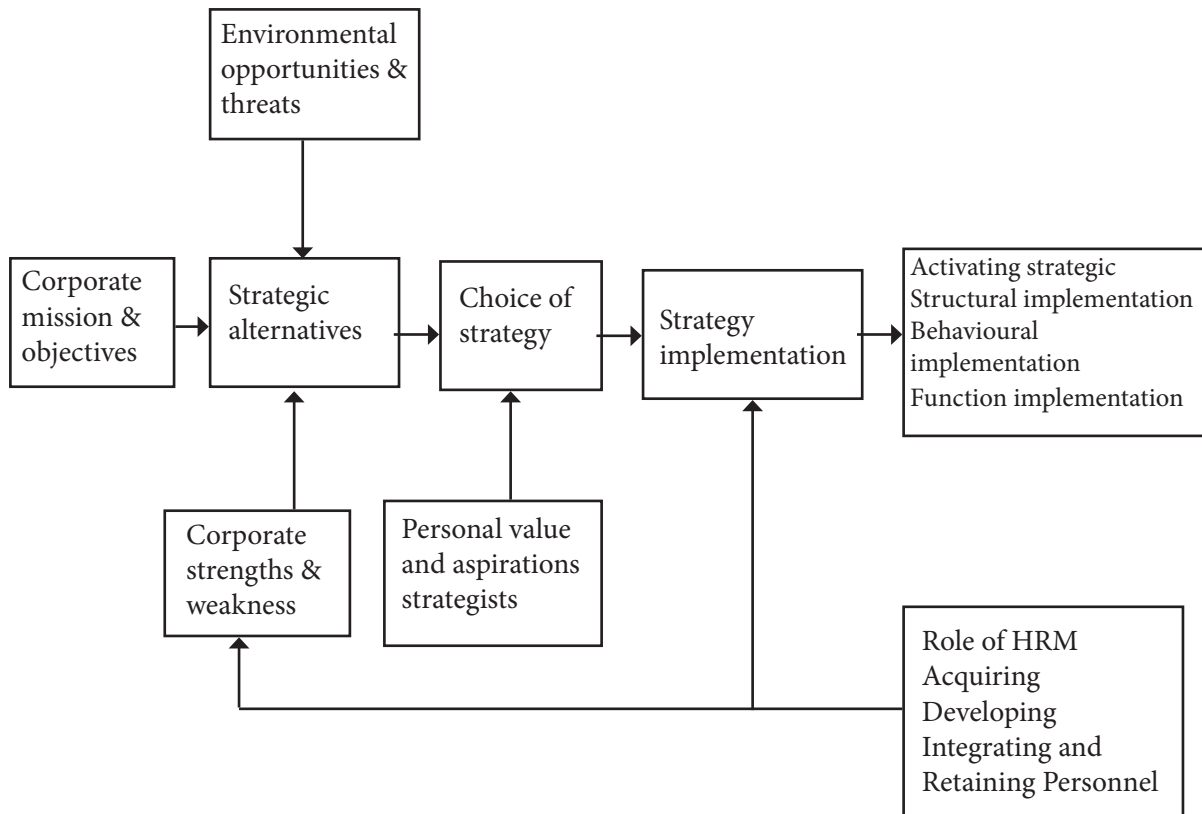
1. Personnel Management (PM) concepts emphasize clearly defined rules, procedures and courses. These rules and customs govern the actions of the management. The relationship between the work force and the management is governed by employment contracts and collective bargaining. Collective bargaining becomes significant because employees and management see and treat each other as having divergent interests. In PM, pluralism, that is men having different views is respected as a social value and the role of the union is legitimate. On the other hand in HRM, open ended contracts, the terms of which are linked to the exigencies of business, and conflict is viewed as the result of negative inter-personal relations rather than structural contradictions.
2. PM does not focus on strategic management. Its main goal is peaceful or good labour-management relations. Its function is mainly reactive. On the other hand, HRM is a proactive function. HRM is not only concerned with the present organizational needs but anticipates future needs and seeks to release the inner potential and creativity of people.
3. The temple of PM is built on collective agreement between the employees and management. Employees get standardized rewards based on job evaluation. But HRM leads to individualization of collective relations. Pay is linked with contribution made by the employee to the relation of organizational goal. HRM seeks to develop the competencies of the employees so as to derive benefit from this development for the organization, and to integrate individual and organizational goals. Skill formation and developments are recognized as the main hallmarks of HRD.
4. PM is a routine maintenance oriented administrative function; HRM places emphasis on a continuous development of people at work.
5. PM is seen as independent function and sub-functions without giving due regard to organizational strategies and processes. But HRM is viewed as a sub-system of the organization. Therefore, it takes into account its linkages and interfaces with all other parts of the organization.

6. PM takes a narrow view of its scope and objectives. It concentrates mainly on improving the efficiency of personnel in isolation of the organizations. But HRM takes a systems view and attempts not only in making people efficient but also in creating proper organizational culture.
7. PM emphasizes on economic rewards and traditional design of job simplification for motivating people for better performance. HRM emphasizes on the satisfaction of higher needs of motivating people, autonomous work group, challenging jobs and creativity.
8. PM considers job satisfaction and morale as cause of improved performance. It works on the basis that a happy worker is a productive worker. The emphasis of HRM is the other way round. It is based on the premise that better performance itself is a source of satisfaction and high morale.

### **Role of HRM in Strategic Management**

HRM is being used to develop competitive advantages and therefore, its role in strategic management is well recognized. Strategic management is the continuous process of relating the organization with its environment by suitable course of action involving strategy formulations and its implementation. Strategy is a course of action through which the organization relates itself with the environment so as to achieve its objectives.

HRM linked with corporate strategic management can be appreciated from the following figure:



## Strategy Formulation

Strategy formulation involves the choice of appropriate strategy in the light of corporate mission and objectives, environment opportunities and threats and corporate strengths and weaknesses.

Corporate world uses SWOT analysis in every situation. Expansion of SWOT is

- S - Strength
- W - Weaknesses
- O - Opportunity
- T - Threat

HRM contributes to the choice of strategy by providing strength and weakness of human resources. The threat is also exposed and opportunity is provided by training and development.

## **Self-Assessment Questions (SAQS)**

1. Explain the objectives of HRM.
2. Explain the scope and functions of HRM.
3. State the differences between personnel Management and HRM.
4. What is role of HRM in strategic management?

## **Summary**

The main objective of HRM is ensuring the availability of right people for right jobs so as to achieve organizational objectives effectively.

HRM has many objectives such as i) societal objectives ii) organizational objectives iii) functional objectives and (iv) personal objectives. The various sub functions border on legal compliance, benefits, smooth union-management relationship, Human Resource planning, Selection, training and development, appraisal, placement, assessment, appraisal and compensation.

Though personnel management and HRM in general parlance are interchangeably used there are subtle differences. PM is a routine maintenance oriented administrative function whereas HRM places emphasis on a continuous development of people at work. PM takes a narrow view of its scope and objectives. It concentrates mainly on improving the efficiency of personnel in isolation of the organization. But HRM takes a systems view and attempts not only in making people efficient but also in creating proper organizational culture. HRM is being used to develop competitive advantages and therefore its role in strategic management is the continuous process of relating the organization with its environment by suitable course of action involving strategy formulation and its implementation.

## **Answer Key**

1. Its objectives are manifold. They are societal, organizational, functional and personal objectives each objective having functions.
2. Scope-Acquisition, Development, Maintenance & control. Functions

are managerial and operative. See the functions from the chart in the lesson.

3. PM and HRM differences – see 8 points of differences listed in this lesson.
4. Strategy formulation –SWOT analysis – HRM is linked with corporate strategic management – Strength & weaknesses of HR could be transmitted by HRM to the management for strategy formulation.

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## Lesson 5 - Personnel Environment

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### Lesson Outline

- ▶ HRM Environment
- ▶ Corporate Excellence
- ▶ Role of Government in HR
- ▶ MNC and HR Practices

### Learning Objectives

*After reading this lesson you should be able to*

- ▶ Understand the importance of environment on HRM
- ▶ Comprehend the meaning and importance of corporate excellence
- ▶ Appreciate the role of Government in developing HR
- ▶ Differentiate HR practices for MNC

### Introduction

Environment comprises of all those forces which have their bearing on the functioning of various activities including human resource activities. Environment scanning helps HR manager to become proactive to the environment which is characterized by change and intense competition. Internal and external environments have bearing on HRM.

### Internal Environment

The internal environment of HRM consists of unions, organizational culture and conflict, professional bodies, organizational objectives, policies etc. These forces have profound influence on HRM.



## **Unions**

Trade unions are formed to safeguard the interest of its members. A registered trade union is one which is registered under the Trade Union Act and enjoys certain rights, privileges and also has duties. It has duties to its members as well as the management. Management, at least enlightened management, will see HR activities like recruitment, selection, training, compensation, industrial relations and separations are carried out in consultation with trade union leaders.

The National Commission on Labour (NCL) has made valuable suggestions to trade unions to undertake the following activities:

- i) Secure fair wages for the workers;
- ii) Safeguard security of tenure and better job conditions;
- iii) Enlarge promotional and training opportunities
- iv) Provide for educational, cultural and recreation facilities
- v) Cooperate in and facilitate technological advances;
- vi) Promote individual and group welfare;
- vii) Promote national integration ; and
- viii) Instill a sense of responsibility among members towards industry and society.

## **Organizational Culture and Conflicts**

Just like individuals having and cherishing their culture, organizations also have cultures. Each organization has its own culture that distinguishes one organization from another. Culture may be stated as sharing some core values or beliefs by the members of the organization.

The culture of an organization is like the preserved culture of a family, the tradition of a group or race. Culture identifies the group and the group cherishes it. Some organizations are highly respected for the culture it has preserved and any deviation may even be resented by its customers and the general public as well.

HRM has the delicate but important role of preserving and nurturing the organizational culture. Conflict usually surfaces because of

dualities such as personal goal as against organizational goal, discipline as against autonomy, right as against duties etc. Such conflicts have their bearing on HR activities in an organization.

### **Professional Bodies**

Professional bodies have a role to play in maintaining proper internal environment. Chartered Accountants, doctors, lawyers etc., have professional bodies which regulate and maintain the dignity of their profession. Erring members can be punished by the professional body and they lay down rules and procedures for good conduct and ethics. So also The National Institute of Personnel Management advises and regulates HRM activities.

### **External Environment**

Economic, political, technological and demographic factors have a bearing on external environment. These forces have considerable influence on HRM.

### **Economic Factors**

Economic forces include growth rate and strategy, industrial production, national and per capita income, money and capital markets, competitions, industrial labour and globalization.

A sustained growth and higher GDP gives a lot of scope for HRM in the search of talents and innovations. Higher the industrial production, the more it unleashes its impact in various sectors giving a lot of scope for HRM activities. Where money and capital are vibrant and is in the increasing tempo, it may lead to higher investment and activities leading to greater demand for human resources. Globalization has opened new vistas where competitive edge and highest quality of products and services are needed. This imminent need gives a lot of scope for HRM activities.

### **Political Factors**

Political environment covers the impact of political institutions on HRM practices. Democratic political system increases the expectations of

workers for their well being. The total political environment is composed of legislature, executive and judiciary.

An enlightened legislature passes a plethora of legislations bearing on trade and finance, fixing responsibilities and duties to management and employees. The executive is always alert in implementing various schemes of government and law. The judiciary is zealously guarding the rights of business and society. All these aspects have made HRM to be active not only in choosing right people but also in looking after the employees welfare and legal directions.

### **Technological Factors**

Technology is a systematic application of organized knowledge to practical tasks. Technological advances affect the HR functions in more than one way. Firstly, technology makes the job more intellectual and upgraded. Secondly workers are to know and put in practice the upgraded technology, lest they are left out. Thirdly jobs and operations become highly professionalized where the workers and employees of yester years have to be weeded out or employed in substitute work. All these involve active HRM operations.

### **Demographic Factors**

Demographic variables include sex, age, literacy, mobility etc. Workers are now called 'knowledge workers' and the organization 'knowledge organization'. The problems, skills and ability of women workers need separate treatment. This adds dimension to HRM thrust.

### **Corporate Excellence**

Industrial organizations to a large extent depend on an entrepreneurial behaviour and motivation to engender corporate excellence. Companies need to shift from physical technology to information technology, from material growth to sustainable development from hierarchical pattern to decentralized organization and from conflict to cooperative working relationship.

Organizations need to elicit entrepreneurial behaviour that calls for a high degree of employee achievement and motivation to attain excellence. Successful entrepreneurship has the following characteristics and HRM has a great role in shaping them.

- i. High sense of purpose among the people in the organization.
- ii. Absolute organizational focus on customers both internal and external.
- iii. A new way of work that encourages product innovation.
- iv. A great sense of self-inspired behaviour among ordinary people to do extraordinary things.
- v. Productivity of the human resource to be doubled.
- vi. Higher work turnover.

#### **HR issues in Achieving Excellence**

- i. Aligning business strategy with HR strategy.
- ii. Knowledge management and creating learning organization.
- iii. Competence mapping and skill development through assessment centres.
- iv. Developing moral excellence through ethics audit and creating value-based culture.
- v. Reorganization of work through job enlargement and enrichment.
- vi. Development of mutual trust and synergy among work teams.
- vii. Managing change through people.
- viii. Restructuring and bringing transformation in the organization to add value to the business.
- ix. Bringing about rationalization of workforce through internal transfers and resorting to employee reduction as a last resort.

Corporate excellence is the combination of people, system, product and marketing excellence. Out of these people excellence is important because it has a direct bearing on the system, product and

marketing.

There are 10 P's which are most important for corporate excellence, most of them are to be shaped by HRM. They are as follows:

Purpose	Purpose basically is the goal, vision and business aim of the organization
Perspective	It is the direction – a mental view of the relative importance of things.
Positioning	The image of the company and its products in the market
Politics	Judicious and expedient behavior of people in the organization
Partnership	A joint business, within or outside the organization
Plans	Proper plans of action, translated to business policies
Product	The product should be innovative, qualitative and cost-effective
Principles	Set of values, culture and philosophy
People	Challenging, ethical, committed, high performance, self-driven
Performance-	Output of the organization, results in terms of both quantity and quality

HRM is now a strategically important area of corporate governance, which indicates that HRD policies need to be integrated into the overall policies of the organizations. To be precise, it is a cyclic process of developing mission, vision and business plan through people, and translating those to action through policies, ensuring results and redefining the objectives again. HR is no more a support service but it is the partner in the organizational strategic function.

### **Role of Government**

Government has a positive role to play in creating personnel environment. It makes an assessment at the National levels regarding man power requirements. This includes the highly technical professionals like engineers, doctors, technicians, civil servants and white collared jobs. So work force requirements in industries, agriculture, mining, public-works are all made and constantly updated. Requirements of army, navy and air force of field and technical staff (and recently the requirements in

information technology and computers) have come under the purview of national projection for work requirement. At the state level also state planning commissions through statistical departments get data and compile the requirements. Government is assisted by Medical Council of India, Institution of Engineers, U.G.C. and Planning Commission cell for estimations and projections.

Employment Exchanges, Food for Work Schemes, Minimum Employment guarantee schemes, Rural employment schemes, Self help groups and promotions, small scale and cottage industries promotion, Khadi and village Industries Commission are all employment providers. There are also several job training schemes run by central and state governments.

### **Other Assistance by Government**

Social security of employees comes within the fold of HRM. Government assists employees both in organized and unorganized sectors through several social security schemes and directives.

### **Social Security Legislation in India**

The Government of India has passed various enactments from time to time. Important among them are:

- i. The Workmen's Compensation Act, 1923.
- ii. The Employees' State Insurance Act, 1948.
- iii. The Employee's Provident Funds and Miscellaneous Provisions Act, 1961.
- iv. The Maternity Benefit Act, 1961.
- v. The payment of Gratuity Act, 1972.

### **The Workmen' Compensation Act, 1923**

The main objective of the Act is to ensure compensation to workers for accidents occurred during the course of employment. This Act covers workers employed in factories, mines, plantations, mechanically propelled vehicles, construction works, railways, ships, circus and other

hazardous occupations specified in schedule II of the Act. It does not apply to the Armed Forces, casual workers and workers covered by the **Employee's State Insurance Act 1948**.

The Act is administered by the State Government by appointing commissioners for this purpose under S.20 of the Act.

Under this Act, compensation is payable by the employer to the workman for all personal injuries caused by industrial accidents which disable him / her for more than three days. In case of the death of workman, the compensation is paid to the dependants. The Act also specifies that in case a workman contracts any occupational disease, which is specified in its third schedule, such disease shall ordinarily be treated as an employment injury arising out of and in the course of employment. The scale of compensation is stated under the Act and the compensation is payable depending on the nature of injury and whether it is partial disablement or total disablement.

### **Employee's State Insurance Act, 1948**

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

The Act covers all workers (whether manual, supervisory or salaried employees) whose income does not exceed Rs. 7500 per month and are employed in factories, other than seasonal factories which are run with power and employ 20 or more workers. The State Government can extend the coverage of the Act with the approval of the Central Government.

The Act is administered by the Employees State Insurance Corporation (ESI), an autonomous body with representatives of the Central, State Government, employers, employees, medical profession and the parliament.

## **Benefits**

- a. Medical benefit :** An insured or a member of his or her family requiring medical help is entitled to receive medical facility free of charge in a hospital either run by ESI corporation or by any other agency.
- b. Sickness benefits :** An insured worker in case of certified sickness is entitled to receive cash payment for a maximum of 91 days in any continuous period of one year. The daily rate of sickness benefit is calculated as half of average daily wage.
- c. Maternity benefit :** An insured woman is entitled to receive cash payment calculated at a full average wage for a period of 12 weeks of which not more than 6 weeks shall precede the expected date of her confinement.
- d. Disablement benefit :** This benefit is entitled to insured worker in case of industrial accidents and injury. Compensation differs depending on temporary disablement, permanent partial disablement and permanent total disablement.
- e. Dependent's benefit :** the benefit is available to the dependents of a deceased worker due to industrial accident or injury.

## **The Employee's provident Funds and Miscellaneous Provisions Act, 1952**

The Act covers workers employed in a factory of any industry specified in schedule I in which 20 or more workers are employed or which the Central Govt. notifies in its official Gazette. The Act does not apply to cooperative societies employing less than 50 persons and working without the aid of power. It also does not apply to those new establishments till they become 3 years old.

The Act is administered by Tripartite Central Board of Trustees represented by employers, employees and Government.

Under this Act

- i.** An employee can avail non-refundable withdrawal or take advances from the provident Fund Account for various purposes.



On superannuation, the employee gets the full balance at his credit with interest.

- ii. Under the new pension scheme which has come into force from 16-11-1955, replacing the 1971 scheme, several types are available to an employee and his dependent.
- iii. Under the deposit- linked insurance scheme, the employer is required to pay to the Fund not more than one per cent of the aggregate of the basic wages, dearness allowance and retaining allowance as specified by the central government in respect of every employee employed by him.

### **The Maternity Benefit Act, 1961**

The Act is applicable to all establishments not covered under the Employee's State Insurance Act, 1948. The benefit will be administered by the ESI Corporation.

Under the Act a woman worker is entitled to receive the payment for maternity benefit at the rate of average daily wages for a period of 12 weeks. With effect from 1<sup>st</sup> February 1996, a woman worker is entitled to grant of leave with wages for a maximum period of one month in cases of illness arising out of miscarriage, MTP or tubectomy. Women workers who will undergo tubectomy operation will get two weeks leave.

### **The Payment of Gratuity Act, 1972**

The object of this Act is to provide economic assistance on the termination of an employee.

The Act is applicable to the employees employed in factories, mines, oil fields, ports, railway, companies, shops or other establishments employing 10 or more persons. Under this Act, on completion of 5 years of service, the employees are entitled to gratuity payable at the rate of 15 days wages for each completed year of service subject to a maximum of Rs. 3,50,000 with effect from September 1997.

## **Industrial Amity and Peace**

The Government has passed Industrial Disputes Act 1947. According to this Act, “industrial dispute’ means “any dispute or difference between employers and employees employers and workmen, or between workmen and workmen, which is connected with the employment or non-employment or the terms of employment and conditions of employment of any person”.

There are elaborate provisions relating to ‘Strikes and Lock-outs’. The Act also has created machinery for prevention of industrial disputes. They are as follows:

1. Works committee
2. Standing orders
3. Code of discipline

For settlement of industrial disputes the mechanisms are

1. Conciliation
2. Arbitration
3. Adjudication

For adjudication Labour Court, Industrial Tribunal and National Tribunal are setup. The legal provisions are not elaborated since the focus is on how the Government helps human resources and their rights through legislative framework.

Trade Union Act 1926, gives permission to form and register Trade Unions with rights and duties, to strengthen their bargaining power and for obtaining rightful concessions from management.

## **MNC and HR Practices**

Globalization of trade and business is at the peak now. India is a paradise for marketing and destination for software business. FDI is pouring in. Indian business houses are extending their frontiers to other countries and MNCs are eyeing India. Under these conditions of global

perspective HRM practices have gained greater significance. Business process outsourcing (BPO) is the order of the day. The technical and management people in India seeking job in MNCs should come up to the expectations of world requirements. There are certain special features in this context.

### **Cultural Factors**

Culture means shared beliefs, values, norms and moral by people. Organizational culture means a pervasive underlying set of beliefs, assumptions, values, shared feelings and perceptions. Indian technical people placed by MNCs in various countries should adapt to the culture and custom prevailing there.

### **Individualism**

In simple terms, individualism means the degree of preference of individuals expected to look after themselves and their immediate families. Just reverse is collectivism. Personnel should come out of the shell and know to make collective living culture.

### **Compensation**

The standard of living and style of living will differ. MNCs cannot differentiate pay to the same category on the ground that they are from different nationals. The perquisites should be the same to all. The company would like all their personnel to follow the same corporate culture that is in observance.

### **Labour Relations Factors**

Labour relations or industrial relations are bound to differ between different countries. MNC having its operation in different countries should take into consideration the labour relations prevailing in that country.

## **Recruitment, Selection and Training**

MNCs have to be critical and choosy in their selection taking into consideration its existing standard and style. Separate training programme for different nationals in employment may be needed.

## **Communication Skill**

This aspect is important for the personnel employed in MNC placed in different countries. Special training in communication perfection may be needed.

## **Self-Assessment Questions (SAQs)**

1. Explain internal environment having influence on HRM.
2. Explain external environment which have bearing on HRM activities.
3. Explain the role of Government in the area of Human Resources.
4. How does HRM practice with reference to MNCs have special features?/What are the special features of HRM practice with reference to MNCs?

## **Summary**

Both internal and external environments have a special bearing on HRM practices. The internal environment includes,

- i. Trade Unions
- ii. Organizational culture and conflicts
- iii. Professional bodies

External environment chiefly consists of

- a) Economic factors
- b) Political factors
- c) Technological factors
- d) Demographic factors.

HR practices are significant in achieving corporate excellence.

Government has a positive role to play in developing the HR. It is macro level development. Legislations and schemes for technicians and entrepreneurs are other measures.

MNCs have become a significant force in trade, business and industry. In view of MNCs operations with a very wide network spread to different nations, language and technical differences along with cultural variations the HRM practices for MNCs have special features.

### **Answer key**

1. Explain environment – Different internal environment and consequently the approach needed by HRM.
2. External environment – outside the Company-Important external factors and their bearing HRM.
3. Role of Government is significant – Macro level planning – Training programmes – Legislations and control.
4. MNCs-peculiarities – Need for specialized approach.

### **Case Study**

#### **Profit Sharing and Organizational Progress**

PP Ltd. is a profit-making firm. To retain its status in the market the management stressed and monitored quality and productivity from the initial stage itself. An individual incentive scheme has been in place for 20 years. During the last decade, the company had to launch new products thanks to the proliferation of electronic systems. The new product entailed additional investments in machineries and on additional manpower. The new comers were raw hands requiring training at extra cost. During the year, due to heavy investment on the new project, the interest charges and depreciation completely wiped out the profit. This means only the statutory minimum bonus of 8.33% of surplus was to be offered as against the usual 20% that the workers are used to receive in the last several years. The management needs to ensure maximum cooperation from employees to maximize productivity. There was a dispute that bonus payment is finance oriented and it does not necessarily

reflect the productivity of the employees. The personnel officer felt that if payments were based on the Bonus Act, it would deprive and demotivate employees during a crucial period.

### **Questions**

- Do you agree with the personnel officer?
- Arrive at the settlement considering the conflicting ideas of productivity-linked and profit-sharing bases of bonus?

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## UNIT II

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### Lesson 6 - Human Resource Planning

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#### Lesson Outline

- › Significance of HRP
- › HRP process
- › HR Gaps and Action plans
- › Factors influencing HRP
- › Guiding principles for HRP

#### Learning Experience

*After reading this lesson you should be able to*

- › Understand the need for HRP
- › Know the processes involved.
- › Appreciate different methods of HR estimation.
- › Recall the guiding principles

#### Introduction

Though human resource means different things to different people, general agreement exists on its ultimate objectives - the most effective use of the scarce talent in the interests of the labour and the organization.

According to Geisler, “Manpower planning (HRP) is the process – including forecasting, developing, implementing and controlling, by which a firm ensures that it has the right number of people and right kind of people, at the right place, at the right time, doing things for which they are economically most suitable”.

Decenzo and Robbins have defined HRP as “Specifically, human resource planning is the process by which an organisation ensures that it has the right number and kind of people, at the right place, at the right time, capable of effectively and efficiently completing those tasks that will help the organisation achieve its overall objectives”.

Leap and Crino have defined HRP in the following manner: “Human resource planning includes the estimation how many qualified people are necessary to carry out the assigned activities, how many people will be available, and what, if anything must be done to ensure that personnel supply equals personnel demand at the appropriate point in the future.”

From the above definitions the following features of HRP can be identified.

- i. HRP is a process which includes various aspects through which an organization tries to ensure that right people, at right place and at right time are available.
- ii. It involves determination of future needs of manpower in the light of organizational planning and structure. Determination of manpower needs in advance, facilitates managements to take up necessary actions.
- iii. It does take into account the manpower availability at a future point in the organization. Therefore, it indicates what actions can be taken to make existing manpower suitable for future managerial positions and how the gap between needed and available manpower can be fulfilled.

### **Significance of HRP**

HRP is of primary nature and it precedes all other HRM functions. Without HRP no other function can be undertaken in any meaningful way. HRP contributes in the following ways in managing resources in an organization.



## **1. Defining Future Personnel Need**

Planning defines future personnel need and this becomes basis of recruiting and developing personnel. In its absence there is likelihood of mismatch between personnel needed and personnel available.

## **2. Coping with Changes**

In the Indian and international business arena fast changes are taking place. Liberalization of economy has brought vast changes in India. At the international level there is growing global competition. Every organization is trying to compete on the basis of technology and managerial talents. In this war only those companies will survive which adopt a formal, meticulous HRP. Change in technology has attached more premium to knowledge and skills resulting into surplus manpower in some areas and shortage in other areas. HRP helps in creating a balance in such a situation because manpower needs and availability could be identified much in advance.

## **3. Providing Base for Developing Talents**

Jobs are becoming more and more knowledge oriented. This has resulted into changed profile of manpower. Therefore an organization must be ready to face such an eventuality by taking proper HRP.

## **4. High Cost of Investment in HR**

The cost of acquiring, developing and retaining personnel is increasing much faster than the average rate of inflation. This increasing cost may be taken care of by proper HRP which provides the way for effective utilization of such talents. In fact, such a high cost has forced many companies to have a relook at their HRM functions and particularly HRP and to align these with new situations.

## **5. Creating Involvement of Top Management in HRM**

Systematic HRP forces top management of an organization to participate actively in total HRM functions, an area that has been neglected by most of the companies until recently.

## **HRP and Responsibilities Involved**

Formulation of human resource plans is a shared task between top management, line managers and HR department. Top management is involved in HRP process because ultimately, only it approves the various plans to the organisation as a whole.

According to Udai Pareek, "It is the top management responsibility to project shared vision and strategic plans of the organization into long-term vision and short-term goals. The projected vision and plans are then translated into human resource requirements for their respective departments by the managers. Detailed analysis of required competencies in terms of levels and numbers are developed by personnel department.

## **HUMAN RESOURCE PLANNING PROCESS**

This consists of a series of activities as follows:

### **1. Forecasting**

Forecasting of the future manpower is an important step. It could be done in terms of mathematical projection of trends in the economy and developments in the industry, or of judgment estimates based upon specific future plans of the company.

### **2. Inventory**

Inventory of the present manpower resources and the degree to which these resources are employed optimally should be assessed.

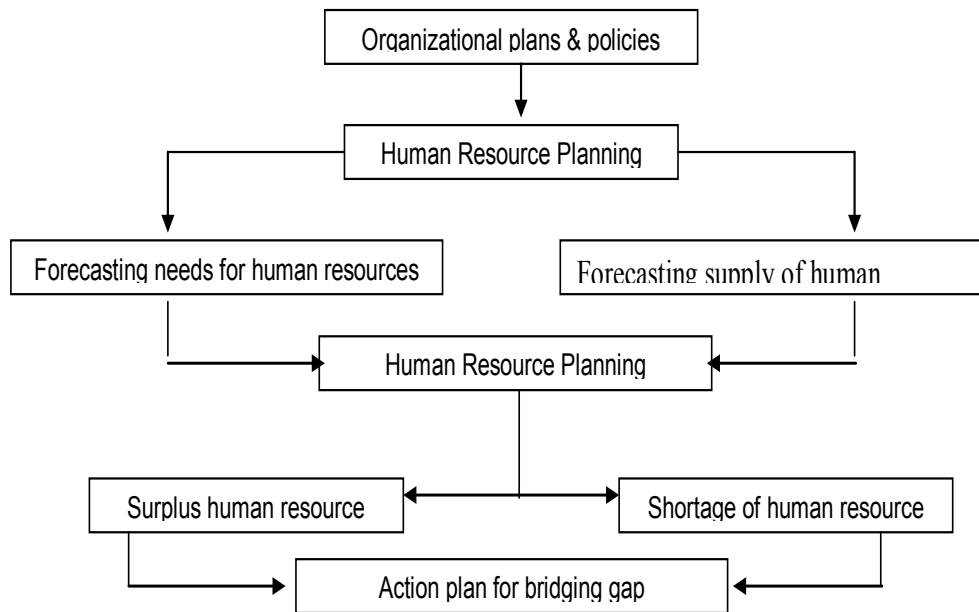
### **3. Anticipating problems**

Anticipating manpower problems by projecting present resources into the future and comparing them with the forecast of the requirements, adequacy both quantitatively and qualitatively should be estimated.

### **4. Planning**

Planning for recruitment, selection, training, deployment, utilization, transfer, promotion, development, motivation and compensation should be undertaken for manpower requirement.

The following figure depicts HRP process:



### Organizational Objectives

The starting point of any activity in an organization is its objectives which generate various plans and policies. this leads to further course of action necessitating various sub-systems and programmes. in this process of HRP following questions will be raised.

1. Are vacancies to be filled by promotions from within or by hiring from outside?
2. How do the training and development objectives interface with the HRP objectives?
3. What union constraints are encountered in HRP and what policies are needed to handle these
4. How can the employee's job be enriched?
5. How can one downsize the organization to make it more competitive?
6. How can one ensure continuous availability of adaptive and flexible workforce?

## **Human Resource Planning**

Taking direction from organizational objectives and plans and above policy consideration human resource plan is prepared. the planning process consists of two major activities: forecasting needs of human resources and forecasting supply of human resources.

### **Identification Of HR Gap**

Forecasting needs for human resources and forecasting supply of human resources, both taken together helps to identify gap between human resources needed and their availability.

### **Action Plans**

Various action plans are devised to bridge the human resource gap. If there is surplus of human resources either because of improper HRP in the past or because of change of organisational plan, such as disinvestment of business or closing down some businesses because of various reasons, action plans may be devised to reduce their size through layoff, voluntary retirement etc. If there is shortage of human resources, action plans may be devised to recruit additional personnel.

### **Techniques For Forecasting Resource Needs**

The following techniques are usually used.

1. Managerial Judgment Method
2. Delphi Technique
3. Work-study Technique
4. Ratio-trend Analysis
5. Statistical and Mathematical Models.

### **Managerial Judgment Method**

This is a conventional method of human resources forecasting method. in this method managers prepare the forecast of human resource needs of various categories in their own departments on their past experiences. this method can be applied in two alternatives, top-

down approach or bottom-up approach. In top-down approach, top management prepares human resource plan for the organization as a whole with the assistance of HR department. This plan is circulated among various departments with an advice to make necessary amendments whenever required with justification. After receiving the document from various departments, human resource needs of various departments are finalized usually in a committee meeting of department heads.

### **Delphi Technique**

This technique is named after the ancient Greek Oracle at the city of Delphi where the greek used to pray for information about the future. In the present World Delphi Technique is used in decision making in small groups. The problem and questions relating to HR requirement and related issues will be circulated to the expert group. Their suggestions and replies will be sent to others and if needed queries made and final decision taken. This exercise is repeated until some consensus is reached. Delphi technique is quite useful where the problem cannot be solved by using analytical technique but its solution requires subjective judgements on a collective basis.

Delphi Technique can be used for forecasting human resource needs in two forms. First, it can be used to know the trends for changing job profile and consequently, the changing personnel profile across the country or at international level. Secondly, this technique can be used to solicit views of experts in different functional areas of an organization about the changing profile of personnel in their respective departments in the light of changing environment. Such views are collected and summarized by HR department to arrive at a decision about the types of personnel needed in future.

### **Work Study Technique**

Work study technique is based on the volume of operation and work efficiency of personnel. Volume of operation is derived from the organizational plan documents and increase/decrease in operation can be measured. Work efficiency or productivity is measured by time and motion study which specifies standard output per unit of time, say per hour. Thus, the number of operatives required to complete specified

volume of operation is .

$$\frac{\text{Planned Output}}{\text{Standard Output Per Hour} \times \text{Standard Hours Per Person}}$$

However, standard output per hour is not always a constant factor. Over a period of time it may increase due to training and higher technology. In this way required personnel may be worked out.

#### Ratio – Trend Analysis

Under this method, the main emphasis is on the ratios between production/sales level and direct operatives; ratios between direct operatives and other personnel say supervisory and managerial personnel. These ratios are worked out for a number of years based on the past records of the organization and future trends are projected on these ratios.

Such ratios can be worked out for various categories of personnel such as ratio of supervisors and middle management personnel, ratio of middle management personnel and higher level management for a comprehensive forecast of human resource needs.

#### Statistical and Mathematical Models

Following are the models that could be used for HR forecast.

1. Burack – smiter model
2. Regression analysis
3. Econometric analysis

In fact combination of different methods could also be used.

#### **Forecasting of HR Supply**

Forecasting of human resource supply is another important ingredient of **HRP**. After forecasting human resource needs, it is only

logical to determine how these needs can be met. For a new organization all personnel that are needed have to be procured from outside. But in an existing organisation, existing personnel are a source for higher positions. Armstrong has defined “Manpower supply forecasting measures that number of people likely to be available from within and outside an organization, after movements and promotions, wastage and changes in work hours, and other conditions of work”.

### **Identification of Human Resource Gap**

Human resource gap is the difference between human resources required at a particular point of time and the human resources being available at that particular time. This gap can be identified on the basis of forecasts for human resources. Based on the analysis of this gap, action plans must be developed to overcome this gap. In the end it may result in reducing the personnel or increasing and recruiting the personnel in different categories.

#### **Short-term Human Resource Planning**

This may arise due to certain immediate vacancies that have fallen due to sudden increased production and large new orders necessitating more personnel.

#### **Long – term HR Planning**

This is based on projections and long term expansion programmes. There will be sufficient time for deep contemplation, programming, recruiting and selection. Both quantitative and qualitative aspects of human resources could be taken care of in long – term planning and proper tuning.

### **Various Factors in HR Planning**

Human resource planning at the enterprise level, to a large extent is influenced by a number of factors outside the enterprise. The human resource planner has to take into account with varying degrees of uncertainty political, social, economic and technological factors which

will have some influence on the planning process. Some of the factors are:

### **1. Government Influence**

The central Government also plays a role in stimulating companies to plan their manpower resources systematically. The planning commission, the Ministry of Labour, and the Institute of Applied Manpower Research have made projections from time to time on manpower demand and supply for various skill categories, supervisors and managers, over a given time span. Government departments require companies to supply data on their manpower for various purposes, such as data compilations or competence to execute certain contracts. While providing the data, companies have had to develop inventories of their personnel, based on the various skill category classifications, which have been used for their own internal manpower planning. The government has also fixed manpower quota for S.C /S.T and monitors the same.

### **2. Social Factors**

Sometimes pressure of public opinion (trade unions, political parties and government) may pressurize to create more employment and also at times “sons of the soil” theory.

### **3. Economic Factors**

The vagaries of the business environment are another important factor. Sudden rise and fall of demand for a product cannot be easily estimated. These may be the result of government taxation policies, or import restrictions. Sometimes recession and boom also may necessitate change in HR requirements.

### **Technological Change**

Change in the method of production and distribution of products and services and in management techniques can be called technological changes. The introduction of automatic controls or mechanization of the materials handling process is examples of technological changes.



Changes of this type may also require a change in the skills of employees, as well as changes in number of personnel required. Automatic control drastically reduces and changes the type of skill needed. For example because of the introduction of computers, the skills requirements of almost all the jobs have changed substantially.

### **Guiding Principles of Effective HRP**

- ▶ The plan should be as detailed as expenditure constraints allow.
- ▶ Should not extend too far into the future. Accurate prediction of the distant future is simply impossible.
- ▶ An alternative course of action should be considered.
- ▶ Side effects and implications of the actions envisaged should be analysed.
- ▶ Instruction to individuals and departments must be incorporated into the plan.
- ▶ Plans should be concise and easy to understand.

HRP is not a static one-shot plan that will be useful over a period of time for the organization; the data has to be continually updated and the various factors adjusted to reflect the changes that constantly take place.

### **Self Assessment Questions (SAQS)**

1. State the need for HRP
2. Explain HRP process
3. What is meant by forecasting of HRP supply?
4. What is HR gap?

### **Summary**

Manpower planning is the process including forecasting, developing, implementing and controlling by which a firm ensures that it has the right number of people and right kind of people at the right

place, at the right time doing things for which they are economically most suitable. HRP includes the estimation of how many qualified people are necessary to carry out the assigned activities how many people will be available, The various techniques of forecasting Human Resource are

- i. Managerial Judgement Method
- ii. Delphi Technique
- iii. Work Study Technique
- iv. Ratio – Trend Analysis
- v. Statistical and Mathematical Models.

There would be both short – term and long – term HR planning. Various factors influencing HR planning are i) Government, ii) Social Factors, iii) Economic Factors, iv) Technological Factors.

#### **Answer key**

- 1) Explain the significance of HRP and its importance for the achievement of organizational goals.
- 2) HRP process:
6. Organisational plans & policies Human Resource Planning – Forecasting demand and supply – Identification of HR gap – Action plan. .
- 3) Forecasting HR – Need for – Methods.
- 4) HR gap – gap between demand and supply. The gap may be due to surplus or deficit – remedial measures.

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## Lesson 7 - Human Resource Information System

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### Lesson Outline

- › Why HRIS?
- › HRIS inputs
- › Benefits
- › Limitations

### Learning Objectives

*After reading this lesson you should be able to*

- › Understand what HRIS is
- › Appreciate its importance
- › Develop skill to make HRIS
- › Assess strength and weakness

### Introduction

Human Resource Information System (HRIS) is a systematic way of storing data and information for each individual employee to aid planning, decision making, and for submitting of returns and reports to the external agencies. Human Resource Department requires large amount of detailed information. The quality of personnel management department's contribution largely depends upon the quality of information held by it. The information required may be

- i. Duties and responsibilities of every job in the organization.
- ii. Skills possessed by every employee.
- iii. Organization's future human resource needs.
- iv. Current productivity of human resources and
- v. Identification of training needs.

Acquisition, storage and retrieval of information present a significant challenge to the management. However, once the database is created, maintenance becomes easier.

HRIS is basically used for the following purposes:

- i. Storing information and data for each individual employee for future reference.
- ii. Providing a basis for planning, organizing, decision making, controlling and a host of other human resource functions.
- iii. Meeting daily transactional requirements such as marking present, absent or granting leave.
- iv. Supplying data and submitting returns to government and other statutory agencies.

Formerly HR departments of various companies used to share hardware and files with other departments. Later, companies began to develop information systems devoted exclusively to human resource applications. These systems came to be known as HRIS.

### **Storing**

Some of the applications which could be computerized and the nature and type of information that can be recorded and stored are described below.

### **Personnel Administration**

It will contain information about each employee, such as name, address, date of birth, date of joining the organization, and information about next of kin and family. The facility should allow the user to maintain a number of address records such as permanent home address, local postal address, and the address of next of kin.

### **Salary Particulars**

Salary review procedures are an important function of the human resources department. Details of present salary, last increase and the proposed increase will all be compiled and stored.

## **Leave / Absence Recording**

An important requirement of HRIS is providing comprehensive and accurate method of controlling leave and absences. A complete leave history for each employee, days of absence and delay in reporting are all stored. Eligibility of leave, medical, maternity leave under credit, leave encashment, and eligibility are also stored.

## **Skill Inventory**

HRIS is used to record acquired skills and monitor a skill database at both employee and organizational level. This will give the necessary information to identify employees with necessary skills for certain positions or job function.

## **Medical History**

The HRIS may be used to record occupational health data needed for industrial safety purposes, accident monitoring, exposure to potentially hazardous materials, and so on. For example, hearing loss, nervous debility in certain work areas may be monitored and results recorded on HRIS. The records of periodical medical examinations may also be maintained.

## **Accident Monitoring**

The system should record the details of the accidents for the injured employees. This could highlight accident prone areas or accident prone times within the organization.

## **Performance Appraisal**

The system should record individual employee's performance appraisal data such as the due date of the appraisal, scores for each performance criteria, potential for promotion, and other information to form a comprehensive overview of each employee.

## **Training and Development**

The system should record the details of training imparted, training evaluation development opportunities given and availed. The type of training needed may be identified and stored.

## **HRP**

The HRP plan, extensions, plan executed, to be executed strength and weaknesses of the plan, plan evaluation etc, may be recorded.

## **Recruitment**

Recruitment pool, screening, preliminary selection etc, may be stored for HRIS.

## **Career Planning**

Placement, training, selected candidates for career planning and supervisor's view can be stored.

## **Collective Bargaining**

Wage, salary administration, bonus, negotiations, trade Unions views, most welcome and least resistant measures may also be recorded.

## **Steps In Implementing Hris**

Following are the steps in implementing HRIS.

### ***Inception Of Idea***

Idea should originate somewhere. The originator should make a preliminary report justifying the need for HRIS and illustrate how it could assist management in making certain decisions.

### ***Feasibility Study***

The cost-benefit analysis of HRIS in terms of labour and material and also as intangible savings, such as increased accuracy and fewer errors should be highlighted.

### ***Selection of Project Team***

Once the feasibility study has been accepted and the resources accepted, a project team should be selected. The project team should consist of a human resource representative, who is knowledgeable about the organization's human resource functions and activities, and the organization itself, and also a representative from management information system. As the project advances, additional clerical people from the human resource department will have to be added.

### ***Defining the Requirements***

A statement of requirements specifies in detail exactly what the system needs to do. A larger part of the statement of requirements normally deals with the details of the reports that will be produced. The objective is to make sure that the mission of an HRIS truly matches with the management's needs of an HRIS.

### ***Vendor Analysis***

The purpose of this step is to determine what hardware and software are available that will best meet the organization's needs at the least price. This is a difficult task. This involves discussions with various vendors on how their HRIS will meet the organization's needs.

### ***Contract Negotiations***

The contract stipulating the price, delivery, vendor's responsibilities with regards to installation, service maintenance, training to organization's employees etc, may be negotiated.

### ***Training***

Project team members may first be trained to use the system and then they could train all users from other departments.

### ***Tailoring the System***

It involves making changes to the system that best fit the organizational needs.

### ***Data Collection***

Data is collected and fed into the system.

### ***Testing the System***

The object of verifying is to test the output of HRIS and make sure that it is doing what it supposed to do. All reports are to be critically analysed.

### ***Starting Up***

Even after testing, some additional errors may crop up. These errors surface during start up. These are to be sorted out.

### ***Parallel Running***

Just for the security, the new system is to be run in parallel with the old till the new system stabilizes and people gain confidence in its operation.

### ***Maintenance***

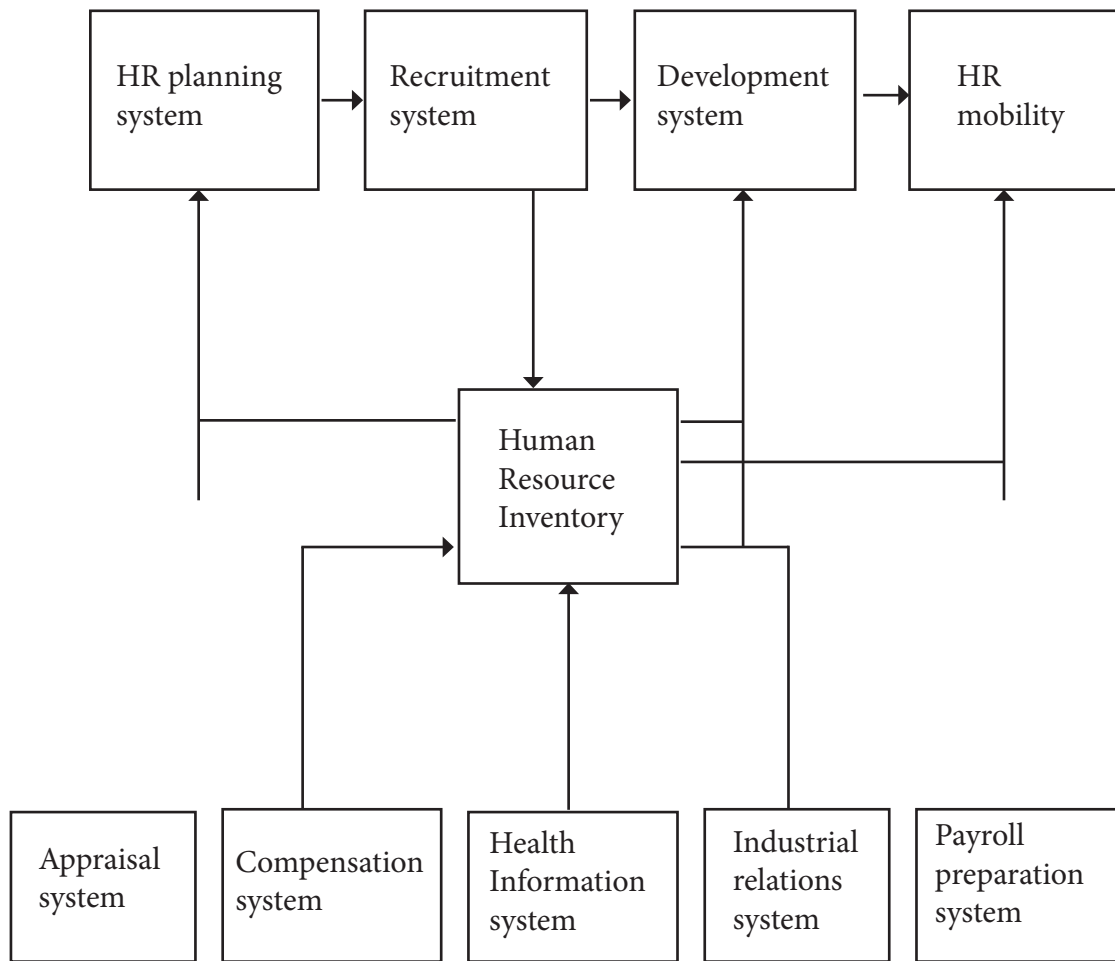
Proper maintenance of the system and maintenance of secrecy of records are to be guarded. It normally takes several months for HR people to get acquainted with HRIS.

### ***Audit***

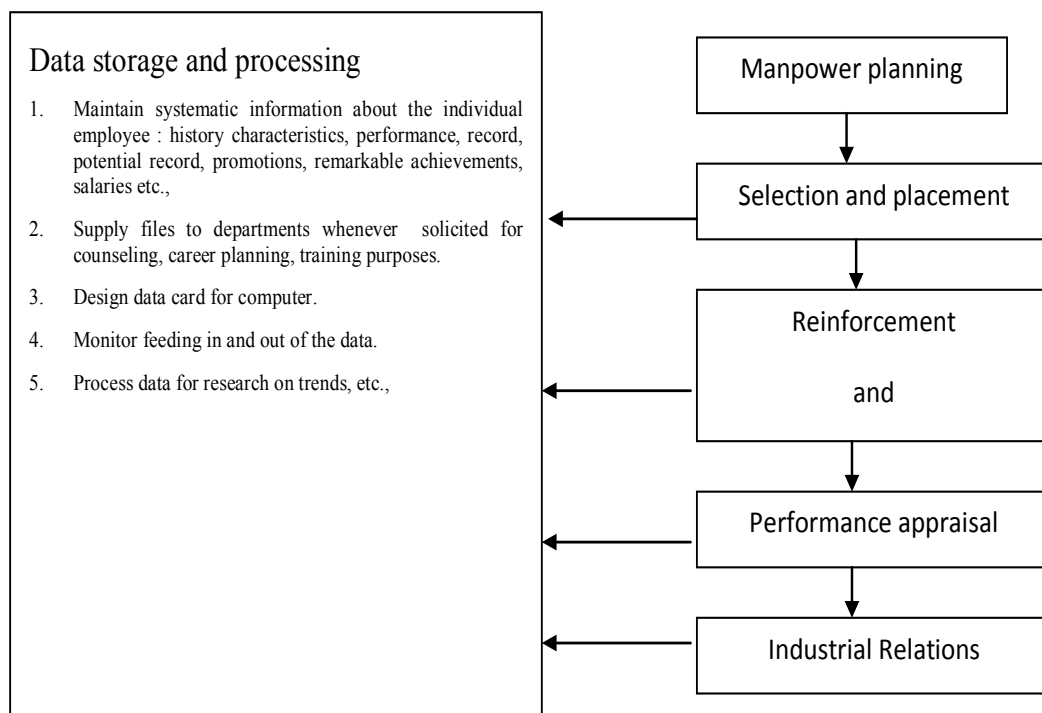
After a year or so, the project team should audit the performance of HRIS and if required, corrective actions should be taken.

Large organizations generally install computerized HRIS system because it enables them to collect, process and use large amount of data. It links the various subsystems of HRM. Following is a figure of HRIS linking various sub-systems.





**L & T HRIS is given below**



## **Benefits of HRIS**

Following are the benefits

- Higher speed of retrieval and processing of data.
- Reduction in duplication of efforts leading to reduced cost.
- Better analysis and decision making.
- Higher accuracy of information and reports generated.
- Fast response to answer queries.
- Improved quality of reports.
- Better work culture.
- Streamlined and systematic procedures.
- More transparency in the system.

## **Limitations**

Following are the limitations of HRIS.

- Expensive in terms of finance and manpower requirement.
- Inconvenient to those who are not comfortable with computers, particularly top bosses.
- Computers cannot substitute human being, individual decision making and intuition.
- System needs updating, in many a situation, stale information is as good as no information.

## **Self Assessment Questions**

1. Explain the place of HRIS in HRM.
2. State the files to be stored in HRIS.
3. What are the merits and limitation of HRIS?

## **Summary**

HR department needs information accurately and in a short notice on the following.

- a. Duties and responsibilities of every job.
- b. Skills possessed by every employee.

- c. Organization's future needs of human resource.
- d. Training needs

HRIS has computerized linking with all sub-systems. HRIS has both merits and a few limitations. But HRIS is indispensable in developing and perfecting Human Resources.

**Answer key**

1. Acquisition, storage and retrieval of information present a significant challenge to the management. HRIS is basically used for

- i. Storing information and data of each individual employee for future reference.
- ii. Providing a basis for planning, organizing, decision making and controlling of human resource functions.
- iii. Knowing about the regularity of attendance and absenteeism if any.
- iv. For supplying data and returns to government and other statutory bodies.

2. Generally the important files are

- i) Personnel administration, ii) Salary particulars, iii) Leave/Absence Record, iv) Skill inventory, v) Medical history, vi) Accident monitoring, vii) Performance appraisal, viii) Training and Development, ix) HRP, x) Recruitment, xi) Career planning and, xii) Collective bargaining.

3. See the last two paragraphs of the lesson.

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## Lesson 8 - Selection And Induction

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### Lesson Outline

- › Recruitment
- › Selection – Differences
- › Selection tests
- › Interview
- › Induction

### Learning Objectives

*After reading this lesson you should be able to*

- › Appreciate the differences between recruitment and selection
- › Understand the intricacies of selection tests.
- › Skills needed to conduct interview
- › The importance of induction

### Introduction

Recruitment, selection, placement, induction, training and development are all the core functions of HRD. Once it is determined what types of jobs in how many numbers are to be filled up with the qualifications fixed, the next step is for search of qualified people. Hiring of people involves these broad groups of activities but not mutually exclusive viz., recruitment, selection and placement. Recruitment is the first step in the process of filling a vacancy. Recruitment is the generating of applications or applicants for specific positions to be filled up in the organization. It is a process of searching for and obtaining applicants for jobs so that the right people in right number can be selected.

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

According to Bergmann and Taylor, “Recruitment is the process of locating, identifying, and attracting capable applicants.”

## **Factors Affecting Recruitment**

There are various factors that influence recruitment. They are as follows:

1. Internal factors
2. External factors

### **Internal factors**

1. **Size:** The organizational size is an influencing factor. Larger organizations find recruitment less problematic than smaller size units.
2. **Policy:** The policy of recruitment by the organization, whether recruitment is from internal source (from own employees) or from external sources also affect the recruitment process. Generally, recruiting through internal sourcing is preferred in view of cost consideration, familiarity and in easily finding the most suitable one.
3. **Image:** Image of the organization is another internal factor influencing recruitment. Managerial actions like good public relations, rendering public services like building roads, public parks, hospitals and schools help to earn a good image or goodwill for the organization.
4. **Image of jobs:** Better remuneration and working conditions are considered as the characteristics of good image of a job. Besides, promotion and career development programmes of the organization also attract potential candidates.

### **External factors**

1. **Demographic factors:** Demographic factors such as sex, age, literacy, economic status etc, have influence on recruitment process.
2. **Labour markets:** Labour market conditions, that is, supply

labour is of particular importance in affecting recruitment process. If the demand for a specific skill requirements is high relative to its supply, recruiting employees will involve more efforts. On the contrary, if supply is more than demand for particular skill, recruitment will be relatively easier.

3. **Unemployment situation:** The rate of unemployment is yet another external factor having its influence on the recruitment process. When the unemployment rate in a given area is high, the recruitment process tends to be simpler.
4. **Labour laws:** There are several labour laws and regulations passed by the central and state Governments that govern different types of employment. These cover, working conditions, compensation, retirement benefits and safety and health of employees in industrial undertakings. Child Labour (Prohibition and Regulation) Act, 1986, for example prohibits employment of children in certain employments. So also, several other acts such as Employment Exchange (Compulsory Notification of Vacancies) Act, 1959, the Apprentice Act 1961; the Factories Act, 1948 and the Mines Act 1952 have bearing on recruitments.

## **Sources of Recruitment**

The different sources of recruitment could be classified into two broad categories, viz.,

- a. Internal sources and
- b. External sources

### **Internal Sources**

The various internal sources are

- a. Present employees
- b. Employee referrals
- c. Former Employees
- d. Previous applicants

### ***Present Employees***

Promotions and transfers from among the present employees can be a good source of recruitment. Promotion implies upgrading of an employee to a higher position carrying higher status, pay and responsibilities.

### ***Former Employees***

Former employees are another source of applicants for vacancies to be filled up in the organization. Retired or retrenched employees may be interested to come back to the company to work on a part-time basis. Some former employees, who left the organization for any reason, may again be interested to come back to work.

### ***Employee Referrals***

The existing employees refer their family members, friends and relatives to the company as potential candidates for the vacancies to be filled up most effective methods of recruiting people in the organization because employees refer to those potential candidates who meet the company requirement by their previous experience.

### ***Previous Applicants***

Those who applied previously and whose applications though found good were not selected for one reason or other may be considered at this point of time. Unsolicited applications may also be considered.

### ***Advantages of internal source are***

1. Familiarity with their own employees
2. Better use of the talent
3. Economical recruitment
4. Morale booster
5. Gives motivation.

### *Disadvantages of Internal Source*

1. Limited choice
2. Discourages competition
3. Creates conflicts.

### **External Sources**

The different external sources are

- a. Employment Exchanges
- b. Advertisements
- c. Employment Agencies
- d. Professional Associations
- e. Campus Recruitment
- f. Deputation
- g. Word-of-Mouth
- h. Raiding.

### ***Employment Exchanges***

After India's independence, National Employment Service was established to bring employees and job seekers together. In response to it, the Compulsory Notification of Vacancies Act of 1959 (commonly called Employment Exchange Act) was enacted which became operative in 1960. Under S4 of the Act, it is obligatory for all industrial establishments having 25 workers or more, to notify the nearest employment exchange of vacancies in them, before they are filled. Employment exchanges are particularly useful in recruiting blue-collar, white collar and technical workers.

### ***Employment Agencies***

In addition to the government agencies, there are a number of private employment agencies who register candidates for employment and furnish a list of suitable candidates from their data bank as and when sought by prospective employers. The main function of these agencies is to invite applications and short list the suitable candidates



for the organization. Of course, the final decision on selection is taken by the representatives of the organization. The representatives of the employment agencies may also sit on the panel for final selection of the candidates.

### ***Advertisement***

Advertisement is perhaps the most widely used method for generating many applications. This is because its reach is very high. This method of recruitment can be used for jobs like clerical, technical and managerial.

While preparing advertisement, a lot of care has to be taken to make it clear and to the point. It must ensure that some selection among applicants takes place and that only qualified applicants respond to the advertisement. Advertisement copy should be prepared very well to answer AIDA. That is, the advertisement should arrest attention, gain interest, arouse desire and result in action.

### ***Professional Associations***

Very often recruitment for certain professional and technical positions is made through professional associations. Institute of Engineers, Indian Medical Association, All India Management Association etc., provide placement services for their members. For this, the professional associations prepare either list of job seekers or publish or sponsor journals or magazines containing advertisements for their members.

### ***Campus Recruitment***

This is another source of recruitment. This is gaining popularity in India. The advantages are:

- i. Most of the eligible candidates are available at one place.
- ii. The interviews are arranged in a short notice.
- iii. The teaching faculty can also be consulted.
- iv. Gives opportunity to sell the organization to a large students' body who would be graduating subsequently.

### ***Deputation***

Yet another source of recruitment is deputation i.e., sending an employee to another organization for a short duration of two or three years. This method of recruitment is in vogue in Government Departments and public sector organizations. This method provides ready expertise and the organization does not have to incur the initial cost of induction and training.

### ***Word-of-Mouth***

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

### ***Raiding or Poaching***

Raiding or poaching is another method of recruitment whereby the rival firms by offering better terms and conditions, try to attract qualified employees to join them. This raiding is a common feature in the Indian organizations.

### ***Merits of External Source***

1. Larger availability of talented candidates.
2. Opportunity to select best candidates.
3. Provides healthy competition among job seekers.

### ***Demerits***

1. Expensive and time consuming
2. Unfamiliarity with the organization
3. Discourages the existing employees and they may feel belittled.

## Recruitment Process

The recruitment process consists of the following:

- a) Recruitment Planning
- b) Strategy development
- c) Searching
- d) Screening
- e) Evaluation and control

Planning involves drafting a comprehensive job specification for the vacant positions outlining their major and minor responsibilities; the skills, experience and qualifications needed ; grade and level of pay ; starting data ; whether temporary or permanent; and mention of special conditions, if any, to the jobs to be filled.

The next step involved is to devise a suitable strategy for recruiting the candidates in the organization. The strategic consideration would include the type of recruitment method, the geographical area to be considered for the search, source of recruitment and sequence of activities for recruitment.

Searching involves deciding internal or external sources. Sometimes both internal and external may be decided.

Screening is the next step. Job specification is invaluable in this regard. Screening is done on the basis of qualification, knowledge, skills, abilities, interest and experience mentioned in job specification.

Evaluation and control in recruitment is needed as considerable cost is involved in the process. This includes

- a. Salary of the recruiters
- b. Cost of time spent for preparing job analysis, advertisement etc.,
- c. Administrative expenses
- d. Cost of outsourcing or overtime while vacancies remain unfilled and
- e. Cost incurred in recruiting unsuitable candidates.

## **Effectiveness of Recruitment Programme**

Following are the pre-requisites.

- A well defined recruitment policy.
- A proper organizational structure.
- A well-laid down procedure for locating potential job seekers.
- A suitable method and technique for tapping these candidates.
- Continuous assessment of effectiveness of recruitment programme.
- Ethical practice in recruitment policy and procedure.

## **Selection**

Selection starts where recruitment ends. Selection is hiring the best candidates from the pool of applications. It refers to the process of offering jobs to one or more applicants from the applications received through recruitment. Selection is the process of picking the suitable candidates from the pool of job applications to fill various jobs in the organization.

According to Yodder, “selection is the process by which candidates for employment are divided into class - those who will be offered employment and those who will not.”

According to Stone, “Selection is the process of differentiating between applicants in order to identify (and hire) those with a greater likelihood of success in a job.”

Difference between Recruitment and selection are:

RECRUITMENT	SELECTION
1. Technically precedes selection	Selection follows recruitment
2. The process of identifying and encouraging potential candidates to apply for jobs in the organization	Selection involves choosing the best out of those recruited
3. Recruitment is positive as it aims at increasing the number of job seekers (applications) for wider choice or increasing the selection ratio.	Selection on the other hand is negative in its application, as it rejects a large number of unqualified applicants in order to identify those who are suitable for the jobs.
4. Recruitment involves searching	Selection involves comparing those already searched.

### Why scientific selection?

It is a fact, that the people working in the organization make all the difference. Choosing the right person for the job is critical to the organization's success. Faulty selection or choice can have a far-reaching impact on the organizational functioning and performance. Wrong or inappropriate selection is a costly mistake to the organization. It would demoralize the employees and also de-motivate the rest of the work force. Though perfect match between the employee and the jobs is not always possible, scientific methods of selection for establishing better fit between the two are of immense importance.

### Selection process

Following are the steps involved in a standard selection process:

1. Preliminary Interview
2. Application Blank
3. Selection Tests
4. Selection Interview
5. Reference checks
6. Physical Examination
7. Final selection

## **Preliminary Interview**

After screening the applications, preliminary interview will be conducted. The purpose of preliminary interview is to eliminate unsuitable or unqualified candidates from the selection process. In screening unqualified candidates are eliminated on the basis of information given in the application form, whereas preliminary interview rejects misfits for reasons, which did not appear in the application forms.

## **Application Blanks**

This is a method for getting information from a prospective candidate. This serves as a personal record of the candidate bearing personal history profile, detailed personal activities, skills and accomplishments. Almost all organizations require job seekers to fill up the application. Usual contents are as follows:

- i. Biographical information – Age, father’s name, sex, nationality, height, marital status.
- ii. Educational information - Name of the institutions where the candidate studied – marks – Divisions – Distinctions.
- iii. Work Experience – previous experience – nature of job – salary – duration – reason for quitting.
- iv. Salary – last drawn salary – minimum salary acceptable.
- v. Extra-curricular information – NSS – NCC – hobbies etc.
- vi. References – Name and address.

## **Selection Tests**

Individuals differ in many respects including job related abilities and skills. In order to select a right person for the job, individual differences in abilities and skills are to be adequately and accurately measured for comparison.

According to Lee J. Groobach, “A test is a systematic procedure for comparing the behaviour of two or more persons.”

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

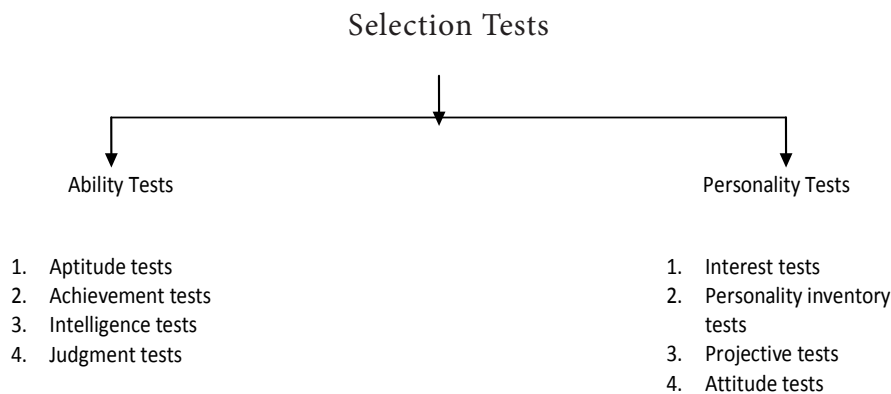
In simple words, test is a systematic procedure for sampling human behaviour.

Tests may be for psychological testing and for testing specific abilities and skills. Psychological tests may be conducted for various purposes:

- i. Guiding and counseling
- ii. Career guidance
- iii. Research on human behaviour and personality
- iv. Employment selection for placement
- v. For appraising employees promotional potentials
- vi. For counseling to perform better in their jobs.

Types of tests

Broadly there are two types of tests viz., 1) Ability tests and 2) Personality tests.



## Ability Tests

### Aptitude Test

Aptitude tests measure ability and skills of the candidate. These tests measure and indicate how well a person would be able to perform after training. Thus aptitude tests are used to predict the future ability. There are two objectives of the aptitude tests. One is to advice youth or job seekers regarding the field where they are likely to succeed. This is called 'vocational guidance.' The second is to select best persons for jobs where they may succeed. This is called 'vocational selection.' There are specific aptitude tests for mechanical aptitude test, clerical aptitude test, management aptitude test etc.,

### **Achievement Test**

Achievement test measures the person's potential in a given area or job. In other words, these tests measure what a person can do based on skill or knowledge already acquired.

### **Intelligence Test**

Intelligence tests measure general ability for intellectual performance. The core concept underlying the intelligence test is mental age. It is presumed that with physical age, intelligence also grows. There may be exceptions to this rule. If a five year old child does the test for six years or above, his or her mental age would be determined accordingly. Mental age is generally indexed in terms of Intelligence Quotient (IQ) and is calculated using the following formula:

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

It means that IQ is a ratio of mental age to actual age multiplied by 100.

IQ levels may vary because of culture and exposure. Intelligence testing in industry is based on the assumption that if organization can get bright, alert employees quick at learning, it can train them faster than those who are less endowed.

### **Judgment Test**

These tests are designed to know the ability to apply knowledge in solving a problem.

### **Personality Tests**

### **Interest Tests**

These tests discover a person's area of interest and find the kind of work that would satisfy him. The most widely used interest test is Kuder Reference Record. It consists of three forms. The first form measures



vocational interest such as mechanical, computational, artistic, literary, music and clerical interest. The second form measures vocational interest such as group activities, avoiding conflicts etc. The third form of interest measures preference to particular occupations such as accountants, salesman, managerial position etc.

### **Personality tests**

These tests are also known as 'personality inventories.' These tests are designed to measure the dimensions of personality ie., personality traits such as interpersonal competence, dominance, submission, extroversions – introversions, self-confidence, ability to lead and ambition.

### **Projective tests**

These tests are based on pictures or incomplete items. The candidate is asked to narrate or project his own interpretation on these. The way in which the candidate responds, reflects his or her own values, motives, attitude, apprehensions, personality etc. These tests are called projective because they induce the candidate to put him or herself into the situation to project the test situation.

### **Attitude Tests**

These tests are designed to know the candidate's tendencies towards favouring or otherwise to people, situations, actions and a host of such other things. Test of social responsibility, authoritarianism, study of values, employee morale are the well-known examples of attitude tests.

### **Advantages of Testing**

The merits of testing for selection are many.

- i. Such tests predict future performance of personnel and for transfer, promotion etc.
- ii. It is a method of diagnoses of the situation and behaviour.
- iii. Cost effective - as test administered to a group saves time and cost.

- iv. Uncovers qualifications and talents, which cannot be detected from application blanks and interviews.
- v. Tests serve as unbiased tools of selection process.
- vi. Tests being quantifiable yield themselves to scientific and statistical analysis.

### **Developing Test Programme**

The main steps are

1. Deciding the objectives – The objectives of the test programme may be hiring, promoting and counseling of people.
2. Analyzing jobs – Jobs are duly analysed to identify as to which human traits and skills are necessary for the job.
3. Choosing tests to measure characteristics – reliability, validity, ease of administration, and the cost involved are important criteria in the choice.
4. Administration of tests.
5. Test results and evaluation.

### **Selection Interview**

The next step in the selection process is 'employment interview.' Interview is the widely used selection method. It is a face-to-face interaction between interviewer and the interviewee. If handled properly, it can be a powerful technique in having accurate information of the interview otherwise not available.

### **Objectives of Interview**

1. Verifies the information obtained through application form and tests.
2. Helps to obtain additional information from the applicant otherwise not available.
3. Gives the candidate necessary facts and information about the job and the organization.
4. Helps to establish mutual understanding between the company and the candidate and build the company's image.

## **Types of Interview**

Four types of interview for selection have been identified. They are:

### **1. Preliminary Interview**

This process would be initiated to screen the applicants to decide whether a further detailed interview will be required. The candidate is given freedom by giving job details during the interview to decide whether the job will suit him. This method saves time and money for the company.

### **2. Patterned Interview**

In this type of interview, the pattern of the interview is decided in advance. What kind of information is to be sought or given, how the interview is to be conducted and how much time is to be allotted, all these are worked in advance. In case the interviewer drifts he or she is swiftly guided back to structural questions. Such interviews are also called as standardized interviews.

### **3. Depth Interview**

Under this method, the interviewer tries to portray the interviewee in depth and detail. Accordingly the life history of the applicant along with his or her work experience, academic qualifications, health, attitude, interest and hobbies are also analysed.

### **4. Stress Interview**

Such interviews are conducted for the jobs which are to be performed under stressful conditions. The objective of stress interview is to make deliberate attempts to create stressful or strained conditions for the interviewee to observe how the applicant behaves under stressful conditions. The common methods used to induce stress include frequency interruptions, keeping silent for an extended period of time, asking too many questions at a time, making derogatory remarks about the candidate, accusing him that he is lying and so on. The purpose is to observe how the candidate behaves under the stressful conditions – whether he loses his temper, gets confused or frightened.

## **How to Make Interview Successful?**

1. The interview should have a definite time schedule. This should be let known both to the interviewer and interviewee.
2. Interview should be conducted by the competent, trained and experienced interviewers.
3. The interviewers should be supplied with specific set of guidelines for conducting interview.
4. A resume for all the candidates to be interviewed should be prepared and the same be made available to the interviewers before the interview starts.
5. The interview should not end abruptly but it should come to close tactfully providing satisfaction to the interviewer.
6. The interviewers should show their sensitivity to the interviewees sentiments and also should be sympathetic towards him or her.
7. The interviewers should also evince emotional maturity and a stable personality during the interview session.

## **Reference Checks**

In the selection process, the next step is verifying information or obtaining additional information through reference. The applicant is asked to give the names of one or two referees who know him personally. Previous employers, University Professors, neighbours and friends are usually referees. However, references are treated as a mere formality and are hardly used to influence the selection decisions.

## **Physical Examination**

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

## **Final Selection**

Final selection follows the above procedures outlined. Selected candidates would be sent with appointment orders. Additional names than required vacancies may be kept in the waiting list.

## **Placement**

Placement involves assigning a specific job to each one of the selected candidates. However, placement is not simple as it looks. It involves striking a balance between the requirements of a job and the qualifications of a candidate. Pigors and Myers has defined placement as, “the determination of the job to which an accepted candidate is to be assigned, and his assignment to that job. It is a matching of what the supervisor has reason to think he can do with the job demands and what he offers in the form of pay rolls, companionship” with others, promotional possibilities etc. The importance of placement is that it reduces employee turnover, absenteeism, accidents and dissatisfactions.

## **Induction**

Induction is introducing the new employee to work surrounding and people already working there. In other words, induction is the process of receiving and welcoming an employee when he first joins a company, and giving him basic information he needs to settle down quickly and happily and start work. According to R.P. Billimoria, “induction is a technique by which a new employee is rehabilitated into the changed surroundings and introduced to the practices, policies and purposes of the organizations.”

## **Objectives of Induction**

1. To reduce the initial anxiety which all new entrants feel, when they join a new job in a new organization.
2. To familiarize the new employees with the job, people, workplace, work environment and the organization.
3. To facilitate outsider – insider transition in an integrated manner.

4. To reduce the cultural shock faced in the new organization and
5. To reduce exploitation by the unscrupulous co-workers.

### **Formal Induction**

Formal induction is a planned programme carried out to integrate the new entrant into the organization.

Following are the contents in a formal induction programme:

1. Brief history of the organization.
2. Organizational mission, vision, objectives and philosophies.
3. Policies and procedures of the organization.
4. Rules and regulations of the organization.
5. Organization structure and authority relationship.
6. Terms and conditions of the job including remuneration, working hours, holidays, promotional avenues etc.
7. Welfare measures like subsidized canteen, transport and recreation facilities.
8. Safety measures.

### **Information Induction**

In this system, the immediate job supervisor conducts the induction programme for the new entrant. He briefs the new entrant about the job, the department, routine and introduces to the colleagues, and various sections.

### **Making induction programme successful**

First impression is the best impression. The new employee should feel happy and proud about his company. This will create a lasting association and commitment.

Effective induction needs-

1. Good reception when receiving the new employee.
2. Finding the needs and doubts of new employee.

3. Proper and good presentation about the company and work culture.
4. Induction training by the right instructor.
5. Proper evaluation and follow-up measures.

### **Self Assessment Questions**

1. What is recruitment?
2. What is the difference between selection and recruitment?
3. Explain different selection tests.
4. State the importance of induction.

### **Summary**

Recruitment, selection, placement, induction, training and development are all the core functions of HRD. Recruitment is the process of locating, identifying and attracting capable applicants. Both internal and external factors influence recruitment. Internal factors are the size of the organization, policy of the organization, and the usage of the jobs. External factors are demographic factors labour market, unemployment situation and labour laws.

In recruitment both internal and external sources can be made use of. Selection starts where recruitment ends. Selection is the process of differentiating between applicants in order to identify those with a greater likelihood of success in a job. The various selection processes are i) Preliminary interview, ii) Application blank, iii) Selection tests, iv) Selection interview, v) Reference checks,, vi) Physical examination and vii) Final selection.

The different selection tests are ability tests and personality tests. After the tests, interviews will be conducted. Reference checks physical examination and final selection follows.

The selected candidates are placed in suitable positions. Placement involves assigning a specific job to each of the selected candidates. Then they are inducted. Induction is introducing the new employee to the work surrounding and the people who are already working there. There is formal induction and informal induction.

## **Answer Key**

1. According to Dale Yoder, “Recruitment is a process to discover the source of manpower to meet the requirements of staffing schedule and to employ effective measures for attracting that manpower in adequate numbers to facilitate effective selection of an efficient working force.”
2. Note the differences tabulated in the text of this lesson.
3. Ability tests and personality tests. The different ability tests are i) Aptitudes tests, ii) Achievement tests, iii) Intelligence tests, and iv) Judgment tests. The personality tests are a) Interest tests b) personality inventory tests c) Projective tests and d) Attitude tests.
4. Induction is the process of receiving and welcoming an employee when he first joins a company, and giving him the basic information he needs to settle down quickly and happily and start work. There can be formal induction and informal induction.

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## Lesson 9 - Performance And Potential Appraisal

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### Lesson Outline

- › Objectives of performance
- › Methods of performance appraisal
- › Modern methods of appraisal
- › Potential appraisal

### Learning Objectives

*After reading this lesson you should be able to*

- › Appreciate the need for performance appraisal
- › Understand the steps involved in performance appraisal methods
- › Know the intricacies of potential appraisal

### Introduction

Appraisal is the evaluation of worker, quality or merit. In the organizational context, performance appraisal is a systematic evaluation of personnel by superiors or others familiar with their performance. Performance appraisal is also described as merit rating in which one individual is marked as better or worse in comparison to others. The basic purpose of merit rating is to ascertain an employee's eligibility for promotion. However performance appraisal would be used to decide training and development, salary increase, transfer and discharge C. Heyel defines, "performance appraisal is the process of evaluating the performance and qualifications of the employee in terms of the requirements of the job for which he is employed, for the purposes of administration including placement, selection for promotion, providing financial rewards and other actions which require differential treatment among the members of a group as distinguished from actions affecting all members equally". Beach has defined, "performance appraisal is the systematic evaluation of the individual with regard to his or her performance on the job and his potential for development.

Performance appraisal is a systematic and objective way of judging the relative worth or ability of an employee in performing his job. It emphasizes on two aspects; systematic and objective. All performances are to be evaluated in the same manner, utilizing the same approaches. This would facilitate appraisal of different persons comparable. This makes it systematic, as such an appraisal is taken periodically according to plan; it is not left to chance. This makes the system objective. Both those who rate and who are rated should know the system of performance appraisal and trained. Human bias and prejudices are set aside, and so objective is in this respect also.

## **Objectives**

The objectives of performance appraisal are as follows:

### **1. Salary increase**

Performance appraisal plays a role in making decision about salary increase. Normally salary increase of an employee depends on how he is performing his job. The hike in salary to different employees may be according to their efficiency and ranking.

### **2. Promotion**

Performance appraisal plays a role in making decision about promotion. Normally internal promotion of an employee depends on how he is performing his job. There is continuous evaluation of his performance either formally or informally. Most of the organizations often use a combination of merit and seniority for promotion. Performance appraisal precedes promotion decision.

### **3. Training and Development**

Performance appraisal tries to identify the strengths and weaknesses of an employee on his present job. This information can be used for devising training and developing programmes appropriate for overcoming weakness of the employees. In fact, many organisations use performance appraisal as means for identifying training needs of employees.

#### 4. Feedback

Performance appraisal provides feedback to employees about their performance. It tells them where they stand. A person works better when he knows how he is working, how his efforts are contributing to the achievement of organizational objectives. Besides, if they know their weakness, they will try to overcome them.

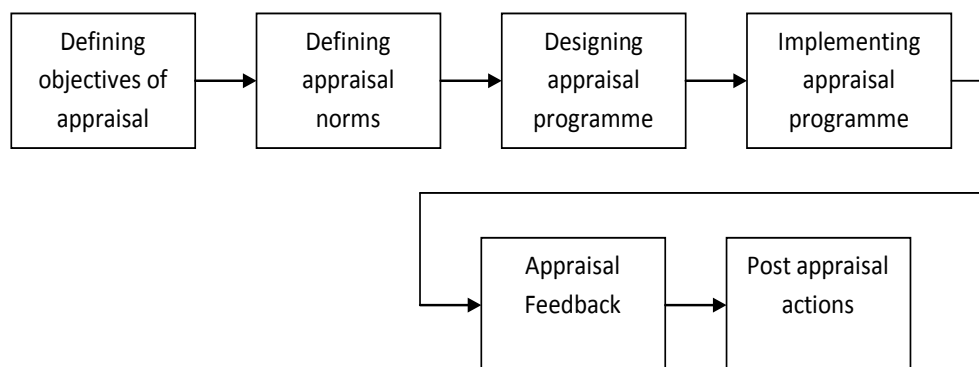
#### 5. Pressure on employees

Performance appraisal puts a sort of pressure on employees for better performance. If the employees are conscious that they are being appraised in respect of certain factors and their future largely depends on such appraisal, they tend to have positive and acceptable behaviour in this respect. Thus, appraisals can work automatically as a control device.

#### Performance Appraisal Process

Performance appraisal can be undertaken either on informal basis or on formal and systematic basis. In comparatively smaller organizations appraisal either based on traits or performance or a combination of both, is done informally through the observation of concerned employees. In larger organization, appraisals are more systematic as evaluation reveals lot of useful information.

Following is the systematic performance appraisal



#### Defining Objectives

The first step in the systematic appraisal system is to define the objectives of the appraisal itself. Appraisal is used for different purposes from motivating the appraisee in controlling their behaviour. In each

case, the emphasis on different aspects of appraisal differs. For example, reward providing appraisal, such as salary revision or promotion differs from appraisal for training and development.

### **Defining Appraisal Norms**

Appraisal is done in the context of certain norms or standards. These may be in the form of various traits of the appraisee or their expected work performance results. Since one of the basic long-term objectives is to improve performance, appraisal is more performance oriented. Hence performance norms are to be specified in the beginnings of the period for which appraisal is concerned.

### **Designing Appraisal Programme**

In the design for appraisal programme, types of personnel to act as appraisers, appraisal methodology and types of appraisal are all to be decided. Ideally speaking all personnel of the organization should be covered by the appraisal system. But generally various organizations keep lower level employees out of the purview of formal appraisal. Generally, the superior concerned appraises his subordinates. However, the present trend in appraisal suggests the concept of 360 degree appraisal, which involves appraisal by the appraisee himself known as self appraisal as well as appraisal by the other stake holders who are operationally related to the performance of the appraisee. The next issue is the methodology to be used in appraisal system. Should it be through structured forms and questionnaire or personal interview of the appraisee or a combination of both is to be decided. Along with this the time period and tuning of the appraisal should be decided.

### **Implementation**

In implementing appraisal programme, the appraisal is conducted by the appraisers and they may also conduct interview if it is provided in the appraisal system. The results of the appraisal are communicated to HR department for follow up actions which should be oriented towards the objectives of the appraisal.

## **Appraisal Feedback**

Appraisal feedback is the most crucial stage in appraisal process. If they are rated high or performance highly applauded, naturally they are happy and feel their self – esteem is high. On the other if they are rated low they resent, cry and may even be ill-tempered. But the fact is fact. Even in such cases, their plus points should be listed out. Their weaknesses may be put clearly through counselors and advised.

## **Post – Appraisal Action**

Rewards, promotions, training and patting on the back follow in the post – appraisal action

## **Methods of Performance Appraisal**

### **Time – honoured methods**

For a long time, the following methods were used:

- a) Ranking method
- b) Paired comparison
- c) Grading
- d) Forced distribution method
- e) Forced choice method
- f) Checklist method
- g) Critical incidents methods
- h) Graphic scale method
- i) Essay method
- j) Field Review Method

In recent times the additional methods used are

- i. Appraisal by results or objectives
- ii. Behaviourally anchored rating scales (BARS)
- iii. Assessment centres
- iv. 360-degree appraisal

## **Ranking Method**

Ranking is the oldest and simple method of appraisal in which a person is ranked against others on the basis of certain traits or characteristics. This is very simple method when the number of persons to be ranked is small because ranking has to be given on the basis of traits which are not easily determinable, unlike marks in an examination. The method has limited value for performance appraisal as the difference in ranks do not indicate absolute or equal differences of ability between individuals.

## **Paired comparison**

Paired comparison method is a slight variation of ranking system. This method is adopted for use in the large groups. In this method, each person is compared with other persons taking only one at a time. Usually, the only trait that is considered is the overall suitability to perform the job. The appraiser puts a tick mark against the person whom he considers the better of the two, and the final ranking is determined by the number of times that person is judged better than others.

## **Grading**

This is a method where certain categories of abilities of performance are defined well in advance. Persons are put in a particular category depending on their traits and characteristics. The categories may be outstanding, good, average, poor, very poor or may be in terms of letter like A,B,C,D etc., with A indicating the best and D indicating the worst.

The actual performance of the employees is measured against these grades. This method is generally useful for promotion based on performance.

## **Forced Distribution Method**

As there is a tendency to rank many of the employees high, forced distribution method has been adopted. In this method, the appraiser is forced to appraise the appraisees according to the pattern of a normal curve. The basic assumption in this method is that the employee's

performance confirms to a normal statistical distribution. For example 10 percent of the employees may be rated as excellent, 20 per cent as above average, 40 per cent as average, 20 per cent below average and 10 per cent as poor. The basic advantage of this method is that it overcomes the problem of adopting a central tendency of rating most of the employees to a point, particularly high or near high to appease them.

### **Forced – Choice Method**

The forced – choice rating method contains a series of group statements and the appraiser checks how effectively the statement describes each individual under evaluation. Though both of them describe the characteristics of an employee, the appraiser is forced to tick only one which appears to be more descriptive of the employee. Out of these two statements, only one statement is considered for final analysis of rating. For example, an appraiser may be given the following two statements.

1. The employee is hard working
2. The employee gives clear instructions to his subordinates.

Both these statements are positive but the appraiser is asked to rate only one which is more descriptive of his subordinate's behaviour. This is done to avoid subjectivity in rating. Out of the above two statements, only one statement is to be considered for final ranking. The final rating is done on the basis of all sets of statements. This method is more objective but it involves lot of problems in constructing such sets of statements.

### **Check – List Method**

Under this method HR department prepares a series of questions. Each question has alternative answers 'Yes' or 'No'. The appraiser concerned has to tick appropriate answers relevant to the appraisals.

Some of the same questions are:

- |                                   |          |
|-----------------------------------|----------|
| Is he / she interested in the job | Yes/No   |
| Is he / she regular on the job    | Yes / No |

Does he / she show uniform behaviour to all	Yes /No
Is he / she willing to help other employers	Yes / No
Does he / she maintain discipline	Yes / No

Fifty to hundred questions including many bearing efficiency and concentration may be asked. Different questions may have different weightage of scores. After filling the questionnaire by the appraiser who observes the employees will be sent to HR department, which will compute total score and evaluate.

### **Critical Incidence Method**

In this method, only critical incidents and behaviour associated with these incidents are taken for evaluation. This method involves three steps. A test of noteworthy on the job behaviour (good or bad) is prepared. A group of experts then assigns scale values depending on the degree of desirability for the job. Finally, a check list of incidents which define good and bad employees is prepared. The appraiser is given this checklist for rating. The basic idea behind this rating is to apprise the people who can do well in critical situations because in normal situation most employees work alike. This method is useful to find potential employees who can be useful in critical situation.

### **Graphic Scale Method**

Graphic scale is also known as linear rating scale. This is most commonly used method of performance appraisal. In this method, a printed appraisal form is used for each appraisee. The form contains various employee characteristics and his job performance. The various characteristics are leadership, dependability, cooperativeness, enthusiasm, creativity, analytical ability, decisiveness, emotional maturity etc., depending on the level of the employee. Job performance includes quantity and quality of work performance, specific targets achieved, regularity of attendance etc. The degree of quality may be measured on three point or five point scale. On five point scale, 'excellent, very good, average, poor or very poor' may be used for measurements.



## **Essay Method**

Instead of using structured forms for performance appraisal, some companies use free essay method. In essay method appraiser assesses the employees on certain parameters in his own word. Such parameters may be

1. Work performance in terms of quality, quantity and costs.
2. Knowledge about the job
3. Knowledge about organizational policies, procedures and rules,
4. Employee's characteristics and behaviour
5. Employee's strength and weakness
6. Overall suitability of the employee;
7. Employee's potentiality
8. Training and development needs of the employee

The essay method is useful in providing fruitful information about an employee on the basis of which he can be appraised. The difficulty in free essay method is each appraiser may use his own style and perception, which may give rise to difficulty in analysis.

## **Field Review Method**

In the field review method, an employee is not appraised by his direct superior but by another person, usually from HR department. The reason is that such a person may take more objective view in appraisal as he is not under pressure as the superior of the employee may be. The appraiser, in this case, appraises the employee based on his records of output and other quantitative information such as absenteeism, late coming etc. The appraiser also conducts interviews of the employees and his superior to ascertain qualitative aspects of job performance. This method is more suitable for promotion purpose.

## **Appraisal by Results or Objectives**

Appraisal by results draws its root from management by objective (MBO). The various steps involved in appraisal by results are as follows.

1. Appraisal by result is a joint process between superior and his subordinates.
2. The subordinate prepares his plan for specific period usually for one year in the light of the overall plan provided by his superior. The final plan is prepared through mutual consultation.
3. Through mutual consultation, both of them decide the evaluation criteria- that is, what factor will be taken for evaluation of subordinate's performance.
4. At the end of specific period, normally one year, the superior makes a performance evaluation of subordinates on the basis of mutually agreed criteria.
5. The superior discusses the results of his evaluation with the subordinate, corrective actions, if necessary and mutually agreed targets for the next period would be fixed.

Evaluation of appraisal by results springs from forces that have generated a popular philosophy of management, known as 'management by objectives' or 'management by results'. MBO is not merely a technique of managing but it reflects about the entire philosophy of management. Appraisal by results under MBO is more conducive than appraisal based on traits.

## **BARS**

Behaviorally anchored rating scales (BARS) approach gets away from measuring subjective personal traits and instead measures observable, critical behaviors that are related to specific job dimensions. The various steps under BARS are.

### ***i. Identification of Performance Measures***

The first step is the identification of performance measures, that is, the outcome of an effective job performance. These measures could be identified by knowledgeable relevant people who may be usually superiors, jobholders and HR personnel or a combination of all of them. They are asked to identify the important dimensions of the job.

## ***ii. Identification of Critical behaviours***

Critical behaviours are those which are essential for the performance of the job effectively. These behaviours are generated from different dimensions of the job and are related to various critical incidents of the job. These may be stated in a few short sentences or phrases using the terminology of the job in question.

## ***iii. Retranslation of Critical Behaviours***

Various critical behaviours as identified in step (ii) are retranslated, usually by a different group of personnel. In the retranslation process, various critical incidents are classified into clusters with each cluster having similar critical incidents. Those behaviours which are approved by majority of personnel are kept for further development and others discarded. The basic idea of this step is to keep the number of behaviours to a manageable limit and which are more descriptive of the job. The translation process assures the reliability of the critical behaviours consistent with the job dimensions.

## ***iv. Scaling of Critical Behaviours***

Those critical behaviours which are included for the performance appraisal during the process of retranslation are given scales usually in numbers with their description. The scales may range from 1 to 7 or from 1 to 9, with each point of a scale demonstrating perceived level of performance. The scale value will be determined on the basis of estimates provided by various persons in the retranslation process.

## ***v. Development of the BARS instrument***

The result of arranging various scales for different dimensions of the job (Known as behaviour anchors) produces a vertical scale for each dimension. Then scale is used for performance appraisal.

### **Merits of BARS method**

1. Employees' behaviours and not their unobservable traits are measured which gives better description of employees.

2. BARS approach is aimed at specific dimensions of job performance
3. The people, who are actually involved with the job, participate in determining the job dimensions.
4. As the evaluation is done in terms of specific behaviours, the appraiser can give objective feedback on how the person performed and on what specific behaviour the concerned person should improve.

### **Assessment Centers**

The concept of assessment centers was started in Germany in 1930s by the War office selection Board for military situation. The objective was to test candidates in a social situation, using number of assessors and a variety of procedures. Gradually this concept crept in to industries and companies. An assessment centre is a central location where managers come together and participate in a number of simulated exercises, on the basis of appraisers. The task Force on Development of Assessment centre standards has recommended the following requirements.

- a) Multiple assessment techniques should be used. One of these techniques should be simulation.
- b) Multiple trained assessors should be used.
- c) Judgment should be based on pooled information from all assessors.
- d) Evaluation should be made at a time different from the observation of behaviour.
- e) Simulation exercise should be tested for their reliability, validity and objectivity.
- f) The dimensions, attributes, characteristics or qualities evaluated by the programme shall be determined by an analysis of relevant job behaviour.

### **Objectives**

The objectives of Assessment Centers are:

- a) For measuring potential for first level supervision, upper

management positions and also higher level management positions.

- b) For determining the training and development needs of employees
- c) For selecting recent college students for entry level positions
- d) For making early determination of potential and
- e) For assisting in implementing affirmative action goals.

In spite of being a time consuming and costly affair, assessment centre has the following merits:

- a) The assessment is based on the direct observation of a relatively large sample of the assessee's behaviors.
- b) The assessee's behaviours are observed in simulated situations which are close to the actual workplace and
- c) Since assessment is based on composite, pooled judgements of several appraisers, personal biases, false inference are minimized.

### **360 Degree Appraisal**

Yet another method which could be used to appraise the performance of an employee is to use 360 degree appraisal. To start with, this method was used in 1992 by the General Electric Company, USA. Now in India Wipro Corporation, Infosys Technologies, Thermax, Thomas Cook etc. are adopting this method.

In 360<sup>o</sup> appraisal, appraisal of an employee is done by his superior, his peers, his subordinates clients and outsiders with whom he interacts in the course of his job performance. In this appraisal, besides appraising the performance of the assessee, his other attributes such as talents, behaviour, values, and technical considerations are also subjected to appraisal.

The role of HR department in 360<sup>o</sup> appraisal is that of facilitator. The department consolidates the appraisal inputs, identifies the point of consensus, and provides feedback to the appraised so as to overcome the weaknesses pointed out in the appraisal.

## **Potential Appraisal**

Performance appraisal has two objectives:

1. Evaluation of an employee in his present role. Making him to do his present job in better ways.
2. His suitability for higher order job, promotion and higher responsibility for which his potential appraisal will help him identify the areas to be improved to reach the requirements.

## **Steps in Potential Appraisal**

1. Determination of role dimension for which an employee's potential is to be appraised. The role dimensions can be identified by job description and specification which provide information about the responsibilities involved in a job and the attributes required.
2. The mechanism for appraising these attributes in an employee should be determined.
3. Potential appraisal based on the scoring of attributes.
4. Potential appraisal to be linked to other human resource management elements such as providing feedback, counseling, training, development and job rotation.

## **Self Assessment Question**

1. What are the objectives of performance appraisal?
2. State the various method of performance appraisal.
3. What are assessment centres?
4. What is potential appraisal?

## **Summary**

Performance appraisal is a systematic evaluation of personnel by superiors or others familiar with their performance. The objectives of performance appraisal is many and varied. It may be for salary increase, promotion or to give feed back to employees. A systematic performance appraisal consists of the following:

1. Defining objectives of appraisal.
2. Defining appraisal norms.
3. Designing appraisal programme.
4. Implementing appraisal programme.
5. Feedback and
6. Post appraisal actions.

There are several methods of performance appraisal. Some are traditional and a few are modern and scientific. Under MBO, evaluation is done both by the superior and the concerned employees.

Potential appraisal is needed to fill up future vacancies and to evaluate how many of the employees have necessary skills and traits to occupy higher position and responsibilities. Incidentally it will give feedback to employees to improve themselves for future requirements.

#### **Answer Key**

1. Objectives – for effecting salary increase based on skill, to decide promotion, to chart out training and development programmes, to render feedback to employees, to let know where they stand and to motivate the employees.
2. Explain the traditional methods and the modern methods. More accent on i. appraisal by results, ii. BARS, and iii. 360 degree appraisal.
3. An assessment centre is a central location where managers come together and participate in a number of simulated exercises on the basis of which they are evaluated by a panel of appraisers.
4. Potential appraisal is for assessing the potentialities of existing employees for higher positions and responsibilities. The feedback provided to employees could help them to improve upon and shape for future positions.

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## Lesson 10 - HRM Issues – Global Scenario

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### Lesson Outline

- ▶ Specialty Of Virtual Organization
- ▶ B.P.O.
- ▶ Mncs And Hrd Practices
- ▶ Challenges And Opportunities

### Learning Objectives

*After reading this lesson you should be able to*

- ▶ Understand the nature of HR requirements for virtual organization
- ▶ Comprehend the imminence of BPO
- ▶ Appreciate the significant features of MNC and HR practices

### Introduction

Business, trade and industries have become global in character. The place and spread of MNCs are felt in every part of the world. India and China are rated high as fast developing global business powers. HRM issues and practices are assuming universal character with a need for adaptation.

### Virtual Organization

The emerging HR trend in virtual organizations is both a challenge and opportunity to HR experts. The ready availability of information networks, e-mails and portable telephones is seen as accelerating the “Virtuality” of work. A virtual organization is a network of corporations made possible by Information and Communication Technology (ICT), which is flexible and comes to meet the dynamics of the market. In this way the virtual organization gains benefit with regard to the traditional hierarchical systems. This form of organization is also called as network organization or digital organization.



The virtual organization is a social network in which all the horizontal and vertical boundaries are removed. It consists of individuals working out of physically dispersed workspaces, or even individuals working from mobile devices and not tied to any particular workspace.

The ICT coordinates the activities, combines the worker's skills and resources in order to achieve a common goal. There is a creation of network relationship that allows for contracting, manufacturing, distribution, marketing or any other business function. In a virtual organization, a small group of executives oversee directly any activities that are done in-house and coordinate relationships with other organizations.

### **Characteristics**

Characteristics of virtual organization are

Power flexibility

- ▶ Informal communication
- ▶ Flat organization
- ▶ Multidisciplinary teams
- ▶ Goal orientation
- ▶ Dynamics
- ▶ Homework
- ▶ Customer orientation
- ▶ Sharing of information
- ▶ Vague organizational boundaries.

The driving force in a virtual organization is basically the virtual team. Every organization requires a team to carry over the activities in an orderly fashion, and such a team also exists in a virtual organization. In a virtual team, members' primary interaction is through some combination of electronic communication system to tie up with dispersed members who never or rarely come face to face. Here people communicate online using links like WAN, videoconferencing and e-mail.

The concept of virtual teams has gained considerable attention in recent years. Within global organizations, the virtual team involves collaboration and teamwork between a temporarily separated workforce. Such collaboration may also extend beyond the organizational boundary, linking partners in joint ventures and contractors who are in various locations. Virtual team working is potentially necessary for global organizations. It requires trust relationship. Personalized trust relationships are essential for continuous virtual team working. Such personalized trust relationships are normally established through face-to-face interaction and socialization.

The differences of virtual teams from face-to-face teams are

1. Absence of Para- verbal and non-verbal cues.
2. Limited social context.
3. Ability to overcome time and space constraints.

### **Emerging Hr Issues In Virtual Organization**

The HR issues such as recruitment and socialization process are forms of managerial control. These inputs control and regulate the antecedent conditions of performance, ensuring that the employee's skills knowledge, attitudes values and interest match those of employing organization.

In a virtual organization there are loose organizations of highly proficient people who are left to "do their own thing" in order to produce world beating products or services. The shift towards virtual organization is associated with a fundamental realignment and reordering of jobs. Knowledge-based jobs are assumed to require greater skills, have greater variety and offer more potential for a high quality of work life (QWL).

The positive side in virtual job is greater job autonomy and more financial stability, free transport, free lunch and clothing. The negative side is increased working hours, work-related stress and changed social relationship. Highly skilled workers are needed. Jobs are variable and short term. People should be multi-skilled.

## **HR Issues**

1. Recruitment is conducted under time pressure and requires high performance.
2. Human capital (Knowing one's job) and social capital (Knowing each other) become inextricably linked.
3. The formation of some stability in social relationship is not very much required.
4. Work place is variable.
5. Idleness is shown in terms of learning by watching what others do. Master-apprentice relationship and craft-based learning techniques become important.
6. Job status and project feedback is very short. Hence virtual organization requires a heavy investment to create systems and staffing structures.

## **Performance Management**

1. Performance should be defined. Each member or team must have a clear idea of what he is supposed to do.
2. Managers have to eliminate any obstacle that comes in the way of successful functioning of the organization. To do this they have to provide adequate resources and also carefully select his employees.
3. Motivation is an essential ingredient in improving the performance of any worker. Performance can also be increased by providing rewards.

## **Selection Process**

Selection is an important factor that relates to discovering the applicant's potential for the desired responsibility. The requirements for working in a virtual organization area

- ▶ Familiarity and comfortability with the job.
- ▶ Self-motivation.
- ▶ An effective communication both oral and written.

- Adaptability.
- Knowledge about organizational procedures.
- Technical self-sufficiency.
- Result – orientation.

## **BPO**

Business process outstanding has gained momentum starting from IT sector and software. In other businesses also outsourcing is resorted to, whereby part or major work to be entrusted to different companies, sometimes even to companies in different countries. Sometimes it is cheaper to hire service work from outside and this leads to reduction in labour cost. Call centers have developed as a part of outsourcing.

### HR aspects in outsourcing

1. Selection of skilled person
2. Sociability
3. Communication skill
4. Adaptability
5. Culture adjustment
6. Motivation

Technology has become the hallmark of the modern organizations. As such modern organizations have become the technology driven organizations. The explosive growth of information technology linked to the internet has ushered in many changes throughout the organization. One of the major changes led by IT is that it has hastened, what experts call “fall of hierarchy.” Managers depend less and less on yesterday’s “stick-to-the-chain of command approach” to their organizing function. This is so because earlier it used to be, if one wanted information, one had to go up, over and down through the organization. Now just one tap would do. This is meant by the breakdown of hierarchy.

## **MNCS**

Globalization has given genesis to the Multinational Corporations (MNCs). The MNCs are characterized by their cultural diversities,

intensified competition, and variations in business practices. The bottom line is that the growing integration of the world economy into a single, huge market place is increasing the intensity of competition in a wide range of manufacturing and service industries. Given these conditions, from tapping the global labour force to formulating selection, training and compensation policies for expatriate employees are major challenges for HRM in the organizations or international organizations separately.

Organizational restructuring is used to make the organization competitive. From this point of view, mergers and acquisitions of firms have become common forms of restructuring to ensure organizational competitiveness. The mega mergers in the banking, telecommunications and petroleum companies have been visible in our country. Downsizing is yet another form of restructuring. As a part of the organizational changes, many organizations have “right sized” themselves by various ways like eliminating layers of managers, closing facilities, merging with other organizations, or out-placing workers. There is also a practice to flatten organizations by removing several layers of management and to improve productivity, quality and service while also reducing costs. Whatever is the form of restructuring, jobs are redesigned and people get affected. One of the challenges that HRM faces with organizational restructuring is dealing with human consequences of change.

HRM activities are widening. Particularly the world scenario of globalization along with modern technological explosion and fastness of information technology have made lot of change both in selection and needed skill of personnel.

HRM has to give coaching. Coaching need not be construed as training. Coaching is needed to employees to deal with and to adjust the culture and requirements of people of different countries. Mentoring is standing a model organization should develop leadership qualities, tolerance and adjustment to cross-country cultures.

### **Self Assessment Questions**

1. What are the features of virtual organization?
2. State HR issues of virtual organizations.
3. Outline the problems of HR with reference to MNCs.

## **Summary**

The emerging HR trend in virtual organizations is both a challenge and opportunity to HR experts. The virtual organization is a social network in which all the horizontal and vertical boundaries are removed. The information and communication technology, coordinates the activities, combines the workers skills and resource in order to achieve a common goal.

The characteristics of virtual organization are power flexibility information communication, flat organization, multidisciplinary team work where organizational boundaries are vague.

A number of HR issues are involved in virtual organization. Recruitment of highly skilled people, fast recruitment and sociability are some of the issues.

Selection of personnel for virtual organization, BPOs require special talent search. MNCs have added a new dimension to HR functions.

## **Answer key**

### **1. Features**

The virtual organization is a social network in which all the horizontal and vertical boundaries are removed. It consists of individuals working out of physically dispersed workspaces, or individuals working from mobile devices and not tied to any workspace.

Virtual teams differ from face to face teams. They are

- i. Absence of para-verbal and non-verbal cues.
- ii. Limited social context.
- iii. Ability to overcome time and space constraints.

2. HR issues – Recruitment, placement, power dispersal, compensation fixation etc.,

3. MNCs – Characteristics – special skill – adjustments – sociability – language and cultural adjustment – communication skills.

## **Case Study**

### **Downsizing efforts change into a retention move**

The CEO of ZZZ Ltd assessed that the stock market seemed to encourage reduction in the employee strength. She observed that whenever any listed company announced plans to downsize, their share prices went up, apparently attracted by the ensuing cost savings and revenues per share. Hence ZZZ Ltd announced its plan to trim down its present size of 1250 into 1000, which would mean a 20% cut. To achieve this, the organization adopted measures like recruitment freeze, retraining and redeployment and de-layering of avoidable intermediary layers. Promotions were almost stopped and poor performers were targeted for removal. To top it all, the organization began to introduce a voluntary retirement scheme (VRS) with a reasonably attractive package. Through this major initiative the CEO and his team of top management expected to achieve most of the target for reduction. When the scheme was announced and voluntary applications were sought, it was dismaying to the top management that a whopping number of 700 employees, including many of the highly rewarded good performers had applied for VRS. The top management took some time to be able to reason out the reason for the turn of events.

Finally it was realized that sudden introduction of VRS when the organization was performing well according to official financial statements had set the rumor mill on that the organization was hiding its internal financial difficulties. For one set of people, the series of downsizing moves set alarm bells inside them and they thought it to be prudent to be the early birds in moving out of what they thought to be a sinking ship. Also, employees throughout the organization resented announcing VRS for pleasing the shareholders. As a consequence of multiple factors, the organization found that the whole scheme to downsize has backfired. Some managers felt that “Smart-sizing” should have been tried instead of downsizing. Some others felt that the whole initiative was hasty and untimely. The situation called for self-introspection among the persons responsible for the human resources of the organization.

### **Questions for Review**

1. List out all possible reasons for the decision of majority of employees to quit their present jobs.
2. Were the actual feelings of the employees reported in the case realistic and justified reasons?
3. What would be the long term implications of downsizing decisions that are driven by forces of stock market?
4. How do you think the organization should have planned for human power reduction?
5. What would be the measures to be taken up towards controlling the damage already set in?

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## UNIT – III

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### Lesson 11 - Training & Development

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#### Lesson Outline

- ▶ The concept of and approaches to training and development
- ▶ Types, contexts, methods and outcomes of training and development of employees
- ▶ Design of training and development programs
- ▶ Need for and outcomes of impartial evaluation of training programs
- ▶ Five major levels of assessment of the effectiveness of training programs
- ▶ Methods used for securing information and opinions necessary for the scientific evaluation of training

#### Learning Objectives

- ▶ Understanding the conceptual differences between training and development
- ▶ To Compare and contrast different types and methods of training
- ▶ To become aware of the numerous issues involved while designing a training program
- ▶ To identify the various levels of measuring training effectiveness
- ▶ To know the methods used for evaluation of training

#### Introduction

**Personnel Development** could be described as the sum total of the results of the positive changes taking place in the knowledge, skills, attitudes, relationships and physical well being of the employees of an organization. It involves a process of helping employees of an organization in the acquisition of new qualities and refinement of existing characteristics that might be required in their present

functions or towards performing roles expected in the future. Employee development is expected to bring out a sound **concept** or vision in the employee, appropriate **competence** levels to translate the vision into reality, adequate intensity of keenness as reflected in their **commitment** levels, a helpful human network of **connections** to garner support from, and a culture of performance. Indicators of personnel development would be reduced errors at work, improved morale and discipline, and enhanced creativity among employees, greater productivity, prosperity and satisfaction of all the stakeholders of a human organization.

### **Contours of Training and Development**

Training and Development (T & D) is a planned, continuous effort by management to improve employees' competency levels and organizational performance. Training has a short-term focus as it is designed to provide the learners who are especially in the managerial cadre with specific concepts, knowledge, skills and techniques needed for their present jobs. Job related training is offered at various points in an employee's tenure with a company, on technical or mechanical facet of work. Development on the contrary, refers to the attainment of a generic long-term learning that transcends the present job and applies to a wider life and social situation. Development refers to learning that is not tied to a particular role and which implies growth and a better situation. It is often associated with training outcomes, but it can emerge from any event or experience from which new knowledge is created and then used to improve situations.

Training is also referred to as a process by which any person designated to be a trainer imparts new knowledge, sharpens and strengthens skills and redefines attitudes. Training involves more than just teaching people how to use tools or complete assigned tasks. Good training seeks to make people understand what they feel about themselves, about their work and their contribution to the well-being of those they serve. The basic objective of training is to establish match between employees and their jobs. This is achieved by helping them to bridge gaps between expected and actual performance levels. Training has to help to prevent obsolescence of employees by updating their competencies. Thus, a firm is like an educational institution and continuous learning becomes an integral part of its vivacity.

After the candidates have been selected and placed in appropriate jobs they usually receive orientation training to help them learn about the company. This is also known as 'induction' and is the first training an employee has to go through in each organization of his or her employment. However, training in organizations is an unending process. The training needs of employees get continually assessed based on their own requests and their superiors' feedback in the performance appraisal reports. The top management of an organization would also direct the training department to prepare the employees to face various organizational changes.

In the present context, one may surmise that the individual who feels he is through learning is through in his job also. Jobs today grow faster than the people in them. Helping people to keep up with the pace of this growth is the obligation of training. No program or method would fit all types of needs. Programs and methods should be selected on the basis of how effectively and efficiently they satisfy personal needs and accomplish the developmental objectives of managers and the enterprise.

The choice of a method or a mix of method is a function of a number of considerations such as the nature, size and capabilities of the target group, the aims of the program, the costs involved and whether the program is to impart knowledge, skill, techniques or attitudes. The methods could be sub classified into traditional and modern methods, on-the-job and off-the-job methods, instructor-based and self-learning methods, simulated and real situation based methods. Different combination of methods would fit into each of the above classifications. Based on the stage of a job during which the training is provided, the program may be classified as preparatory training, induction training, mid-term training, refresher training, development centers and re-training. Each method of training has its own strengths and weaknesses. A judicious combination of the following methods alone would help to maximize the effectiveness of programs.

## **Training and Development Methods**

### **1. Classroom Lecture Method:**

This is the most commonly used, simple, cost effective, and conventional method. It is time saving because it covers maximum

number of people in a short period of time. It involves a speech by the instructor with very limited discussions and clear and direct methods of presentation. The weaknesses of this method are that, lecture time is more than the normal human attention span of fifteen minutes and the contents of the lecture could be easily forgotten. Since the method does not provide for active participation on the part of the trainees, the extent of take-home learning is not to be known clearly. Moreover, lecture might be useful only if the presentation is made skillfully. While lecture is a useful method in so far as information dissemination is the objective, it has not been highly successful in modifying human behavior or in building commitments in the audience's minds. An improvisation of this method is the lecture-cum-demonstration method in which the lecturer reemphasizes a skill or information by displaying the same in action.

## **2. Group Discussion Method:**

It is a method used for knowledge and attitudinal development of trainees. In this method, sets of people examine several empirical studies to find out commonalities to derive the underlying general principles. They then combine their ideas and focus their attention on a given problem at a time, speaking from multiple points of view within a group. An instructor is optional, while a leader is necessary in this method. The various advantages of the method are that more ideas can be generated from each session. Moreover each member gets an opportunity to present one's own ideas and get feedback from members of the same group. Peer pressure and commitments made to groups serve to ensure adherence to decisions jointly taken in the group. As a precaution, care must be taken to secure the participation of all members and make sure that a few members do not pre-determine the course of discussions or dominate the whole proceedings.

## **3. Simulation Exercises Method**

Simulators are a group of training devices of varying degrees of complexity that model the real world. They range from simple paper mock-ups of mechanical devices to computerized creations of total environments. In fact, some argue that case-study, role-play and a host of other methods can be brought under the category of simulation. The advantage of simulation methods is that they improve the possibility

of learning without damaging the equipments or human life or facing the numerous risks involved in actual performance. For example, most of traffic rules, signals and procedures of driving could be taught in a park that resembles main road or through a video game featuring car or two-wheeler driving. Piloting planes is taught using more complex simulations. The methods are indirect but could also be expensive. The method calls for a certain level of grasp and information processing capability and transfer of learning on the part of the trainees.

#### **4. Role Playing Method**

Role is a set of expectations around a given position and is determined by the role partners. Roles are always reciprocal and described in pairs such as trainer-trainee, buyer-seller, interviewer-interviewee and so on. Playing roles would entail practical problems like inter-role conflicts, intra-role dilemmas, role overloads and role under loads. As a result of these hurdles, role confusion ensues. In order to be trained to perform roles, trainees must attain role clarity. This may involve negotiation among the role senders and role receivers with regard to their expectations with counter expectations upon one another. Participants in role-play method are required to respond to specific problems and expectations of people that they might actually encounter in their jobs. Role-playing is often used to teach such skills as interviewing, negotiating, grievance handling, performance appraisal, and buying and selling and effective communication. It promotes healthy human relations skills among people.

#### **5. Case Study Method**

It is a written down, narrative description of a real situation or incident relating to an organization and its business, depicting any problem that participants could face in their employment. Participant trainees are required to propose any number of viable solutions or decisions that match the variables represented in the case. Case study can be an interest creating process and a thought stimulating program for the participants. It helps to develop analytical, reasoning and problem-solving skills of the participants. As it shows and reduces gaps in understanding, a holistic understanding of reality is made possible through case study method. It also helps to re-emphasize messages provided during lectures, group

discussions and other methods. The disadvantage of the method might be the difficulty in drawing adequate number of stimulating cases that actually represent the real life situations of the trainees.

#### **6. Sensitivity Training or T Group Training or Laboratory training Method**

It is a set of experiences in unstructured agenda-less groups designed to make people aware of themselves (self-insight), their immediate situation and their own impact on others. Unlike many other programs, T-groups are concerned with the real problems existing within the group itself. People are helped to become more responsive to others' sensitivities and work more harmoniously and responsibly together by encouraging them to interact freely and actively. The members are enabled to recognize group dynamics and diagnose human relationship problems. The participants are encouraged to communicate thoughts and feelings with each other in an open, unstructured, warm and honest manner than is typically done in the usual work or social situation. A beneficial outcome of the method is that participants find better means of behavior for effective interpersonal relationships without the aid of power or authority over others. The method has to be used carefully as people may resent negative feedback and show anger in response. People have to be first prepared well to accept criticism in a constructive manner so that conflicts could be managed properly.

#### **7. Management Games Method**

Games are used as a training tool, than as mere pastimes or amusement. Trainees are divided into teams and are given common tasks on which they would be competing to arrive at decisions, and then jointly implementing and evaluating the decisions taken with regard to the games. For example, blocks of wood would be supplied to every team and one of the members would be blind-folded with a piece of cloth. The person would have to arrange the blocks one above the other, as per the instructions and guidance of the other members. As they set on to reach greater target heights, the rewards would also grow exponentially. This game is used to bring out the nuances of teamwork, leadership styles and communication patterns exhibited by the members while playing the game. The demerits of the method are that, at times, games might result

in lack of seriousness in some trainees and that the learning is indirect and slow. But it helps to convey messages in a non-threatening and fun-filled manner.

## **8. Outward Bound Training (OBT) Method**

As part of OBT, managers and other staff members meet and cohabitate as teams at unfamiliar wilderness out of the workplace and away from the hustles bustle of daily life, where they would live in cabins or tents for a certain number of days. They test their survival skills and learn about their own personality and hidden potentials for creativity, cooperation and leadership. Participants get opportunities to learn their limits and capabilities. Participants irrespective of their official position and seniority would have to learn to be natural in their behavior and get rid of masks worn in an office situation. It is an expensive method and the learning might not be transferable to others or to other situations.

## **9. In-basket Training (IBT) Method**

IBT is a method where the trainee is required to examine a basket full of papers and files relating to his area of work and make recommendations on problems contained in them. This method is meant for trainees in a managerial level to improve their decision-making and problem-solving abilities. This is a form of simulation training designed around day-to-day business situations and hence is transferable to the job experiences. The participant is usually asked to establish priorities for and then handle a number of office papers, such as memoranda, reports, telephone messages and emails that would typically cross a manager's desk. The method has at least two main stages. At the outset, the participant starts by working through the case within a specified time limit all by himself without discussing the details with anyone. Subsequently, other participants analyze and discuss the questions of who's, which's, how's, what's, where's, why's and when's of each decision or step. The merits of this method include the best of traditional case study at the same time combining the refinements to allow greater flexibility, realism and involvement. The emphasis here is to understand things thoroughly, which is an opportunity too rarely presented during busy working days. It is done in a permissive atmosphere of experimenting and learning, rather than within the confines of a boss subordinate relationship.

## **10. Vestibule Training Method**

This kind of training takes place away from the production area on equipment that closely resembles the actual ones used on the job. It is a type of off-the-job training in which employees get training in a realistic job setting but in a location different from the one in which they would be working. For example, a group of lathes may be located in a training center where the trainees will be instructed in their use. The method is used frequently for training typists and bank tellers, among others. The word 'vestibule' means entrance. Thus vestibule training serves to facilitate full-fledged entry into job. A primary advantage of vestibule training is that it removes the employee from the pressure of having to produce while learning. Disturbance of production or supervisor during training is minimized. The disadvantages include the extra investment on equipment and additional persons to be employed as trainers.

## **11. Apprenticeship Training Method**

It combines classroom instructions with on-the-job training. It is a method in which trainees at a novice stage called 'apprentices', work under the guidance of skilled, licensed instructor and receive lower pay than workers. The method is a combination of education and employment and is aimed at preparing workforce with certain levels of qualification to meet the growing needs of the industry. The method develops special skills like mechanical, electronic, tailoring, etc. Apprenticeship is traditionally used in skilled jobs, such as those of plumber, carpenter, machinist and printer. The extensive nature of the training assures quality outputs, though time consumed is long. Employees recruited from the apprenticeship program are expected to hit the ground running, implying that they would have to start performing with efficiency. But uniform duration of apprenticeship training does not permit slow learners to reach the levels of mastery like others.

## **12. Work shadowing Method**

This training method is chosen while preparing a second-line leader to take up the role of the headship, in which case, the candidate could not benefit by sending them to any other formal training program. The best way to be trained for a future executive position would be through



direct participant observation of the crucial events that take place in the present incumbent's work life. The trainees are made to remain in the company of the role model whose work is to be learnt by the trainees. Trainees learn the intricacies of a job of high level, by physically being in the presence of the job-holder. Closely following the styles of working permits greater degree of learning besides helping the trainee to imbibe the values and principles adhered to by the model. Yet, care needs to be taken to avoid situations wherein trainees are not warmly welcomed and are seen by supervisors in the department as obstacles to their routines.

### **13. Programmed Instruction Method (PIM)**

**PIM** provides instruction without the face-to-face intervention of an instructor. To ensure a sequential approach to learning, instructions are designed in such a way that all future learning depends on acquisition and retention of previous learning. In this method, the information is broken down into small portions called 'frames'. The learner reads each frame in sequence and responds to questions designed to verify learning. Based on the answers given by the trainees they are provided with immediate feedback on response accuracy. If the learners have got all the answers right, they proceed to the next frame. If not they repeat the frame. Primary features of this approach are immediate reinforcement and the ability of learners to proceed at their own pace. Programmed instructions may be presented in a book or in computers.

### **14. Large Scale Interactive Events (LSIE) Method**

The method has a lot of unique advantages when compared to other methods. First, this method stresses upon the sharing of expertise by all the participants, unlike other methods where the instructor supplies most of the inputs and might even look down upon trainees as people who are ignorant or unskilled in the topic being covered. LSIE is based on the belief that all the participants, by virtue of being in their job for a certain period of time, possess some degree of expertise that need to be shared and combined with that of others. Second advantage is that this method transcends the limitation of other methods in terms of the number of people who could be trained per batch. The major advantage of this method is that a group as large as 300 – 400 members could be trained simultaneously without losing the effectiveness of other training

methods. The third advantage is the use of group processes. While the trainer limits his role with a brief but inspiring presentation to stimulate thinking of the participant, the methods pave way for active involvement of all the participants who are assigned various roles such as sub-group leader, recorder, summarizer, presenter etc. A fourth advantage of the LSIE is that the group emphasizes on extensive on-the-spot documentation of viewpoints expressed by people. Finally, the method culminates in the entire large group addressing to the common issues. At this stage, priority is to be set on areas of intervention and a plan of action is drawn and accepted based on voting by members, thereby building commitment of all the participants to implement the agreed upon plans. A disadvantage of the method could be that it requires a lot of volunteers to assist the proceedings.

#### **15. Personal Coaching Method**

It is an on-the-job approach in which a manager has the opportunity to teach an employee, usually his immediate subordinate, on a one-to-one basis. Coaching helps the manager and others gain new perspectives about their intentions and behaviours, to understand what's possible and also to access inner resources such as motivation, commitment, passion, etc. As a coach, the supervisor gently confronts employees with their shortcomings and makes suggestions for corrective actions. The supervisor is also alert to encourage good performance. Coaching is considered to be one of the most effective management development techniques. Constant guidance makes the trainee learn quickly.

#### **16. Mentoring Method**

Mentoring is an on-the-job approach to training in which the trainee is given an opportunity to learn on a one-to-one basis from more experienced members of the organization. The mentor is usually an older, experienced executive who serves as a host, friend, confidant and advisor to a new member of the firm. The mentor is given the charge of protecting and responsibility of helping the new employee. The relationship may be formally planned or it may develop informally. For mentoring to be productive, the parties' interests must be compatible and they must understand each other's learning styles and personalities. If mentors form overly strong bonds with trainees, unwarranted favoritism

might result. A highly successful mentor-protégé relationship might create feelings of jealousy among other colleagues who are not able to show equally good results out of the mentoring process.

### **17. Job Rotation Method**

This method of training involves the shifting of trainees from one job to another so as to widen their exposure and enable them to obtain a general understanding of the totality of the organization. Besides helping them to overcome boredom, job rotation permits direct interaction with a large number of individuals within the organization, thereby facilitating future working relationships. The method should be used at sufficient gaps to permit the development of a strong degree of expertise in the trainee in an assigned position. Care should be taken by the organization to ensure that work efficiency does not suffer when a few trainees are rotated into new jobs where they would be taking time to learn and perform. There could be some disadvantages of using the method of Job Rotation. Trainees have to be prepared to face contrasting styles of operation and standards that vary according to superiors. Some trainees might feel more like visiting casual observers in the departments than being a part of the workforce, which would negate the purpose of job rotation. Employees who are looking for more challenging assignments might feel frustrated when asked to perform different kinds of simple jobs at the same level.

### **18. Computer-Based Training (CBT) Method**

CBT is a technology-driven training method that takes full advantage of the speed, memory and data manipulation capabilities of the computer for greater flexibility of instruction. It involves the trainee sitting in front of a computer terminal rather than listening to an instructor. Learning is enhanced through presentations combining automation, stereophonic sound, full motion video and graphics. Increased speed and decreased dependence on instructor are the strengths of this method. Computer-Managed Instructions (CMI) is a system that automatically generates and scores tests, tracks trainees' performance and prescribes activities for students. This method enables an orderly, step-by-step manner.. As additional advantages, CBT allows re-use of the program for any number of time and allows for varying time for fast

and slow learners. But CBT method cannot reduce the learner's anxiety and fear, which can be done only by a trained instructor. CBT is well suited for teaching facts but is less useful for teaching human skills or changing attitudes.

#### **19. Behavior Modeling Method**

This method involves emulation of behavior from a reference group or a role model whose behavior is shown live before the trainees or by using videotapes or Compact discs (VCD). The method entails recording and producing events or situations with clear descriptions in order to cover certain subjects. The footage could be viewed, reviewed and discussed to enhance learning quality. The advantages of using this method are many. Many events and discussions can be put on one tape or CD. It is a handy method for small firms that cannot afford more expensive approaches. It is particularly helpful for first-line supervisors. Observing a powerful model in the audiovisual form could help learn activities like mediating during conflict situations, handling customer complaints and grievances. The challenges involved in using the method include the high level costs of one-time production in the initial stage. Moreover, projectors and other expensive gadgets would be required along with continuous power supply.

#### **20. Internship Method**

Internships involve placing young college and university students in temporary jobs in which they can earn while they learn, with no obligations towards any regular employment from the side of the employer or from the trainee. Such an arrangement enables to provide a fresher the much-needed exposure to an organization and also to determine the person-organization fit. Students divide their attention between academic activities and practical work assignments, which help them to internalize the theory and practices. However, care must be taken to prevent the whole process from getting reduced to the fulfillment of merely an academic requirement rather than being treated as a stepping-stone towards an illustrious career.

## **21. Development Centre Method**

This method is designed based on the structure, styles and contents of assessment centres used to assess the potential of an individual to meet the demands of a higher-level managerial position. Multiple facilitators observe the members performing multiple tasks according to multiple criteria, using multiple methods. However, the difference in development centers is that they focus their attention on helping to improve the potential of the persons participating in the sessions. This method of training is found effective in building leadership, decision-making, goal setting and counseling skills in experienced trainees.

## **22. Other Methods of Training**

Trainers continue to experiment on new techniques and construct newer methods of training to achieve desirable impact. The training methods listed above is by no means exhaustive. Training specialists have also documented the use of a few other methods than those discussed in this chapter. They are used occasionally for specialized needs of trainees and are labeled by phrases such as Conference method, Encounter groups, Group Therapy, Transactional Analysis, Workshops, Human process laboratories, Understudy method, and Theatrical methods( like street theatre, psychodrama, play back theatre and story building).

## **Design and Evaluation of Training and Development Programs**

### **Training Design**

The design of training program would have to be based upon the assessment of training needs, the training calendar, the availability of trainers, various logistic arrangements required for different training programs like training halls, audiovisual aids, accommodation, travel and hospitality for trainees, the time duration for which the supervisors agreed to free their nominees for undergoing the training programs and the demographic characteristics of trainees. The purpose of designing any training is to create within the individual the desire to learn. Hence the selection of trainers should be based upon their competence in training as well as their suitability to the target groups.

Even the best of training programs would be useful only if the trainees attend them with willingness and participate with freedom.

Programs that the trainees are eager to attend, and in which they become enthusiastically involved, are those in which they are encouraged to present and attempt to solve the problem situations in which they have a direct interest and in whose solutions they have a personal stake. The pedagogy or method of instruction is to be decided based on the level of education, maturity, time available and the cost involved. In general, it may be stated that experiential and participative training would be more effective than merely information-loaded programs. Rotation of training methods could be carried out in accordance to the span of attention and the stages in the cycle of learning among the trainees.

When large numbers of people remain to be trained at any given time, then training the trainers would be of help. They would in turn provide training to an exponentially increasing number of trainees. In order to gain acceptance from all stakeholders of training, it would be appropriate to begin training at a small level and then expand its base based on the success demonstrated after each program. Since training is just one component of Human Resources Development, the organization would have to be urged to make improvements in the other components like human resource planning, Performance appraisal and aspects of organization like work-flow, tools and infrastructure, empowerment, reward systems, transparency in communication, career planning and succession planning, control, confidence, self esteem, team spirit, morale and motivation among employees.

### **Training Evaluation**

Evaluation of training effectiveness is the most critical phase in not only assessing the quality of training imparted but also to see what future changes in training plan should be made to make it more effective. The process has both predictive and regulative value. Training evaluation would also provide vital insights into the existing systems and procedures prevailing in the organization. There is not much of a consensus among corporate managers on how to determine the value of training. The onus of the training department is to document its efforts and clearly show that it provides a valuable service to the entire organization.

Training and Development Programs may be evaluated at different levels. Training evaluation consists of examining various aspects of training immediately after the training is over and judging its utility

to achieve the goals of the organization. While the first may be easy to evaluate, the second poses complications. Hence it may be advisable to commission comprehensive research studies through which opinions and judgments on the training processes could be elicited from trainers, supervisors, peer groups, which could then be cross-tabulated against the responses of trainees. A comprehensive audit of Human Resource Development functions should also include training programs under its purview. Donald Kirkpatrick (1959) has contributed to the development of a model for training evaluation.

### **Levels of Evaluation of the Effectiveness of Training**

#### **Level 1 - Content Evaluation through Trainees' Reactions**

This is a quick, inexpensive approach to training evaluation. At this level, the trainees are provided with a feedback form in which questions pertaining to the trainers, relevance of the topics, applicability of the learning outcomes, usefulness of the study materials, efficacy of the training methods adopted during the program and the quality of physical environment that prevailed during training are included. The analyses of the responses indicate how far the trainees are satisfied with the structure, subjects covered and learning processes involved in the training programs. After each program, the opinions could be fed into a database in order to make comparisons with the scores of the previous programs.

#### **Level 2 - Learning Evaluation through examination**

The pretest-posttest control group design is used as evaluation procedure in this level. This is normally done by using a test for examining the trainees on their newly acquired knowledge and comparing this score with a pre-training assessment of trainees on the same topics. The difference between the two scores would be taken as a measure of the effectiveness of training program. For example, in a training program on awareness on cyber laws, the post-training assessment should show a certain minimum of increase as compared to the scores obtained by the same person before attending the training program.

### **Level 3 - Evaluation of Behavioral outcomes through training**

The aim of training is modification of behavior of some kind that might lead to improvement in performance. Hence any training could be said to be effective if it has resulted in any enduring change in behavior patterns of the trainees. The behavior assessment would be based on indicators of organizational performance that show the transfer of learning from training into practical application. Since performance is a function of complex forces and motives, accurately assessing the effect of training on performance would be difficult.

### **Level 4 – Attainment of Training and Development Objectives**

Training may be assessed based on the extent to which the objectives set before conducting the programs have been attained after the program. For example, safety training should have resulted in the reduction of number of accidents and an attitudinal training program focused on attendance should have resulted in reduced absenteeism. In this regard, the comparison should be made with a corresponding score in the month or year preceding such training programs. Behavioral outcomes may be evaluated at individual, group or organizational levels.

### **Level 5 - Evaluation of Return on investments (ROI) on training**

This is the ultimate level of assessment of training programs in which the financial gains directly resulted out of a training program would be validated against the total cost incurred in conducting the program including trainers' fees, trainees' paid work time and other related expenditure. Usually the benefits are measured in terms of the amount saved in the year after the training is completed. However, there are obvious difficulties in calculating the ROI because it may be difficult to determine how much of the benefits are strictly due to the training programs.

### **Methods Used for Evaluation of Training and Development Programs**

An organization's training head may employ several methods of evaluating the existing training programs. Some of the sources of information that could be obtained before commencing evaluation



process are as follows. Questionnaires and interviews carried out with the trainees after the programs, Tutor's report on the trainees' responses to the inputs, Project assignments based on the training inputs and direct observation or reviewing audiovisual recordings of the proceedings of a training program by the monitoring team, are the most common methods of evaluating the effectiveness of a training program.

In recent times, benchmarking is also used to evaluate an organization's training programs by comparing it with any exemplary training practices achieved by another unit or organization of comparable nature. Several parameters would have to be kept in mind while analyzing and evaluating the effectiveness of the program. The extent of support from the top management towards training, the number of trainees covered, the time allotted to each module, the qualifications of trainers, the extent of participation of the trainees, the budgetary constraints faced by the organizers of the training program, the opportunity provided by the work atmosphere to implement the learning that was resulted from the training programs are to be considered while evaluating a training program.

While systematic and concerted efforts to train employees are vital to an organization's very existence and growth, they would not be the sole interventions to assure reliable Personnel Development. Motivation for participating in training programs and the inter-relationships between different training interventions on a person is determined in part by an employee's concept of career-life and the organizational initiatives for the Career Development for each of its employees.

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## Lesson 12 - Career Development

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### Lesson Outline

- › The concept of Career, Career Progression and Development and its implications to employees
- › Career Planning and Implementation Process
- › Career Anchors that shape employees' work lives
- › Career Stages, Career Plateau and Mid-career crises
- › Promotions and Transfers as Internal Mobility as administrative actions and motivators-developers.

### Learning Objectives

- › To describe the various stages of Career Planning and Development
- › To differentiate forms of internal mobility of employees like Promotion, Demotion, Job Rotation and Transfer

### Career Development: Fulfilling a Commitment for Life

The primary focus of career is an individual. Each individual in an organization continues to formulate, implement, monitor and fulfill his or her own mission in life through employment. In other words, they are engaged in Career Management. The word 'Career' means a general lifelong course of action a person chooses to pursue or a sequence of positions occupied by a person during the course of a lifetime. The Oxford Dictionary describes career as a course or progress through life or an occupation or profession engaged in as a life-work and a way of making a livelihood and advancing oneself. To some people, career means advancement, in which case, jobs offering little chance for advancement would not be careers. According to another perspective, careers are equated with certain high status occupations, while lower status occupations are merely jobs.

According to Schein's description of career-cone, career changes may happen along three basic dimensions namely a vertical movement between different levels, a horizontal movement between different jobs at the same level and a radical movement toward or away from the inner circles of power in an organization. Every person's career goes alternatively through a period of change, followed by a period of stability before transforming again. A recent idea with regard to careers is known as career security, It enjoins upon people to develop professional or occupational security due to the development of useful skills and competence rather than depending upon organizations for providing them job security.

**Career development initiatives** should develop people for the long term needs of the organizations and at the same time equip them to meet the dynamic changes that would take place over a period of time. This may involve several steps to be carried out by the employing organizations. First step would be to orient employees on the numerous career opportunities, choices and paths that might be available to them. Subsequently, a detailed assessment of individual's fitness for different career options would be an essential step. Career mapping based on business plans and futuristic training is to be considered by every manager of human resources.

Career guidance and counseling, Career Workshops, allotment of a variety of challenging tasks, roles and responsibilities based on the interests and capabilities of the employees would follow the assessment as a third step. Training and Development inputs to further enhance the competence of person would have to precede every stage of career progression. Jobs can be designed to range from highly simple to highly complex tasks in terms of use of the employees' skills. Job enrichment, job enlargement and job rotations are beneficial steps in shaping an individual's career.

**Career Planning** is an ongoing process through which an individual sets career goals and identifies the means to achieve them. As a saying goes, "If you don't know where you are going, any road will get you there". Self-awareness helps keeping one's career related decisions in harmony with the deep inner values. By suppressing self-awareness, some high achievers suffer from a severe sense of deprivation at the

end of their career. An individual could also shape one's own career by planning for it and reviewing, renewing and adapting the plan during the entire work life. A dependable Career Strategy from an individual's perspective involves the following steps:

- a. Preparing a personal profile based on introspection and psychometric testing such as Vocational Interest tests and personality tests
- b. Developing professional goals in the form of a mission statement
- c. Analyzing the external and internal environment influencing careers
- d. Developing strategic career alternatives based on the analyses
- e. Evaluating alternatives and selection of the one that is most attractive
- f. Preparing a set of guidelines and milestones for the career plan as it is set into action.

### **Career Strategies**

The procedure of making the most out of one's career begins at the very beginning stage when a person selects the right company to work for. Identifying a dependable adviser, being continually exceptional in one's job and constantly improving skills by reading and learning from others would be crucial in the early years of work life. Coping with challenges arising out of jealousy and power games within organizations and with the fast changing external environment call for a great deal of attention in the years that follow one's training period. Negotiating intelligently by making beneficial trade-offs, improving one's qualifications and credentials, building visibility and forging alliances with well wishers, creating a favorable impression in the top levels of management would be of help in the middle stage of career. Taking independent charge, picking a winning team, shaping lives of team members, managing stress, and striving to stay on top are the sequential tasks of the final stage of an individuals' career.

### **Career Anchors**

There are distinct patterns of self-perceived talents, attitudes, motives and values that guide and stabilize a person's career after the

initial years of earning real-world work experience and feedback. These patterns are called as Career Anchors. These anchors provide a growing area of stability within the individual's attitudes, which anchors the interpretation of career and life options. Typical career anchors include those of technical competence, managerial competence, security and autonomy. These anchors affect considerably the way individuals see themselves, their jobs and their organizations. For example, some employees using a technical competence anchor get concerned mainly with technical tasks. They refuse to become involved in aspects of managerial tasks.

### **Career Stages**

There are four major career stages according to experts on career management. During the first stage there is considerable exploration. The young employee searches for an identity and undergoes considerable self-examination and role tryouts. This stage usually results in taking a number of different jobs and is in general, a very unstable and relatively unproductive period in the person's career. At the end of the phase, a career statement emerges based on the crystallization of an individual's views of themselves. For example, Human Resource Management aspirants begin to view themselves as sound in human relationships, labour laws and recruitment practices.

In the second stage, establishment, the employee begins to settle down and indicates a need for intimacy. This is usually a growing productive period in the employee's career. The third stage of maintenance occurs when the person levels off at a highly productive but plain period with little growth. At this stage the person has a need for generativity, which is nothing but a concern to leave something to the next generation. This need often leads the person to assume a paternalistic or mentor role with younger subordinate. The person may either have a growth spurt or become stagnant and decline during this career stage. The final stage is decline, when the person gradually gives up his active participation in official life.

### **Mid-career Crisis and Career Plateau**

The period occurring between the mid-thirties and mid-forties during which people often tend to make a major reassessment of their

progress in relation to their original career goals and personal ambitions. As people reach the middle of their careers, they find that their options to move out of the organization is lower than before, while there are increasingly fewer number of positions above them to aspire for. Some people are likely to experience “plateau”, a condition of stagnation in one’s current job without any noticeable variation for a long period of time. In general, junior officers of the management cadre are the ones to experience the most rapid growth among any type of employees.

According to Argyris, every person in their normal course of living tends to move through a transition from characteristics of immaturity towards more mature personality characteristics. As age passes, an employed person is likely to become more independent, develop deeper interests, reach super-ordinate positions and heighten his or her self-awareness. Their perspective tends to be focused on a long-term rather than a short-term. This trend is likely to continue till retirement. Getting appointment to the first job, successful completion of the period of probation, gaining positive ratings in the appraisal could be described as the path breakers in an individual’s career. However, promotions and transfers mark major transitional milestones in one’s career. Especially, promotions during early period of one’s career are boons to the employee as these employees would not have to face tough competition later in their career lives.

A successful career in management would result from the following key efforts by a career aspirant:

1. Judicious selection of one’s first job, wherever there is a choice. For example, managers who start out in departments that are high in power within the organizations are more likely to advance rapidly throughout their careers.
2. Good work performance is a necessary condition but not sufficient for managerial success. The marginal performer might be rewarded in the short term, but his or her weaknesses are bound to surface eventually and cut off career advancement. Good work performance is no guarantee of success, but without it the probability of a successful career is low.
3. Presenting the right image in accordance to his or her evaluation of an organization’s culture.

4. Gaining control of organizational resources that are scarce and sources of power.
5. Staying visible would help to tackle the subjectivity of the superior's evaluation of one's contribution.
6. Seeking early transfers, promotions or shifting jobs before it becomes too long to be able to signal that the person is on the fast track.
7. Right timing for switching over from first job. Accepting an early transfer to a new job assignment and quickly moving through different jobs, an employee tends to signal to recruiters that they are on a fast track.
8. Find a mentor from the organization's power core, who could take the career aspirant as his protégé and as an ally.
9. Supporting the superior: Helping the boss succeed and being supportive at times of crisis could help to propel a person's career progression.
10. Willingness to move across different geographical locations and across functional lines within the organization and outside it facilitates career progression.
11. Thinking and moving laterally to jobs that are more interesting and offering a wider range of experiences.

### **Promotions, Demotions and Transfers**

Promotion is the movement of an employee from current job to another that is higher in pay, perquisites, prestige, privileges, authority and power, wider in jurisdiction and responsibility with a likelihood of increase in the level a person is occupying presently in the organizational hierarchy. A mere shifting of an employee to a different job which has better working hours, better office space or more pleasant location would not be called promotion. A promotion process begins with the screening of a number of possible candidates for promotion and culminates in the official notification of the elevation of an employee to a higher rank within the establishment. Promotions could be used as a motivational tool as it brings enhanced working conditions for the promoted persons. Promotions that merely increase job complexity without any real improvement in jurisdiction could be called as Pseudo-promotions and are resented by employees. Decisions to promote might be based on 360

degree appraisals of performance and potentials. Job Knowledge tests could also be applied for promotions.

Promotion may be based on seniority or merit. Using merit as the sole basis for promotion is subject to criticism because determining merit criteria often lacks reliability and objectivity. Most organizations try to combine seniority and merit in a formula called seniority-cum-merit. Under this formula, a certain number of years of service is taken as the cut-off level initially. Then, if there are more persons than required for promotion in that level, merit is given consideration. Some organizations are engaged in promotion forecasts that allow them to identify people with high advancement potential. The high-potential employees are then given special kinds of developmental experiences.

While filling vacancies in managerial positions, promotion from within an organization is to be preferred to recruitment from outside because merit-based promotion is generally viewed as a reward for excellent services rendered by an employee. If seniority were not the sole criterion for promotions, employees at all levels would be encouraged to show initiative and assume greater responsibility in their work. At the same time, it could be imprudent to pick up the top performer in any area for a bigger job where the demands are quite different. Promotions should not be decided upon parameters like college degree, intelligence and popularity of a person. Not all people would desire to get added burdens and shoulder additional responsibilities. Hence a person's willingness is to be considered thoroughly before taking any decisions on promotion.

Performance factors like ability to develop good subordinates, operating with minimum direction and having a record of accomplishments are found to be extremely helpful characteristics for a person to be eligible for promotion. Personality characteristics like openness to accept criticism, ability to communicate effectively and respect for fellow human beings tend to make the person survive after the promotion. However the socio-environmental factors surrounding employees like their personal life, family unity, superior's reputation and promotional prospects and connections with power centres, are also given importance in practice, even though they are not concerned with the individual's effort.



People desirous of promotion might be adopting many of the tactics to acquire greater power. Exuding confidence, progressing one step at a time, making one's activities central and non-substitutable to the organization, developing expertise, committing the rare and uncommitted feats, engaging in rational persuasion of others, upward appeals quoting consent of higher ups, pressure tactics like using demands and threats, image building through attention-seeking activities, regulating information flow upward and downward, networking with people and other such types of behavior that are political in nature.

If a person is denied promotion or overlooked upon at discussions for promotions, he or she might feel severely frustrated. The frustration would be particularly high if the candidate has nurtured deep desire for the promotion and had been sure of reaching it. Frustration would be heightened if the person had taken a lot of efforts to be eligible for promotion and if the next chance for promotion is remote. Being scheduled for promotion and getting dropped from the list would lead most people to feel the urge to quit their jobs.

For example, when the Chief Executive Officer (CEO) of a large renowned multinational corporation reached his retirement stage, the organization had arrived at three names in its shortlist of candidates one of whom would be chosen to succeed the present CEO. Since the three names were already discussed openly in the media, they were well known to the public. Before choosing one from the three, the selectors raised the issue of how they would react if they were not selected as the CEO. All of them replied that it would be a loss of face to them in that case and hence they would resign and quit the organization. Taking cues from this feedback, the organization realized that they would have to find three successors to the positions occupied the candidates for CEO and that an increasing number of successors would have to be found to fit the lower levels.

Awarding promotions are the most significant forms of recognizing superior performance. Therefore, it is extremely important that promotions be fair and based on merit and untainted by favouritism. Though many people accept the obligation to avoid racial, sexual, age and religious discrimination in recruitment, very little attention is paid to discrimination against the disadvantaged groups during promotion.

Affirmative action is to be taken to specially train the traditionally marginalized groups to face the challenges of a competitive and potentially hostile environment. When promotion occurs in the same category like clerical, manual or managerial groups, within one grade to another, it is called as lateral promotions. When employees are shifted from a lower category to a higher category, such promotions are called vertical promotion. During times of monetary crisis, the management can grant promotions without any rise in pay, benefits and allowances. Such promotions are known as dry promotions and the promoted employees would not be paid the increased wages when they are promoted.

The merits of promotion are encouragement of efficiency, retention of competent people with an ambition for vertical growth upwards and increase in productivity. The disadvantages of promotion from internal sources could be discontentment among other contenders for the same position and scope for lobbying, bickering, frustration, unhealthy competition and alienation from erstwhile peers and the possibility of favoritism. Neglect of length of service and loyalty could be the result of promotions not based upon seniority and they could attract resistance from employee associations and trade unions. Promotion policy should make it clear whether to promote employees against existing vacancies alone or it is permissible to promote a person even if there is no real vacancy just for the sake of rewarding a person's performance.

**a. Demotion** is the diametric opposite process of promotion. It is a course of action by which an employee is assigned a downward assignment in the organizational hierarchy to a different job with lesser pay, inferior designation, lower category, reduced status and responsibility. An organization uses demotion less frequently than the other aspects of mobility, primarily because of its serious negative implications on the employee's career and morale. An employee is likely to accept a demotion rather than lose the job altogether if the employment opportunities in the job market outside are less.

Every manager is said to rise to his or her level of incompetence. In that case, demotion would be one of the consequences arising out of an employee's inability to match the requirements of the present job, or when a promotion has been made provisionally. Demotion may also occur as a disciplinary measure owing to the acts of commission of

malpractice by the employees. In the context when employee turnover is high and organizational structures are flatter, demotion could be losing its significance and impact. Demotion would be less frustrating to an employee if the placement in a particular position had been notified as temporary and revocable.

**b. Transfer** is reshuffling of human resources from one unit of work place to another. It involves lateral mobility of employees from one post to another within an organization. Through transfers, people are shifted to a job that is comparatively equivalent in pay, responsibility and organizational level. Transfers may be voluntarily sought by employees or may be used as the sole prerogative of the managements. They could be occurring on a mutual basis between two employees or as a sequence of transfers. Transfers may occur within or outside functions, departments, units or divisions.

Transfers serve a number of purposes. They may be carried out to enhance efficiency in the utilization of human resources through the redistribution of work force's size and strength according to changing needs. A transfer is said to be a replacement transfer if it is caused due to the displacement of an existing incumbent in a job. It is called remedial transfer if it is initiated to correct a previous incorrect placement. Transfers might also be ordered to satisfy the requirements of employee to work under a better superior or to move into a job with brighter career prospects or be in a more convenient location.

Transfers are also at times used to keep promotion ladders open to keep individuals not having growth opportunities in their own department, continued to be interested in their work. Some times, transfers are also effected to stall layoff. Since transfers expose employees to others' jobs, work can continue even during periods of emergency such as accidents or strike, when some employees are unavailable to work. An employee may be transferred because management feels that crucial forms of competence could be put to use in another deserving place. Thus it becomes an employee assistance measure. Transfer may be a developmental device to provide more exposure to the employees and make them more versatile. Transfers may at times be necessary to diminish conflicts between colleagues. Transfers may be used as a disciplinary measure to punish employees indulging in any acts of misconduct. In this case, they are called penal transfers.

Transfers help reducing monotony and boredom felt by employees and thereby enhance their satisfaction on job and the morale of their groups. They can also prepare an employee for challenging assignments in the future. The intervening authorities from above could shift over-dominating employees. Better employer-employee relations and stabilization of changing work requirements in different departments or locations are the other beneficial outcomes of transfers. On the negative side, transfers might be viewed as an inconvenience to those who are reluctant to move. Managers might feel that they are unfairly made to move away from their pet projects and supportive superiors. Some employees may feel it uncomfortable when they have to separate from their affiliates at work and might have to adapt to a more demanding work schedule. Shifting of experienced hands and minds may affect productivity in the department from which a person is transferred. Dual career couples might have objections when only one of them is transferred. Arbitrary and discriminatory transfers can affect the employees' morale.

In order to make transfers more pleasant and less troublesome, employees must be explained the circumstances under which the transfer was initiated and the reason for choosing this particular employee for the transfer. It is also important on the part of the organization to provide appropriate support in the form of facilities like orientation regarding the new place, days of leave, adequate manpower, allowances and material assistance to the transferee for packaging luggage, transportation, re-registrations and shifting of families and taking care of avoiding disruptions in the lives and careers of employees' spouses. Transfers should be spaced out by years of gap and should have employee development-orientation.

Transfer opportunities could also be used adeptly to get vital clues into organizational problems. This could be illustrated with the help of a case described by Akio Morita of Sony Corporation in Japan when he introduced a scheme by which employees could apply for transfers outside their departments, when there is an internal job posting. The scheme proved to bring in multiple benefits. People who wanted to move out of Sony could be retained within the company by this scheme. The scheme had yet another benefit of identifying the departments from which request for transfer appears in large numbers. Large numbers of these applicants were actually sending signals of some underlying

anomaly like an autocratic or nagging boss. The top management could sense this problem and sort it out with the heads of these departments and avert large-scale turnover of skilled human power. The organization also got valuable insights into the needs and aspirations of its employees, and thereafter began its plan for further human resource planning.

Vacancies arise due to a variety of reasons like growth, diversification, turnover of employees and organizational restructuring. While training interspersed with transfers and promotions could occur as intermittent or discontinuous events that serve to provide a plethora of opportunities to experiment, learn and perform in new ways, they are still not likely to be adequate to maximize employee development. In this regard, there should also be ongoing efforts from the organizations to enable an employee to become involved actively, contribute his mettle and help taking the whole firm or even an entire industry to new heights. These continuous efforts may take forms called as Empowerment and Delegation.

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## Lesson 13 - Employee Empowerment & Separations

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### Lesson Outline

- ▶ The concept of Power and the Process of Personnel Empowerment
- ▶ Delegation of Authority and Responsibility to facilitate Personnel Development
- ▶ Retirement on superannuation, premature retirements, resignations and other separation processes.
- ▶ The interdependence and inter-linkages of the human resource processes of an organization.
- ▶ Concise and comprehensive description of key words and phrases being used in the context of Personnel development

### Learning Objectives

- ▶ To understand the concept of Empowerment
- ▶ To appreciate the need for effective delegation
- ▶ To analyze retirement, Lay-off, Retrenchment, Resignation as processes of separation

### Personnel Empowerment

Empowerment is recognizing and releasing into the organization the power that people already have in their wealth of useful knowledge and internal motivation. Understanding the concept of power is a prerequisite to the comprehension of the contours of empowerment. Primarily, the term 'Power' refers to an individual's capacity to influence the behavior and attitudes of others. This usually also results in the ability to influence events, decisions and possessions. It can be used productively or destructively. Empowerment means giving or restoring a person or a group more power. Oxford Dictionary describes the word empower to mean endowing with the ability or power required for a purpose or task. Empowerment could be facilitated by providing people

the access to information and resources and ability to share their views to impact their own as well as organization's future.

Only the people, through education, coalition building, community organizing, resource development, or advocacy assistance, might be able to achieve empowerment for themselves. A mediator, who can work with the lower power person or group to help them represent themselves more effectively, can also achieve it. The word empowerment also refers to authorization and permission to operate on one's own accord to a reasonable extent in certain situations without having to get approval from anyone else. It is sometimes described that empowerment seeks to restore in employees a sense of their own value and strength and their own capacity to handle life's problems. Management writer Tom Peters considered empowerment as a necessary condition to improve zest, creativity and automatic symbiosis with the customers. Empowerment involves giving employees a greater degree of control in organizational operations through management's participation.

Personnel Empowerment is a trust-based relationship. It can be described as a way of working together that is fundamentally different from the traditional notion of top-down command and external control. It is a condition that entails vesting greater degrees of self-determination, responsibility and trust in all employees so as to support and liberate people rather than diminish their range of thought and action. Paradoxically, in an empowered workplace, people tend to feel both freedom and self-control. Thus, empowerment leads to a situation in which employees' commitment and engagement would be released to such an extent that even an ordinary personnel achieves extraordinary performance.

### **Conditions Necessary for Empowerment**

The conditions that are necessary for empowerment and gaining credibility and acceptance at various levels in the organization are active participation by lower level employees in the management of the affairs of an organization, encouragement to innovations, transparent information sharing, less formalization of workplace, installation of upward performance appraisals, creating tasks that provide intrinsic feedback, encouragement to self-management of individuals and self-

managing teams and uniform standards of accountability. A wide variety of firms have undertaken interventions such as quality circles, cross-functional teams, employee stock options, autonomous work groups and quality of work life councils in order to empower employees. The leader or chief functionary of the organizations needs to assume the roles of a stimulator, supporter, guide and an enabler of employees serving under him in order to empower them.

While the minimum prerequisite for empowerment is sharing of information about an organization's plans for the near future and the details required to the completion of job, an organization would also have to reduce resource-dependency on the part of the people to be empowered, towards their bosses. The maximum extent of empowerment is found when workers become directors and become capable of codetermination. Empowerment is normally associated with the practice of delegation at individual level and decentralization and flexibility in the organization in general. In short, empowerment has to cover the bases of supremacy such as information, personal charisma, reward and coercive potential, expertise and position. Empowering the workers in progressive doses, would keep their interests and initiatives alive, sustain their resourcefulness and independence, and promote foresight, profit-orientation, optimism and versatility, besides instilling a significant sense of responsibility in them.

Empowerment consists of five stages. The first stage is the diagnosis. It involves identifying the existing conditions in the organization that lead to feelings of powerlessness among employees. Some of the conditions thus identified could be centralized resources, authoritarian styles of leadership, rewards with low incentive value and poor communication. The next stage is to introduce empowering strategies like participative management, merit-pay systems and job enrichment. The third stage is to remove conditions of powerlessness and provide self-efficacy information to make the employees feel confident, self-assured and hopeful of success. The fourth stage is when a feeling of empowerment is generated. The fifth and final stage towards empowerment involves deriving performance as a beneficial outcome of better empowerment.



## **Delegation as a tool for employee development**

Delegation means conferring, entrusting or allocating a particular assignment to a person based on realistic assessment of the latter's abilities and motivation. It is not merely passing off any job, but to let some one take over the control of what a manager continues to be responsible for. Delegation is said to have taken place when a superior gives a subordinate the discretion to make decisions and the responsibility for completion of specific activities. Authority, responsibility and accountability are considered as the three limbs of effective delegation that should be matching and on par in magnitude with each other. Delegation could simultaneously be enabling, energizing as well as empowering to people.

### **Theoretical Foundations of Delegation**

The classical principle of delegation states that decisions should be made at the lowest organization level.. Management By Exception (MBE) involves delegation. It hints at Frederick W Taylor's exception principle, which stated that managers should control by giving major attention mainly to the exceptional cases and situations. Larry Greiner's model of life cycle of an organization includes a period in which the growth happens through delegation after a highly directive top management evokes resentment and cry for autonomy among the rank and file employees in the organization.

The life cycle theory of leadership developed by Paul Hersey and Kenneth Blanchard focuses on the maturity of the followers as a contingency variable affecting the style of leadership and the possibility of delegation by a leader. According to this viewpoint, the extent to which a leader adopts a delegating style, which involves low degrees of consideration for task as well as for people, depends on both the job maturity and psychological maturity of the members of any work group. The maturity is gauged by the extent to which they are both able and willing to be accountable for their responsibility towards task performance and require little guidance and direction. Degree of delegation could be gradually increased to suit the progress of an employee.

A manager who delegates authority does not permanently dispose of it, but continues to share the responsibility for completion of the task.

Delegated authority therefore can always be regained. Delegation could be general or specific, in oral or written form. Delegation is essential for proper performances, as no person can perform all the work by himself. Besides reducing the burden of higher-level managers and thereby enabling them to concentrate on more important matters, delegation improves quality of decisions, by moving the decision-making closest to the scene of activity.

Delegation improves motivation, initiative and creativity and also helps out in the development of managers in the junior echelons of organizations by exposing them adequately towards complex decision-making. Whatever might be the beneficial outcomes of delegating, there are common barriers to delegation. Reluctance to part with power and over-confidence of the supervisors and a belief that no one else can do the task better than them, are a few of the barriers at the level of the delegating administrator. It takes courage to delegate because delegation does not absolve one from the ultimate responsibility. Often it is seen that responsibility is feared as much as authority is sought after.

At the recipient's level, the barriers could be due to inequitable distribution of work and the resultant overburden, or fear of failure, fear of premature display of inadequacies of oneself, lack or trust in the motives behind delegation, or merely a lack of motivation or perceived incompetence on the part of the person who has to fulfill the requirements in terms of the delegated tasks. According to Mishra, M.N. (2001), "delegation would be successful where a wide range of people are involved, where the work provides intrinsic job satisfaction, the work group members accept the management's objectives, the employee-employer relations are harmonious, consistency and coordination are prevalent, and where technology permits individual autonomy and subordinates welcome responsibility."

Delegation would be possible only if the higher authority possesses willingness to trust the subordinates and to allow them to make mistakes and learn from the process. If a manager clearly delegates authority to undertake a well-defined task, a properly trained subordinate can get it done with a minimum of the supervisor's time, attention and involvement. In the context of delegation, managers need to accept that there are several ways to complete a job and that their own ways

of solving them are not necessarily those that their subordinates would choose. Superiors could be induced to delegate more by making them part of the team's performance rather than their own. Where there is a system of appraisal of the superiors by the subordinates, a parameter for appraisal should be the formers' inclination to help the latter through delegation and empowerment.

The practice of empowering and delegation poses a challenge to managers and employees alike and demands close attention to the terms of their working relationships. Delegation has to be preceded by careful planning about what tasks could be delegated and in what sequence. Decisions on who should get the assignment should be based on their workload and competence. People should be given sufficient resources for carrying out the delegated task. Once delegation begins, the everyday jobs of the junior employees should be monitored and assisted, till a confidence level is built reasonably between the person in charge and the subordinate.

### **Retirement and Other Process of Employees' Separation**

Separation, also known as organizational exit is the dissolution of employment relationship. It seeks to reduce the size or diversity of an organization's operations. Separation can take many forms namely dismissal, resignation, retirement, death and downsizing actions. A firm incurs separation costs in the form of severance pay known also as separation pay, administration of separation process, rehiring, induction and training costs with regard to a new replacement into the vacant position. Depending on who initiates the separation, some observers tend to classify them as voluntary and involuntary.

Separation is a decision that the individual and the organization should be done away from each other. Voluntary separations occur when an employee decides for personal or professional reasons, to end the relationships with the employer. Such separations may further be classified as avoidable and unavoidable. Unavoidable voluntary separations occur due to circumstances beyond the control of an employee. However, most of voluntary separations are avoidable and occur due to staffing mistakes, which can be prevented by investing in HR systems. An involuntary separation occurs when management decides to

terminate its relationship with its employee/s due to economic necessity / poor match between the employer and employees.

In general, separation may take any form such as retirement, layoff, retrenchment, discharge or dismissal. Employee turnover or attrition is a combination of all the forms of separation of an individual from the rolls of an organization. Compulsory separation could lead to anxiety in the person who leaves and also might lower the morale of the survivors. Any form of separation could create a void in the organization that needs to be filled up at the earliest. The benefits of employee separations include reduced labor costs, replacement of poor performers, increased innovation and creation of greater diversity of work force. Scientific human resource planning could minimize the need for such separations.

Retirement is the completion of service period of employees on their reaching the age of superannuation. Retirement from active employment is intended not only to permit older workers to enjoy their twilight years without the everyday pressures of working, but also to allow younger and capable employees to reach positions of higher authority. Retirement could be carried out prematurely when the organization offers a special retirement package before redesigning the workforce. The lump-sum pay serves as an incentive to leave one's employment. Employees accept such retirements in exchange of a liberal package, which is called the scheme of Golden Handshake. Managements generally prefer to pay hefty amounts and reduce staff strength rather than retaining surplus labor and continuing to pay them idle wages.

The organization should plan for capable successors to take the role of people who retire even before their retirement. Most employees prefer to postpone retirement until they reach superannuation. Hence it is also the responsibility of any employer to plan and provide for the future life of the retiring employee. In the present context, when the lifespan of average citizen has gone up well above the retirement age, retirement is to be put to reconsideration in terms of revision of the age of retirement or alternative work styles like job sharing, home working, freelancing and part-time employment during post-retirement period.

Lay off refers to the temporary separation arising out of the failure, refusal, inability of an employer to continue to give employment to any

group of employees in the organization due to economic or business reasons like shortage of fuel, lack of raw material, natural calamities and accumulation of excess stocks. Lay offs are caused mainly due to factors for which employees cannot be termed as direct and prime causes. Still, the organization must help them in dealing with any of the difficulties they might experience such as guilt (upon why they have let themselves into it), shame (how to face others after this), annoyance or anger (why they were chosen) and anxiety (what they would do next).

Retrenchment is said to be a permanent lay off for reasons other than punishment, retirement or termination owing to ill health. In both the cases of lay off and recruitment, a certain monetary compensation would become payable by the employer as per the statutes of the land. Further, clear communication and counseling would be required to minimize the negative effects of such measures of downsizing. The principle of last in; first out is advocated while prioritizing the people to be removed. Retrenchments might also occur due to global competitions, changing technologies that reduce the need for workforce, mergers and acquisitions and reduction in product demand.

Termination of service by way of dismissal might also be carried out as a final disciplinary procedure, after all efforts in salvaging the employee have failed. Dismissal can be ordered only when it is duly proven through formal procedures that one or more employees have engaged in any serious misconduct like theft, violence, sabotage, false statement of qualifications at the time of employment, or other actions specified in the company's standing orders. Generous opportunities must be given to the employee to know the rules, modify his behavior in accordance to rules. He must be given an opportunity to explain his case by appearing before an impartial team of enquiry when charged with any misconduct. The management should never forget that any person who leaves the firm is going out to represent the organization, either bad-mouth or praise it.

Termination of this variety is aimed at serving as the strongest deterrent for other employees from engaging in punishable activities, rather than as a revenge on the people caught in the wrong side of rules. Termination of other employees has the potential in most of the employees to bring about a phenomenon called avoidance learning

whereby an employee pursues serious efforts to avoid similar situation to them. Termination in one department could have ripple effects in other. Terminations beyond a perceptible limit could result in difficulty in attracting fresh talents into the organization. Fortunately, such disciplinary terminations have alternatives too.

Direct confrontation by supervisors, a day of paid leave to induce reformatory thinking etc, are aimed at making the erring employee introspect about what happened. Some organizations resort to progressive discipline involving increasingly higher intensity for punishments for every repetition of previous mistake or offence. When a person is found to be guilty of one offence, there should not be a carry-forward effect of the offence. The supervisor and the others in the organization should take care to appreciate if the employee engaged in any laudable activity. A clear-cut, written-down policy on termination would help to prevent the fire-at-will practices by some managers.

Discharge also means termination, but not necessarily an act of punishment. A discharge does not arise from a single, irrational or unacceptable act. There could be a lot of reasons for a decision to discharge an employee. A discharge takes place when the management of an organization decides that there is a poor fit between an employee and the organization. Discharge might be a result of either poor performance of the employee or a failure on his side to change some unacceptable behavior that management has tried repeatedly to correct. In the case of discharge, the employee would get more termination benefits than what would be possible when dismissed. Outplacement assistance for a discharged person by the employer is gaining ground in recent times, even as skills become redundant and jobs get outsourced en masse.

Voluntary resignation by employees is emerging to be a very common form of separation from an organization. The decision to quit depends on the employee's level of dissatisfaction with the job and the number of attractive alternatives available outside the organization. Some organizations in the Information Technology Sector have institutionalized the practice of welcoming their ex-employees to rejoin them later. This would save them induction costs and ensure person-organization fit.

Some organizations have simplified the procedure to re-appoint their ex-employees, by requiring just a single sitting with the reporting authority to be able to join back the parent organization. Such organizations have also made the procedure for exit less cumbersome one by enabling their claims getting processed through a single window clearance mechanism. The administration of separation caused by resignation is very simple as it is unlikely to result in any dispute except the notice period or timely settlement of dues on either side.

The average tenure expectancy of employees within an organization has been steadily in the decline. From a life-long career path spanning over three decades, the average tenure has come down to five years and is shrinking further. Employees might want to leave the organization for reasons of better pay, working conditions, opportunities to learn and grow, or may cite ill health or domestic responsibilities to quit their positions. In any case, they would be required to serve a notice period by which they would be able to handover their duties and responsibilities to another incumbent. Causes for resignations are investigated during the exit interview wherein, the outgoing employee is requested to share his feedback about his working experiences in the organization.

The net result of organizational changes would be that of the jobs becoming more amorphous and more difficult to define. Changes are also taking place at individual jobs. A large number of poor performers at one job or organization are sometimes found to become solid successes at another, in which case the organization has to deliberate on its inherent deficiencies that caused a failure in tapping the right performance levels from them. Similarly, if successive incumbents in a post fail to perform or retain their jobs, then the attention should be focused on the system in which the work is done or on the job content itself, rather than the individuals. Such jobs are called as “Widow-maker Jobs” in Management Jargons of the west.

According to the management thinker and writer Peter Drucker, the workable solution for the problem would be to eliminate the job itself by redesigning the positions and responsibilities in a more practical and pragmatic manner. Some organizations resort to a method of easing out employees slowly and progressively. Referred to as Golden Parachuting, this method involves providing the employees adequate time of tenure



and/or financial security to prepare themselves for facing life outside their employment. This kind of arrangement could be contractual and are often available for highly skilled human resources.

### **Summary**

Personnel Development (PD) involves investments of precious resources in people with the hope that they would remain in the organization to contribute to the organization and the society. Results of PD initiatives to an organization are numerous. While training and development alone may not be serving as panacea for all organizational problems, the whole range of interventions for PD carried out by a Personnel Department in association with various internal and external consultants helps in increasing organizational stability, promotes organizational learning, heightens performance and profitability, builds an organizational climate of openness and trust, develops a culture of collaboration, boosts organization's image and leads to its overall vibrancy, pro-activity and development. PD is the foundation on which an organization can confidently build its strengths. Full utilization of human resources would ensure that the organization has the optimum number of employees, the right level of skills, the requisite willingness and preparedness for moving ahead with technological advancements and competitiveness. As Douglas McGregor puts it, 'the average human being learns, under proper conditions, not only to accept but to seek responsibility'.

### **Self-Assessment Questions**

1. Explain the salient features of an effective employee development process.
2. "Training and development programs are integral part of Personnel Development" – Comment.
3. Identify the commonalities between methods of training described in the chapter and re-classify them into the following categories:
  - a. One-to-one methods and team based methods.
  - b. Objective of building human relationship and objective of improving knowledge and decision making skills
  - c. Expensive and inexpensive methods.



- d. On-the-job methods and off-the-job methods.
4. Tabulate the advantages and disadvantages of using various available methods of training.
  5. Critically review the process of evaluating the effectiveness of training
  6. Explain the concepts used to understand Career Development.
  7. What is Empowerment? How does it become crucial in Personnel Development?
  8. List out and explain the issues involved in Promotion and transfer.
  9. Define Delegation. What are the necessary conditions for delegation to be successful?
  10. “Employee turnover is a multi-dimensional challenge to every organization” – Justify this viewpoint.
  11. Enumerate the changes taking place worldwide in the areas of Human Resource development using best practices from different organizations.
  12. Write a proposal for conducting a training program for a group of middle-aged graduates so as to make them form a more cohesive team.
  13. What are the steps towards self-development that renders an employee in a continuous state of preparedness to face the complexities of employment in recent times?
  14. Identify the viable alternatives for unplanned downsizing in an organization.
  15. “Factors promoting Change as well as Constancy are inherent in the personnel development activities such as training, empowerment, career planning, delegation and employee mobility” – Comment.

### **Case Study**

#### **Promotion of the deserving candidates**

In an organization with about 300 staff members, a supervisor was recommended to line manager for out of turn promotion on grounds of extraordinary qualities of leadership as an executive in preference to one of his seniors who possessed the required skills for an executive.

Both the supervisors came to know of the recommendations. The personnel manager advised the line manager to observe the working of both the supervisors and then come up with proposals after two months. After two months it was reported that the performance of the supervisor who was tipped for promotion had not improved and both continued to keep up the same pace. It was also observed that the junior who was recommended for out of turn promotion was only day dreaming. He was preparing for his future job while neglecting his present one. The senior seemed to have taken things in its stride and there was neither increase nor decrease in his output. Productivity was getting affected severely. Promotional decisions usually have far reaching impact in the morale of employees in the organization.

### **Analyze the Situation and Answer the Questions**

1. What are the causes of the difference between expectations and actual behavior on the part of the promoted employee?
2. What would you recommend if you were the line manager entrusted with handling this case?
3. As a personnel manager what would be your reaction now considering the multiple-dimensions of the problem?
4. What are the normal guidelines to be followed while finding a new incumbent to an existing job?
5. Give a plan to minimize or avoid problems of faulty or inept promotions in the future.

### **Glossary of Terms**

1. **Affirmative Action:** The concentrated efforts to recruit, select, and promote members of marginalized minority groups hitherto under-represented in the workforce.
2. **Avoidance Learning:** Learning that occurs when individuals change behaviour to avoid or escape unpleasant circumstances, as witnessed after termination or suspension of various employees.
3. **Career:** The sequence of a person's work-related activities and associated attitudes, values and aspirations over the span of one's life that forms a coherent pattern.

4. **Career Development:** A formal, organized, planned effort by organizations to achieve a balance between individual career needs and organizational workforce requirements.
5. **Career Management:** A planned attempt to optimize the rewards and satisfactions a person receives from the investments made by him or her into one's career.
6. **Decentralization:** An organizational arrangement whereby the authority to make important decisions about organizational resources and to initiate new projects is shared with managers at all levels in the hierarchy. It is the opposite of Centralization.
7. **Delegation:** Assigning or entrusting tasks to another employee who would be expected to handle the job on behalf of the former to manage time better, to enhance the quality of the work output and in order to train people on the job.
8. **Development:** Learning opportunities designed to help employees grow, which need not be limited to improving employees' performance on current jobs.
9. **Downsizing:** An organization's strategy to reduce the present size of its workforce strength in order to improve its overall financial performance and ensure its survival.
10. **Empowerment:** Providing employees with the skills and authority to make decisions that would be taken by higher-level functionaries in order to equip them to perform well and attain greater dignity.
11. **Glass Ceiling Syndrome:** The view that even though women and the marginalized groups can get hired into organizations, they have difficulties in getting promoted, particularly to senior levels; it is as if there is an invisible barrier above. They can see opportunities above, but they cannot reach them.
12. **Retirement:** An exit from an organizational position or career path of considerable duration taken by individuals are specified by organization beyond their middle ages and taken with the intention of reduced physical and psychological commitment to work thereafter.
13. **Smart-sizing:** An alternative to downsizing is the practice of focusing and growing through an organization's core competencies and cutting down on unwanted, less relevant activities with an aim of growth rather than shrinkage of the workforce of the organization.

14. **Training:** Any attempt to improve employee performance on a currently held job or one related to it. This usually means changes in specific knowledge, skills, attitudes and behavior.
15. **Job Posting:** A procedure for communicating to employees that a job opening exists and that applications from within the organization would be entertained for consideration.
16. **Job Scope:** The number of different tasks required in a job and the frequency with which the job cycle is repeated.
17. **Vocational Interest Tests (VIT):** A direct method of determining the occupation in which a person has the greatest interest and from which the person is most likely to contribute maximum, achieve farthest growth and receive highest satisfaction.

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## UNIT IV

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### Lesson 14 - Compensation And Productivity

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#### Lesson Outline

- ▶ Compensation: Basic concepts and importance; components of compensation like wage/salary and Incentives
- ▶ Job Evaluation – Meaning, methods, strengths and limitations
- ▶ Productivity – Factors that enhance and lower productivity

#### Learning Objectives

To understand the need for and importance of enhancing motivation at work place.

- ▶ To identify types, theories and models of motivation suitable to different contexts.
- ▶ To study the concept, methods, merits and demerits of launching a Job Evaluation Program for structuring the compensation packages.
- ▶ To know the theoretical and practical nuances of the Compensation function involving Wages and Salaries.
- ▶ To understand the concept, components, contributing factors, significance and types of productivity in organizations.
- ▶ To examine the correlation between high levels of job satisfaction and productivity.
- ▶ To know the meaning, symptoms and classifications of stress and the stress management practices of organizations.
- ▶ To understand concepts such as burnout, Distress and Eustress associated with the study of stress.

- ▶ To learn about the multifarious factors that is likely to affect the Quality of Work Life (QWL) of employees of a firm.
- ▶ To trace out the significance of QWL movement in the context of Organization Development and effectiveness.
- ▶ To appreciate the challenges faced by Human Resource Managers in creating a system of satisfying working conditions in an organization.

## **Introduction**

Human resource activities are based on the propositions that highest goals can be achieved only by developing and maintaining a loyal, efficient group of employees, who believe in the company, who gain satisfaction from their work, and from whom extraordinary achievement is an individual ambition. In order to achieve these conditions a professional would need a strong foundation on the variables like morale, motivation, compensation and quality of work life, which are being elaborated upon in this unit. In the absence of an amiable and cohesive human resource environment, an organization's activities would see a gradual decline, even if the organization is provided all resources. Organizations that focus their energies on achieving reasonably satisfying levels of Human Resource Development indicators tend to be more stable and healthy.

## **Principal Compensation Issues and Management and Basic Concepts in Compensation**

The total of all rewards provided to employees in return for their labor is called by the generic term "**Compensation**". Monetary compensation includes both direct and indirect components. Direct compensation consists of the base wage and incentives. Job-based pay and competency-based pay are two methods of determining the base wage or salary. Indirect compensation includes benefits that are mandated by law and those that employers provide voluntarily. Social security, unemployment compensation, and workers' compensation are benefits that employers provide. Allowances for house rent or to meet escalating cost of living, insurance and vacation pay are commonly offered benefits and perquisites that are not required by laws. Factors like minimum wage specified by legislation, the market rate for different qualifications,

an organization's ability to pay and the compensatory factors other than pay that an organization could offer to its employees are some of the determinants of compensation levels.

## **Wage and Salary**

Wage and Salary is together known as pay. While wage specifies the worth of the job, salary specifies the worth of the person. Salary is usually paid on a monthly basis while wage could be paid daily, weekly or fortnightly. Wage is usually associated with manual work and comes with provisions for overtime work, while the word salary is used to refer the remuneration for white-collar staff, professionals and managers. Wages and salaries have also been used interchangeably. Both wage and salary help to achieve effective employee performance.

**Wage** is the part of total production that is the return to labor as earned income as distinct from the remuneration received by capital as unearned income. **Wage freeze** refers to a temporary fixing of wages at a certain level, especially during economic difficulties. The term "**Real Wage**" represents the purchasing power of the money given as wage. **Fair wage** is a wage that is commensurate with a person's effort. **Subsistence wage** is the barest minimum possible wage required to be earned by a person in order to sustain his or her life. **Wage scale** is a graduated scale of wage rates for different levels of work.

The components of pay usually consist of a Basic part, Dearness Allowance, House Rent Allowance and City Compensatory Allowance. Besides these, organizations may also provide reimbursements of educational and medical expenses of the employees and their dependents. Some also pay commissions and incentives to their employees. Perquisites include vehicles, phone rentals, home-furnishing costs, newspapers and magazines, paid domestic help or drivers, membership in clubs, accommodation in guesthouses and so on.

Pay scale is the numerically expressed statement about the beginning minimum and the final maximum basic pay and the annual increments and the subsequent slabs after which the rate of increase in the basic would be different. For example, a pay scale of "9,000 – 400

– 11,000 – 600 – 14,000” implies that the salary starts with a basic of Rs. 9,000/- followed by an increment of Rs. 400/- every year until 9,000 becomes 11,000. From then onwards, there would be an increment of Rs. 600/- in the Basic Pay until one reaches Rs. 14,000/- which is the final limit of the present scale. Beyond this year, the person may be considered for being placed on a higher pay scale or, the pay scales of the entire organization could be reformulated.

### **Recent trends in Compensation**

- ▶ In the year 2000, a Compensation Survey conducted by Synergy Consultants at four major locations in India where maximum Information Technology (IT) professionals work. Industry reflected the following trends:
- ▶ Organizations began to pay scarce-skill premium. This gets skilled people who are ineligible to be fixed at pay scales of higher echelons due to their junior status, but have very rare skills which are crucial to the success of organizations. The premium would continue as long as the skill set remains to be rare.
- ▶ The differentiation in salaries between employees with different skill-sets, but same length of experience, has increased within the IT industry. The variation is as large as 60% based depending upon the skill-sets and exposure to different knowledge areas.
- ▶ The differentiation in salaries has also increased between Multi national Corporations (MNCs) doing development work in niche areas and others.
- ▶ The base salary range for Project Managers and senior technical professionals has increased by 40% - 50% and even higher for professionals with strong people-management skills.
- ▶ Compensation has increased substantially, by 33% - 48% at the threshold level of engineers with 3+ years to 4+ years of software development experience. The increase is also dependent upon the company's position in the business cycle.
- ▶ Most companies still exist with skill shortages. Therefore, the trend of salary increases substantially in excess of inflation adjustment continues unchecked.
- ▶ Salary levels for international placement of software professionals have also increased by 20% - 25%. At the same time, some companies have reduced the expertise / skill levels without increasing salaries



in absolute terms.

- ▶ There is a greater tendency now to structure compensation by including anywhere between 10% - 50% of total compensation as performance incentive / reward or flexible payments.
- ▶ The attractiveness and usage of Employees Stock Option Plan (ESOP) and similar schemes at entry level have come down substantially. Many professionals look at ESOPs company.
- ▶ Many more multinational and leading Indian companies in the Information Technology area are now making a serious effort to convey their HR orientation and are taking specific steps in implementing multi-skill and behavioral training and introducing pro-active employee retention schemes.

## **Wage Policy**

Wage is the source of livelihood for the recipient employee while it is viewed as a production cost by the employer who pays it. Wage policies are principles acting as guidelines for determining wage structure. They are expected to insure minimum standards of comfort and decency to the wage-earners. A wage policy statement of a for-profit organization, usually contains references to the starting rates for all grades, instructions on when to hire below/above the starting rates, the wage period by which wages are payable, provision for severance pay, the period for which each wage revision would be applicable and whether increment is to be fixed amount or as a percentage of present pay.

Other points that may be covered in a wage policy may include the ratio of fixed wage versus variable pay, the ratio of gross pay versus 'take home' pay, the lower and upper limits of wages and perquisites, the wage differentials between the highest paid and the lowest paid worker, possibilities of profit-sharing and such other matters, as may be considered relevant. An organization establishes compensation policies that determine whether it will be a pay leader, pay follower or strive for an average position in the labour market.

Pay leaders are organizations that pay higher wages and salaries than competing firms. Using this strategy, an organization would aim to attract high-quality, talented and productive employees with whom they could achieve lowering of per unit labor costs. Pay followers are

organizations that choose to pay below the going rate in the market because of a poor financial condition or a belief that they simply do not require highly qualified employees. Difficulties occur when this policy is followed, as only less committed, desperate and poorly equipped personnel tend to join a firm with such policies of remuneration. Those who choose to pay an average rate, appear to believe that they could employ requisite number of qualified people at the same time remaining competitive, as they would not have to increase the selling price of goods and services on account of salaries paid.

A policy on wages, salaries or perks should cover the due date of subsequent review, the method of review, rules for hiring below the minimum, at minimum and above minimum rates, and the authority and control for making changes in wage patterns. The policies might also cover the percentage of raises permissible during promotions, the cost of living allowance (COLA) or the Cost of Living Indices and related adjustments to wages, rules for special raises, criteria for fixing annual increments based on merit and seniority and schemes of flexible payment and benefits.

### **Compensation and Benefits**

A system of wage and salary administration should be carried out in such a manner that employees are attracted, retained, motivated, recognized, appreciated, treated fairly and equitably. Some organizations choose to pay high salaries and confine themselves with the statutory benefits. Some organizations try to offer unique and elaborate schemes of benefits while restricting their pay scales to the minimum levels permitted by market conditions. The system should also ensure accurate calculation of earnings owed to each of the employees for purposes like overtime, performance rewards, incentives payments and allowances, by the employer and make sure that pay is distributed in time and with proper records. The system should control costs, comply with the statutes and be easy to administer.

### **Wage Fixation**

Wage is fixed based on the value of the amount fixed by wage boards, cost of living in the locality, productivity shown and promised

by workers, work to the organization, the scarcity of the skill in the labor market, the difficulties in the job that determine the number of people willing to undertake the job, the affordability of the employer, the extent of prosperity in the industry in a given period and based on the bargaining power of the workers and their unions. Wage-Productivity relationship is ordinarily taken as a rational basis for wage revision. An increase in output per unit of labor is always a ground for workers to press their claim for higher wages as their due share of the rise in profits.

Wages may be of two types such as time rate and piece rate. They are fixed with the help of industrial engineering and personnel departments and are administered by the payroll departments, according to the provisions of the payment of wages law at rates equal to or above the minimum wage law. Equal remuneration for equal work without any discrimination on grounds of gender has been guaranteed by the law. Wage laws insist that wage be paid in cash and not in kind. They also state that the maximum permissible wage period would be thirty days. They even specify the list of deductions permissible, subject to a ceiling. Some of the authorized deductions are recovery of loans, contributions towards social security measures like Provident Fund and Employees' insurance, damages recoverable from the employees for loss incurred due to the person by the employer, etc.

### **Incentive Schemes**

The term 'Incentive' means inducements offered in order to get better outputs from people. Incentive schemes are used to enhance the motivation level by tapping the ambitions of the employees to earn more. Incentives tend to influence individuals to stretch their capacities and personal objectives and carry out special tasks and take initiative. Incentives become necessary because people with less ability to perform a specific task but stronger will or motivation are able to perform better than people with superior ability and lack of will. Group incentives have the potential to harness individual efforts towards greater teamwork and synergy.

### **Job Evaluation**

Job evaluation is defined as the process of objectively analyzing and assessing the value of each job in relation to other jobs in an

organization. It aims at finding the relative worth of a job and to establish a rational and equitable pay structure. Fredrick Taylor was the pioneer who designed a formal, systematic way of assigning pay to jobs for improving productivity. His methodology came to be known as Job Evaluation. It compares jobs to one another based on their content, which is usually defined in terms of compensated factors such as skill, effort, responsibility and working conditions. It is mostly a judgmental process that demands close cooperation between supervisors, HR specialists and the representatives of employers and employees.

Industry has become increasingly aware of the need for a systematic and an objective approach to setting the worth and price of each management position in relation to others within a business management group, and to similar management positions within a geographic region or an industry. While the shop floor and clerical planners normally evaluate a job in terms of its *duties*, a managerial position is always evaluated in terms of *responsibilities*, which could include those related to making others perform their duties.

Job evaluation is highly dynamic in nature. It is not a one-time project but is something that must be maintained on an ongoing basis. Jobs do go through change and it is imperative that when any alteration happen the job evaluation has to be reviewed and amended to reflect the change. Since job evaluation examines the effect of skills, capabilities, responsibilities and work environment on the performance of the job in a particular context, it cannot be automatically transplanted from one company to another. There would be a lot of localized adaptation before finalizing a job evaluation format. Since salaries paid depend upon the classification of jobs, job evaluations would have to be done conscientiously and administered judiciously.

Job evaluation rates the job and not the person going to occupy it. The cycle of job evaluation is launched first by way of creating a committee of personnel trained in the process, consisting of heads of various departments, representatives of employees and a specialist on the field, along with the team of Human Resource Department. The team of appraisers would use the job descriptions to determine the relative worth of every job in comparison with others. In this process, the committee should subject all the relevant external and internal factors into their

active consideration before arriving at a final scheme of fixing pay scales. A general guideline provided to these committees is that too many levels of pay scales should be avoided through proper grading of jobs.

Once the jobs that are to be evaluated are listed out, the committee sets its tasks towards analyzing the jobs and preparing job description statements with regard to each of them. The next activity would be to select the method of evaluation to be adopted, keeping in mind organizational constraints and the job factors. This activity is followed by the classification of jobs in order of importance. Once installed, the scheme of job evaluation should be reviewed periodically. The review should also benchmark at model organizations emerging out to be the best paymasters in the perception of prospective employees.

### **Methods of Job Evaluation**

There are four commonly adopted major methods of job evaluation, each with their own inherent strengths. They are called ranking method, job classification method, factor comparison method and point method.

#### **Ranking Method**

The appraisers examine the description of each job being evaluated and arrange the job in order according to their value to the company. Thus all jobs are rank ordered and pairs of jobs could be compared. Prior to this, the organization would have to conduct job analysis and job description. It is the simplest of all methods and is inexpensive. A major hurdle in using this method is that it does not measure the differences between the jobs belonging to two ranks. Thus, the magnitude of the difference between the jobs ranked first and second, may not be the same as the magnitude of the difference between jobs ranked third and fourth.

#### **Classification Method (Job Grading Method)**

This method involves defining a number of grades or classes to describe a collection of jobs. The team of appraisers compares the job description with the class descriptions based on jobs at various difficulty levels. It is simple to understand and easy to use. But at times, the grade descriptions could be ambiguous and overlapping.

### **Factor Comparison Method**

The appraisers make decisions on separate aspects or factors of the job as they evaluate jobs. The five universal job factors are

- ▶ Mental requirements, which reflect traits such as intelligence, reasoning and imagination.
- ▶ Skills pertaining to psychomotor coordination and interpretation of sensory impressions and the experience, education and training required to acquire them in requisite levels.
- ▶ Physical requirements that involve sitting, standing, walking, lifting etc.
- ▶ Responsibilities that cover areas such as handling raw materials, equipments, machinery, public relations, employees, money, records and supervision.
- ▶ Working conditions, which reflect the environmental influences of noise, illumination, ventilation, hazards, annoyances and working hours.

**Point method** is an approach to job evaluation in which numerical values are assigned to specific job components and the sum of these values provides a quantitative assessment of a job's relative worth. The Point method of job evaluation consists of first developing compensable factors on which each job must be evaluated. The collection of these key factors is called manual or yardsticks. Each of these key compensable factors has a scale value which defines the degree of presence of that factor. Each job is rated on these key factors and a value is assigned accordingly.

Jobs are divided into a specified number of grades so that when rates are established they are not applied to individual jobs but rather to groups of jobs that are rated about the same number of points. In choosing point factors, the organizations decide on the particular job components that they should value. The advantages of this method are that a large number of specific factors are included. Off-the-shelf, ready-made plans are also easily available for a price from HR services and consultancy firms. If an organization prefers to save costs by developing a complete plan internally, it would be a time consuming process and more difficult to understand. There is also greater opportunity for people involved to disagree on many grounds.

### **Causes of Resistance to Job Evaluation**

Employees might find it difficult to understand the intricacies of job evaluations. Hence the pay-scales fixed through job evaluations might be susceptible to suspicion from who might view them as tools of clever manipulation and over-exploitation. Supervisors should have complete knowledge of the evaluation system and be able to explain and convince the employees about the job evaluation plan. The most talented and competent employees tend to resent the wages fixed through job evaluation, as they expect their contribution must get extra reward. In a world of fast changing technology and rapid mobility of capital and labor, job evaluation carried out at great investment of time and cost might soon lose their relevance and might need complete revision. Practices like poaching talents from another organization and relaxed working conditions for some employees, might make a mockery out of job evaluations.

Obtaining a precise value of an employee's contribution to the organization might be difficult, as work output occurs due to the interplay of large number of factors. Job evaluation helps to reach a reasonable degree of accuracy in achieving this valuation. Job evaluation would have greater chances to succeed when it does not disturb the existing promotion paths or the traditional pattern. It is not likely to succeed when the organization is not paying above market rate and if it results in too drastic pay revisions within existing structures. At times, the geographic isolation of an organization could also make it less comparable to other employers. Employees' Unions could totally reject or even nullify the outcomes of job evaluation if the employer's relationships with most of them are not cordial.

### **Productivity**

Productivity might be described as the rate of production per unit of input expenditure involving time and cost. Some describe productivity as the judicious use of productive resources-physical as well as mental. It is the numerically stated measure of how well an operations system functions and an indicator of the efficiency and competitiveness of a single firm or department. Productivity is used by people to mean different things. To the employers, productivity means lower and lower costs. To the employee it could mean harder and harder work, and



therefore lesser real wages than the past years for work of equal intensity and hardship.

Productivity is considered to be a function of factors like physical factors, situational factors and individual factors. An employee's productivity is determined by that person's motivation and ability to perform a task. In case of teamwork, a group's size, compositions, norms, interpersonal understanding, cohesion and its leadership would determine the group's productivity. In the same way, an organization's productivity would depend on its culture, climate, leadership, vision and missions, learning and entrepreneurship. The exponents of productivity regard labour productivity as one of the basic rods of measurement of economic development and as one of the key determinants of national income.

Tom Peters and Waterman, the specialists on organizational excellence, have paid due emphasis on productivity improvements that are achieved through people. According to them, progressive organizations would treat the ordinary members of the organization as the basic source of productivity and quality gains. These organizations do not regard capital investment and labor substitution as the fundamental source of productivity enhancement. Their people orientation is marked by performance consciousness, but the personal achievements stem mainly from developing mutually high expectations and peer review rather than exhortation and complicated command and control systems. They work very hard to cut the need for intrusive forms of corporate management, believing that the less of direct intervention from higher management the better it is for the productivity of the organization.

Peter Drucker (2002), the renowned Management Guru identified different types of productivity such as plant productivity, material productivity, financial and capital productivity, machine productivity and human productivity. Human productivity is further classified as managerial and labour productivity. He has emphasized productivity through the following statement "A productivity measurement is the only yardstick that can actually gauge the competence of management and allow comparison between managements of different units within the enterprise, and of different enterprises".



Poor productivity is the result of several factors like lack of adequate planning, failure to be proactive in preparing for alternatives, incompetence, insufficient training, weak discipline, low standards and disharmonious relationship between the employer and employees. Other phenomena that could result in productivity problems include demotivation, lack of commitment towards job and organization, tolerance towards wasteful practices, bloated human power, nepotism, impeding bureaucracy, dysfunctional competition, conflicts and alienation among employees. Inadequate office support, lack of proper equipments, shortages of supplies, excessive reporting requirements and unpredictable workloads are also common situational constraints.

Productivity could also be affected by certain restrictive practices which might be in the form of outmoded, irrational or unreasonable rules or customs which unduly hinder the efficient use of labor. At times, work groups might seek to maintain traditional rights and prerogatives in the context of changed circumstances and technological advance. Some times, wage-productivity linkage might have to be examined for commensurability. Hence it might not be worthwhile for any manager to aim straightaway at productivity improvement without addressing these underlying impeding factors.

Productivity in certain cases might also be impaired due to human causes. This might include pressures from co-workers to limit one's performance in order to check work targets from shooting up or prevent downsizing. Inadequate performance by co-workers could also affect a person's productivity if the latter is an internal customer of the former. There could be situational constraints due to colleagues in the form of turnover of key personnel and absenteeism. Elton Mayo, the father of Human Relations 'School of management thought' concluded that behavior and sentiments were closely related. He established that group influences significantly affected individual behavior, that groups' standards established individual worker's output and that money was less a factor in determining output and productivity than aspects like group standards, group sentiments and groups' security.

The problem of increasing productivity implies the complete, appropriate and efficient utilization of available resources of human beings, machines, money, power, land, time and other wherewithal.

Productivity as a concept connotes a mass attack on waste of every type of resources and in all fields of production. It implies development of a constant urge to find improved, cheaper, quicker, easier and safer ways of doing a job, manufacturing a product or providing a service.

### **Job-Satisfaction and Productivity**

Many employers set the goal for making employees happy on the assumption that this will lead to high productivity. This is possibly a misdirected assumption. Managers who follow this strategy could end up with a very happy but poorly performing group of employees. While unhappy workers might become unproductive, happy workers are not always productive workers. If feeling of satisfaction does have a positive effect on productivity, it has been found to be fairly small and negligible. Peak performance in an individual depends upon a myriad of variables like visualization, positive self-concept, intense focus and concentration while facing demanding situations.

Factors affecting productivity would also differ according to the nature of the job. An employee's productivity level on machine-paced jobs is going to be more influenced by the speed of the tools and mechanical devices than by his or her level of satisfaction. However, the satisfaction-performance correlations are found to be stronger for higher-level employees. Thus, one might expect the relationship to be more relevant for individuals in professional, supervisory, executive and managerial positions rather than for manual workers. In front office jobs that involve direct face-to-face interaction with customers and other visitors, satisfaction could influence the subtle forms of behavior of employees including their postures and gestures, which could alter their personal effectiveness.

The more valid conclusion emerging amidst management scientists is that productivity would lead to satisfaction than the other way round. Managers would get better results by directing their attention primarily to the question of what will help employees to become more productive. Successful job performance should then logically lead to feelings of accomplishment. The secondary outcomes would be in the forms of increased pay, perquisites, promotions and other automatic rewards which are desirable outcomes of working hard and smart, from a

job-holder's point of view. These feelings would then contribute towards satisfaction with the job.

Based on continuous field experience and experimentation, Edward Deming presented his fourteen principles for achieving quality and reliability. Some of the principles have a bearing on productivity as well. For example, Deming has urged managers to reduce fear throughout the organization by encouraging open, two-way, non-punitive communication. This was because the economic loss resulting from fear to ask questions or reporting trouble was appalling. Deming also appealed to manufacturers to help reduce waste by encouraging design, research, and sales people to learn more about the problems of production. Two sources of waste were identified by Deming namely system and local faults. He urged the managements to use statistical techniques to identify them and strive to constantly reduce wastes.

Deming called for the elimination of the use of goals and slogans to encourage productivity, unless training and management support is also provided. Close examination of the impact of work standards was recommended to ensure if they considered quality or helped anyone do a better job as they often act as an impediment to productivity improvement. Institution of rudimentary statistical training on a broad scale, institution of a vigorous program for retraining people in new skills, to keep up with changes in materials, methods, product designs and machinery were the other principles advocated by Edward Deming.

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## Lesson 15 - Employees' Morale And Motivation

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### Lesson Outline

- Morale and Motivation: Conceptual foundations on Causal and contributing factors
- Theories, Techniques, Significance and practices of Work Motivation
- Evolution of Quality of Work Life (QWL) and factors that determine QWL
- Meaning and types of Stress and management of Job Stress

### Learning Objectives

- To know the meaning, symptoms and classifications of stress and the stress management practices of organizations.
- To understand concepts such as burnout, Distress and Eustress associated with the study of stress.
- To learn about the multifarious factors that is likely to affect the Quality of Work Life (QWL) of employees of a firm.
- To trace out the significance of QWL movement in the context of Organization Development and effectiveness.
- To appreciate the challenges faced by Human Resource Managers in creating a system of satisfying working conditions in an organization.

### Morale

Employees' Morale in general refers to the atmosphere created by the attitudes of the members of an organization. According to the Oxford Dictionary, Morale is understood to be the mental and emotional attitude of a person or group with regard to aspects like confidence, optimism, enthusiasm and willingness. It depicts the degree of contentment with one's lot or situation. Morale can be drastically improved through morale-boosters like an event, occurrence, or saying which has the potential to change the attitudes of employees. The subject of morale has been

gaining the attention of industrial and organizational psychologists and management researchers for more than half a century, since the 1950s.

Morale and productivity are said to be positively correlated, especially combined with group cohesiveness, though the increase in productivity is not always proportionate to the extent of morale improvement. Morale could be built in many ways. A free, frank and fair approach to managing by employers pave way for good morale and organizational health. Employees watch closely to see whether profits are being pumped back into the organization as facilities, whether old equipments are being replaced with new ones, whether new jobs are getting added. All of these things are tangible and highly visible signs of a progressive company and hence they build and improve morale.

Signs of poor morale include sluggishness or tardiness, high levels of employee turnover, constantly complaining about trivial issues, arriving late and leaving early, or taking off without any satisfactory explanation, dragging out tea-breaks and mealtimes to get the maximum amount of time away from work, blaming colleagues, non-observance of instructions, being reluctant or un-cooperative when extra effort is needed, not measuring up to standards and neglecting to follow instructions.

Results of low morale among employees would include harping back to the past and mulling over failures, developing self-defeating attitudes, ignoring organizational communications, grudgingly accepting the situation, complaining constantly without being prepared to do anything about it, abdicating personal responsibility for performance-inadequacies of the organization and indicating that there could be no expectation of high standards within the organization.

### **Basic Assumptions about Motivation**

- ▶ First assumption is that motivation is commonly assumed to be a desirable phenomenon.
- ▶ Second, motivation is just one of the several factors that goes into a person's performance, the others being ability, authority, resources, and physical working conditions.

- ▶ Third, managers and researchers alike assume that motivation is in short supply and in need of periodic replenishment.
- ▶ Fourth, motivation is a tool with which managers can arrange job relationships in organizations.

Factors affecting employees' morale usually include the leadership, the co-workers, the nature of work, the work environment, the management body of the organization and the nature of supervisors. Morale building could be effectively achieved by planning and implementation of proper remuneration, perception of job security, job enrichment, organization structure, grievance handling, counseling and greater participation by employees in the management of their organization.

Signs of good morale are described by three words namely "staying, speaking and sweating" by the employees. Staying refers to remaining in the organization despite getting lucrative offers from outside. The word 'Speaking' is used here to mean talking positively about the organization to its stakeholders. Slogging involves putting the extra effort for the progress of the organization or bearing additional burdens for the benefit of the organization. High morale facilitates cooperation and enhances a sense of unity or "esprit-de-corps" among people working together. It could attract and retain competent employees. It creates favorable image and an inclusive atmosphere among an organization's stakeholders.

The interplay of mind and body of oneself and behavior of self and others would influence morale. Morale would suffer the most severe test of endurance in jobs in which the future remains unpredictable, or a job in which the co-workers are of unfriendly nature or when employees are holding grudges or feelings of resentment against each other. Morale could also be deteriorating if employees feel stifled or their voices suppressed and are unable to grow or when employees don't feel that they are getting consistent, unconditional, impartial and adequate recognition from their employer and supervisors.

### **Motivation**

Motivation is said to be a combination of all those inner tensions or the needs that we describe as hopes, wishes, desires, fears, and

intentions. Stephen P Robbins (1994) has defined motivation as the willingness to exert high levels of efforts towards organizational goals, conditioned by the effort and ability to satisfy some individual need. Motivation includes any inner state that activates and moves people. It invokes the urge or compulsion to do something. It is an inner process that begins with an awareness of a need or a sense of tension and proceeds through the satisfaction of that need or the dispersal of that tension to the awareness of another need or the sense of further tension and so on. Motivated employees could be in a state of tension, to relieve which, they exert effort. Motivation backs employees' abilities to bring about performance and this could be represented as the following formula:  $Performance = f(\text{ability} \times \text{motivation})$

Motivation according to Harold Koontz and Cyril O'Donnell (1982) is a general term applying to the entire class of drives, desires, needs, wishes, wants and other similar forces. According to the Encyclopedia of Management, the term 'Motivation' refers to the degree of readiness of an organism to pursue some designated goals and implies the determination of the nature and locus of forces including degree of readiness. Motivation is the result of the interaction between the individual and the situation. Individuals differ in their needs, attitudes and motivational drives, and hence efforts to improve their motivation should also be individualized.

### **De-motivation**

De-motivation is both insidious and debilitating. Disappearance of or reduction in motivation levels is called de-motivation. De-motivated employees would prove a costly liability to an organization. Being able to spot that people are not happy in what they are doing is a prerequisite for motivating them. Eliminating negative attitudes as well as understanding individual needs are the key components in the process of motivating people to work better. When jobs become too specialized or divided into narrow, minute tasks, boredom and frustration could begin. Such frustrations arise out of disappointment or irritation at being thwarted from one's goals or wants.

Inadequacies in the QWL factors could lead to further de-motivation. Delay in handling grievances expressed repeatedly would

take de-motivation to alarming levels and employees might begin to rebel strongly at this stage. Since all managers have to get the work done through others, motivating these significant others is the key to their effectiveness. Hypocrisy, lack of transparency, unfairness or discrimination, frequent changes in the environment, and substandard quality of products or services sold by an organization could be powerful de-motivators.

A strong de-motivating factor in manufacturing organizations involves complete compartmentalization of individual's work into watertight zones, makes the person treated like a piece of equipment or tool that performs only one job. Many a time one finds a total mismatch between the words and the actions of a supervisor or manager. In order to be soothing to the employee, assurances are given about something which cannot be carried out. Such hypocrisy and evilness noticed in the management is one of the strongest de-motivators. A typical hypocrisy would be observed in an organization that is inviting "feedback" with "openness" from the employees, but in fact, using it as a tool to identify the potential rebels in the workforce.

### **Meaning and Importance of Motivation**

The health of an organization depends largely on the motivational forces operating within its personnel. Motivation is concerned with why people choose to do one thing rather than another, at certain times than others and also with the amount of effort or intensity of action that people put into their activities. Motivation can be defined as the will to do, the urge to achieve goals and the drive to excel. Motivators are forces that increase job satisfaction and induce individuals to perform and are underpinned by the individual's values, beliefs, attitudes, needs and goals. Performance could be viewed as the result of the additive or even multiplying effect that motivation could have on a person's numerous capabilities. It is therefore natural, that maximum attention is paid at supervisory level to motivate their team members.

### **Needs and Motivation**

The behavior of an individual at a particular time is influenced by his or her needs. Need is a condition of lacking or requiring some



necessary thing, either physically or (now) psychologically; destitution, lack of the means of subsistence or of necessities, poverty. Need is an internal state that makes certain outcomes appear attractive. The strongest need is likely to have the greatest influence on employees' behavior. Motivation is said to relate to need in that a person with a particular need will be motivated to engage in behavior that will lead to the gratification or satisfaction of that need.

### **Types and Techniques of Motivation**

When an employee is motivated by the inherent nature of the work rather than what he would get out of doing it, the work is said to be intrinsically motivating the employee. Extrinsic motivation is based on the secondary outcomes of work like pay or reputation. When work is monotonous and drudgery producing, it is more likely to be done for outcomes like money, fame, power, etc., such factors in work are called extrinsic motivators. Motivation could be positive in the form of offering rewards or negative in the form of punishments and warnings. Techniques of motivation includes provision of financial and non-financial incentives, job enrichment, enhancement of employees' participation in decision making, praise and recognition, delegation and offering job security.

### **Theories and models of motivation**

Theories on work motivation may be broadly classified as the content and process theories based on their emphasis on "what" and "how" of motivation respectively. The content theories state what type of needs or factors motivate employees, while the process theories describe the internal thought processes in the employees that lead to motivation. Based on the period of their origin, the earlier theories are classified as Classical theories and the latter as modern theories.

### **Abraham Maslow's Hierarchy of Needs Theory**

According to this most commonly known classical theory popular since the mid-1950s, human needs can be arranged into five levels such as **basic or physiological needs** including food, water and air, **safety needs** such as a feeling of physical or economic security and freedom from

dangers, which might include housing and job tenure, **social needs** such as belongingness, love and affection, and **esteem needs** such as respect, recognition and reward. Maslow separated the five needs by grouping the first two into lower level and the remaining three into higher level. The differentiation between the two orders was made on the premise that higher-order needs are satisfied internally, whereas lower-order needs are predominantly satisfied externally.

The final stage of the hierarchy is the attainment of **self-actualization**, which implies achieving one's fullest potential (attaining a state of what one is capable of becoming) and self-fulfillment. Abraham Maslow surmised that until a person's more basic needs are fulfilled, he or she will not strive to meet higher order needs. As each need is substantially satisfied, the next need becomes dominant. The needs when translated into an organizational context would mean wages, job-security, recognition, confidence and pride of excellence.

### **Alderfer's Existence, Relatedness and Growth Theory**

Clayton Alderfer through his ERG theory, reformulated Maslow's theory by reducing the five level of needs into three namely Existence, Relatedness and Growth. Physiological and Security needs were combined under the label Existence, while love need was renamed relatedness and self-esteem and self-actualization correspond to the growth needs. While the ERG theory accepted the usual movement from lower order to higher order needs, it also emphasizes the possibility of more than one need arising at a given time. Secondly, it states that if a higher order need is not satisfied, an employee may regress into the pursuit of lower order need.

Alderfer suggested more of a continuum of needs than hierarchical levels of two factors of needs. Unlike Maslow and Herzberg, Alderfer did not contend that a lower level need has to be fulfilled before a higher-level need becomes motivating. According to the descriptions of the ERG theory, a person's family background, upbringing or cultural atmosphere may dictate that the relatedness needs will take primacy over unfulfilled survival needs. Thus, there could be persons with genius qualities starving. Similarly in some cases the more the growth needs are satisfied, the more they will increase in intensity.

## **Herzberg's Two Factor Theory**

Fredrick Herzberg and his associates' recommendations are familiar to almost all managers. They had concluded in their prescriptive two-factor theory, also known as the motivation-hygiene theory that satisfaction and dissatisfaction with jobs occur because of different set of factors. While dissatisfaction is caused if the hygiene factors such as pay, job security, relationships with superior and peers, status, happiness in personal life, cordial relationships with peers and subordinates and physical working conditions are not possible or available in an adequate measure, but their mere presence would not be sufficient to motivate a person. Motivation at work occurs if another set of factors like recognition, challenging tasks, opportunity to use one's talents and skills, demonstrate achievements, chances to learn and grow, are made possible or available to the employees. Herzberg's theory has contributed to much of the enthusiasm towards job enrichment.

## **Douglas McGregor's Theory X and Theory Y**

The theory is based on two distinct views on the nature of human beings. According to Douglas McGregor's Theory X and Theory Y, different strokes are meant to be given for different folks. The theories say that there are two main categories of workers namely the X type and the Y type. First type of assumption is that people are basically lazy, dislike work and wait to be told formally about what is to be done and would attempt to avoid it whenever possible. They would require external control, constant monitoring, continuous prodding or even punitive measures to do their work, according to Theory X. Because the theory believed that employees dislike work, it advocated that they must be coerced, controlled or threatened with dire consequences to achieve desired goals.

The other types of people like to work and produce results and are self-driven. In order to make them work well, theory Y advocates that the organization will have to merely create congenial conditions to work and provide them with the autonomy and respect they deserve. This is also referred to as the Carrot approach, a phrase arising from the metaphor of tying carrots before horses to make them run forward with desire, as against the opposite approach of using "stick" to cause

pain and make a horse run faster with fear. Theory Y believes that once given the right conditions, the rest would be taken care of by these incumbents. Theory Y views employees from a positive perspective and believes that employees can view work as bringing pleasure as natural as rest or play and that the average person could learn to accept or even seek responsibility.

### **Three-Need Theory – Salient Features**

- ▶ **This theory propounded by David McClelland** related motivation with the three types of needs namely Achievement, Power and Affiliation. People score differently in each of these needs. There are national differences in the importance given to one type of need. For instance, Indians usually have high need for affiliation while citizens of western nations are found to be high on the other two needs.
- ▶ The relationship between achievement need and job performance has been well-supported by research. McClelland found that high achievers differentiate themselves from others by their desire to do things better. High achievers are those who tend to dislike succeeding by chance. They prefer the challenge of working at a problem and accepting the personal responsibility for success or failure, rather than leaving the outcome to chance or action of others. They perform best when they perceive that their probability of success as being 0.5, that is, when they estimate that they have a fifty-fifty chance of success. They dislike gambling when the odds are high because they get no achievement satisfaction from happenstance success. Similarly they dislike low odds which have high probability of success, because there would be no challenge to their skills.
- ▶ Individuals of the second type, namely those with high need for power enjoy being “in-charge” and striving for influence over others. They tend to prefer to be competitive in status-oriented situations. Need for power may be further divided into institutional powers and personal powers. People seeking personal power like to inspire subordinates and expect the latter to respect than obey them. Other managers seeking institutional power tend to use authority, regulations and other such formal mechanisms and get

things done in the interests of the organization.

- ▶ Affiliation, the third need identified by McClelland is the desire to be liked and accepted by others. Individuals with high need for affiliation would constantly tend to strive for friendships, prefer cooperative situations rather than competitive ones and desire relationships involving a high degree of mutual sensitivity, understanding and appreciation.

### **Vroom's Expectancy Theory**

This is a process theory of motivation that helps managers to appreciate the complexities of motivation. Victor Vroom (1964) made an important contribution to managers' understanding of motivation through his Expectancy Theory, which is an alternative to the content theories. According to Vroom's theory, individuals' effort is based on their perceptions of certain factors in the work environment. They are termed as Expectancy, Instrumentality and Valence. The strength of the motivation to perform a certain act will depend on the combination of the three factors.

Valence means attraction or repulsion of an outcome to an individual. In order for the valence to be positive, the person must prefer attaining the outcome to not attaining it. A valence of zero occurs when the individual is indifferent towards the outcome. The valence is negative when the individual prefers not attaining the outcome to attaining it. Expectancy is the expected relationship between effort and successful performance. It is the probability that a particular action or effort will lead to a particular first level outcome, such as production or quality. Instrumentality is the performance-reward linkage. It is the degree to which a first-level outcome will lead to a desired second-level outcome such as money, recognition, job security or career growth.

### **Adam's Equity Theory**

Stacy Adam's (1963) advocated Equity theory states that employees should be perceived as fair in comparison with various factors. Adams explained inequity as an injustice perceived by a person when he compares the ratio of his outcomes in the form of rewards to his inputs

in the form of efforts, with the ratio of the inputs and outputs of another comparable person and finds that it is to his disadvantage and that they are being under-rewarded or over-rewarded. For example, when people of same educational qualifications, age-group, experience-levels and levels of intelligence quotient are placed, the first to be employed might be placed in the regular cadre, while the subsequent appointed persons could be placed in a contractual mode of appointment. Such practices can bring forth feelings of inequity and de-motivation among the latter.

The *referent* with which employees choose to compare themselves is an important variable in equity theory. The three referent categories have been classified as “other,” “system,” and “self.” The “other” category includes other individuals with similar jobs in the same organization and also includes friends, neighbors, or professional associates. On the basis of information they receive through word of mouth, newspapers and magazine articles on issues such as executive salaries or a recent union contract, employees compare their pay with that of others.

The “system” category considers organizational pay policies and procedures and the administration of this system. It considers organization-wide pay policies, both implied and explicit. Precedents by the organization on matters of allocation of pay are major determinants in this category. The “self” category refers to inputs-outcomes ratios that are unique to the individual. It might reflect past personal experiences or other occupations presently held. The choice of a particular set of referents is related to the information available about referents as well as to their perceived relevance.

On the basis of the nuances of equity theory, when employees perceive any significant inequity in their working conditions or pay, they might follow any one or more of the following options:

- a. Distort either their own or others’ inputs or outcomes;
- b. Behave in some way to induce others to change their inputs or outputs;
- c. Behave in some way to change their own inputs or outcomes
- d. Choose a different comparison referent and /or
- e. Give up and quit their jobs.

## Goal setting theory of motivation

This theory proposes that an individual's purpose directs his actions. In other words, intention to work toward a goal is a major source of motivation. According to the advocates of this theory, specific goals would be increasing performance and difficult goals, when accepted, would be resulting in higher performance than easy goals. Reinforcement theory on the other hand, states that behavior is a function of its consequences and explains as follows: Any consequence immediately following an action increases the probability that the action would be repeated by the individual. Thus, this theory might be described as a counterpoint to goal setting theory.

## Motivation Potential of a Job – A model

Oldham and Hackman (1975) devised a formula for identifying five factors collectively referred to as the Core Job Dimensions or characteristics. They developed a mathematical index describing the degree to which a job is designed so as to motivate people, as suggested by the jobs characteristics model. It is computed based on employees' responses to a questionnaire called by the two social scientists as the Job Diagnostic Survey (JDS).

The dimensions are as follows

- ▶ **Skill Variety:** This dimension of job denotes the extent to which any particular job permits and utilizes a range of skills, abilities and talents of the employees. If a job does not permit the use of variety of skills, then this aspect of motivation could be compensated at the personal or social lives of the employees or in any other part time employment undertaken by a person.
- ▶ **Task Significance:** This refers to the importance of the impact that a job has on the lives and prosperity of others, both inside and outside the organization. For example, a typist habituated to making typing errors, gave an error-free output on the day when he was told the importance of the document he was going to type.
- ▶ **Task Identity:** It indicates the extent to which the job involves a "whole" and identifiable piece of work. According to this aspect,

an employee needs to know the whole picture of which he is an inherent component part.

- ▶ **Autonomy:** This reflects the extent to which the job provides an employee the freedom, independence and discretion to schedule work and make decisions and formulate procedures to get the job done without interference from others.
- ▶ **Feedback (Knowledge of Results):** The extent to which a person gets pointers to success through opinions secured from others as reaction to one's performance. It might also indicate the extent to which the persons who are working on the job can assess on their own, whether they are doing things right or wrong even as they are performing.

Based on the five dimensions, a formula for motivation potential of a job is arrived at as follows: "Motivation Potential Score (MPS) =  $(1/3) \times (\text{Skill Variety} + \text{Task Significance} + \text{Task Identity}) \times (\text{Autonomy} \times \text{Feedback})$ ". It may be seen from the above formula that Autonomy and Feedback are two dimensions, which have a multiplier effect on motivation, and hence a greater significance than the other three factors. If one of the two factors is absent in a job, it will have no motivating potential at all, whereas if the skill variety is less or task significance is less, motivation potential of the job could be enhanced by improving the other components to a considerable extent.

### **Porter and Lawler Model of Performance Satisfaction**

The model explained by Porter and Lawler is a comprehensive description of motivation. They have viewed motivation, satisfaction and performance as separate variables relating in different ways. According to the model, effort, which is the force of motivation, does not directly lead to performance but is mediated by abilities, traits and role perceptions, followed by rewards and their perceptions. There are four variables in the model namely, effort, performance, rewards and satisfaction.

Effort means the energy exerted by an individual employee for performing a given task. The effort depends on the value of reward and perceived probability of effort-reward linkage. Efforts mediated by traits and abilities and role perception lead to performance. Performance refers



to the results measured objectively. It depends on the effort put up by the individual. Rewards are obtained through performance and satisfaction is derived. Rewards may be extrinsic, that is in the form of a secondary derivative of work, or they could be intrinsic, which are inherent in the job itself. Satisfaction is the internal state of being contented depending on the rewards received.

### **Work-Related Stress and Management of Stress**

Stress is a particular relationship between the person and the environment, which is appraised by the person as positively challenging or negatively taxing or exceeding his or her resources and endangering his or her well-being. Stress is described as a dynamic condition in which an individual is confronted with an opportunity, constraint or demand related to what he or she desires, for which the outcome is perceived simultaneously to be both uncertain and important. For example, employees might be stressed when performance review is taking place, during which a person is unsure of the nature of the ratings he or she would receive. At the same time, the person is fully aware that while a good review might lead to tremendous improvement in pay and positions, a mediocre or poor rating could lead to being removed from the job. Though the stress might be work-related, they might have been caused by personal factors, or job-related factors.

Different types of Stress affects people's work lives. Not all stress would be termed as bad and therefore, the goal of stress management is not to entirely eliminate stress from people's lives. Stress can have positive effects. Positive stress or Eustress can help people to respond quickly and with adequate force in times of emergencies such as avoiding an automobile collision, moving away from flying objects, fighting a fire etc. Positive stress is useful in speeding up the pace of work to meet deadlines. It helps one to push one's limits to improve performance rapidly and to realize one's fullest potential over a period of years in career.

Neu-stress is a type of stress that is neither helpful nor harmful to the persons who are stressed. Stress could be sometimes anticipatory in which arousal is stimulated by an expected stressor. This is often caused by inadequate preparation or pessimism. Current stress is arousal that

takes place during an experience. Stress could also be residual at times, in which the arousal continues to remain even long after the stressful event has passed. Inability to overcome the trauma of an event is the cause of residual stress. Lack of support during and first aid immediately after stressors could be the causes of residual effects on people.

### **Symptoms of negative stress**

Stress might manifest itself in a number of ways. The symptoms may be physiological, psychological and behavioral. For example, stress could create changes in metabolism, increase heart and breathing rates, increase blood pressure, bring on headache, tighten shoulders, stuttering in speech, creation of trembling all over the body, backache and arthritis, induce heart attacks or reduce appetite in a person. Alternatively, an employee who is experiencing a high level of stress may have psychological impact and as a result might become depressed, compulsive in action, irritable, confused, bored, accident-prone, startled, argumentative, distracted, procrastination-prone or indecisive. Behaviorally related symptoms of stress include changes in productivity, absence, turnover, increased smoking or consumption of alcohol, fidgeting and sleep disorders.

Stress contributes to illness at least in four ways:

- ▶ By imposing long-term wear and tear on the body and mind, thereby reducing resistance to disease.
- ▶ By directly precipitating an illness such as tension headache or heart attack.
- ▶ By aggravating an existing illness such as increased arthritic pain or flare up of psoriasis.
- ▶ By precipitating unhealthy or illness-generating coping habits like smoking, alcohol abuse, over-eating and sleep deprivation.

### **Concern over stress in Organizations**

Stress has been taking the toll of a sizeable segment of valuable human resources in organizations every year. Health authorities estimate that stress plays a role in at least 50% of all forms of physical illness. A Gallup poll as early as 1994 reported that 71% of the respondents viewed

their jobs as the most frequent cause of negative stress. Effects of stress include some of the most serious and life-threatening ailments known in the field of medicine. Therefore, organizations have begun concerted efforts to enable employees to effectively handle the inevitable stress.

Stress management programs are systematic efforts by organizations designed to help employees reduce harmful stress. These programs include extensive in-house as well as external training concentrating on techniques of busting stress like transcendental and other forms of meditation, deep breathing, self-relaxation, physical exercises, developing positive attitudes, anger management, time management and lifestyle modification. Some organizations rely on help from their comprehensive Employee Assistance Programs (EAP) and counselors in meeting various psychosocial problems of their employees like drug and alcohol abuse, sickness and disability, indebtedness and family breakdowns.

People vary in their relation with stress. One style of relating is being stress-seekers who thrive on challenge, risk and sensation. Stress-avoiders thrive on security, familiarity and avoiding challenges and risk. Distress seekers thrive on misery, illness, crises and martyrdom. Distress avoidance is a style of thriving on health, contentment, involvement. Distress-provokers thrive intentionally or unintentionally on creating misery, disharmony, illness or upsetting others. Distress reducers tend to thrive on doing everything possible to promote growth in those whose lives they touch.

According to Schafer (2004), good managers of individual stress tend to practice the following habits in their lives:

1. Anticipate, monitor and regulate stressors as far as possible.
2. Become aware of and control their interpretation of stressors
3. Believe that they can influence events and their own reactions to those events.
4. Practice daily deep relaxation to balance positive and negative stress
5. Use mental and physical on-the-spot tension reducers to control arousal

6. Maintain positive health buffers such as daily exercise, good eating habits, adequate sleep and healthy pleasures to build stress resistance and prevent stress build-up
7. Recognize early warning signs of mental and physical distress.
8. Develop means of mobilizing and controlling stress in performance situations.

Tranquility and serenity are rare in human existence. However, some jobs like that of office managers, sales persons, drivers and security officers do expose the people who hold them to high levels of stress than others like the jobs of college professor, trainers or copy writers . Similarly some industries like telecommunications, financial services and fast moving consumer goods (FMCG) are rated to be the most stressful industries. Some individuals with aggressive, ambitious personality types are more prone to stress than other types who are patient, tolerant and calm.

In terms of organizational factors, any attempt to lower stress would have to begin with employee selection, during which care has to be taken to ensure that an employee's abilities match the requirements of the job. Subsequently, improved organizational communications will keep ambiguity-induced stress to a minimum. Similarly a performance planning program such as Management by objectives will clarify job responsibilities, provide clear performance objectives and thus reduce anxiety. If stress can be traced directly to boredom or work overload, jobs should be redesigned to increase challenge or reduce the work load. Redesigns that increase opportunities for employees to participate in decisions and to gain social support have also been found to lessen the burdens arising out of stress.

### **Stages of Reaction to Stressors**

Stages of coping refer to primary appraisal and secondary appraisal. Primary appraisal involves the determination, based on one's knowledge of the stressor, whether we are potentially threatened or are in jeopardy. Assessment of resources for dealing with the stressors is called secondary appraisal. Hans Selye is considered the father of Stress Management Studies. He specified the General Adaptation Syndrome

(GAS) to depict the stages undergone by people facing stressful situations. GAS comprises of three phases, the first being alarm, a state of heightened alertness and bodily arousal, followed by Resistance, a stage of putting up with and opposing the stress-causing force. The third phase would be one of exhaustion, when the person begins to give up the struggle against the stressor and submits meekly to the reality.

Major sources of organizational stress include confusing directions and conflicting demands from two or more people. The other sources are too much work or too little work, career insecurity and lack of opportunities, irritating habits of co-workers, conflict of work with responsibilities of personal lives, impersonal and dehumanizing effect of use of high technology, extreme conflicts and so on. Stress in modern organizations occurs due to the demands of meeting targets and deadlines at work. For many employees, change creates stress. A dynamic environment characterized by takeovers, mergers, restructurings, forced retirements and mass retrenchments has created a large number of employees who are stressed out.

For example, General Electric, under the leadership and guidance of its CEO Jack Welch introduced the formula called 20:70:10 wherein the whole workforce was divided into three categories namely the top 20% of best performers, the middle 70% of average performers and the bottom 10% of poor performers. While the first two groups were rewarded in two different ways, people in the third group were earmarked for summary dismissal. As a consequence, employees wanting to save their jobs at each year were supposed to have performed not only better than last years and better than the targets, but also better than at least 10% of the people. Since the process of eliminating continued every year, the performance standards kept rising each year for all the employees. This resulted in a highly stressful working situation for employees of the organization, quite a few among them succumbed to stress related disorders.

Quelling negative stress and maintaining functional stress, involves eliminating or modifying the sources of stress, developing optimism and hope, taking good care of one's body, using relaxation techniques, talking out of one's problems with others, rewarding oneself for a job done well and leading a complete, satisfying personal and social life. Job stress stems from any situation in the workplace which a

person perceives to be fearful. Office politics is a fear-producing factor to many employees. To defend oneself against highly stress producing, devious and unethical office politics, an employee must take steps like documenting one's side of the story, confronting the devious persons and maintaining a consistent record of high levels of integrity and good performance outcomes. Employers must provide support and nurturing and also strive to create an environment that is planned, efficient and orderly. Communication to employees should be timely, accurate and appropriate.

Stress could be sometimes anticipatory in which an arousal is stimulated by an expected stressor. This is often caused by inadequate preparation or pessimistic feelings by the victims of stress. Current stress is arousal that takes place during an experience. Stress could also be residual at times, in which the arousal continues to remain even long after the stressful event has passed. Inability to overcome the trauma of an event is the cause of residual stress. Lack of support during and first aid immediately after stressors could be the causes of residual effects on people. Stress could be reactive to specific situations or endogenous or in born in certain people who are more vulnerable to stressors.

Handling persons with high levels of stress is a challenge for every Human Resource professional. Over the years, management practitioners have evolved the following formula for handling persons with stress:

- ▶ Being attentive and use effective listening as a step towards building rapport with the person who expresses symptoms of stress.
- ▶ Allow the affected person time to ventilate his or her feelings freely.
- ▶ Acknowledge even small degree of truth in what the person is saying.
- ▶ Demonstrate your understanding and empathy towards the victims.
- ▶ Encourage their participation in caring, supportive relationships
- ▶ Help the people to interpret difficulty and change as a positive challenge or opportunity rather than a life-threatening tragedy.

- ▶ Build confidence in their abilities to master difficulties and challenges that might come along.
- ▶ Strengthen their beliefs in universal and everlasting values and ideals.
- ▶ Re-create their perception of being in control by making them realize their ability to influence the events around them and / or their reactions to them.
- ▶ Enable them to respond constructively and objectively to their life's events.
- ▶ Help persons with stress to generate innovative and situation-specific solutions to difficulties and dilemmas.

Rational thinking, realistic self-talk, re-examining assumptions and beliefs being held for a long time, praying, solitude and contemplation, being in nature, reading and writing, hypnosis, bio feedback and auto suggestion, music, yoga, hydrotherapy, massage and humor are some of the need-based stress management strategies advocated by organizers of workplace wellness programs all over the world, to recuperate employees from their anxiety producing work situations. Engaging in voluntary, intrinsically satisfying and socially sanctioned leisure experiences and recreational activities during one's free time is found to be a sound antidote to stress, as it rejuvenates a person and compensates for the energies lost at work. Whatever be the nature of the programs conducted to help people against stress, they are aimed at goals like low illness risk, maximizing energy for daily living, enjoyment of daily lives, continuous development of one's abilities and commitment and responsibility towards the common good.

### **Quality of Work Life (QWL)**

QWL refers to a favourable work situation which emphasizes on the strengthening of relationship, sensitivity, comforts and concern for one another among employees of an organization. QWL is defined as a process of work organizations which enables its members at all levels to actively participate in shaping the organization, its environments, methods and outcomes. Enhanced effectiveness of organization is assessed in terms of greater financial strength of an organization,

the strength of its internal systems and the satisfaction of its various stakeholders. QWL and organizational effectiveness are considered to be twin goals of an organization.

**Evolution of QWL:** Studies related to QWL started in the 1950's and evolved through different stages. Eric Trist and his collaborators from Tavistok Institute, London is pointed as the precursors to research on Quality of Working Life. In that decade, they had initiated a series of studies that gave origin to a social-technique approach related to work organization. There was a concern with worker satisfaction and welfare. However, only in the 1960's the movement was developed. There was a consciousness about the importance of trying better ways to organize the work, with the objective of minimizing negative effects of jobs over the worker. The first movement phase was extended until 1974 – in the USA - when there was an interest fall by QWL in function of economic questions - energy crisis and increasing inflation. The survival needs of companies made employees' interests move away from QWL.

After 1979 the concern with QWL resurged mainly because of the loss of American industries' competitiveness before their Japanese competitors. This loss of competitiveness led to the inquiry of the management styles practiced in other countries and to relate the programs of productivity to the efforts with the improvement of the QWL. The term QWL contemplates aspects analyzed previously as motivation, satisfaction, work conditions, styles of leadership, amongst others. Related to these aspects, the stack of factors that constitute in positive and negatives points of the work is ample. There are concepts diversifications about QWL. Reviewing a conceptual panorama over QWL, it is found to refer to the favourableness or otherwise of a job environment for people. The basic purpose is to develop jobs that are excellent for people as well as for production. QWL is a process by which an organization attempts to unlock the creative potential of its people by involving them in decisions affecting their work and personal lives.

Analyzing the conceptualizations of the main authors who investigated the theme, it is possible to identify three main groups that had developed common basic points in its statements of QWL. The common conceptions were:



1. Emphasis on well-being and worker satisfaction, concomitant with the concern with the productivity increase, effectiveness and the organizational effectiveness
2. Valuation of workers' participation in decision making process, at work and questions related to the reformulation of positions
3. Emphasis on humanist perspective to think on the people, their work and the organization.

QWL is also referred to as an important Organization Development (OD) intervention technique to be used along with other techniques like team building, process consultation and role analysis technique. QWL as an OD technique is designed to improve organizational functioning by helping to humanizing the workplace, making it more democratic and involving employees in making decisions affecting them. The conditions that contribute to motivation such as equitable salaries, activities such as job enrichment and job rotation would also contribute QWL. Thus, QWL clearly exhibits features that have also been associated with the very basic objectives of Human Resources Management, Employee Relations and Labour Welfare.

Jurisdiction of QWL initiatives includes task-related issues, management-employee communication, team working, work restructuring, redesigning of compensation and benefits, and workers' active participation in management. The underlying importance of QWL of human capital, lies in the fact that most people who work for a living are spending a significant amount of their waking hours at the workplace executing the requirements, duties and functions of their job and that their satisfactions and dissatisfactions at workplace are carried over to home as well. By improving the QWL, the workers feel better about themselves when they are working in a plant.

In the middle phases of the QWL debate in the 1970s, the idea was put forth that greater individual control over work, through genuine participatory decision making, would have positive outcomes for employees and employers alike. By the early 1980s, such advocates of worker involvement and labor-management cooperation identified increased participation with workplace empowerment. In the past, management assumed an attitude of passivity when solving their

subordinates' problems. But when employees are encouraged to solve their own problems using the managers as resources, a sea change is certainly at hand. On the employee side, the act of taking on power and responsibility is equally momentous”

QWL is a term that has been used liberally over the years, to describe everything from flexi time to self-directed work teams. QWL is designed in many organizations to be joint union-management programs to improve organizational effectiveness and productivity as well as working conditions. A network of labour-management committees, ably led by a steering committee, usually guides these efforts. QWL programs in these firms are wider in scope than Quality Circles and they often involve redesigning or “broad-banding” jobs and/or changing the work processes. The aim of the programs is workplace wellness among employees, organizational health and stability, and high performance work organizations.

Introduction of the principles of QWL in many organizations have resulted in efforts towards humanizing the workplace by improving the cleanliness of the environment, betterment of lighting, temperature, ventilation, control of noise and dust and the use of the knowledge of ergonomics in designing tools, machines and furniture used during work. In effect, QWL resulted in the prevention, control and alleviation of occupational diseases, accidents, grievances, unrest and mal-adaptive behavior of workers which included alcohol and substance abuse, sexual promiscuity, gambling, indebtedness and various forms of criminal behavior.

QWL initiatives may also be linked with collective bargaining issues and thus provide for the involvement of employee unions in its steps. In many cases, QWL initiatives have met with considerable opposition from workers and their unions because of the perception that QWL is a means of marginalizing the union's role with its emphasis on individual motivation, problem solving and informal systems of participation. This is contrast to the traditional focus of industrial relations on the management of effort-reward bargain through formal rules and written down promises to provide better living and working conditions.

QWL is determined by the presence of the following features that represent the principles of security, equity, individualization, cohesiveness and democratic participation by employees in their organization's management. QWL might mean different elements to people of different age groups, occupations, regions, cultures, nationalities, genders, educational qualifications and income levels, in organizations. Therefore different people might consider one or more of the following conditions to be more important than the others, in determining QWL of human resources:

- ▶ **Adequate and fair compensation:** Wages, Salaries, incentives, bonus, social security and perquisites should be designed in such a manner to be adequate for all the employees to meet the needs of socially determined standards of living and in order to ensure a just balance between effort and rewards.
- ▶ **Safe and healthy working conditions:** Including hours of work and rest pauses, freedom from occupational hazards, accidents, negative stress, life-threatening conditions and other factors detrimental to the well-being of employees
- ▶ **Opportunities at the workplace to use different capacities:** Using one's creativity and innovation, use of multiple skills and talents, encouragement to pursue education and professional development.
- ▶ **Opportunities to learn, to grow and feel secured at the jobs:** Possibilities of self-improvement and career advancement, provision of autonomy, appreciation of efforts and results, knowledge of the whole tasks and inclusion in decision making stages of the work process concerning the whole organization.
- ▶ **Social integration in terms of a community:** This comprises of interpersonal openness and egalitarianism; Feeling the warmth of companionship, mutual respect, tolerance and camaraderie and being united; Being free from prejudices on the ground of gender, language, nationality or economic class.
- ▶ **Rule of Law at work place:** Principles of natural justice and equity, equality, safeguards to personal freedom and reasonable protection from violations of rights and respect of privacy with regard to an employees' off-the-job behavior.

- ▶ **Work - Life Balance:** This aspect includes consideration for employees' personal and family life, resulting in the upholding of reasonable restrictions upon schedule of work hours and travel requirements, overtime requirements, leisure and recreation, savings for the future, practicing one's faith etc.
- ▶ **Social Relevance of work:** Work should be recognized for its contributions to the well being of the society. Employees do not like to be mere cogs within wheels and be paper-pushers. They are inspired by a sense of mission inherent in their work.

QWL is not based on a particular theory and it does not advocate any particular technique for application. Instead, QWL is more concerned with the overall climate of work, the impact of work on people as well as organizational effectiveness. It is based upon the idea of Quality of life, which is a culture attribute that reflects the emphasis placed upon relationship and concern for others. An organization could be considered effective only if the QWL features are satisfactory according to the employees. The more an enterprise is committed to the assurance of QWL, the more it will encourage open competition among all candidates for management positions, so that managers with adequate abilities alone would be placed in any position.

QWL is sometimes equated to the socio-technical approach to job design, aimed at harmonizing the personal, social and technological functioning of employees. This formula of QWL has emerged to become an internationally renowned effort to bring about increased labour management co-operation to jointly solve the problem of improving organizational performance and 'motivation and satisfaction' of employees. There are many other approaches to QWL such as self-management teams, leadership, communication, organizational design, organizational change & development and organizational culture.

The basic tenets of QWL are universally applicable. However, customizing QWL for a pluralistic organizational set up would require addressing to local situations and cultural conditions. Thus, adapting QWL to organizational level would be the first step towards

enhancing the usefulness of the process. Integrating QWL with other OD interventions and using them in combination, would heighten the outcomes, besides sustaining the benefits over a longer period of time. Subjecting the QWL practices to periodic documentation and a stringent monitoring and auditing process would help in bringing about a rigor and seriousness in their implementation.

### **Summary**

Compensation is the underlying goal of paid employment. Every employee works for pay and strives to maximize his earnings. Compensation is directly linked to productivity, motivation and morale. Human Resource Development and Productivity are complementary to each other. Motivation, the process of stimulating people through the possibility of gain or reward, to take desired course of action in the interests of the organization applies to the entire class of drives, desires, needs, wishes and similar forces. Motivation is enhanced by a fair and decent compensation, accompanied by any of the proven incentive systems. A blend of motivation and competence in a system of high standards of quality of work lives, would serve to help to achieve constant productivity augmentation and prevention of dysfunctional stress and promotion of overall organizational effectiveness.

### **Self Assessment Questions**

1. Device a plan to improve work motivation of the staff of a private company in the service sector, in the light of various theories of motivation.
2. Explain the most common influences on fixation of wages and salaries in the present context.
3. Comment on the recent trend in organizations to minimize the fixed component of salaries and hike the percentage of variable incentives based on performance.
4. Examine the present day relevance and significance of Employee compensation practices.
5. Critically review the status of implementation of employee safety measures in factories involving high levels of accident proneness.

6. Suggest suitable measures to be carried out in your organization, to enhance the Core Job Characteristics outlined by Oldham and Hackman.
7. Explain the essential contents of a Compensation Policy and their effects on attracting and retaining competent and committed employees.
8. Enumerate the merits and demerits of different methods used for Job Evaluation
9. What is Productivity? What are the gains of high productivity? Suggest a plan for a manufacturing organization to improve their productivity.
10. Describe the nature, causal factors and the manifestations of employee Morale.
11. Define Stress. List out and explain the phases of reactions to Stress.
12. What are the causes, symptoms, types and consequences of job linked stress?
13. List out and outline the various stress management initiatives that could be carried out by an organization.
14. “Striving to maintain high levels of Quality of Work Life (QWL) standards would be akin to effective management of Human Resources” – Comment.
15. Device a checklist of essential features to re-engineer human resource practices in an organization known to you, in accordance with the benchmarks from organizations world-wide pertaining to motivation, quality of work life, productivity improvement and compensation.

## Case Study

### Equity in Pay and Humane Considerations

SRS Ltd. is an establishment with 1000 employees in the first shift between 8-16 hours. One day there was a heavy downpour and water submerged vast areas. Train and bus services were disrupted in almost all localities. A few timekeepers managed to record attendance. It was found that nearly 30% of employees attended on time, 20% were two hours late, 30 % attended up to four hours late and the rest did not attend. It was found that different groups have participated in different periods of work on that day. If late-coming is condoned, then those who had been working might have to be paid extra for shouldering greater responsibilities during the early hours in order to be fair to this group of people. The question in the minds of the Personnel Manager was how to be equitable to all during that day when neither the management nor the employees could be blamed for the happenings. Equal-pay-for-equal work is the norm that contradicted with the condoning of late coming due to extraneous factors.

### Questions

1. How can this issue be sorted out in such a manner as to create satisfaction to all the stake holders?
2. What should be done to prevent such predicaments during any similar situations in the future?

### Glossary

1. **Job Evaluation:** It is an integral part of a compensation system in which a company determines the relative value of one job in relation to another.
2. **Compensation:** Remuneration paid by employers to employees in exchange of physical, emotional or intellectual labour.
3. **QWL:** The extent to which employees are able to satisfy important needs through their experiences in the organization.
4. **Productivity:** It is the overall ratio of outputs of all goods and

services produced to the inputs needed to generate that output, taking into account both the quantity and quality.

5. **Motivation:** The set of processes that arouse, direct and maintain human behavior toward attaining some goal.
6. **Employee Morale:** A mixture of feelings, attitudes and sentiments that contribute to a general feeling of satisfaction.
7. **Job Stress:** The body's response to any **job-related factor** that threatens to disturb the body's equilibrium.
8. **Stress:** It is the response of the body and mind, to demands posed by environmental situations.
9. **Eustress:** Positive connotation of stress, when it is at optimum levels that would facilitate and boost an individual's performance.
10. **Distress:** Negative stress that lowers the effectiveness of functioning of a person.
11. **Burnout:** A debilitating condition of physical, emotional and mental exhaustion and cynicism that occur due to prolonged exposure to stress.
12. **Hardiness:** A combination of traits that assists individuals in resisting the harmful effects of stress. These traits may include commitment to work, a sense of personal control and the ability to view crisis as a challenge rather than as a threat.
13. **Referents:** The persons, systems or life-experiences against which individuals tend to compare themselves to assess the degree of equity in their work-output equations.
14. **Compensation Cafeteria:** A scheme of compensation wherein employees are allowed to choose their fringe benefits from a menu of available alternatives, as it is done in a cafeteria.
15. **Comparable worth:** The belief that employees performing jobs with different titles, but of equivalent value to the firm, should receive equal pay.

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## UNIT -V

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### Lesson 16 - Industrial Relations

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#### Meaning and Definition

Industrial relations are concerned with the relationship between management and workers and the role of the regulatory mechanism in resolving any industrial dispute. A formal definition is “concerned with the systems, rules, procedures used by unions and employers to determine the reward for effort and other conditions of employment, to protect the interest of the employee and their employers, and to regulate the ways in which employers treat their employees”.

The International Labour Organization (ILO) stated that “industrial relations deal with either the relationships between the state and employers’ and workers’ organizations or the relations between the occupational organizations themselves”.

The concept of industrial relations has been extended to denote the relations of the state with employers, workers and their organizations. The subject, therefore, includes individual relations and joint consultation between employers and work people at their work place; collective relations between employers and their organizations and trade unions and the part played by the state in regulating these relations.

From the various definitions given above, we understand that:

- ▶ Industrial relations is an outcome of employer-employee relationship in an organization
- ▶ Industrial relations facilitates harmonious relationships in an organization by setting a framework for the management and the employees
- ▶ Industrial relations is based on mutual compromise and adjustment, for the benefit of both the parties involved

- The state and the legal system also have a role to play in the maintenance of a conflict- free industrial environment
- The different parties in the system with a well-defined role are the management, the employees and the unions.

### **Concept**

- Industrial relations are that aspect of management, which deals with the manpower of the enterprise – whether machine operator, skilled worker or manager.
- Cordial and peaceful industrial relations between the employees and the employer are highly essential for increasing productivity and the economic growth of the country. Through good industrial relations only, the enterprise can move towards the welfare of the employees and the management of the concern.
- Industrial relationships is the compromise result of the attitudes and approaches of the employees towards each other with regard to the planning, supervision, direction and co-ordination of the activities of an organization with a minimum of human effort and friction, with an animating spirit of co-operation and with proper regard for the genuine well-being of all members of the organization.
- The term Industrial relations has been looked upon and worded differently by different pioneers of the field.

However, with the industrial developments after World War II, the term industrial relations has been widened in its meaning and now it implies –employers- employees – unions and government relationship in industry.

### **Objectives**

The objectives of industrial relations are:

- To safeguard the interests of the labour and the management by preventing one of the players from getting a strong hold over the other;

- ▶ To develop and secure mutual understanding and good relationship among all the players in the industrial set-up.
- ▶ To maintain industrial peace and harmony by preventing industrial conflicts
- ▶ To improve the standard of living of the average worker by providing basic and standard amenities.
- ▶ To increase productivity by minimizing industrial conflicts and maintaining harmonious industrial relations.
- ▶ To ensure discipline in the organization and in the industry.
- ▶ To provide a basic framework for the management and the employee to resolve their differences.
- ▶ To improve the bargaining capacity of the workers through trade unions.

### **Importance**

- ▶ IR is a key for increased productivity in industrial establishments
- ▶ IR has moral dimensions, too. It is unethical on the part of any management to take advantage of the helplessness of workers and exploit them. IR assumes relevance in this context. One of its objectives is to protect workers interest and to improve their economic conditions.
- ▶ IR seeks to protect the rights of managers too. Where a worker's behavior deviates from expected lines, it is the management's prerogative to take action.
- ▶ There is a set procedure for handling any act of indiscipline or indiscretion on the part of an employee and if the management satisfies the procedure, it is justified in taking action
- ▶ IR emphasis the need to keep labour in check by floating stooge unions, buying up union leaders, and striking clandestine deals with powerful politicians do no good to managers or to the organizations they represent.

## **Approaches to Industrial Relations**

Though there are different approaches to industrial relations, the basics of management of good relations remain the same across all the approaches. These different approaches help in viewing industrial relations from different perspectives. The different approaches to industrial relations are:

- ▶ Psychological approach
- ▶ Sociological approach
- ▶ Human relations approach
- ▶ Socio-ethical approach
- ▶ Gandhian approach
- ▶ Systems approach

### **Psychological Approach**

According to this approach, most of the problems in industrial relations arise because of the differing perceptions and attitude of the management and the workers. The perception of both parties (workers and managers) regarding a particular aspect varies and as a result, some minute issues aggravate into major problems. The different personalities and strained inter-group and interpersonal relationships add fuel to the fire and increase the disharmony in the system.

### **Sociological Approach**

This approach considers the industry as a social system. The work behavior of individuals is closely influenced by social factors that impact an individual's life in society. These differences among individuals, a result of their social upbringing and association, create conflict and competition among the members of an industrial society.

### **Human Relations Approach**

This approach holds that the handling of human resources is different from handling material, physical or financial resources. It lays emphasis on the human aspect and the way human feelings influence the work relations and behaviour of employees in the organization.

## **Socio-Ethical Approach**

This approach states that industrial relations apart from having sociological ramifications, also has an ethical base. Hence the workers and the management should work in mutual cooperation and realize their moral responsibility towards the organizational objectives. Understanding each other's problems and constraints can help in resolving conflicts peacefully.

## **Gandhian Approach**

According to this approach, industrial problems should be solved peacefully using non-violent methods. In the same way, problems in the industry should be solved through satyagrahas and non-violence rather than resorting to violent deeds and crimes.

## **Systems Approach**

The basic elements of the system approach are the participants, environmental forces and the output. There are three aspects major participants namely, the workers, the management and their representatives. The interaction between these three results in significant strata that are referred to a subsystem of an industrial relations system.

## **Parties to Industrial Relations**

The major parties to IR are the employees, employee representatives, employers, associations of employers, government and courts and tribunals.

## **Employees**

The employees are the pillars on which the organization is built. They are the chief contributors to the organizational objectives, and are the organization's most valuable resource. To maintain harmonious industrial relations, employees have to be satisfied with the organization, its policies and procedures and their jobs.

## **Trade Unions**

Trade unions constitute the employee representative bodies in an organization. Trade unions enjoy power and status based on the support of the employees. Their power is used as a weapon in regarding the organization's industrial environment and having their demands accepted by the management. These demands usually relate to increase in wages, improvement in working conditions, and additional benefits and welfare measures. In some cases, trade unions also have a political affiliation, which adds to their power.

## **The Management**

The management plays a critical role in the industrial relations of an organization. Management policies can help in maintaining high employee morale and in preventing industrial conflicts and disputes.

## **The Government**

The government has a limited role to play in industrial relations. It provides a basic framework within which the management, the trade unions and the employees are expected to work for the common good of the organization. The government comes into the picture only when the three players fail to do this and is unable to sort out their differences. The government then intervenes as a mediator through the process of conciliation, arbitrator and adjudication.

## **Industrial Relations Programme**

A successful industrial relations programme reflects the personal viewpoint, which is influenced by three main considerations

### **Individualized thinking**

Individualized thinking makes it imperative for the administrator to consider the entire situation in which the affected individual is placed.

## **Policy awareness**

Policy awareness underscores the idea of the consistency of treatment and the precedent value of any decision, which a management takes.

## **Expected group reaction**

While expected group reaction balances what we know of human nature in groups against an individual's situation in the light of the policy that has been formulated and implemented.

# **IR DECISIONS**

## **Communication**

The core of an IR programme is the personnel manual. The manual sets out the rules and policies within which managers and employees must operate. All employees and supervisors are fairly familiar with the contents of the manual.

## **Relations**

Relationships with employees may be improved through joint consultations. Relationships with unions or staff associations may be developed through collective bargaining and other IR procedures or by improving the operation of existing procedures.

## **Competence**

Managers and supervisors need to develop competence in handling IR. Such competence may be developed by training managers and supervisors in IR. Union leaders and employees also must be associated with the programme, as they are as much a party to conflict as managers or supervisors.

## **Discipline and Conflict**

If both employees as well as employers adhere to well laid out norms, disputes do not occur. Where a conflict occurs, the management must resolve it.

## **Requirments of a Successful Industrial Relations programme**

The basic requirements on which a successful industrial relations programme is based on:

### **Top management support**

Since industrial relations are a functional staff service, it must necessarily derive its authority from the line organization.

### **Sound Personal Policies**

These constitute the business philosophy of an organization and guide it in arriving at its human relations decisions. Policies can be successful only when they are followed at all the level of an enterprise, from top to bottom.

### **Adequate Practice should be Developed by Professionals**

In the field to assist in the implementation of the policies of an organization, a system of procedures is essential if intention is to be properly translated into action.

### **Detailed Supervisory Training**

To ensure that organizational policies and practices are properly implemented and carried into effect by the industrial relations staff, job supervisors should be trained thoroughly.



## **Follow up of results**

A constant review of an industrial relations programme is essential, so that existing practices may be properly evaluated and a check may be exercised on certain undesirable tendencies, should they manifest themselves.

## **Questions**

1. What is meant by industrial relations? What is its importance? Describe the conditions for good industrial relations.
2. What are the causes of poor industrial relations? Give your suggestions to improve the legislation concerning industrial relation to our country.
3. Explain clearly the machinery provided under the industrial dispute act 1947 for the prevention and settlement of industrial disputes.
4. Define a grievance and indicate the organizational responsibility and principles or guidelines for handling grievances in an industrial grievance.
5. Distinguish between the grievance and an industrial dispute. Indicate the forces that give rise to industrial conflict or industrial disputes with reference to Indian conditions.
6. Examine the determinants and significance of good industrial relations in modern industrial society.

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## Lesson 17 - Trade Union

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### Meaning

A trade union or labour union is a continuing long term association of employees formed to promote, protect and improve, through collective action, the social, economic and political interests of its members.

A trade union may also be defined as any combination, whether temporary or permanent, formed primarily for the purpose of regulating the relations between workmen and employers or between workmen and workmen or between employers and employers or for imposing restrictive conditions on the conduct of any trade or business and includes any federation of two or more unions.

### Nature of Trade Unions

Trade unions are voluntary organizations of workers or employers formed to promote and protect their interests through collective action. The Trade Unions Act, 1926 defines a trade union as a combination, whether temporary or permanent, formed -

- ▶ Primarily for the purpose of regulating the relation between
  1. Workmen and employers or
  2. Between workmen and workmen, or
  3. Between employers and employers, or
  
- ▶ For imposing restrictive conditions on the conduct of any trade or business, and includes any federation of two or, more trade unions.

An analysis of the above definition reveals that trade union must be:

- ▶ A combination of workers or employers,
- ▶ Such a combination could be permanent or temporary,
- ▶ Could include federation of two or more unions, and

- ▶ To regulate relations among workmen, between workmen and employers or among employers themselves.

## **Origin**

- ▶ Trade unions are the creation of industrialization and modern industrial conditions.
- ▶ Industrial revolution destroyed the earlier way of life and left the individual worker, who was protected by the customary values, to drift by himself in the anonymity of the town, and gathered these workers together around the employer.
- ▶ The employer paid as little as possible to the workers; the workers as individuals could not protest against it and therefore those (workers) similarly situated, economically and socially and closely associated with the work of the same employer developed mutual understanding and a common solution of their problems of living and this crystallized them into a self-conscious group what we may call as Trade union.
- ▶ Trade union got originated out of the necessity of workers to protect and defend themselves from encroachment, injustice and wrong imposed upon them by the employer or the management of the concern.
- ▶ The aspects of the process of industrialization those necessitated the origin of the trade union are:
  1. Separation between the ownership of capital and labour, both of which are essential for producing goods and rendering services to the consumers.
  2. Since, individually the workers did not have any other source of the livelihood except that of service under the owners of capital, there was no match between the two as regards economic resources or bargaining power or skill. It was the owner of capital who dictated terms and conditions of employment. This again infused a spirit of union among the workers.
  3. The state or law remained silent because in its eyes workers and employers were equal. This further increased the exploitation of workers by the owners of capital.

4. Though an individual worker was dispensable to an employer, yet he could not afford to dispense with the services of a group of workers. The day it was realized by the workforce, they united and got their reasonable rights from the owners of capital.

## **Functions**

Functions of trade unions are:

- ▶ The provision of friendly services such as a place for leisure pursuits, information about jobs existing in other factories, games and outings, etc.
- ▶ The provision of social services such as insurance against old age, unemployment, strike, pay, payment for hospital fee, legal services, etc.
- ▶ Wage bargaining i.e. collective wage bargaining with the employers.
- ▶ Safeguarding the job of the workers.
- ▶ Political activities, i.e. the political pressure for reform, e.g. trade union legislation works to protect the union and the workers from such industrial abuses as delay in payment of wages, excessive hours of work, poor working conditions, etc.
- ▶ To develop cooperation with employers.
- ▶ To arouse public opinion in favour of labour.
- ▶ To secure some shares in profit and in the control of the enterprise.

## **Objectives**

Objectives of trade unions are:

- ▶ To take labour out of the competitive process; because if a number of workers freely compete for a job, the employer will definitely offer them less wages.
- ▶ To negotiate at all levels with employers over wages and conditions of work.

- ▶ To protect the workers in their inalienable right to higher and better life.
- ▶ To make workers to take part in union activities and to obey union rules and decisions.
- ▶ To protect and promote the interests of the workers.
- ▶ To provide legal assistance to workers (i.e. union members) in connection with work affairs.
- ▶ To improve economic status of the workers.
- ▶ To protect the jobs of the workers against lay off, retrenchment, etc.
- ▶ To ensure that workers get as per rule, the pension, provident fund, compensation for injuries, etc.
- ▶ To ensure for the workers, better health, safety and welfare standards.
- ▶ To have a voice or participation in the factory management.
- ▶ To ensure that workers get respect and human treatment from the foremen, managers, etc.
- ▶ To improve their political status.
- ▶ To offer educational services to the workers.

## **Principles**

Trade unions function on the basis of three cardinal principles. If any one of them is threatened or is in jeopardy, they would fight back.

These principles are:

- ▶ **Unity is strength**

This fact has been very effectively brought out by Longfellow in the song of Hiawatha:

“ All your strength is in your union,  
 All your danger is in your discord;  
 Therefore, be at peace henceforward,  
 And, as brothers, live together.”

‣ **Equal pay for equal work or for the same job.**

This principle is based on one of the nine principles included in the ILO's charter of the freedom of labour, which says:

“Men and women should receive equal remuneration for work of equal value”

‣ **Security of service**

Security of service, which enjoins upon trade unions that they ensure social and economic security for their members.

### **Why Do Employees Join Trade Union?**

Workers join trade unions because they are constrained by circumstances to do so; and because they want:

- To get economic security; that is, they want steady employment with an adequate income
- To restrain the management from taking any action which is irrational, illogical, discriminatory or prejudicial to the interests of labour. Workers desire that the assignment of jobs, transfers, promotions, the maintenance of discipline, layoffs, retirement, rewards and punishments should be on the basis of pre-determined policy and on the basis of what is fair and just
- To communicate their views, aims, ideas, feelings and frustrations to the management; that is, they want to have an effective voice in discussions which affect their welfare
- To secure protection from economic hazards beyond their control; for example, illness, accident, death, disability, unemployment and old age
- To get along with their fellow-workers in a better way and to gain respect in the eyes of their peers; and
- To get a job through the good offices of a trade union.

Plants get unionized for three reasons – dissatisfaction, lack of power and union instrumentality. Dissatisfied employees seek union membership to improve work situation. Employees believe unionization fetch them power. Power, in turn, is believed to remove dissatisfaction. Employees take unions as instruments to remove dissatisfaction.

In general, the expectation that work will satisfy personal preferences induces satisfaction or dissatisfaction with work. As the level of dissatisfaction increases, individual workers seek to change their work situation. If they fail, and if the positive consequences of unionization seem to outweigh the negative ones, individual workers will be inclined to join the union.

## **Types of Trade Union**

Trade unions may be classified in various ways

▶ **Business unions**

It is that emphasis upon the economic advantages to be bargained through collective action and thus aim at improving the wages, working hours and conditions of workers and similar other objectives largely through the process of collective bargaining.

▶ **Predatory unions**

It is that serve as a means for the enrichment of its leaders who pay only secondary attention to the advancement of interests of members. Its distinctive characteristic is the ruthless pursuit of the target by whatever means deemed appropriate at the time regardless of ethical or legal codes or effect upon those outside its own membership. Such a union may employ any of the business, friendly, revolutionary or violent methods for the achievement of its objectives.

▶ **Dependant or company unions**

These are unions that rely upon the support of the employer or company management or the other large groups and hence they are likely to pay secondary importance to the interests of members

▶ **Friendly unions**

These are unions which are idealistic, conservative and law abiding and they mainly aspire to elevate the moral, intellectual and social life of workers to improve the conditions under which they work, to raise their material standard of living and provide them security against unemployment, accident, disease or old age. They depend upon the process of collective bargaining for the attainment of their objectives.

‣ **Revolutionary unions**

These are unions that are extremely radical both in view- point and action. They are class conscious and tend to repudiate the existing institutional order, especially individual ownership of productive means and the wage systems. They are strongly inclined towards strike and violence and look upon unionism and socialism as the two wings of the labour movement.

Another viewpoint classifies trade unions into following categories

- **Craft unions**, which are the simplest form of trade unionism. They are usually formed of workers with the same craft, training and specialization, no matter in what industry or trade they are employed.
- **General labour unions**, which aim at becoming all embracing organizations accepting as a new member practically any wage earner whatever the place or character of his work or whatever his industrial qualifications may be.
- **Industrial unions**, which organize workers belonging to an industry or a group of related industries or service.
- **Federations of trade unions**, which are combination of various unions for the purpose of gaining strength and solidarity. Such federations may be local, regional or statewide national and international.
- Unions affiliated with the federation are described as **affiliated unions** and those, which are unaffiliated, are known as **independent unions**.

### **Trade Union Theories**

Different answers are given to the question: what factors lead to the origin of trade unions? These answers are known as trade union theories or approaches to the origin of trade unions. Following is a brief description of some of these approaches

‣ **Social- psychological approach of Robert Hoxie:**

Trade unions grow out of the socio-psychological environment



of the workers. Workers, who are similarly situated economically and socially, closely associated and not very much divergent in temperament and training, tend to develop a common interpretation of their social situation and a common solution of their problems of living. This leads them to unite into a union. Thus differences of environment cause different unions to develop.

► **Sociological approach of Frank Tannenbaum.**

Trade unions are the by-products of an industrial society in which customization has destroyed the old way of life and robbed the workers of his identity, purpose and creativity. Unions are a reflection of the worker's spontaneous urge to re-establish his identity. Trade unions help the worker in regaining his social life.

► **Protest approach of Kerr, Dunlop and others.**

Trade union is a form of organized protest against the evils of industrialization. Besides bringing about a basic change in the relationships between man and his work and between man and his cultural setting, industrialization inevitably circumscribes workers' freedom by imposing discipline. The worker often finds his work distasteful and his compensation never commensurate with his contribution. Formation of a union is one of the organized forms of protest – an expression of the workers resentment over the prevailing industrial system.

► **Industrial democracy approach of webs**

Trade unions are the means to achieve industrial democracy. They assert that political democracy alone cannot yield to the worker the fruits of freedom of contract, freedom of association, freedom of opportunity, etc. He can enjoy the fruits of political democracy only when he is granted industrial democracy, which means that he is given say in running the industry.

► **Classless society approach of Karl Marx**

Trade unions represent a prime instrument for destroying the capitalist class. Although these unions by themselves cannot bring about a class-less society still they are important to carry on the economic struggle against the oppression and to bring about a revolutionary transformation of the working class.

▶ **Sarvodaya approach of Gandhi**

Trade unions are essentially reformist organizations whose main function is to raise the moral and intellectual standards of labour. They are in the largest degree political. Their main aim is to increase their internal strength to work conscientiously and to take from the employer no more than what is rightfully due to the labourers.

**Trends in Trade Union Movement**

- ▶ A major trend witnessed these days is the change in the attitude of unions towards management, industry, government and the economy. Unions are becoming increasingly mature, responsive and realistic in their thinking and action. Gone are the days of catcall strikes, bandhs, gheraos and violence.
- ▶ Depoliticisation of unions is another trend witnessed these days. The trend towards depoliticisation started in the 1960's and received further boost in the post-liberalization era. The experience of politically free unions is pleasant; reinforcing the belief that the farther the unions are from politics, the more advantageous it is for them.
- ▶ Workers associations in our country are highly fragmented and the consequence has been the multiplicity of unions. Multiplicity is caused by ideological rifts, personal ambitions of leaders, craft divisions among workers and the management's own myopia. The multiplicity of unions weakens the bargaining strength of employees.
- ▶ One of the defects of the trade union movement in our country has been the phenomenon of outside leadership. Individuals who were not connected with a factory would assume the leadership mantle of the union.
- ▶ The clout of the central trade unions, which peaked during the post nationalization years, has started waning. One of the reasons for this trend is the gradual realization on the part of the workers, who are young and well educated, that independent unions are more advantageous than all India federations.
- ▶ Faced with the problem of declining membership and the fear of

losing their relevance, trade unions are taking initiatives to fight unitedly. Many unions, including those affiliated to Left parties, have joined together to fight for such causes as disinvestments, closure and modernization.

- ▶ Professionalisation of trade union movement is yet another trend witnessed these days. To counter criticism and to fight organized forces of employers, trade unions, through various institutions such as Ambedkar Institute of Labour Studies, Maniber Kara Institute and National Labour Institute, are trying to upgrade the leadership quality, personnel as well as the services rendered.

### **Essentials of Successful Trade Union**

To be successful, a trade union:

- ▶ Should be enlightened one, so that it may be able to guide and direct the trade union movement properly.
- ▶ Should have a solid foundation, so that it may be strong enough to achieve success in the realization of its objectives.
- ▶ Should have clearly enunciated objectives and a coherent and well-conceived policy; and it should consider itself as a business organization which requires careful planning and sound organizational methods for its success.
- ▶ Should be run by the members for the members; that is, its leadership should come from the rank and file of its members.
- ▶ Should have honesty and integrity of purpose.
- ▶ Should look beyond its own horizon, and recognize and fulfill its proper role in the life of the nation and of community in the midst of which it lives and functions.
- ▶ Should have a sense of responsibility. It should be internally strong so that it may be effective in protecting the interests of the workers.

### **Union Free Companies**

These are companies, which are non-unionized. Employees of such plants realize the negative consequences of unionization and prefer

to stay away from unions. They may have misgivings about how effectively a union can improve unsatisfactory working conditions. Collective bargaining is not always successful. If union is not strong, it will be unable to make an employer meet its demand. Even if an employer does respond to union demands, the workers may be affected adversely. The employer may not be able to survive when the demands of the union are met, and thus the company may close down, costing the employees their jobs. The organization may force the union to strike, inflicting economic hardship on employees who may not be able to afford being out of work, or it may in some cases, attempt reprisals against pro union employees. Employees may strongly identify themselves with the organization and view unionization as an attempt to weaken the company. They may object to the concept of seniority or even the political activities of the unions. Individuals feel that their value to the organization should be judged on an individual basis and that everyone should not be treated equally. If their performance is superior, the rewards should be appropriate and direct. These individuals feel that joining unions would limit their opportunities for advancement.

Employers also may discourage unionization. Their fears about unions stem from:

- ▶ Increased cost because of higher remuneration and other non-monetary benefits and services,
- ▶ Loss of control over operations – erosion of management’s authority,
- ▶ Loss of freedom to reward superior performance, and
- ▶ Lack of ability to adapt quickly to changing demands.

### **Strategies and Tactics for Remaining Union-Free**

Managers develop long-term strategies and effective tactics to prevent unionization of their organizations. The more important of them are

- ▶ Effective supervision
- ▶ Open communication

- Effective personnel research
- Healthy and safe working environment
- Effective employer-employee relations
- Effective remuneration
- Effective training and development programmes
- Effective personnel planning, recruitment and selection

## **Trade Union Act, 1926**

Trade unions in our country are governed by the Trade unions Act, 1926. The main objective of the Act is to provide for the registration of trade unions and to give registered trade unions a legal status, and immunity to their office-bearers and members from civil and criminal liability in respect of the legitimate trade union activities.

### **Provision of the Act**

In pursuit of the primary objective, the act contains 33 sections. The provisions can be broadly divided into 8 sections, namely

1. Definition (s.2)
2. Registration of unions (s.3 to 12)
3. Duties and liabilities of registered unions (s.13 to s. 16)
4. Rights and liabilities of registered unions (s.17 to 21)
5. Amalgamation and dissolution of unions (s.24 to 27)
6. Submission of returns (s.28)
7. Penalties and fines (s.31 to 33)
8. Power to make regulations (s.29 to 30)

The act is a central legislation, but is administered by the state governments. Not that the central government has no role to play. It handles all unions, which are not confined to one state. It also has the power to amend the act.

## Employers Organisations

In India the term “trade union”, according to the Trade unions Act, refers to the employers organizations also. The need for these organizations is for

1. The development of healthy and stable industrial relations
2. To promote collective bargaining at different levels
3. To bring a unified employers’ viewpoint on the issues of industrial relations to the government in a concerted manner
4. To represent in the meetings of Indian Labour Conference and Standing Labour Committee, the employers approach to labour matters.

Like trade unions, employer’s organizations too are organized at three levels in our country. There are local organizations, such as Bombay Mill Owners Association, which serve the needs of local employers only. Then there are regional organizations, such as the Southern India Mill Owners Association, which serves the interests of their members in a particular region. Finally, there are several apex organizations, such as the All India Manufacturers Organization, which serves as central bodies. At present, the important apex employer’s organizations in India are as follows:

- ▶ Federation of Indian Chambers of Commerce and Industry (FICCI)
- ▶ Council of Indian Employers (CIE)
- ▶ Associated Chamber of Commerce and Industry of India (ASSOCHAM)
- ▶ All India Manufacturer’s Organization (AIMO)

The general functions that federations perform are of the following four types:

- ▶ **Communication**

They keep members informed of all new labour laws, shifts in labour policy, important court decisions on labour matters and important tripartite deliberations.

- ▶ **Advice**  
They advise members on complex legal provisions when such advice is sought.
- ▶ **Representation**  
They represent employer's point of view before the government on all labour problems.
- ▶ **Education**  
They educate members on important labour issues by holding seminars, conferences and training programmes.

NLC examined the working of employers associations and recommended that they should:

- ▶ Undertake promotion of collective bargaining at various levels.
- ▶ Encourages observance and implementation by their members of bipartite and tripartite agreements.
- ▶ Expedite implementation of wage awards by members.
- ▶ Work towards elimination of unfair labour practices by employers.
- ▶ Encourages adoption by members of personnel policies conducive to productivity and industrial peace.
- ▶ Promote rationalization of management or organization to improve productivity.
- ▶ Arrange employer's education in the concept of labour partnership in industry.
- ▶ Work towards collective welfare of its members through training, research and communication in the field of labour management relations.

## Questions

1. Why do you think participative management has not succeeded in our country?
2. Why do workers organize into unions? Explain the obstacles in the growth of strong trade unionism in India.

3. Why does there exist the problem of inter-union rivalry? Suggest measures to curb this problem in India.
4. Trace the origin and growth of trade union movement in India.
5. Describe the present trade union pattern in our country. What suggestions would you give to develop the movement on healthy lines?
6. Write a brief note on employer's organization in India. What impact do unions have on employers and employees?

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## Lesson 18 - Managing Conflict

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### Meaning and Definition

An industrial dispute means any dispute or difference between employers and employees or employers and workmen or between workmen and workmen, which is connected with employment or non-employment or terms of employment or conditions of labour, of any person.

Every human being (say a worker) has certain needs. E.g., economic needs, social needs and needs for security. When these needs do not get satisfied, there arises a conflict between labour and capital. A conflict means a struggle or clash between the interests of the employer and the workers. When an industrial conflict (which otherwise is general in nature) acquires a concrete and specific display or revelation, it becomes an “industrial dispute”. A conflict takes the shape of Industrial Dispute as soon as the issues of controversy are submitted to the employer for negotiations.

The Industrial Disputes act, 1947, defines an industrial dispute as “any dispute or difference between employers and employees, or between employees and employees, or between employers and employees, which is connected with the employment, or non-employment, or the terms of employment or with the conditions of work of any person”.

### Forms of Disputes

Industrial Disputes may take the form of strikes, go-slow tactics, token strikes, sympathetic strikes, pen-down strikes, hunger strikes, bandhs, gheraos and lockouts.

A strike is a stoppage of work initiated or supported by a trade union, when a group of employees act together as a last resort to bring pressure to bear on an employer to resolve a grievance or constrain him

to accept such terms and conditions of service as the employees want to enjoy.

If, however, an employer closes down his factory or place where his workers are employed. Or if he refuses to continue in his employment of a person or persons because he wants to force them to agree to his terms and conditions of service during the pendency of a dispute, the resulting situation is a lockout.

### **Types of Disputes**

Disputes are of two kinds:

- ▶ **Disputes of Right**, which relate to the application or interpretation of an existing agreement or contract of employment; and
- ▶ **Disputes of Interest**, which relate to claims by employees or proposals by a management about the terms and conditions of employment.

According to the industrial Disputes Act, 1947, and the many judicial decisions which have been handed down by courts and tribunals, industrial disputes may be raised on any one of the following issues;

- ▶ Fairness of the standing orders
- ▶ Retrenchment of workers following the closing down of a factory, lay-offs, discharge or dismissal, reinstatement of dismissed employees, and compensation for them
- ▶ Benefits of an Award denied to a worker; non-payment of personal allowance of seasonal employees; the demand of employees for medical relief for their parents;
- ▶ Wages, fixation wages, and minimum rates, modes of payment, and the right of an employee to choose one of the awards when two awards on wages have been given;
- ▶ Lockout and claim for damages by an employer because employees resorted to an illegal strike;
- ▶ Payment of hours, gratuity, provident fund, pension and traveling allowance;

- Disputes between rival unions; and
- Disputes between employers and employees.

### **Causes of Industrial Disputes**

Some of the common causes of Industrial disputes have been listed below:

#### **Psychological Causes**

- Difficulty in adjusting with each other ( i.e., employer and worker)
- Clash of personalities
- Authoritarian Leadership (administration)
- Demand for self-respect and recognition by workers.
- Strict discipline

#### **Institutional Causes**

- Non recognition of the labour union by the management
- Matters of collective bargaining.
- Unfair conditions and practices.
- Pressures workers, not to become members of union, etc.

#### **Economic Causes**

##### ***i) Terms and conditions of employment***

- More hours of work
- Working in night shifts
- Promotion, layoff, retrenchment, dismissal, etc.

##### ***ii) Workers conditions***

- Environmental conditions such as too hot, too cold, noisy, dirty, messy, etc
- Improper plant and workstation layout.

- Old and trouble giving machines
- Frequent changes in products, etc

### ***iii) Wages and other benefits***

- Inadequate wages
- Undesired deduction from wages
- Poor fringe benefits
- No bonus or other incentives, etc.

### **Denial of legal and other rights of workers**

- Not proceeding as per labour laws and regulations, standing orders, etc
- Violation of already made mutual agreements (i.e. between employer and workers).

### **Settlement of Industrial Disputes**

The different methods employed for settling the disputes are:

#### **(i) Without state intervention**

- Collective bargaining
- Voluntary arbitration
- Code of discipline

#### **(ii) With state intervention**

- Compulsory collective bargaining
- Bipartite committees
- Compulsory arbitration
- Compulsory conciliation and mediation
- Compulsory investigation

#### **(iii) Grievance procedure**

## **Collective Bargaining**

Collective bargaining constitutes the negotiations between the management and the union with the ultimate objective of agreeing on a written contract covering the terms and conditions of settlement of the disputed issues. Both the parties sign the agreement and the length of time the treaty will operate may be specified.

## **Voluntary Arbitration**

- ▶ In this method of settling disputes, a third neutral party acts as a judge (to take decision on the disputed issue), hears and collects the facts from the two primary parties and proceed to make a decision which is usually binding upon the union i.e., one primary party and the management (i.e. the second primary party)
- ▶ Many industrial disputes have been and are being settled today through voluntary arbitration.
- ▶ The industrial Disputes Act 1947 recognizes voluntary arbitration as a method for settling industrial Disputes.

## **Code of Discipline**

The code of discipline defines duties and responsibilities of employers and workers. The code lays down specific obligations for the management and the worker with objective of promoting constructive co-operation between their representatives at all levels, avoiding stoppages as well as litigation, securing settlement of grievances by mutual negotiation, conciliation and voluntary arbitration.

The objectives of the code are:

- ▶ To ensure that employers and employees recognize each other's rights and obligations
- ▶ To promote constructive co-operation between the parties concerned at all levels.
- ▶ To secure settlement of disputes and grievances by negotiation,

conciliation, and voluntary arbitration

- To eliminate all forms of coercion, intimidation, and violence in IR
- To avoid work stoppages
- To facilitate the free growth of trade unions and
- To maintain discipline in industry

### **Establishment of Compulsory Collective Bargaining**

If either union or management resists the establishment of voluntary collective bargaining, but the state feels that collective bargaining will be useful, it may advise, encourage or even impose collective bargaining as compulsory on the two parties to settle their disputes through negotiations and discussions.

### **Compulsory Establishment of Bipartite Committee**

A bipartite committee consists of representatives of workers as well as of the employer (at the factory level) Such committees work on the principle of “nip the evil in the bud” and settle labour management disputes as soon as they appear and do not permit them to grow and take an unmanageable shape.

The main purpose of such Bipartite committees or work committees is to:

- Promote measures for securing and preserving amity and good relations between workers and employers
- Comment upon matters of their common interest
- Compose any material difference of opinion in respect of such matters and to
- Encourage workers and management to settle their difference without the arbitrator

### **Compulsory Arbitration or Adjudication**

- Unlike voluntary arbitration, in adjudication, the arbitrator or adjudicator is appointed by the government

- ▶ In adjudication, the industrial dispute is referred for arbitration by the government and both the parties have to accept the decisions of the arbitrator.
- ▶ The objective of adjudication is to maintain industrial peace by stopping the parties from causing work- stoppages and providing a method for settling the industrial dispute.

### **Compulsory Conciliation (Machinery) and Mediation**

- ▶ Conciliation is a process by which the discussion between workers and employer is kept going on through the activities of a conciliator. i.e., third party
- ▶ A conciliator aids resolving the differences between two parties and keeps them to understand and appreciate the situation better.
- ▶ Mediation is a process by which the third party attempts to stimulate labour and management to reach some type of agreement. The mediator cannot decide the issue. He is strictly neutral who can only listen, suggest, communicate and persuade.
- ▶ In compulsory conciliation and mediator, the government imposes an obligation on the workers and management to refer their disputed to the conciliation and mediation service. The government also prevents both parties from work stoppages till the conciliation or mediation is going on.
- ▶ Conciliators and mediators are asked to furnish their report within a time period. If the efforts to reconcile fail, workers are free to go on strike and the employer is free to declare a lock-out.

### **Compulsory Investigation**

- ▶ Government may set up machinery to investigate into any dispute. Machinery may be a court of inquiry to explore facts and issues involved. A wide publicity may be given to it because, quite possible, the public opinion may compel the two parties to leave their rigid and obstinate attitude and try to arrive at a settlement.

- Moreover, the period during which court of inquiry is being conducted, may serve as a cooling off period for two primary parties to reconsider their stands coolly.
- Court of inquiry is given almost same powers as a civil court.

### **Grievance Procedure**

A grievance may be defined as any feeling of discontent or dissatisfaction, whether expressed or not and whether valid or not, arising out of anything connected with the company that an employee thinks, believes or even feels is unfair, unjust or inequitable. ***A grievance may be:***

- Unvoiced or stated by the worker,
- Written or unwritten, and
- Valid or ridiculous, and may arise out of something connected with the company, e.g., company policy or actions

### **A good grievance handling procedure**

- Simple, easy to understand and to operate;
- Settle grievances at lower level;
- Systematically handle the grievances and promptly remedy the conditions complained of;
- Depending upon the nature of grievance, refer it to appropriate authority;
- Ask the employee to give his complaint in writing;
- Permit the worker to appeal against the decision taken at lower level and lastly
- The grievance procedure should be made, realizing the importance of industrial harmony and good labour relations.
-



## **Steps involved in grievance handling procedure**

### **Step 1**

The aggrieved employee presents his grievance in writing to his foreman or supervisor; he puts his grievance to union representative who also is a full time employee of the company. If the foreman, aggrieved employee and the union representative fail to work out a settlement of grievance, the dispute in the written form is sent to a higher step in the procedure.

### **Step 2**

The grievance is looked into by the middle management and the union committee man; a union committee man supervises several union representatives and is specialists in union management negotiations. If the situations still remain unsettled, as the third step, the case is forwarded to top management and top-union officials.

### **Step 3**

Top management representatives and top union official discuss the grievance, which by this time has become an issue that has political implications. Thus it is very difficult to secure an integration of interests at this higher level.

### **Step 4**

If top management and union leaders fail to settle the issue, the fourth step, then, is to submit the same to an impartial arbitrator for final decision as to the action required. A failure to settle the issue at the step 4 may result in strike, picketing, Gherao or lockout. It is the best if the grievance gets settled at the level of supervisor and union representative.

## **Questions**

1. Explain clearly the machinery provided under the industrial dispute act 1947 for the prevention and settlement of industrial disputes.

2. Define a grievance and indicate the organizational responsibility and principles or guidelines for handling grievances in an industrial grievance.
3. Distinguish between the grievance and an industrial dispute. Indicate the forces that give rise to industrial conflict or industrial disputes with reference to Indian conditions.

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## Lesson 19 - Collective Bargaining

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### Meaning and Definition

Collective bargaining takes place when a number of work people enter into a negotiation as a bargaining unit with an employer or group of employers with the object of reaching an agreement on the conditions of the employment of the work people.

Collective bargaining is probably the most effective method of resolving industrial disputes. It occurs when representatives of a labour union meet management representatives to determine employee's wages and benefits, to create or revise work rules, and to resolve disputes or violations of the labour contract.

The bargaining is collective in the sense that the chosen representative of the employees (i.e. the union) acts as a bargaining agent for all the employees in carrying out negotiations and dealings with the management.

### Concept

Effectively, collective bargaining is a managerial tool that facilitates an amicable and mutually acceptable agreement between the management and the employees, to solve all employment – related problems. In some cases, third-party intervention might be necessary to resolve these matters.

- ▶ Collective bargaining constitutes the negotiations between the management and the union with the ultimate objective of settlement of the disputed issues.
- ▶ Collective bargaining is basically a give and take process involving proposals and counter proposals.
- ▶ Meetings between management representatives and union leaders are conducted in an attempt to arrive at an agreement or at the settlement of the dispute.

- ▶ The two parties bargain with each other on disputed issues to arrive at an agreement.
- ▶ The agreement is signed by both the parties and the length of time the treaty will operate may be specified.
- ▶ Collective bargaining introduces an element of democracy in the field of Industrial Relations and Management.
- ▶ Collective bargaining imposes certain restrictions upon the employer. Unilateral action is prevented. The employer is no longer free to make and enforce employment decisions.

### **Features of Collective Bargaining**

The main features of collective bargaining are:

#### **Group Activity**

Collective bargaining is a group activity because the parties involved in the bargaining process represent different groups

#### **Activity Levels**

There are different levels in the process of collective bargaining. Starting with a simple bipartite discussion between the management and the employees at unit/ plant level, it can proceed to industry/ national level.

#### **Flexibility**

Collective bargaining aims at a mutually agreeable and favorable solution to the problems between the management and the employees. Thus, flexibility, in ideas and opinions, demands and requests, and decisions and agreements is the chief characteristic of the collective bargaining process.

#### **Win- Win situation**

The agreements of collective bargaining are based on the principle of mutual interest. All the parties involved should have win-win attitude and aim at reaching an agreement that is in the best interests of all parties

## **Builds Relationships**

Collective bargaining, as a continuous process, helps in building a culture of strong relationships between the management and the employees (trade unions). This helps in developing a conflict / dispute-free industrial environment.

## **An art and a Science**

An expert at collective bargaining is someone who has practiced the art well. It is also a science because understanding the process of collective bargaining and predicting the response of the other party as accurately as possible can help in better negotiation and enhanced performance in achieving the desired results.

## **Objectives**

Collective bargaining has benefits not only for the present, but also for the future. The objectives of collective bargaining are:

- ▶ To provide an opportunity to the workers, to voice their problems on issues related to employment
- ▶ To facilitate reaching a solution that is acceptable to all the parties involved
- ▶ To resolve all conflicts and disputes in a mutually agreeable manner.
- ▶ To prevent any conflicts/disputes in the future through mutually signed contracts
- ▶ To develop a conducive atmosphere to foster good industrial relations
- ▶ To resolve issues through third party (government) involvement in case of conflicting interests of the practices involved.
- ▶ To provide stable and peaceful industrial relations in the organization
- ▶ To enhance the productivity of the organization by preventing strikes, lockouts etc.

## **Approaches**

Collective bargaining has been viewed from three perspectives:

- ▶ **As a process of social change**

Collective bargaining acts as a technique of long- run social change, leading to restructuring in the power hierarchy of competing groups.

- ▶ **As a peace treaty between the conflicting parties**

It serves as a peace treaty between both parties in case of continued conflict. However, as the compromise is a temporary truce, each party would like to modify the contract at the earliest opportunity.

- ▶ **As a system of industrial jurisprudence**

It is a rule-making or legislative process, in the sense that it formulates terms and conditions under which labour and management will co-operate and work together for a specific period.

## **Importance**

In summary, collective bargaining offers the following benefits to both employers as well as employees:

- ▶ It helps increase economic strength of both parties at the same time protecting their interests.
- ▶ It helps establish uniform conditions of employment with a view to avoid occurrence of industrial disputes.
- ▶ It helps resolve disputes when they occur.
- ▶ It lays down rules and norms for dealing with labour.
- ▶ It helps usher in democratic principles into industrial world.

## **Process**

Collective bargaining has two facets:

- ▶ Negotiating the work conditions that become the collective agreement (contract) describing employer-employee relationship on the job

- ▶ Interpreting and enforcing the collective agreement (contract administration) and resolving any conflict arising out of it.

The process of collective bargaining involves six major steps:

- ▶ Preparing for negotiations
- ▶ Identifying bargaining issues
- ▶ Negotiation
- ▶ Reaching the agreement
- ▶ Ratifying the agreement
- ▶ Administration of the agreement

### **Preparing for negotiation**

Careful advance preparations by employers and employees are necessary because of the complexity of the issue and broad range of topics to be discussed during negotiations. Effective bargaining means presenting an orderly and factual case to each side.

### **Identifying Bargaining issues**

The major issues discussed in collective bargaining fall under the following four categories:

#### **Wage related issues**

These include such topics as how basic wage rates are determined, cost of living adjustments, wage differentials, overtime, wage adjustments and the like.

#### **Supplementary Economic benefits**

These include such issues as pension plans, paid vacations, paid holidays, health insurance plans, retrenchment pay, unemployment pension, and the like.

## **Institutional Issues**

These consist of the rights and duties of employers, employees, unions, employee's stock ownership schemes and QWL programmes.

## **Administrative Issues**

These include such issues as seniority, employee discipline and discharge procedures, employee health and safety, technological changes, work rules, job security, training and the like.

## **Negotiating**

Preparations having been made and issues been identified, the next logical step in the collective bargaining process is negotiation. The negotiation phase begins with each side presenting its initial demands. The negotiation goes on for days until the final agreement is reached.

## **Settlement and contract agreement**

After an initial agreement has been made, the two sides usually return to their respective constituencies to determine whether what they have informally agreed upon is acceptable.

In this stage, the union-negotiating team explains and puts the agreement to the union members for a vote. If voted, this agreement is formalized into a contract. It is important that the contract must be clear and precise.

## **Administration of the agreement**

The agreement must be implemented according to the letter and spirit of the provisions of the agreement. Faulty implementation or violation of any provision leads to disputes. The HR must play crucial role in the day –to day administration of the contract. He or she advises on matters of discipline and works to resolve grievances arising out of the agreement.



## Essentials for Successful Collective Bargaining

The following conditions favour collective bargaining:

- ▶ There should be a single union, or in case of multiple unions, a common agreement among them. Clash of interests among union leads to chaos and uncertainty, which would result in a loss to the employees.
- ▶ Management should be open to the requests of the trade unions and should identify the union representatives.
- ▶ The culture of the organization should foster the right spirit for collective bargaining to be successful.
- ▶ The role of a third party should be minimized and agreements should be based on bipartite bargaining.
- ▶ All the parties involved should aim at a win-win situation and not a win lose situation. The common interests of the organization and its employees should be taken into consideration while reaching any agreement.

## Questions

1. Discuss the nature and role of collective bargaining. Outline an ideal process of collective bargaining.
2. Describe the requirements of an effective collective bargaining. State the points, which should be remembered in a negotiation process.
3. Has collective bargaining Flourished in India? If not, what are the reasons? How can we make it work in India?
4. What is collective bargaining? State the necessity and importance of collective bargaining.
5. What is the importance of collective bargaining in industrial relations? Is collective bargaining successful in India?

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## Lesson 20 - Managing Discipline

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### Meaning and Definition

Discipline in its broadest 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 employee to do”

“Discipline is employee self-control which prompts him to willingly co-operate with the organizational standards, rules, objectives, etc.”

An employee is subjected to disciplinary action when he fails to meet some obligations towards his job or the organization. The primary objective of disciplinary action is to make an employee conform to the organization’s rules and regulations.

### Objectives

The aims and objectives of discipline are:

- ▶ To ensure and enable employees to work in accordance with the rules and regulations of the organization
- ▶ To ensure that employees follow the organizational processes and procedures in spite of their different personalities and behavior.
- ▶ To provide direction to the employees and fix responsibilities.
- ▶ To improve organizational performance by improving the efficiency of each employee.
- ▶ To maintain a sense of orderliness and conformity to organizational rules in the employees.
- ▶ To maintain common feelings of trust and confidence in the employees towards each other and towards the management.

## **Types of Discipline**

Discipline among employees can be achieved in two ways, either through rewards or through penalties. Based on this, discipline can be classified into two types:

- ▶ Self-imposed or positive discipline
- ▶ Enforced or negative discipline

If employees are motivated through rewards, appreciation, constructive support, reinforcement or approved personnel actions to conform to organizational rules and regulations, it is termed as “**Positive Discipline**”. The attitude and mindset of the employees is developed to ensure that they willingly conform to the rules and regulations of the organization.

If employees are forced to follow the rules and regulations of the organization by inducing fear in them, then it is referred to as “**Negative Discipline**”. In this type of discipline, the employees fear loss of promotion, an increment or a job and therefore reluctantly and unwillingly try to conform to the organizational rules.

Organizations should use negative discipline only when it is extremely essential. All efforts should be made to ensure a discipline through a positive approach, so that employees are motivated to perform as per the disciplinary standards laid out by the organization.

## **Acts of Indiscipline or Misconduct**

Misconduct or an act of indiscipline impairs the organization, tarnishes its reputation and leads to employee unrest. If not tackled immediately, these acts can lead to disciplinary problems.

The basic acts of misconduct or indiscipline in an organization can be categorized as follows:

## **Attendance**

Attendance is one of the major problems that managers encounter in organizations. It relates to misuse of leave facilities, tardiness and absenteeism. The reasons for attendance problems could be:

- ▶ Incongruence in employee and organizational goals
- ▶ Personality characteristics, like attitude towards work
- ▶ Unpleasant relationship with supervisors and co-workers
- ▶ Ensured job security leading to a relaxed and uninterested approach

## **On the job behavior**

An employee's behavior should be in accordance with the rules and regulations laid out by the organization. Any behavior that hampers the work of the individual or disturbs the performance of other employees demands disciplinary action. Reasons for such acts of indiscipline can be:

- ▶ Lack of proper upbringing and education
- ▶ Work-related pressures and strained relationships
- ▶ General attitude and personality of the individual

## **Dishonesty**

Dishonesty is not only stealing or misusing organizational resources. It could also involve claiming a colleague's work, cheating, spying, working below potential etc. Dishonesty brings in distrust among the employees and between the management and the employees. The reasons for dishonesty could be:

- ▶ Social and economic pressures
- ▶ Lack of proper upbringing and education
- ▶ Personality characteristics of the employee
- ▶ Biased and subjective performance evaluation systems

## **Activities that are harmful for the organization**

This category includes all those activities that employees engage in, which affect either their on-the-job performance or the organization's reputation. Unauthorized strikes, criminal activities, and working for a competitor are some of these activities.

## **Causes of Indiscipline and Misconduct**

Indiscipline relates to disorderliness at work and non-conformity to the prescribed rules and regulations of the management. Some of the causes of indiscipline are:

- ▶ When an employee has to perform a job that does not suit his qualifications, experience or aptitude, it can lead to employee frustration and demotivation. This can lead to acts of misconduct like irregular attendance, tardiness at work etc.
- ▶ Strained relationships with the supervisor or with colleagues can force an employee to indulge in acts of indiscipline similar to the ones stated above.
- ▶ Improper or biased evaluation of individuals and their performance can result in demotivated employees, whom might resort to misconduct to express their dissatisfaction and distress.
- ▶ An efficient, ineffective and closed-door grievance redressal procedure in an organization can result in indiscipline of employees who are dejected and frustrated.
- ▶ Loss of trust or confidence in each other, or in the management, can make employees behave in an indisciplined manner.
- ▶ Lack of proper education and upbringing of the workers can also lead to indiscipline at work.
- ▶ Improper or inconvenient working conditions can lead to acts of indiscipline by workers.
- ▶ Ambiguous working responsibilities, organizational policies and procedures also lead to frustration among employees and result in misconduct.
- ▶ Social and economic pressures or compulsions, outside the purview of the organization, may also lead to indiscipline and misconduct of employees.

## **Principles of Maintaining Discipline**

The principles that have to be adhered to, in the maintenance of discipline are:

- ▶ The rules and regulations should be framed with mutual coordination and acceptance of the management and employees. By involving employees in the process, their degree of compliance with the rules can be improved.
- ▶ All the rules should be evaluated and updated from time to time to ensure their relevance and utility.
- ▶ Rules should be formulated based on the nature of work and working conditions, Separate rules have to be framed for employees in the office and in the field.
- ▶ The rules should be so formulated that they ensure an objective and unbiased analysis of the acts of indiscipline. Every employee should be treated the same way under the disciplinary procedure.
- ▶ All the employees should know the penalties for violation of different rules. This would help in maintaining restraint when they contemplate acting in violation of rules and regulations.
- ▶ The disciplinary procedure should ensure that an employee does not repeat a similar act of indiscipline in the future. The disciplinary action taken, should deliver a strict message to the employee, regarding the consequence of a similar act being repeated.
- ▶ The disciplinary procedure should provide for analysis of a rule or its violation, if the employees are violating the rules frequently.
- ▶ The entire procedure including the appeal and review of all the disciplinary actions should be mentioned in the employee's handbook or collective agreements.
- ▶ The procedure should provide for a legal as well as a humane approach.

## **Mc Gregor's Red Hot Stove Rule**

One effective way to approach the disciplinary process is to follow what is popularly known as the "*red-hot stove rule*". This suggests that administering discipline is more like touching a hot stove. According to this rule propounded by McGregor, corrective action should be immediate, impartial, and consistent with a warning like the results of touching a red-hot stove. The results of touching a red-hot stove are:

### **Immediate**

The burn-received when a person touches a red-hot stove is immediate and the person knows that something has gone wrong.

### **Impersonal**

Regardless of who touches it, the stove causes burns.

### **Consistent**

Every time a person touches a red-hot stove, he receives burns. That is, the results are consistent.

## **Disciplinary Procedure**

The different stages in the disciplinary procedures of an Indian organization are:

### **Forming and issuing a charge sheet**

When the management of an organization wants to initiate an enquiry against an employee for alleged misconduct, the concerned employee is issued a charge sheet. The charge sheet should clearly indicate the charges against the employee and seek an explanation for the employee's misconduct.

### **Considering the Explanation**

If the employee admits his misconduct or if the management is satisfied with the explanation offered by the employee in response to the charge sheet, there is normally no further enquiry.

### **Issuing the notice of enquiry**

If it is decided that an enquiry be held, a notice of enquiry has to be issued to the worker. An enquiry officer is appointed, preferably aided by a person well-versed in law, or an outside expert conversant with the intricacies and procedures of domestic enquiries.

### **Holding a Full-fledged Enquiry**

The enquiry should be in conformity with the principles of natural justice and the employee concerned must be given an opportunity to be heard. The enquiry officer must record the findings on the process of enquiry in an impersonal and objective manner. He should refrain from making any judgmental comments.

### **Final Order of action**

The appropriate authority, based on the findings of the enquiry officer, makes the judgment. He either acquits the employee or judges him guilty of the charges. Based on the decision taken, the punishment for the employee's misconduct is determined.

### **Follow- up**

**The Management Should Also Ensure that the discipline of the Employee is Not Repeated.**

### **Approaches To Discipline**

There are three main approaches to discipline. They are incorrect discipline, preventive discipline and positive discipline.

### **Incorrect Discipline**

The term "incorrect discipline" refers to the usage of improper and incorrect measures to enforce discipline in the organization. Some of the incorrect techniques used by managers are:



***Positive Discipline:*** This is a disciplinary procedure where discipline is instilled in the employees through fear. This approach assumes that employees work more effectively and with discipline if fear is instilled in them.

***Negative Feedback:*** In some organizations, employees are given feedback only when their performance is found to be unsatisfactory. This kind of approach, called the negative feedback approach, de-motivates employees. Hence it is important for organizations to give both positive and negative feedback to employees to enable them evaluate their own performance.

***Late intervention:*** In case the manager ignores it and allows the problem to continue, then solving it becomes difficult in the later stages. This is referred to as a late intervention or procrastination discipline.

***Labeling employees not behavior:*** Managers sometimes tend to label employees because of their unsatisfactory performance on a job. Such labeling has certain negative implications.

***Misplaced responsibility:*** A proper analysis may sometimes reveal that it is not the employee, but the management, that is responsible for the misconduct of the employee.

### **Preventive Discipline**

In this, employees are managed in a way that prevents undesirable behavior or misconduct. This approach needs an environment of job satisfaction and trust that will lead to improved employee performance. This kind of disciplinary approach is proactive in nature. Its characteristics are

- ▶ When selecting an employee, the manager should make sure that the employee goals are in congruence with organizational goals.
- ▶ The next step is the training and development of employees to ensure that they adapt themselves to the job requirements to deliver good performance.
- ▶ The management should clearly state that disciplinary procedure to the employee and clear any doubts that employee may about

the policies or procedures of the organization.

- ▶ Constructive feedback should be provided to the employees as and when deemed necessary.
- ▶ Communication is an essential aspect for preventive discipline to be effective. Employees should feel free to communicate their problems to the managements through an open door policy. Frequent meetings between management and employees should be held to help the employees share their problems, concerns and ideas with the management.

### **Positive Discipline**

An approach in which unsatisfactory behavior of employees is corrected through the support and positive attitude of the managers is called positive discipline. This type of disciplinary process is positive and facilitates problem solving in a people oriented approach. This approach mainly lays emphasis on believing that if employees are treated fairly and in humane manner they will follow the disciplinary process of the organization. It is process comprising of a series of policies and steps. They are:

- ▶ Clarify responsibility for discipline
- ▶ Define expected employee behavior
- ▶ Communicate discipline policy, procedures, and rules
- ▶ Collect performance data
- ▶ Administer progressive discipline
- ▶ Administer corrective counseling techniques

### **Types of Disciplinary Action**

#### **Verbal Warning**

Verbal warning is an informal warning given to an employee. It is one of the mildest actions taken against an employee for an act of indiscipline. Such warnings are given in an informal and private environment.

## **Written Warning**

If the oral warning fails, then the next step is to give a written warning to the employee. This is a formal stage as the written warning is placed in the employee's file and a copy given to the employee and one sent to the personnel department.

## **Suspension**

If the employee does not adhere to the rules and regulations of the organizations in spite of being given a verbal and written warning, then the next step is "suspension" of the employee. In suspension, the employee is laid-off from work for a short period of time and he is not paid during this time. This kind of action helps in making the employee realize his fault and the inconvenience that his behavior has caused to others in the workplace.

## **Demotion**

If no improvement is noticed in the performance of the employee even after suspension, and if the management wants to strongly avoid dismissing the employee, demotion may be alternative. Demotion is administered only when

- ▶ The employee clearly does not have the ability to perform the job
- ▶ Management perceives itself legally or ethically constrained from dismissing the employee
- ▶ It is believed that this action will weaken the employee to change his behavior.

## **Pay cut**

This approach has a demoralizing effect on the employees, but is considered rational action by management if the only other alternative is dismissal. If employee alters his behavior, the pay cut can always be cancelled.

## **Dismissal**

The ultimate disciplinary punishment is dismissing the erring employee. This action must be used only for the most serious offense or after all earlier steps have failed. The decision to dismiss an employee should be given long and hard consideration before being implemented.

## **Code of Discipline in the Indian Industry**

The code of discipline in the Indian industry was formulated on the recommendations of the Indian Labor Conference held in New Delhi in the year 1957. The main aim of the code was to lay down certain principles of discipline that govern the Indian industry. The basic features of the code of discipline are as follows:

- ▶ Both the management and the employees should abide by certain self-imposed rules in order to avoid disputes. In case disputes arise, they should be settled through negotiation, conciliation and voluntary arbitration.
- ▶ Each party should acknowledge and respect each other's rights and responsibilities
- ▶ No party should take any unilateral decision regarding any disputes. The existing machinery for settlement should be utilized
- ▶ The code discourages litigation and lays emphasis on settlement of disputes through negotiation, conciliation and voluntary arbitration rather than through adjudication.
- ▶ Acts of violence, coercion, intimidation or incitement should not be indulged in.
- ▶ There should be precision and speedy implementation of disciplinary action and any agreements reached.
- ▶ Employees and trade unions can take appropriate actions in case they find offices and supervisors indulging in activities, which are against the code.
- ▶ The trade union must be recognized in accordance with the criteria laid down for this purpose. Only unions that observe the code of Discipline are entitled to recognition.

## Questions

1. What are the essentials of a good disciplinary system?
2. What is “hot-stove rule”?
3. Describe the various kinds of punishments, which are inflicted on a worker for misconduct?
4. Describe the salient features of domestic Enquiry.
5. What is meant by model standing orders? Are these orders applicable to all establishments? What is the scope of their applications?
6. Describe the Indian law on discipline in industry.

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## Lesson 21 - Workers And Managerial Decisions

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### Meaning and Definition

“The concept of worker’s participation in management crystallizes the concept of industrial democracy, and indicates an attempt on the part of an employer to build his employees into a team which works towards the realization of common objectives”

The concept of worker’s participation aims at providing an opportunity to the workers to take part in the management decision-making. Worker’s participation is adopted and practiced differently in different organizations. While in some places, the employees might be required to just give their suggestions and the final decision-making authority vests with the management, in other places, the workers might be involved in taking only operational decisions. In some other places, however, workers might get to actively participate in all the decisions of the organization, including those at the strategic level.

Workers’ participation in management can be in any shape, from establishing work-committee to auto-management by the employees. The aim of management is to get work through others. Workers, if they are permitted to participate and involve themselves in some of the decisions relating to work situation, etc., can perhaps achieve the company objectives more effectively.

### Levels of Participation

The degree of influence that workers are allowed to exercise can be classified into five levels - from the minimum to maximum degree of participation. These levels are:

#### Informative participation

At this level of worker’s participation, information regarding the balance sheet, production targets, new technology introduction

etc. is shared with the workers. It is a one-way communication from the management to the workers. The workers have no role to play in organizational management.

### **Consultative participation**

Worker representatives in different forums like working committees and joint management councils are consulted on matters such as employee benefits, employee welfare and work conditions. The recommendations of the worker representatives are given due consideration, but the final decision-making authority rests with the management.

### **Associative participation**

The management is under a moral obligation to accept and implement the unanimous decision of the worker's council. The workers at this level of participation have a major role to play, when compared with the earlier two stages.

### **Administrative participation**

In administrative participation, the worker's council is given certain alternatives from which it can select the one it wants to implement. At this level workers enjoy a greater degree of influence than at the previous three levels.

### **Decision participation**

At this level, decisions are taken jointly on matters relating to production and welfare. As the decisions are taken with the mutual consent, both the parties are obliged to abide by them, and the decisions are successfully implemented.

### **Purpose of Workers Participation**

Workers participation in management ensures that the capabilities of workers are properly utilized and that they are able to make a significant contribution to the effectiveness and economic welfare of the organization. The reasons for workers participation are as follows:

- It bridges the gap between the management and the workers by authorizing the workers to take part in managerial functions.
- Workers feel valued and therefore are more committed to their work.
- They feel they have the ability to influence organizational decisions and this makes them more responsible in performing their duties.
- Since they are involved in the process of decision-making, any change in the organization can be implemented without resistance from them.
- Participation also ensures that each party (workers and management) understands the problem and constraints of the other. This helps in reducing industrial conflict.
- Participation enables equal distribution of power in industry so that it tends to be shared among all those engaged in organizational work.
- Participation facilitates effective communication between the workers and the management.
- The increased use of technology in industry has necessitated the growing co-operation of workers because of the complex operations of production.

To summarize, participation improves the progress and prosperity of the enterprise as workers put in their best efforts. Psychologically, it helps in fulfilling the non-monetary needs of the employees and, sociologically, it reduces the number of industrial disputes and creates a positive atmosphere and interest in the work being performed.

### **Types of Workers Participation**

Workers participation in management may take many forms, e.g.

#### **1) Formal participation, which can be –**

- Ascending participation
- Descending participation



## 2) Informal participation

### *1 Formal participation*

It consists of some plan for labour-management co-operation, i.e., to some degree, recognized as a modus operandi between management and workers, frequently through a union.

- 1) Workers and management may work together on such plans as
  - ▶ Accident prevention
  - ▶ Elimination of waste and defective work
  - ▶ Attendance & Absenteeism
  - ▶ Employee insurance plans, etc.
- 2) In **ascending type of participation**, the elected representatives of workers participate in managerial decisions at higher levels such as in the board of directors of the enterprise.
- 3) In **descending type of participation**, workers participate in the planning and deciding their own work on the shop floor.
- 4) Collectively, workers can participate in –
  - ▶ **Works committees**, which are meant for promoting measures for securing and preserving amity and good relations between workers and management. A works committee comments upon matters of common interest and attempts to settle any material difference of opinion between the two parties..
  - ▶ **Joint – councils** of workers and management may decide the issues on which interests of management and workers are identical, e.g., Accident prevention and safety measures, determination of production standards, workers training, welfare measures etc.
  - ▶ **Information sharing** in which workers are told about certain aspects of the company, e.g., plans for expansion, financial position of the company, etc.
  - ▶ **Employees director**, i.e., an elected representative of the (employees or) workers is one of the board of directors.

5) Individually workers can participate in management through

### **Job Enlargement and Job Enrichment**

Job enlargement means expanding the job –content – adding task elements horizontally. Job enrichment means that additional motivators are added to the job so that it is more rewarding. The purpose of job enlargement and job enrichment is to relieve the boredom of the worker, which flows from excessive specialization in mass- production industries so that the job itself may be source of self-satisfaction. Job enlargement and job enrichment do provide for worker's participation because they offer freedom and scope to them to use their judgment.

### **Suggestion schemes**

Employee's view on such matters as machine utilization, waste management, energy conservation and safety measures are invited, and reward is given for the best suggestion. This procedure enables the management to arouse and maintain the employee's interests in the problems of their concern and its management. The suggestion schemes are increasingly used by progressive management.

## ***II Informal Participation***

It is more typically at work-group level, where the foreman develops the opportunity for the group of workers to take part in a problem-solving or decision-making process. Typically, the matters on which decisions are taken are those within the prerogatives of the foreman or supervisor.

### **Importance of Participation**

- ▶ The greatest benefit of participative management is that the employee identifies himself or herself with the work and this leads to improved performance.
- ▶ Participation tends to improve motivation because employees feel more accepted and involved in the situation. Their self-esteem, job satisfaction, and cooperation with the management will also improve.

- ▶ Reduced conflict and stress, more commitment to goals, better acceptance of a change.
- ▶ Employees may also reduce turnover and absences when they begin to feel that working conditions are satisfactory and that they are becoming more successful in their jobs.
- ▶ The act of participation in itself establishes better communication, as people mutually discuss work problems. The management tends to provide workers with increased information about the organization's finances and operations, and this helps employees to give better quality suggestions.
- ▶ Participative management has ethical dimensions also. The ethical orientation stems from:
  - Morality and the impartial promotion of human welfare
  - Recognize the inherent value and dignity of the human being
  - The self-worth of the individual enhances
  - Participation relates to the mental and physical health of employees
  - Ethical justification for worker participation is derived from negative consequences of hierarchical and authoritarian organizations of work.

### **Workers Participation in India**

In India, according to the industrial policy resolution, 1956, the aim of the government in advocating worker's participation in management is to create a socialist society where workers share the managerial powers. In second Five-year plan, the purpose of worker's participation was defined as follows:

- ▶ Increasing productivity for general benefit of the enterprise, employees and community;
- ▶ Giving employees a better understanding of their role in the working of the industry and of the process of production
- ▶ Satisfying the workers urge for self-expression, thus leading to industrial peace, better relations and increased cooperation
- ▶ The Government of India accepted that the representatives of

workers should be taken on the board of directors of public sector enterprises. The worker director (representative of the workers) is to be elected by all the workers of the company through a secret ballot.

- ▶ Another tool that has become popular as a form of participative management in an organization is the employee stock option Plan (ESOP). ESOPs offer emotional and financial ownership to the employees.

### **Pre-Requisites for Successful Participation**

For worker's participation to be successful, there is a need to have:

- ▶ A healthy work atmosphere that motivates employees to participate in the decision-making process. Frequent conflicts in industries frustrate workers and they do not show interest in decision-making as they feel that the management is averse to proposals made by the workers.
- ▶ It is the responsibility of both the workers and the management to put in their best efforts, talents and resources for the realization of their goals.
- ▶ There should be total agreement between both the parties regarding the functioning of the participation schemes. This will ensure the willingness of both the parties to participate in the progress and functioning of the schemes.
- ▶ Frequent meetings between the two parties will reduce the communication gap and help in implementing decisions at the right time.
- ▶ The participation schemes in an organization should be introduced at the shop floor and plant level. Until these are underway, the scheme of workers involvement at the board level should not be introduced.
- ▶ Workers training and education should be given importance so that the workers can understand the importance of their participation and its beneficial effects for the organization.
- ▶ The programs for training and development should be formulated

comprehensively so that the workers are able to comprehend the various aspects of management.

- ▶ To make the employees participate actively, their suggestions should be taken into account and if the suggestions are good, they should be implemented immediately. This would increase employee contribution and cooperation.
- ▶ The management and the workers should trust one another and work towards improving the system. They should be willing to contribute to the fulfillment of organizational goals.
- ▶ Workers' participation schemes should be based on mutual trust and confidence and not enforced by law or compulsion, as this would defeat their very purpose.
- ▶ Finally, it is important to evaluate the effectiveness of the worker participation programs from time- to - time and if required, necessary changes should be made to render them more acceptable and effective.

## Questions

1. "Participation in management is claimed to usher in an era of industrial democracy." Explain.
2. Describe the function of shop council and joint councils under the 1975 scheme of participative management.
3. What are the essential functions of joint management council? Why have they not been successful in our country?
4. Explain in your words, what empowerment means to you. Give an illustration of a time when you truly felt empowered.
5. Why do you think participative management has not succeeded in our country?

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