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उत्तर प्रदेश राजर्षि टण्डन मुक्त विश्वविद्यालय, प्रयागराज

उत्तर प्रदेश सरकार का एकमात्र मुक्त विश्वविद्यालय

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प्रयागराज

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कुलपति

उत्तर प्रदेश राजर्षि टण्डन मुक्त विश्वविद्यालय, प्रयागराज

उत्तर प्रदेश सरकार का एकमात्र मुक्त विश्वविद्यालय

संदेश

जनसंख्या की दृष्टि से वृहत्तम्, उत्तर प्रदेश में उच्च शिक्षा से वंचित परन्तु शैक्षिक नवाचारों की सम्भावनाओं से परिपूर्ण, प्रदेश की जनसंख्या को गुणात्मक शिक्षा के अवसर सर्वसुलभ एवं सर्वव्यापी बनाने के संकल्प से तीर्थराज प्रयाग में उत्तर प्रदेश राजर्षि टण्डन मुक्त विश्वविद्यालय की **स्थापना 1999** में की गई थी। समाज का ऐसा वर्ग जो अपनी रोजमर्रा की अपरिहार्य व्यस्तताओं के चलते नियमित कक्षाओं में नहीं जा सकता, उसके घर तक अध्ययन सामग्री पहुँचाना एवं आवश्यकतानुसार परामर्श देना तथा उनकी अन्तर्निहित क्षमता को प्रस्फुटित करना विश्वविद्यालय की शीर्ष प्राथमिकता है। अपनी स्थापना काल से लेकर वर्तमान भूमण्डलीकरण, निजीकरण एवं उदारीकरण के इस उपयोगितावादी युग में सर्वांगीण व्यक्तित्त्व निर्माण के लक्ष्य को लेकर यह विश्वविद्यालय रोजगारपरक पाठ्यक्रमों के संचालन एवं क्रियान्वयन हेतु कृतसंकल्पित है।

सम्प्रति इस विश्वविद्यालय के बारह क्षेत्रीय केन्द्र क्रमशः प्रयागराज, वाराणसी, गोरखपुर, फैजाबाद, लखनऊ, बरेली, आगरा, मेरठ, झाँसी, कानपुर, नोएडा एवं आजमगढ़ में संचालित हैं। लगभग 1200 से अधिक संचालित अध्ययन केन्द्र के माध्यम से उच्च शिक्षा का प्रचार-प्रसार किया जा रहा है। विश्वविद्यालय के कार्यक्षेत्र की व्यापकता को देखते हुए, शिक्षार्थियों के हित में एक टोल फ्री नम्बर **1800-120-111-333** भी प्रारम्भ किया गया है।

विश्वविद्यालय में त्वरित गति से विकसित हो रही आधुनिक संचार प्रणाली का प्रयोग करते हुए **'वर्ष पर्यन्त प्रवेश'** प्रक्रिया के अन्तर्गत वर्ष में दो सत्रों जनवरी एवं जुलाई में ऑनलाइन प्रवेश लेने की व्यवस्था प्राविधानित है। शिक्षार्थी केन्द्रित व्यवस्था के अन्तर्गत प्रवेश, परामर्श, पाठ्यसामग्री, अधिन्यास, परीक्षा आदि विभिन्न शैक्षिक गतिविधियों को ऑनलाइन करके विश्वविद्यालय ने शिक्षा को शिक्षार्थी के द्वार तक पहुँचाने में सफलता अर्जित की है। शिक्षार्थियों की सुविधा को दृष्टिगत रखते हुए विश्वविद्यालय की वेबसाइट को फेसबुक, ट्विटर और यू-ट्यूब जैसे सोशल मीडिया उपकरणों से सम्बद्ध कर दिया गया है। छात्रों को ऑनलाइन पाठ्य सामग्री उपलब्ध कराने के लिए मोबाइल ऐप को विकसित करते हुए तथा MOOCS, SWAYAM आदि के माध्यम से यह विश्वविद्यालय वर्चुअल शिक्षा के स्वप्न को साकार करने की दिशा में शीघ्रता से आगे बढ़ रहा है।

शिक्षक और शिक्षार्थी के मध्य भौगोलिक दूरी की बाधा को न्यूनतम करने हेतु विश्वविद्यालय बहुआयामी संचार पद्धति का प्रयोग कर रहा है। शिक्षार्थियों तथा प्राध्यापकों की शोध के क्षेत्र में उन्नति और कैरियर संवर्धन हेतु विश्वविद्यालय में समसामयिक महत्वपूर्ण विषयों पर राष्ट्रीय संगोष्ठियों, कार्यशालाओं एवं व्याख्यान कार्यक्रमों का आयोजन निरन्तर किया जाता है। वर्तमान समय में विकास की वैकल्पिक विचारधारा के रूप में पंडित दीन दयाल उपाध्याय के विचारों की महत्ता एवं प्रासंगिकता को दृष्टिगत रखते हुए विश्वविद्यालय में **'दीन दयाल उपाध्याय शोध पीठ'** की स्थापना की गयी है। उल्लेखनीय है कि विश्वविद्यालय में अटल बिहारी बाजपेई सुशासन पीठ पहले से ही स्थापित है।

दूरस्थ व मुक्त शिक्षा प्रणाली में शिक्षार्थी सहायता सेवाओं की गम्भीरता को देखते हुए विश्वविद्यालय द्वारा विभिन्न अध्ययन केन्द्रों तथा क्षेत्रीय केन्द्रों पर संचालित गतिविधियों के निरीक्षण और अनुश्रवण हेतु प्रभावी एवं ठोस कदम उठाए जा रहे हैं। इस क्रम में हमारा प्रयास है कि हम शिक्षार्थियों से सीधे संवाद स्थापित कर उनकी जरूरतों को पहचानने और तदनुरूप अपनी शैक्षिक तथा प्रशासनिक व्यवस्थाओं को अधिक से अधिक अनुकूलतम बनाने की दिशा में कार्य कर सकें। देश की समसामयिक चुनौतियों एवं समस्याओं को देखते हुए वर्तमान सत्र से पूर्व में संचालित रोजगारपरक पाठ्यक्रमों को जारी रखते हुए नागरिकता संशोधन कानून एवं कोविड-19 पर जागरूकता पाठ्यक्रम विश्वविद्यालय में प्रारम्भ हो गया है।

शिक्षा को सामाजिक एवं राष्ट्रीय सरोकारों से जोड़ते हुए प्रति-वर्ष अन्तर्राष्ट्रीय योग दिवस, राजर्षि टण्डन जयन्ती स्मृति व्याख्यानमाला, पं. दीन दयाल उपाध्याय स्मृति व्याख्यानमाला, स्वैच्छिक रक्तदान शिविर, राष्ट्रीय तम्बाकू नियंत्रण जागरूकता कार्यक्रम, शिक्षक दिवस, हिन्दी दिवस और गाँधी जयन्ती पर विचार गोष्ठियों एवं व्याख्यान कार्यक्रमों के आयोजन की समृद्ध परम्परा है।

मैं विश्वविद्यालय की प्रगति में निरन्तर योगदान करने वाले शिक्षाविदों, क्षेत्रीय समन्वयकों तथा अध्ययन केन्द्रों के समन्वयकों, प्राचार्यों एवं समस्त विश्वविद्यालय परिवार के प्रति सम्मान एवं आभार ज्ञापित करती हूँ। विश्वविद्यालय को प्रगति के सोपानों पर अग्रसर करने में प्रत्यक्ष एवं परोक्ष रूप से सहयोग प्रदान करने वाले सभी सम्भ्रांत नागरिकों को मैं साधुवाद देती हूँ। मैं विश्वविद्यालय के केन्द्र बिन्दु तथा अध्ययन के प्रति निष्ठावान छात्र-छात्राओं के मंगलमय भविष्य की कामना करती हूँ।

Seema.

प्रो० सीमा सिंह
कुलपति

Uttar Pradesh Rajarshi Tandon Open University

Master of Business Administration

MBA-2.3

Human Resource Management

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Master of Business
Administration

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Human Resource Management

Block

1

Human Resource Management

परिशिष्ट–4

आन्तरिक कवर–दो का प्ररूप

Format of the II Inner Covers

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परिमापक

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सहयोगी टीम

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BLOCK INTRODUCTION

This book comprises of four units. The first unit introduces the human resource management and its meaning, its evolution etc. This unit also provides differences between HRM & personnel management. The second unit explain the concept of human resource development and its evolution in India. It also discusses the different of roles of a HR manager. The third unit deals with strategic human resource management. This unit explains the meaning of strategy and strategy management. It ends by explain implementation & evaluation of strategy. The fourth unit describes the international HRM. It provides information related to various theories and principles related to international human resource management. This unit also throws light on impact of work culture on the employees in the international environment.

UNIT 1

HUMAN RESOURCE MANAGEMENT

Objectives:

After studying this lesson, yo will able to:

- explain the meaning, nature & scope of human resource management.
- identify the differences between human resource management & personnel management
- describe the various functions and objectives of HRM;
- understand the evolution of HRM and its environment.

Structure:

1.1 INTRODUCTION

Now days, effective management of human resources has become a very challenging job due to a rapid change in technological, socio-economic and politico-legal environment and increasing globalization of business and industry. We cannot ignore the fact that human element is at the centre stage in all economic activities. No organization can think of viability of operations and effectiveness without the efficient utilization of human resources. This requires the present-day managers to be concerned with efficient performance of human resource management functions.

The Human Resource Management considers each employee as a 'human resource' with distinct needs and wants which he/she likes to be fulfilled by his/her performance within the organization. The management must, therefore, provide healthy and safe working environment for the human resource so that they can satisfy their needs and aspirations by achieving organisation's goals.

With the rise of modern factory system, Personnel Management emerged mainly to keep records of attendance and productivity of workers and for administration of wage plans for the workers. Latter, Personnel Management grew to cover 'welfare of labour' and in some matters 'industrial relations' too. Later, Personnel Management emerged as a staff function to provide help to line departments in the matter of recruiting, training and welfare of employees. But since the beginning of the 1980s, the nature and scope of Personnel Management went under a sea change and gave rise to new term known as 'Human Resource Management' (HRM). This transformation took place due to rapid changes in technological advancements, declining importance of trade unions and growing popularity of service sector and information technology.

Human resource management is a basic responsibility of management since managing means 'getting results through and with people'. Every manager is required to perform certain personnel functions. In most of the big organizations, a separate department is created to help and advise the line managers at various levels for the discharge of their personnel responsibilities. Generally, the human resource is assigned the operative functions like employment, training, development, appraisal and maintenance of personnel etc, and top management formulates personnel policies and programs etc.

1.2 MEANING, NATURE, SCOPE AND IMPORTANCE OF HRM

MEANING OF HRM :

HRM is an elastic term. There is no universal agreement on the meaning of HRM. In fact there are varying and contradictory models. For examples, some say that HRM covers a fourfold typology: employee influence, human resource flow, reward systems and word systems. Some identify four rather different areas: acquisition, maintenance, motivation and development of HR; still other talk about a five step HRM cycle: selection, performance, appraisal, rewards and development.

HRM stands for Human Resource Management. Here the three words human, resource and management throws light on the basic meaning of HRM. 'Human' indicates labour, worker, employee or personnel. 'Management' (in HRM) defines the planning and management of employees in an organization. 'Resource' explains that personnel are 'valued assets' and they are as a source of competitive advantage for any organization.

Human resources are also identified by other terms like 'personnel'. 'human assets' and 'human capital'. Human assets are in intangible form oas they exist within human resource. Human capital consists of intellectual capital, social capital and emotional capital.

According to French Wendell,

"Human Resource Management is the recruitment selection, development, utilization of an accommodation to human resource by organisations."

The human resource of an organisation consists of all employees, regardless of their status and role, who are engaged in any of the organisations's activities. Management of human resource is concerned with procurement, development and utilisation and maintenance of resource for the accomplishement of organisational objectives.

According to Gary Dessler,

"Human Resource Management is the process of acquiring, training, appraising and compensating employees, and attending to their labour relations, health, safety and fairness concerns".

This definition of HRM is quite comprehensive. It not only talks about functions like acquisition, training, appraisal and compensation but also about human orientation by giving emphasis to human relations, health and safety of human resources.

According to the Invancevich and Glueck, *"HRM is concerned with the most effective use of people to achieve organizational and individual goals. It is the way of managing people at work, so that they give their best to the organization".*

In short Human Resource Management (HRM) can be defined as the art of procuring, developing and maintaining competent workforce to achieve the goals of an organization in an effective and efficient manner.

NATURE OF HRM:

Human Resource Management is a process of bringing people and organization together so that the goals of each are met. It is concerned with human element with wide range of activities. It is the integral part of the management and involved in developing and motivating the employees as its continuous process. The various features of HRM which explains its nature are as follows:

- It is pervasive in nature as it is present in all organisations.
- Its focus is on results rather than on rules.
- It tries to help employees develop their potential full.
- It is all about people at work, both as individauls and groups.
- It encourages employees to give their best to the organization.

- It tries to put right person on right job in order to produce good results.
- It helps an organization meet its goals in the future by providing for competent and well motivated employees.
- It tries to build and create cordial relation between people working at various levels in the organisations.
- It is a multidisciplinary activity, utilizing knowledge and inputs drawn from psychology, economics sociology etc.

SCOPE OF HRM:

In the early time of the century the focus was on efficiency and improved productivity of work. In the middle age the emphasis shifted towards employee's productivity. Recent decades have focused on increased concern for human safety, quality of working life, TQM and worker's participation in management . In this way, the scope of HRM is very wide. It can be discussed as follows:

1. ***Personnel* aspect:** This is concerned with manpower planning, recruitment, selection, training, development, transfer, promotion, remuneration, incentives, bonus and retrenchement etc.
2. **Welfare aspect:** it deals with working conditions and amenities such as canteen. chreches, restrooms, lunch rooms, housing facility, transport facility, medical assistance, education, safety measures and recreation facilities etc.
3. **Industrial relation aspect:** This covers union-management relations, collective bargaining, grievance and discrepancy procedures, disputes settlements etc.

ASTD Model:

The American Society for Training and Development (ASTD) integrates the nine areas or sub-systems of human resource management which reflects its scope. These areas include the following:

i. Training and Development

ii. Organisation Development

iii. Organisation/ Job Design

iv. Human Resource Planning

v. Selection and Staffing

vi. Personnel Research and Information System

vii. Compensation/ Benefits

viii. Employee Assistance

ix. Union/ Labour Relations

The above areas contribute to the human resource outputs: *quality of work life, productivity and readiness for change. The ASTD model is shown in the figure as follows:*

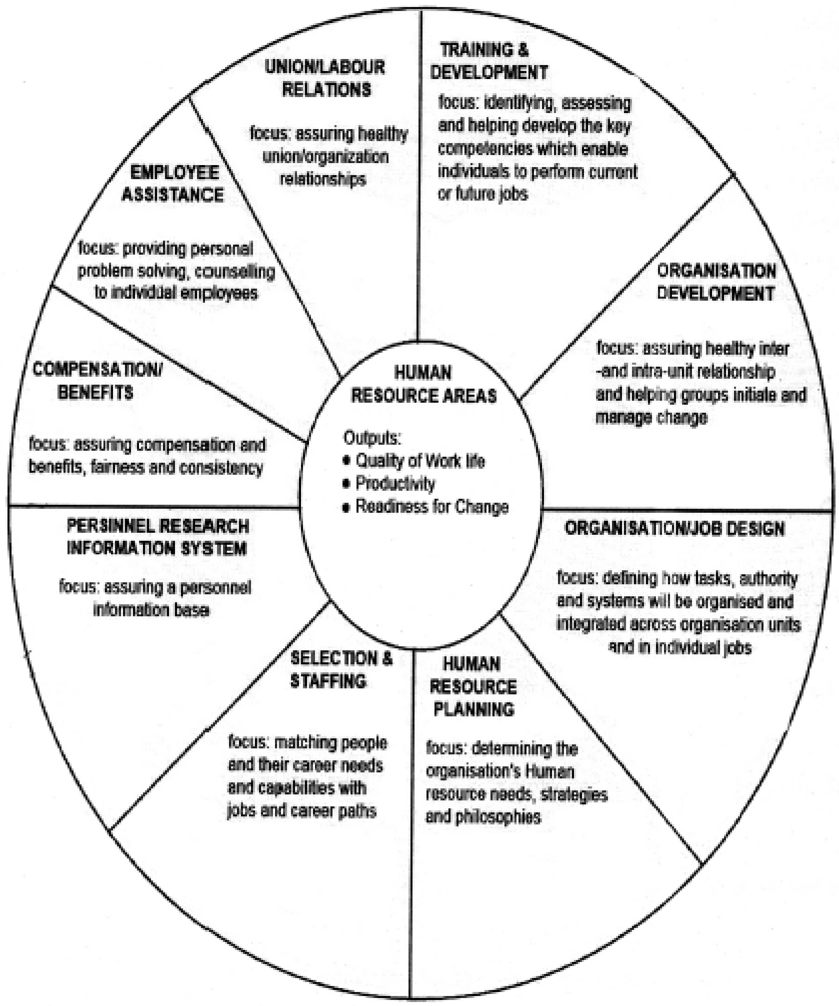

Fig.1.: ASTD Model

IMPORTANCE OF HUMAN RESOURCE MANAGEMENT:

Human resource are the most important productive assets of an organization. Capital and physical resources, by themselves, cannot improve efficiency or contribute to an increased rate of return of investment. It is through the combined and concentrated efforts of people that monetary or materials resources are harnessed to achieve organizational goals. But these efforts, attitudes and skills have to be sharpened from time to time to optimize the effectiveness of human resources and to enable them to meet greater challenges. This is where Human Resource Management plays a crucial role. Effective management of human resources is essential not only for organization, but also for society and nation as discussed below:

Importance of the Organisation:

Human Resource Management is concerned with managing 'human aspect' of the organization in such a way that organizational objectives are achieved along with employee development and satisfaction. The importance and contribution of human resource management to the organizational objectives is as follows:

- **i.** Good human resource practice can help in attracting and retaining the best people in the organization.
- **ii.** Appropriate recruitment and selection activities identify the best people for available jobs.
- **iii.** Training develops individuals who need skills, knowledge and attitude different from those they currently possess.
- **iv.** Good human resource practice can motivate organizational members to do outstanding work.
- **v.** Effective personnel practice lead to healthy employer-employee relationship and industrial harmony in the organization.

Importance for the Society:

Sound human resource management has great importance for the society as given below:

- **i.** It provides sound personnel policies for socio-psychological satisfaction to people at work.
- **ii.** It maintains between the jobs available and the jobseekers in terms of numbers, qualifications, needs and aptitude.
- **iii.** It eliminates waste of human resources through conservation of physical and mental health of human resources.
- **iv.** It provides status to the employees in the society in the sense that they are contributing to the welfare of the society.

Importance for the Nation:

Efficient management of human resources can play a vital role in the growth, development, and self-sufficiency of a nation. Committed manpower is a necessary prerequisite for the effective and efficient exploitation and utilization of nation's physical, financial and natural resources. Countries differ in their social, economic and other development due to the capabilities, values and attitudes of their human resources. If the people are educated, skilled and efficient, the country will progress in the desire direction.

1.3 DIFFERENCE BETWEEN HUMAN RESOURCE MANAGEMENT AND PERSONNEL MANAGEMENT

Human Resource Management is the reincarnation of Personnel Management. This is why many people don't make any distinction between the two terms and use them interchangeably. They think that HRM is an old wine in a new bottle. But this is not true because HRM is based on human resource orientation which was missing in personnel management. Whereas personnel management is a routine administrative activity, HRM is integrated into the overall strategic management of the enterprise. Human Resource management treats labour as human capital rather than as a variable cost; it is proactive rather than reactive; it is based on commitment rather than compliance; and it follows systems approach rather than piecemeal approach. The major points of distinction between the two are discussed below:

1. Personnel Management treats people as a tool which is used as the benefit for the organization and replaced when worm-out, while HRM treats people as valuable assets that are used for the benefits of the organization, the people or employee themselves and the society.

2. Personnel Management is treated as routine activity to hire and train employees and maintain personnel records, while HRM is integrated into the overall strategic management of the business.

3. Personnel management concentrates on monitoring people and their work in terms of measurable output, while HRM focuses on nurturing human talent for the growth and prosperity of the organization.

4. In Personnel management, interest of the organization are uppermost, whereas in HRM, interest of the organization are as important as those of the employees.

5. Human Resource Management must remain at the centre of management itself, while personnel management is one of the functional areas of management HRM is the concern of all managers from top to bottom in an organization, while personnel management is mainly concern of the personnel manager.

6. HRM represents humanization of management, while personnel management is concerned with managing personnel. HRM concentrates more on motivation, morale and job satisfaction, while personnel management is primarily concerned with selection, recruitment and compensation of personnel.

1.4 OBJECTIVES OF HRM

The basic objectives of the human resource management is to contribute to the realization of the organisational goals. However, the specific objectives of human resource management may be outlines as follows:

- To help the organization in achieving its goals.
- To ensure effective utilization of human resources.
- To ensure respect for all human beings working in any organization.
- To develop all the human resources so that they can achieve the given goals efficiently and effectively.
- To identify and satisfy the needs of the employees.
- To achieve and maintain high morale among employees.
- To provide the organization with well-trained and well-motivated employees.
- To ensure reconciliation of individual goals with those of the organization.
- To increase to the fullest the employee’s job satisfaction and self actualization.
- To develop and maintain a quality of work life.
- To develop employees ethically and socially responsible towards the needs of society.
- To equip the employees with precision and clarity in the business transactions.
- To inculcate a sense of team spirit, group work and inter-department collaboration among the employees.
- To develop the overall personality of each employee in its multidimensional aspect.
- To enhance employee’s capabilities to perform the present job at optimum level.

1.5 HRM FUNCTIONS

Human resource management is an important department of any organization. The in-charge of this department is known as HUMAN

Resource Manager or Personnel Manager. This department plays important role in efficient management of human resources. The human resource department provides assistance and services to all other departments on personnel matters. There are two categories of functions of which a human resource manager performs. These include: (i) managerial and (ii) operative.

Functions of Human Resource Manager

Managerial	**Operative**
1. Planning	**1.** Employment
2. Organising	**2.** Training and Development
3. Directing	**3.** Remuneration
4. Controlling	**4.** Working conditions
	5. Motivation
	6. Personnel Records
	7. Industrial relations
	8. Separations

Functions of Human Resource Management

Fig.2.:Functions of Management

Managerial Functions:

The human resource manager is the part of the management of the enterprise. So he must perform the basic managerial functions of planning, organizing, directing and controlling in relation to his own department. These functions are briefly discussed below:

1. Planning: Planning function is related to determine the goals of organization and lay down policies and procedure to reach the goals. For a human resource manager, planning means the determination of personnel programs i.e. anticipating vacancies, job requirements and the sources of recruitment.

2. Organising: The organization structure basically includes the following :

- Grouping of personnel activities into positions.
- Assigning different functions to different people
- Coordinating activities among different individuals.

- Delegating authority as per the task assigned to the individuals at different positions.

3. Directing: The directing function of human resource manager involves encouraging people to work willingly and effectively to the goals of the enterprise. In fact, direction function is meant to guide and to motivate the people to accomplish the personnel programs.

4. Controlling: Controlling is concerned with the regulation of activities in accordance with the plans, which in turn have been formulated on the basis of objectives of the organization. It involves the observation, supervision and comparison of results with the set standards and correction of deviation that may occur. It helps the HR manager to evaluate the performance of the employees of the organization.

Operating Functions:

The operative functions are those tasks or duties which are specifically entrusted to the human resource department. Such functions are discussed as follows:

1. Recruitment & Selection: This function is related to the employment of the people necessary to achieve the objective of the organization. The number of persons is determined first and then as per the requirement quality people are placed through recruitment and selection. This function provides right type of person in right quantity to the organization.

2. Training & Development: After selection of people, they are trained as per the standards and specification of their job so that they can perform their duties skillfully. For this purpose, the human resource department device on-the-job and off-the-job methods for training purposes.

3. Compensation: This function is related with determination of adequate and equitable remuneration of the employees in the organization for their contribution to the organization goals. On the basis of performance appraisal and job evaluation, the remuneration can be fixed both in terms of monetary or non monetary rewards.

4. Human Welfare: Human resource department is not concerned with recruitment and training of the personnel but it also takes care of their working conditions and welfare programs. Working conditions certainly influence the motivation and morale of employees. This includes measures taken for health, safety and comfort of the workforce.

5. Personnel Records : The human resource department maintains the records of the employees working in the organization. It keeps full records of their training, achievements, rewards, transfers, promotions, etc. It also maintains records related to their personal behaviour like absenteeism, involvement in strikes and labour turnover.

6. Industrial Relations: Now-a-days, the responsibility of maintain the good industrial relations is mainly the duty of human resource department. The human resource manager can help in collective bargaining, joint consultation and settlement of disputes, if the need arises. He also ensures the peace in the organization as he is associated with various committees on discipline, labour welfare, safety and grievances etc.

7. Separation: As the first function of human resource manager is recruitment the last function is separation. The human resource manager has to ensure the retirement benefits to the retiring personnel in time.

In brief, the human resource management performs the following functions:

- Manpower planning.
- Recruitment, selection and placement of personnel.
- Training and development of employees.
- Performance appraisal of employees.
- Transfer and promotion of employees from one job to another for corrective measures.
- Safety and welfare of employees.
- Developing specific management policy for organizational and industrial relationship.
- Collective bargaining and negotiation.
- Grievance handling.
- Staffing the organization.
- Supporting employees for their self development at all three levels.
- Potential appraisal.
- Feedback counseling.
- Job analysis and role analysis for job enrichment.
- Job rotation.
- Strategic human resource management.
- Motivation of employees.
- Reviewing wages and salary.

- Maintain relationship between top management and trade unions.
- Separation and ensuring retirement benefits of the employees.

The evolution of HRM passes through the industrial revolution era, trade unionism era, scientific management era, Human relations movement era, Bahavioural science era, Personnel Specialists welfare era.

The Industrial Revolution Era: Industrial revolution during the later part of the 18th century and earlier part of the 19th century had a vital influence on the development of industry and commerce. Industrial revolution was the result of invention of many English scientist. The important changes brought about by the industrial revolution are as follows:

1) Development of engineering;

2) Revolution in iron-making;

3) Use of power driven machines;

4) Rise of chemical industry;

5) Development of coal mining.

The changes which necessitated the emergence or personal management included large scale production and size of factory system: employment of large number of workers in factories: introduction of division of labour: growth of a new class of technical and professional employees: migration of labour from rural areas to urban area: rise of materialism: monotony and boredom in jobs, etc.

Trade Union Era: With the rise of factory system, the workers faced several problems in the factories. They got lower wages and worked under poor working conditions of work. So they organized themselves into trade to secure better wages and better condition of work. The basic philosophy underlying trade unionism was that through strength and collective support, the employers could be forced to listen to the workers and redress their grievances. The weapons used included strikes, slowdowns, walkouts, picketing, boycotts and sabotage. Sometimes, even physical force was used. Trade unionism influenced personnel management in such fields of activity as adoption of employee grievance handling systems, acceptance of a arbitration as adoption of employee grievance handling systems, acceptance of arbitration as a means of resolving conflicts about rights and disciplinary practices, expansion of employee benefit programs, liberalization of holiday and vacation time, clear definition of job duties, job rights through seniority and installation of rational wage structure. Because of influence of trade unions, personnel departments were setup around 1910 to took after functions like recruitment, training, payment of wages, record-keeping, welfare, etc.

Human Relations Movement Era: Using the techniques developed by the psychologists, George Elton Mayo (a psychologist) and Fritz J. Dickson of Western Electric company conduced some experiments (know as Hawthorne Experiments) in the field of industrial psychology between 1927 to 1932. Mayo and his associates followed up their experiments and investigated the myriad of informal groupings, informal relationship, social cliques, patterns of communication and patterns of informal relationship. As a result, during the 1930s a trend began which can be phrased as 'being nice to people'. This trend was eventually termed as **'the human relations movement'**. The human relations movement was mainly concerned with the informal and spontaneous behaviour of work groups and the sentiments, interactions and attitudes of employees. This scientific management movement was mainly concerned with the organisation as a techno-economic system while the human relation movement viewed the organization as a social system.

Behavioural Sciences Era: The behavioural sciences are essentially the social and biological sciences pertaining to the study of human behaviour. The term was coined around 1949 and grew out of a meeting of scientists who were considering whether a sufficient body of facts exists to justify developing an empirically tenable general theory of behaviour (Miller 1955). Recent contributions have come from industrial psychology, social psychology, sociology etc.

Personnel Specialist and Welfare Era: The growth of personnel management in U.S.A. and U.K. was evolutionary in nature. It took place because of the voluntary efforts of the employers. But in countries like India personnel management grew because of compulsions made by the Government. In 1931, the Royal Commission on Labour recommended the abolition of jobber system and the appointment of *Labour officers* in the industries to look after recruitment and welfare of employees. In 1948, the Factories Act was enacted which made it obligatory for certain industrial enterprise to appoint *Welfare Officers*.

During the period 1950-1980, the scope of personnel management expanded considerably throughout the world. Several new technique and styles of managing the human resources were developed as a result of the researches and experiments in the field, The task of the personnel manager which was confined mainly to the recruitment of workers extended to development, compensation, appraisal, and maintenance of personnel.

Personnel management was no longer restricted only to the wage earners in the factories. It became equally important in offices, sales organizations, hospitals, non-profit institutions, government departments and armed services.

From Personnel Management to Human Resource Management: There has been a transformation in the practices concerned with management of people at work. The people are now called '**human resources**' and are treated as valuable assets of the organization. Efforts are made to integrate employees with the organizations so that organization goals and employees, aspirations could be achieved simultaneously. Focus has been shifted towards management practices like two-way communication, management by objectives, employee-centred leadership, quality circles, etc. there developments paved the way of transformation of Personnel management into **Human Resource Management**.

With the beginning of 1970s, the need of development of human resources was widely recognized by the industrial organizations. This gave rise to a new human resources was widely recognized by the industrial organizations. This gave rise to a new orientation or philosophy known as Human Resources Development (HRD).

1.7 SUMMARY

We can not ignore the fact that human element is at the centre stage in all economic activities. No organization can think of viability of operations and effectiveness without the efficient utilization of human resources. Human resource management is a basic responsibility of management since managing means 'getting results through and with people'. Every manager is required to perform certain personnel functions. Human Resources are also identified by other terms like 'personnel', 'human assets' and 'human capital'. Human assets are in intangible form as they exists within human resource. Human capital consists of intellectual capital, social capital and emotional capital. Human Resource Management is the process of acquiring, training appraising and compensating employees, and attending to their labour relations, health and safety and fairness concerns.

Personnel Management is treated as routine activity to hire and train employees and maintain personnel records, while HRM is integrated into the overall strategic management of the business. Personnel management concentrates on monitoring people and their work in terms of 21 measurable output, while HRM focuses on nurturing human talent for the growth and prosperity of the organization. The human resource department provides assistance and services to all other department on Personnel matters.

There are two categories of functions of which a human resource manager performs. These include: (i) managerial and (ii) operative. In brief, the human resource management performs the various functions like manpower planning, recruitment, selection and placement of personnel, training and development of employees, performance appraisal of employees, transfer and promotion of employees from one job to another for corrective measures, safety and welfare of employees etc.

1.8 SELF ASSESSMENT EXERCISE

1. Define HRM.

2. Explain the objectives and functions of human resource management.

3. Define personnel management and differentiate it from resource management.

4. Discuss the evolution of HRM.

5. Explain the importance of human resources in an industrial enterprise.

6. Explain the nature and scope of HRM in modern times.

1.9 FURTHER READINGS

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6. Biswajeet Pattnayak, Human Resource Management, Prentice Hall of India Pvt. Ltd., New Delhi.

UNIT 2

HUMAN RESOURCE DEVELOPMENT

Objectives :

After studying this lesson, you will be able to:

explain the meaning and nature of human resource development; identify the differences between human resource development & personnel functions; understand the evolution of HRD in India; describe the various roles of HR managers.

Structure :

2.1 INTRODUCTION

Human resource is the most important active factor of production and refers to the knowledge, skill, creative ability, talents, values and beliefs of workforce. These resources play an important role in deciding the efficiency and effectiveness of an organization. Their development would lead to the development of the organization. Human Resource Development's main concern is the development of skill and abilities and competencies of people. The concept of HRD is of recent origin and is still in the developing stage.

In the fast moving business world of today, organisations are facing challenges of cut throat Competition, fast and changing technology, emerging startups and changing socio-demographic environment. International organizations and multinational companies are also entering in domestic markets due to policy of globalization. Thus the role of managers has become more diverse than their previous friends. Radical changes are taking place because of economic pressure and demand for enhancing efficiency and productivity. To keep pace with such environment, organisations must develop its people and allow them to grow. HRD must therefore be viewed as total system integrating with other system of the organization. The employees capabilities need to be sharpen and this is possible through HRD.

2.2 MEANING, NATURE AND OBJECTIVES OF HUMAN RESOURCE DEVELOPMENT

MEANING OF HRD:

In the organizational context, Human Resource Development is a continuous process to ensure the development of employee competencies, dynamism, motivation and effectiveness in a systematic and planned way. HRD is a process which is concerned with a series of learning activities that are designed to produce behavioural changes in the human resources in such a way that they acquire desired level of competence for present and future roles. In other words, we can say that HRD brings about an all round development of the people of the organization so that they can contribute their best to their organization, society and the nation in best efficient and effective manner.

According to T.V. Rao, "HRD is a continuous planned process by which employees are helped to:

(a) acquire or sharpen capabilities required to perform various functions associated with their present or expected future roles;

(b) develop their general capabilities as individuals and discover and exploit their own inner potentials for their own and organizational purposes; and

(c) develop an organizational culture in which superior-subordinate relationships, team work and collaboration among sub-units are strong and contribute to the professional well-being, motivation of employees."

According to Ishwar Dayal, HRD involves:

(a) ways to better adjust the individual to his job and the environment,

(b) the greatest involvement of an employee in various aspects of his work; and

(c) the greatest concern for enhancing the capabilities of the individual.

Other scholars viewed human resources as "the total knowledge, skills, creative abilities, talents and aptitudes of an organisation's workforce as well as the values, attitudes and beliefs of the individuals involved". This explains that Human Resource Development (HRD) may be defined as development of people by providing the right environment where each individual may grow to his full capacity, potentiality and efficiency by capturing all opportunities.

HRD is the heart of the larger body known as Human Resource System. It is concerned with providing learning experience for the organizational members to develop their competencies. HRD is the only a sub-system of the organization which is integrated with all other sub-systems like finance, production and marketing etc.

NATURE OF HRD:

The concept of HRD is comparatively of modern times and is now used at both macro and micro level. At the micro or organizational level, HRD enforces improvements in the quality of managers and workers so that the organizational goals can be achieved while at macro level, HRD is described as the core of all developments efforts so that the quality of life of people of the nation can be improved. The nature of the HRD can be discussed as below:

1. System Perspective: HRD is viewed as a system consisting of several interdependent and interrelated sub-systems. These include performance appraisal, potential appraisal, role analysis, training, job enrichment, communication etc. In designing a human resource development system, enough attention should be paid to building linkages between the various sub-systems.

2. Behavioural Science Knowledge: Human Resource Development makes use of principles and concepts of behavioural sciences for the development of people. It uses knowledge drawn from psychology, sociology and anthropology for planning and implementing various programmes for the development of individuals. Groups and the organization.

3. Continuous Process: As a dynamic and pro-active process HRD believes in and emphasizes the need for ‘continuous development’ of personnel to face the innumerable challenges in the functioning of an organization. However, HRD mechanisms, processes, policies etc, differ from organization to organization to suit the need of the situation.

4. Ouality of life: In general, HRD has its relevance to the ‘quality of human life improvement’. At the organization level, it is concerned with improving the quality of work life so as to achieve greater satisfaction of employees and higher level of productivity.

Micro and Macro Perspectives:

The concept of HRD is comparatively of recent origin and is now used at both macro and micro levels. AT the macro level, HRD is described as core of all development efforts in the sense of improvement of quality of life of people of a nation. At the micro or organization level, HRD connotes improvement in the quality of managers and workers so as to achieve greater quality and higher levels of productivity.

Mechanisms or Instruments of HRD

There are a number of mechanisms of HRD that can be used in an organization to bring out the best of the human resources. The most commonly used mechanisms in modern organisations are as follows:

i. Performance appraisal;

ii. Potential appraisal;

iii. Role analysis;

iv. Job rotation;

v. Counselling;

vi. Job enrichment;

vii. Training and development;

viii. Career Planning.

Objectives of HRD:

Human Resource Development is a multipurpose process. It has the following objectives:

i. Provide an opportunity and comprehensive framework for the development of human resources in the organization for full expression of their talents and potentials.

ii. Develop the constructive mind and overall personality of each employee.

iii. Develop each individual's capabilities to perform the present job and to handle future likely roles.

iv. Develop and maintain high motivation level of each employee.

v. Strengthen superior-subordinate relationship.

vi. Develop a sense of team spirit, team work and inter team collaboration.

vii. Improve the organisationl health, culture and climate.

viii. General systematic information about human resources.

The realisation of the above goals will ultimately contribute to organizational effectiveness reflected through better quality, higher productivity, cost reduction, higher profits and better public image.

2.3 DISTINCTION BETWEEN HUMAN RESOURCE DEVELOPMENT AND PERSONNEL FUNCTIONS

Personnel function is the role of personnel manager and its an traditional approach of an organization but HRD has emerged as a pervasive role of an organization. Personnel management which is also known as human resource management is treated as routine activity to hire and train employees and maintain personnel records while human resource development is a continuous process to ensure the development of employee competencies, dynamism, motivation and effectiveness in a systematic and planned way. Personnel management of HRM is defined as the planning, organizing, directing and controlling of procurement, development, utilization, compensation and maintenance of human resources. HRD is the development of human resources in the organization. It is concerned with improvement of the abilities, skills of existing human resources and helps them to acquire new knowledge needed to attain organizational goals and individual aspirations. The differences between HRD and Personnel Functions can be discussed as follows:

HRD VS PERSONNEL FUNCTIONS:

1. Traditional approach views personnel function as an independent function while systems approach views it as a sub-system of a large system i.e. organization. It means that the design of HRD cannot be considered in isolation; it must take into account its linkages with all other parts of the organization.

2. Traditional approach considers personnel function as mainly a service function but HRD is regarded as a proactive function. The function of HRD is not merely to cope with the needs of the organization but to anticipate them in advance.

3. The traditional personnel function is supposed to be the exclusive responsibility of the personnel department while HRD is the function of all managers in the organization. HRD aims at developing the capabilities of all line managers to carry out various personnel functions themselves.

4. Traditional personnel function takes a very narrow view of its scope and aims are developing and administering people only, while HRD takes a much wider view of its scope and aims at developing the total organization.

5. Traditional personnel function considers salary and other monetary benefits as important motivators but HRD considers non-monetary incentives as important motivators such as informal organization, autonomous work groups, job enrichment, job challenge, and creativity.

6. Under personnel management the stress is on enhancing efficiency while under HRD, the stress is on building up of culture based on mutual trust and understanding cooperation, harmony, open-mindedness, clearly defined goals.

7. Personnel management function is considered as the job of personnel department but HRD is considered as all pervasive function.

2.4 EVOLUTION OF HRD IN INDIA

The growth of human resources management (HRM) and human resources development (HRD) has been evolutionary. However, the foundations of modern concepts of human resource management and human resources development date back to the era of industrial revolution when large scale production was taken up as a result of the invention of steam engine and several machines and problem was faced by the factory owners in dealing with their workers.

Industrial Revolution: Industrial revolution during the later part of the 18th century and earlier part of the 19th century had a vital influence on the development of industry and commerce. Industrial revolution was the result of invention of many English scientist. The important changes brought about by the industrial revolution are as follows:

1) Development of engineering;

2) Revolution in iron-making;

3) Use of power driven machines;

4) Rise of chemical industry;

5) Development of coal mining;

The changes which necessitated the emergence or personal management included the following:

1) Large scale production and size of factory system:

2) Employment of large number of workers in factories:

3) Introduction of division of labour:

4) Growth of a new class of technical and professional employees:

5) Migration of labour from rural areas to urban areas:

6) Rise of materialism:

7) Monotony and boredom in jobs, etc.

Growth of Trade Unionism With the rise of factory system, the workers faced several problems in the factories. They got lower wages and worked under poor working conditions of work. So they organized themselves into trade to secure better wages and better conditions of work. The basic philosophy underlying trade unionism was that through strength and collective support, the employers could be forced to listen to the workers and redress their grievances. The weapons used included strikes, slowdowns, walkouts, picketing, boycotts and sabotage. Sometimes, even physical force was used. Trade unionism influenced personnel management in such fields of activity as adoption of employee grievance handling systems, acceptance of arbitration as a means of resolving conflicts about rights and disciplinary practices, expansion of employee benefit programs, liberalization of holiday and vacation time, clear definition of job duties, job rights through seniority and installation of rational wage structure.

Because of influence of trade unions, several employers in the U.S.A. appointed Welfare Secretaries and also launched schemes for worker's participation. They adopted paternalistic attitude towards the workers and invested on welfare activities for the betterment of workers. In several companies, personnel departments were setup around 1910 to look after functions like recruitment, training, payment of wages, record-keeping, welfare, etc. Later such practices were followed in other countries also.

Industrial Psychology: The development of industrial psychology owes a great deal to Hugo Munsterberg. His book, *Psychology and Industrial Efficiency*, was published in 1913. He is regarded as the father of Industrial Psychology. His contributions to industrial management were particularly notable in respect of his analysis of jobs in terms of their mental and emotional requirements and in terms of the development of testing devices. Advances were made in **selection, placement, testing, training** and **research practices.** Industrial psychology introduced "matching of employees to jobs, for different jobs requiring different skills and abilities". It emphasized the use of psychology in the field of personnel testing, interviewing, attitude measurement, learning, monotony study, safety, job analysis and human engineering.

A number of psychologists such as Poffenberger, Burtt, Hepner and Munsterberg made significant contributions to the field of industrial psychology. Munsterberg had great interest in seeking out ways in which psychology could be applied to the problem of industry. He introduced job analysis in term of mental and emotional requirements to the job. Personnel Management grew rapidly in the U.S.A. during the 1920's. A number of companies added personnel departments for the first time, personnel consulting firms began to appear, many colleges and universities began to offer training in this area and personnel research studies were initiated in a variety of setting. The work done at Carnegie Institute of Technology dealing with manpower utilization in the sales management field is particularly noteworthy. The major areas of specialization of the personnel managers during this period were selection, training, methods improvement and employee welfare.

Human Relations Movement : Using the techniques developed by the psychologists, George Elton Mayo (a psychologist) and Fritz J. Dickson of Western Electric company conduced some experiments (Know as Hawthorne Experiments) in the field of industrial psychology between 1927 and 1932. Mayo and his associates followed up their experiments and investigated the myriad of informal groupings, informal relationship, social cliques, patterns of communication and patterns of informal relationship. As a result, during the 1930s a trend began which can be phrased as ‘being nice to people’. This trend was eventually termed as **‘the human relations movement’.**

Elton Mayo and his associates drew the following conclusions from the Hawthorne experiments:

1) The amount of work to be done by the worker is not determined by his physical capacity but by the social norms.

2) Non-economic rewards and sanctions play a significant role in influencing the behavior of the workers.

3) Generally, workers do not act or react as individuals, but as members of the group.

4) Informal leaders play an important part in setting and enforcing the group norms.

Growth of Personnel Management: The growth of personnel management in U.S.A. and U.K. was evolutionary in nature. It took place because of the voluntary efforts of the employers. But in countries like India personnel management grew because of compulsions made by the Government. In 1931, the Royal Commission on Labour recommended the abolition of jobber system and the appointment of *labour Officers* in the industries to look after recruitment and welfare of employees. In 1948, the Factories Act was enacted which made it obligatory for certain industrial enterprise to appoint *Welfare Officers*.

During the period 1950-1980, the scope of personnel management expanded considerably throughout the world. Several new techniques and styles of managing the human resources were developed as a result of the researches and experiments in the field. The task of the personnel manager which was confined mainly to the recruitment of workers extended to development, compensation, appraisal, and maintenance of personnel.

Personnel management was no longer restricted only to the wage earners in the factories. It became equally important in offices, sales organizations, hospital, non-profit institutions, government departments and armed services.

From Personnel Management to Human Resource Management: There has been a transformation in the practices concerned with management of people at work. The people are now called **‘human resources’** and are treated as valuable assets of the organization. Efforts are made to integrate employees with the organizations so that organizational goals and employees, aspirations could be achieved simultaneously. Focus has been shifted towards management practices like two-way communication, management by objectives, employee-centred leadership, quality circles,etc. there developments paved the way of transformation of Personnel management into **Human resources Management.**

The terms 'Personnel Management' and 'Human Resources Management' (HRM) are used interchangeably in practices. However, the following points must be carefully noted:

1) Human resource management is primarily a philosophy, an attitude, an approach, a policy and a practice, while personnel management is a functional area of management.

2) HRM represents the humanisation of management, while personnel management is concerned with managing personnel for greater productivity.

3) HRM is the concern of all managers from top to bottom in a organization, while personnel management is mainly the concern of the personnel manager.

4) HRM concentrates more on motivation, morale-boosting and job satisfaction, while personnel management is primarily concerned with selection, recruitment and administration of personnel.

5) HRM intervention is more concerned with working with people, team building and team-work, while personnel managements is interested in the orderly way of administration.

With the beginning of 1970s, the need of development of human resources was widely recognized by the industrial organizations. This gave rise to a new human resources was widely recognized by the industrial organizations. This gave rise to a new orientation or philosophy known as Human Resources Development (HRD).

EMERGENCE OF HRD:

Over the last one century, the following approaches towards human resources have been observed:

1) Commodity approach

2) Machine approach

3) Paternalistic approach

4) Social system or humanistic approach

5) Human Resources approach

6) HRD approach

Commodity Approach

The commodity approach considers as a '*commodity*' or simply a '*factor of production*' that is why, it also called the **'factor of production' approach.** It describes the attitude of traditional management towards personnel or people at work, which assumes that the labour must be classified with capital and utilized to the fullest. Employees are thought to be hired and fired at will, considering only the immediate requirement of the company. Instead of treating them as human beings with their needs and aspirations, the workers are treated as a mere factor of production as under scientific management.

Machine Approach

Under mechanistic approach, the personnel are thought to be and treated as machines. It is assumed that if machines can be made more productive by extreme specialization, so can the be people. Jobs can be created requiring such little ability that persons performing them can be interchanged readily. The classical management theory intended to maximize efficiency of human factor, and money was thought to be the prime motivator. It followed *'carrot and stick'* approach to human motivation. If people work efficiently, they would get the stick, kicked out of the firm. The managars following the traditional approach are strictly autocratic leaders. This causes frustration and alienation among the workforce leading to low level of commitment towards the organization.

Paternalistic Approach

Under this approach, management assumes a fatherly and protective towards employees. It consists of buying employees loyalty and gratitude by providing them housing, recreation, medical benefits, and other welfare services. The paternalistic approach gained importance during the 1920s when personnel management became known as a glamourous area of management especially in the United States. The change over from commodity approach to paternalism took place because of the efforts of social workers and enlightened businessmen. The growth of labour unions during and after the First World War also made several businessmen to assume a fatherly, benevolent and protective attitude towards workers. As a result, certain personnel programmes were development which emphasized such activities as consumer stores, housing for workers, recreational facilities and so on. The purpose of this approach was to buy employee's gratitude and loyalty.

Though the paternalistic approach was an improved version of the mechanical approach it created almost similar problems that were created by the mechanical approach.

Social System or Humanistic Approach

Paternalism died during the Great Depression of the 1930s as the management did not have resources to invest in the welfare services for the workers. Because of the work of psychologistis like Mayo, Argyris, McGregor and Leavitt and sociologists like Blake, Selznick, Dubin, Katz and Khan, the social system approach gained currency. The organizations were viewed as social systems composed of numerous interacting parts. The social system approach recognizes a worker as a human being and also a significant part of the organization. It emphasizes that investment in labour can often prove to be as beneficial as investment in machinery. If labour is treated properly, most of their problems would be solved automatically. This approach, therefore, recognizes that treatment of labour should not be of fatherly type but rather one of mutual co-operation in the solution of common problems of the organization.

The proponents of humanistic approach felt that workers have psychological needs also in addition to psychological needs. Thus, non-economic incentives could also be used to motivate the workers along with the economic incentives. The human relations advised the management to work for better human relations in the organization. They considered **‘ human relations’ as the key to higher prosuctivity, higher morale and satisfaction of the workers.** However, this view may not always hold good in practices. The satisfied workers need not necessarily be the productive workers.

Human Resource Approach

It was during the 1950s that several behavioural scientists started analyzing the behavior of human beings at the work-place. This gave birth to the human resources concepts which considers **workers as human resources who are living entities with distinct needs, aspirations and personality.** Because of the efforts of behavioural scientists, motivation, leadership, group dynamics, organizational climate, organizational conflict, etc. became popular concepts. Employees began to be considered as valuable assets of the organizations. Efforts were made to integrate employees with the organization so that organizational goals and employees’ aspirations could be achieved simultaneously. Focus was shifted towards management practices like two-way communication, management by objectives, workers’ participation in management, employee-centred leadership, quality circles, etc.

The popularity of human resource approach lead to the transformation of traditional Personnel Management into Human Resources Management (HRM). The basic foundations of the HRM philosophy are as followas:

1) Human resources are the most important of all resources used in industry. Efficient use of capital and technology is possible only with help of competent and motivated human resource.

2) Each human being has distinct needs, perception, attitude and values. Individual differences need to be taken care of while dealing with people.

3) Human resources should be treated with respect and dignity.

4) Human resources have the intrinsic and urge to develop.

HRD Philosophy

There has been an increasing realization that the organisation’s success is development on the synergy created by its human resources. Organisational growth can only be ensured through appropriate collaboration and amalgamation of various personnel around organizational goals/tasks. It is, therefore, essential to create an appropriate work culture and ethos which would provide the impetus for achievement. This is one of the major tasks of management of any organization. This concern has given rise to the philosophy of Human Resources Development.

Human Resources Development (HRD) is said to be core of a larger system known as Human Resources System, wherein HRD is mainly concerned with providing learning experiences for the people associated with an organization through behavioural processes. Such learning experiences are provide with the main objectives of developing human resources for their advantages and harnessing their physical, mental and intellectual endowments and abilities for the growth of the organization. In a broader sense, the term 'HRD' means *those learning experiences which are designed to develop competencies and bring about behavioural/change among the human resources.*

HRD in Indian Industry

In Indian, a professional outlook to HRD began only in 1970s, even though the HRD processes might have existed to some extent in Indian earlier also. **LARSEN & TOUBRO** was the first company to design and implement an integrated HRD system. Later on, this professional outlook to HRD spread to other organization. The first workshop on HRD was held in 1979. The Xavier Labour Relations Institute (XLRI) was the first academic institution to set up a full fledged center for HRD. A National HRD Network was been established in 1985. Looking at the pay offs from HRD system, several leading companies have gone ahead in creating separate HRD departments to improve employer-employees relations. Some of these organizations are as follows:

Private Sector Companies:

- Larsen & Toubro
- Ashok Leyland
- Voltas

* Asian Paints
* Crompton Greaves

Public Sector Companies:

- Bharat Heavy Electricals
- Indian Oil Corporation
- Steel Authority of India
- State Bank of India

At the macro level also, increasing emphasis is being placed on the development of human resources. A separate Ministry of HRD has been created in the central government. Attempts are being made to develop appropriate linkages between educations, public health, adult literacy and other social programs so as to ensure the overall development of people in the country. Scientific and technological advances are making it all the more important to develop human resources, Physical and natural resources are wasteful if competent human resources are not available.

2.5 ROLE OF HR MANAGERS

In most of the big organisations, human resource department is set up under the leadership of human resource manager or personnel manager who is the expert in managing human resources. The human resource manager performs managerial as well as operative functions. Since he is a manager, he performs the basic functions of management like planning, organizing, directing and controlling to manage his department. He has to perform some operative functions too like recruitment, selection, placement, training and appraisal etc. He has to play multiple roles in the effective management of human resources and achieving good human relations in the organization.

Ideally, the human resource manager should concentrate on dealing with the human problems. Just as finance manager assesses costs, marketing manager emphasizes on customers, human resource manager is people-centred. Some of the important roles of a human resource manager in an organization are discussed below:

1. Policy Formulation:

Policy formulation is the one of the important tasks of the human resource manager. He has to plan to overcome the recurring problems and anticipated problems in the area of human resource management. The HR manager helps the top management in the formulation of policy on wages and salary administration, transfer, promotion, appraisal and welfare activities etc.

2. Advisory Role:

The Advisory role of the human resource manager is of crucial importance. Line managers are generally confronted with a variety of problems in their day to day operations. These problems may include grievance over distribution of overtime work, annual increase in pay, transfer, promotion, disciplinary action and so on. In all such matters human resource manager can offer useful advice because he is familiar with the human resource policies and practices, labour agreements and labour laws etc.

3. Linking Pin Role:

The human resource manager attempts to achieve and maintain good industrial relations in the organization. He is responsible for setting up of various committees on discipline, labour welfare and safety, grievance etc. He gives authentic information to the trade union leaders regarding the personnel policies and programmes of the organization. He helps in redressing the grievances among the labour. He also conveys the views of the trade unions to the top management. Thus, he acts as a *linking pin* between the management and the workers.

4. Mediator Role:

The human resource manager often acts as mediator in the event of conflict between employees, or groups of employees, superior and subordinates, and even between management and employees. Thus, he attempts to maintain industrial peace and harmony in the organization.

5. Leadership Role:

The human resource manager provides leadership and guidance to the employees and their groups . He ensures effective communication in the organization and influence the employees for extending their cooperation in the attaining the organizational objective.

6. Welfare Officer Role:

The HR manager acts as a welfare officer in the organization. As welfare officer, he is concerned with the provision of canteen, crèches, transport, hospital and other welfare services for the benefits of workers and their family members.

CHANGING ROLE OF HR MANAGER:

As discussed above the HR manager plays a variety of roles depending upon the need of the organization. Some of the other evolving roles of HR managers are given below:

1. Change Facilitator or Agent:

The human resource manager can serve as a change agent to initiate and improvements in human resource practices. He can also help in introducing and implementing major institutional changes in the organization. He analyse the needs and changing environment of the organization and design suitable human resource strategies to introduce change in the organization smoothly.

2. Act as Counsellor:

HR managers also play the role of counsellors. As a counsellor, The HR manager Discusses the various problems of the employees relating to work, career, health, family, superiors, peers etc. and suggests them the ways and means to minimize and to overcome these problems.

3. Involvement in Strategy Formulation and Implementation:

The most striking change in the role of HR manager is his growing involvement in developing and implementing the company's strategy. Strategy is the company's plan to balance between its internal strengths and weaknesses with the external opportunities and the threats in order to achieve a competitive advantage over other companies. The effective implementation of strategies depends on building committed team and thus HR manager comes in central role to participate in formulation and implementation of strategic plans.

4. Miscellaneous Roles:

Because of changing economic, politico-legal and socio-cultural environment, the HR managers are also actively involved in the following matters:

a) Downsizing and voluntary retirement scheme (VRS)

b) Management of workforce diversity

c) Employee's empowerment

COMPETENCIES OF HR MANAGER

Human resources managers in modern organisations have to play multiple roles while managing human resources. For instance, human resource manager in a company has to act as decision-maker, organizer, leader, counsellor, change facilitator etc. For the effective performance of such roles he requires a number of competencies. We can define *competencies as demonstrable characteristics of a manager that enable his successful performance*. Job related competencies are observable and measurable of a manager. In other words, competencies denote the attributes and behaviour expected of a manager to do his job effectively. In practice, the term 'competency' is used synonymously with the knowledge, skills, abilities and attributes of a manager required to do his job perfectly.

Henri Fayol put the qualities required by managers into the following categories:

i. **Physical:** health, vigour, address;

ii. **Mental:** ability to understand and learn; judgment, mental vigour and adaptability;

iii. **Moral:** energy, firmness, willingness to accept responsibility, initiative, loyalty, tact and dignity;

iv. **Educational:** general acquaintance with matters not belonging exclusively to the function performed;

v. **Technical:** peculiar to the function; and

vi. **Experience:** arising from the work.

The human resource manager should possess all the qualities required of a manager for his effective functioning.

Pat Mc Lagan has suggested nine roles that are played by HR practitioners which are given below:

i. To bring the issues and trends concerning an organization's external and internal people to the attention of strategic decision makers and to recommend long term strategies to support organizational excellence and endurance.

ii. To design and prepare HR systems and actions for implementation so that they can produce maximum impact on organizational performance and development.

iii. To facilitate the development and implementation of strategies for transforming one's own organization by pursuing values and visions.

iv. To create a positive relationship with the customer's by providing them with the best services; to utilize the resources to the maximum and to create commitment among the people who help the organization to meet the customer's needs whether directly connected or indirectly connected to the organization.

v. To identify the learning needs hence to design and develop structured learning programmes and materials to help accelerate learning for individuals and groups.

vi. To enable the individuals and groups to work in new situations and to expend and change their views so that people in power move from authoritarian to participative models of leadership.

vii. To help employees to assess their competencies, values and goals so that they can identify, plan and implement development plans.

viii. He also assists the individual employee to add values in the workplace and to focus on the interventions and interpersonal skills for helping people change and sustain change.

ix. He assesses the HRD practices and programmes and their impact to communicate results so that the organization and its people accelerate their change and development.

Arthur Young and Dave Ulrich have classified HR competencies into four categories in their HUMAN RESOURCE COMPETENCY MODEL as follows:

i. **Business Mastery:** HR managers and professionals need to know the business of their organization thoroughly. This requires an understanding of its economic and financial capabilities so that they can join the team of top corporate managers in order to develop the strategic direction and formulate HR strategies to be aligned with the corporate strategies.

ii. **HR Mastery:** HR managers and professional are expected to be experienced and experts in behavioural science. In areas such as staffing. training, appraisal, rewards, team building and communication.

Fig.1. Human Resource Competency Model

Source: Arthur Young Wayne Brockbank and Dave Ultrich, "Lower Cost, Higher Value: Human Resource Functions in Transformation." Human Resource Planning, Vol. 17, No.3 (1994), New York.

iii. **Change Mastery:** HR managers have to be able to mange change processes so that HR activities are effectively integrated with the business needs of the enterprise. This involves interpersonal and problem-solving skills, as well as innovativeness and creativity.

iv. **Personal Credibility:** HR managers must establish personal credibility in the eyes of their internal and external clients or customers. Credibility and trusts are earned by developing personal relationships with them, by demonstrating the values of the firm, by standing up for one's own beliefs, and by being fair in dealing with others.

2.6 SUMMARY

Human Resource Development is a continuous process to ensure the development of employee competencies, dynamism, motivation and effectiveness in a systematic and planned way. HRD is a process which is concerned with a series of learning activities that are designed to produce behavioural changes in the human resources in such a way that they acquire desired level of competence for present and future roles. The nature of the HRD can be discussed as system perspective, behavioural science knowledge, continuous process, quality of life. HRD works at macro as well as micro level both.

Personnel management or HRM is defined as the planning, organizing directing and controlling of procurement, development, utilization, compensation and maintenance of human resources. HRD is the development of human resources in the organization. It is concerned with improvement of the abilities, skills of existing human resources and helps them to acqure new knowledge needed to attain organizational goals and individual aspirations. Over the last one century, the following approaches towards human resource have emerged:

1) Commodity approach

2) Machine approach

3) Paternalistic approach

4) Social system or humanistic approach

5) Human Resources approach

6) HRD approach

The human resource manager performs managerial as well as operative functions. Since he is a manager, he performs the basic functions of management like planning organizing, directing and controlling to manage his department. He has to perform some operative functions too like recruitment, selection, placement, training and appraisal etc. He has to play multiple roles in the effective management of human resources and achieving good human relations in the organization.

2.7 SELF ASSESSMENT EXERCISE

1. Define HRD

2. Explain the nature and scope of human resource development.

3. Discuss the need of HRD.

4. Discuss the aims and objectives of HRD.

5. Distinguish between personnel management and HRD.

6. Discuss the evolution of HRD.

7. What role has the HR manager to play in modern industry to achieve organizational goals efficiently and effectively?

2.8 FURTHER READINGS

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UNIT 3

STRATEGIC HUMAN RESOURCE MANAGEMENT

Objectives :

After studying this lesson, you will be able to:

- Explain the meaning, nature and levels of strategy;
- Explain the meaning and nature of strategic human resource management;
- Describe the various steps of SHRM process;
- Understand the relationship between the strategy and the strategic HRM;
- Describe the various strategic models of HRM.

Structure:

3.1 INTRODUCTION

The human resources of an organization can provide it with a competitive edge over its competitors in the fast changing environment and can ensure its stability and growth in the long-run. This demands human resource management to act tactically so that the strategies can be implemented in effective manner to achieve the goals of the organization by the people. The strategy of human resource of a business organization should reflect and support its corporate strategy which is designed after anticipating the opportunities and support its corporate strategy which is designed after anticipating the opportunities and threats in the external environment and taking appropriate decisions in view of the internal strengths and weakness.

According to David, Strategic management is drafting, implementing and evaluating cross functional decisions that will enable an organization to achieve its long objectives. It is the process of specifying the organisation's mission, vision, and objectives and developing policies and plan, often in terms of projects and programs.

It is an ongoing process that evaluates and controls the business and its industries with which the company is involved, assesses its competitors and sets goals and strategies to meet all existing and potential competitors and then reassesses each strategy annually or quarterly to determine how it has been implemented and weather it has succeeded or needs replacement by a new strategy to meet changed circumstances, new technology, new competitors or a new social and economic and political environment.

3.2 CONCEPT AND NATURE OF STRATEGY

CONCEPT OF STRATEGY:

The term strategy has been adapted from war terminology and is used in business to reflect the broad overall objectives and policies of an enterprise. It refers to a firm's overall plan for dealing with and existing in its environment.

According to Glueck and Jauch, "*A strategy is a unified, comprehensive and integrated plan designed to ensure that the basic objectives of the enterprise are achieved*."

A strategy is not just a plan. It is a plan that is unified; it ties all the parts of the enterprise together. A strategy is integrated in the sense that all parts of the plan are compatible with each other and fit and together well.

There are two ways of looking at a strategy. First is the mainstream view which sees strategy as a plan; and second is the processual view that sees strategy as a pattern.

Mainstream View: It describes strategy as a plan.

1. Strategies are plans made by top managers and their corporate strategy advisors.

2. Strategy is a matter of policy and it precedes action.

3. Strategy and implementation are separate.

Processual View: It describes strategy as a pattern.

1. Strategies are more usefully seen as the outcome of both planned and unplanned activities.

2. Policies often emerge out of actions that have already been taken.

3. Strategy and implementation tend to happen simultaneously.

NATURE OF STRATEGY:

1. Strategy usually relates to several areas of operations of the business. So the strategic decisions are taken by top management.

2. Strategy has significant impact on the firm's future growth and prosperity. This is because there is usually a long-term commitment to a particular strategic option with acertain product-market configuration.

3. Strategies are based on expected behaviour of forces in the external environment. These forces include suppliers, customers. Competitors, creditors, government and other groups.

4. Strategies are futuristic in approach. They are mostly based on future scenario and future forecast.

5. Strategy invariably requires commitment of the firm to activities over an extended period which implies deployment of substantial resources.

6. Strategies are different in their scope as they are different as corporate strategy, business strategy and functional strategy.

3.3 STRATEGIC MANAGEMENT

What is Strategic Management?

Strategic management involves those decisions and actions resulting in formulation and implementation of strategies designed to achieve the objectives of an organizations. It is a stream of decision and actions which leads to the development of an effective strategy or strategies to help achieve corporate objectives.

According to A. Sharplin, "*Strategic management is the formulation and implementation of plans and carrying out of activities relating to the matters which are of vital, pervasive, or continuing importance to the total organization*".

"Strategic management is a systematic approach to a major and increasingly important responsibility of general management to position and relate the firm to its environment in a way which will asure its continued success and make it secure from surprise." This definition give by Ansoff emphasizes the impact of environment on the business. Strategic management must relate the enterprise to its environment for survival and growth.

The basic characteristics of strategic management are as follows:

i) It emphasizes the basic mission and goals of the organization. The nature of business and the nature of customers or clients are clearly stated.

ii) It determines the basic policies and programs of the organization. It provides a framework for operational planning and day-to-day decision making.

iii) It provides for coherence in organisation's policies, decision and activities over a long period of time.

iv) It deals with uncertain environment by forecasting opportunities and threats in the environment. It is intended to improve the organisation's interaction with its environment.

v) It designs the corporate strategy and oversees its implementation.

SIGNIFICANCE OF STRATEGIC MANAGEMENT

Strategy formulation has become an important function of modern organizations because of the following reasons :

1) Every business should have a strategy or an overall plan of action to meet the challenges of environment in future. An effective strategy would enhance the likelihood of business survival and enable to meet aspirations of individuals for opportunities in the company.

2) Strategic management clarifies the objectives of the organization towards which its resources will be directed. All decisions and activities are guided by organizational objectives.

3) Strategic management facilities the implementations of long-range plans for achieving organizational goals, It is also important in defining the kind of business in which the organization engages and its reliance on ethical business practices.

4) The companies that do strategic planning are able to predict the outcome of planning better than other companies.

5) Strategic management is of utmost importance is very useful to fight competition in the market and increase the market share.

6) Strategic planning facilities environmental scanning. It helps in reducing environmental uncertainty by identifying key factors for the success of the business. Strategic planning is the only way to anticipate future problems and opportunities and to responds to changing environment.

3.4 STRATEGIC MANAGEMENT PROCESS

Formulation of a strategy involves not only the statement of organizational goals, but also specifying the ways of accomplishing them. The broad steps in strategic management are describe below and shown in figure :

1) **Determination of Mission or Purpose :** The strategic management process begins with spelling out business mission or

tentative purpose that might be pursued in future. An organisation's mission is its raisin d'etre or reason for its existence. It represents a long term vision of what the organization seeks to do and the reasons why it exists. It serves as a source of inspiration from which flows the life of organization. A clear statement of organization's mission would help to identify the functions it performs for the society and also its basic character and philosophy.

Mission is often state in abstract terms such as: " Our business is services" ; "To provide dependable, standard drugs to the public at low prices" ; "To serve the nation through research and development and effective utilization of human, physical and technological resources" and so on. To achieve the mission of the organization, the top management determines the major objectives and goals for whose service the organizational resources will be utilized. The terms objectives and goals have been often used interchangeably in the management literature.

However, Russel Ackoff has made a distinction between the two terms as follows : Objectives are desired states or outcomes. Goals are objectives that are scheduled for attainment during the plan period.' Thus, objectives are open –ended and have no time frame. For example, the survival objective of a firm is never completely attained since failure is always a future possibility. Objectives are stated in broad and general terms whereas goals are much more specific and stated in terms of result to be attained. For instance, the goal of a firm may be expressed as 100 per cent growth in net sales in the next three years.

2) **Environmental Scanning** : Environmental analysis is the diagnostic phase of strategic planning. External environment of a firm consist of economic, social, technological, market and other forces which affect its functioning. The firm's external environment is dynamic and uncertain. The Management must systematically monitor it to determine treats and opportunities for the firm in future. For example, emergence of strong competition in the market may pose a threat and development of new technology may help to reduce cost and improve product quality. Though environmental analysis, the management can develop an Environmental Threat and Opportunity Profile (ETOP) which will assess the impact of various environmental forces on the firm. The external environment provides the setting for the functioning of the individual organization. It is imperative for the management to gain a good understanding of the present conditions and likely future trends of those aspects which are relevant for the organization. The management should try to find answers to the questions :

a) What are the economic, social and political trends to be considered? Monetay policy, social changes, anti-pollution or energy conservation laws.

b) What are the trends in the market for company's products and services? For instance, demand is likely to remain static, decrease or increase.

c) What technological changes are anticipated? New product with additional uses may become popular.

d) What competition will be faced? The competitors should be identified and their strengths and weaknesses analysed.

An appraisal of external environmental will enable a business identify present and future opportunities, threats, constraints and crises which it can exploit or many have to tackle, as the case may be. The forecasts made of the relevant aspects of the external environmental will provide the background for internal forecasting of sales and profit trends.

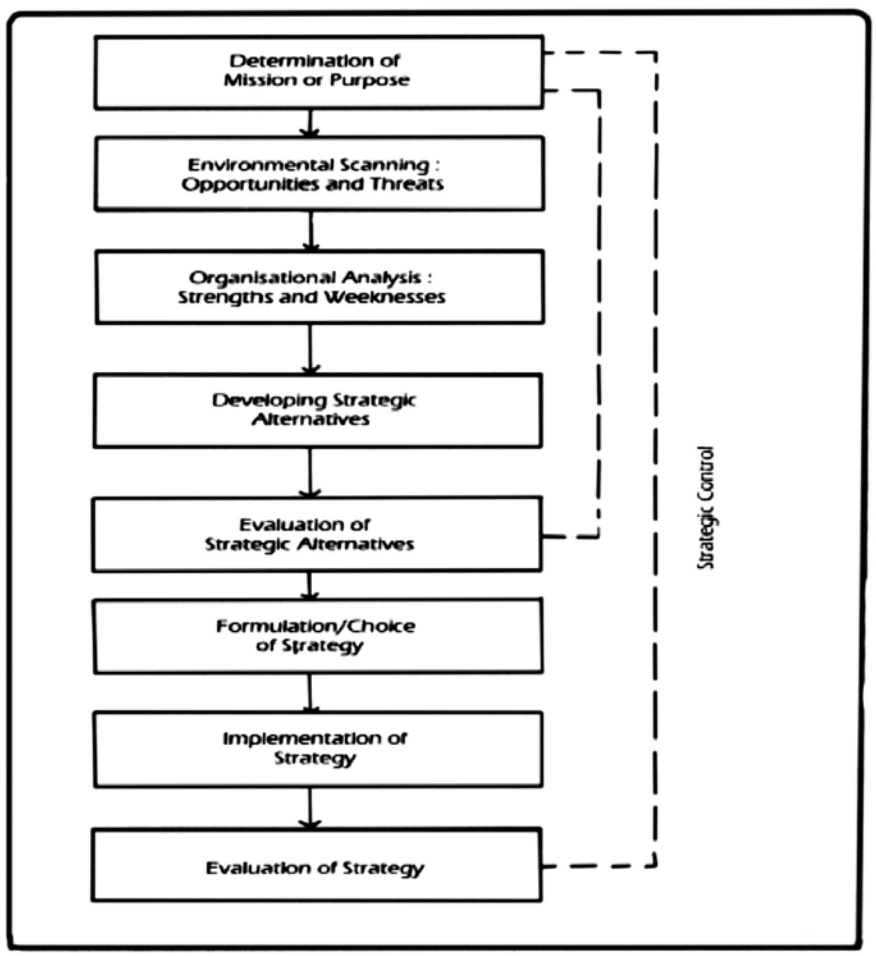

Fig.1: Steps in Strategy Management Process

3) **Organisational Analysis :** In order to analyse organizational strengths and weaknesses, it is essential to know the current domain of the firm. It includes :

   i) The range of products or services provided by the firm.

   ii) Geographic coverage of the firm- local national or international.

   iii) Firm's differential advantage i.e. the special competitive strength the firm stresses such as fuel efficiency of its car over the cars of competitors.

Organisational analysis involves a review of financial position, productive capacity, marketing effectiveness, the extent of research and development, the human resources skills and so on. The strategic planner should analysis the organisation's operational, financial and managerial strengths. Operationally, does the firm have any competitive edge over rival firms? Financially, does the firm have adequate funds to finance the strategic plans? Managerially, does the firm has managerial talents to carry out the strategic plans?

4) **Developing Strategic Alternatives :** Strategic alternatives may be developed and analysed in the light of organisation's strengths and weaknesses and the opportunities and threats it faces. This involves SWOT (Strengths, Weaknesses, Opportunities and Threats) analysis, After the identification of the environmental opportunities and threats and the organizational strengths and weakness and the reformulating of the objectives, if need be the next tasks in the strategic planning process are the consideration of the strategic alternatives and the choice of the most appropriate strategy/ strategies. A company may be confronted with several alternative such as :

   i) Should the company continue in the same business or get out of it fully or partially?

   ii) If it should continue in the same business, should it grow by expanding the existing units or by establishing new units or by acquiring other units in the industry?

   iii) If it should diversify, should it diversify into related areas or unrelated areas? If a TV manufacturing company takes up the production of VCRs washing machines, refrigerators, vaccum cleaners, etc. It is a case of diversification into related areas. If the same company diversifies into areas like, textiles, cement, sugar, etc. It is a case of growth in unrelated areas.

   iv) Should it grow by vertical integration takeover of a raw material supplier by the leather goods manufacturer.

v) Should it go in for combination with its competitors merger of two or more companies engaged in the production and distribution of soft drinks.

5) **Evaluation of Strategic Alternatives :** Each strategic alternatives has its own merits and demerits which need to be analysed carefully. The management should examine various alternatives in the light of forecasted opportunities and constraints and also the strengths and weaknesses of the company. For the choice of best alternative, the management can also use quantitative tools of analysis such as PERT, CPM, ratio analysis, linear programing etc. in evaluating alternatives, it is also important to focus on a particular product or service and on those competitors who are direct rivals in offering it. A strategy that does not exploit a particular advantages of the organization over its rivals should be rejected.

6) **Choice of Strategic Alternative or Formulation of Strategy :** The last stage in strategic planning is the choice of an appropriate strategy for the attainment of specified objectives. The management should select that Strategy for the attainment of specified objectives. The management should select that strategic alternative which is best suited to the organisation's capabilities can also be acquired. But a strategic plan fully relying on the resources or skills yet to be acquired may fail in actual degree of risk acceptable to the management timing of the decision. Expectations of owners of business and attitude of top managers.

7) **Implementation of Strategy :** After the strategy has been finalized, it must be incorporated into the operations of the organization. It must be translated into appropriate operational and tactical plans, programs, budgets, etc. so that it could be implemented. After the strategy has been put into practice, its effectiveness should be reviewed to know if it has been able to achieve the intended results.

8) **Evaluation of Strategy :** This is the last phase of strategic management which is concerned with the appraisal of the implementation of strategic and measurement of actual organizational performances. The actual performance is evaluated in the light of the mission and objectives of the organization. This helps in exercising strategic control taking strategic actions whenever the actual performance is considerably lower than the expected performance. Even strategies may be reformulated, if necessary.

3.5 CORPORATE STRATEGY AND HUMAN RESOURCES MANAGEMENT

Strategic Role of Human Resources :

Strategically a dynamic manager seeks to balance two sets of forces the firm's external opportunities and threats on the one hand and its internal strengths and weaknesses on the other. In essence, he tries to achieve a competitive advantage for his organization. The competitive advantage may be in the form of low cost leadership in the industry or being unique in the industry along dimensions that are widely valued by the customers in particular and the society at large. And obtaining a competitive edge by becoming a low cost leader or a differentiator puts a heavy premium on having a highly competent and committed team of human resources are now viewed as a source of competitive advantage. There is greater recognition that distinctive competencies are obtained through highly developed employee skills, distinctive organizational cultures, Management processes and systems. This is in contrast to the traditional emphasis on transferable resources such as latest machinery and equipments. Increasingly, it is being recognized that competitive advantages can be obtained with a high quality workforce that enables organisations to compete on the basis of market responsiveness, product and services quality. differentiated products, and technological innovation.

Because of the critical role of human resources in enabling the organization to effectively deal with the external environmental challenges, the human resources management function has been accepted as a strategic partner in the formulation of organization strategic and in the implementation of such strategic through human resources planning, employment, training, appraisal and rewarding of personnel.

Strategic management of human resources facilities creation of competitive advantage for the organization over its rivals by building unique human resource based competence. An organisation's recruitment, selection, training, performance appraisal, and compensation practices can have a strong influence on employee's competence as illustrated below:

1) **Recruitment and Selection** : The workforce will-be more competent if a firm can successfully identify, attract, and select the most competent applications.

2) **Training** : The workforce will be more competent if employee are well trained to perform their jobs properly.

3) **Performance Appraisal** : One use of performance appraisal is to identify any performance deficiencies experienced by employee due to a lack of completence. Such deficiencies once identified, can often be remedied through counseling, coaching or training.

4) **Compensation** : A firm can usually increase the competency of its workforce by offering pay and benefit packages that are more attractive than those of their competitors, this practices enable firms to attract and retain the most capable people.

Strategic Human Resources Management

As discussed above, human resources of an organization can provide it with a competitive edge over its competitors in the fast changing environment. This obviously calls for the strategic management of human resources for the accomplishment of corporate objectives. The human resource strategy includes the way in which the organization plans to develop its employees and provide them with suitable opportunities and better working condition so that their optional contribution is ensured. This implies selecting the best available personnel, ensuring a 'fit' between the employee and the job and retaining motivating and empowering employees to perform well in the direction of corporate objectives. The success of an organization depends on its human resources. This means how they are acquired, developed, motivated and retained in the organization play an important role in the organisational success. This presupposes an integrated approach towards human resources functions and overall business functions of an organization. Thus strategic HRM means strategic look at human resources functions in line with business functions of an organization.

According to Catherine and Lynda,

Strategic human resource management may be defined as the linking of human resource management with the strategic goals and objectives of the business in order to improve business performance and develop organizational culture that fosters innovation and flexibility.

There is no denying the fact that human resources are at the core of achieving competitive advantages by a firm. This has led to strategic management of human resources in dynamic organization.

The SHRM practices of an organization can be an important source of competitive advantages. For this strategic focus should be given on the following :

1) SHRM per-selection practices including human resources planning and job analysis.

2) SHRM selection practices meant to staff various positions in the organization. Both recruitment and selection policies and procedures should be designed keeping in view the mission and purpose of the organization.

3) SHRM post-selection practices to maintain and improve the workers job performance levels. HR decision related to training and development, performance appraisal, compensation and motivation should be based on corporate strategic of the organization.

Strategic Role of Human Resources Manager

What are the Emerging Challenges of HRM? The world order is changing dramatically and is in the process of complete transformation. The impossible thing of yesterdays have become possible today and the impossible things of today will become possible tomorrow. That is why it is said that change is the only permanent aspect of nature. The concept of self sufficient nations is losing importance and the concept of Global Village is emerging. Management of organization is bound to cope up with the radical transformation by developing new techniques and practices in the global perspective after carefully analyzing the real challenges being faced by the professional managers.

Modern organization are faced with the following environmental challenges :

a) Changing technology leading to obsolescence of present skills and techniques :

b) Changing needs and expectations of customers rendering the existing processes and products obsolete;

c) Changing profile of workers increased educational level rising share of women in the workforce, increase emphasis on fulfillment of psychological needs;

d) Economic and industrial policy changes leading to tough competition from multinational corporations.

e) Changing political environment and government policies as regards working conditions, social security and welfare of employees ;

f) Changing labour laws for safeguarding the interest of employees.

g) Changing international environmental insisting on free flow of goods and services throughout the world.

The above trends will have a tremendous impact on the tasks of future HR professionals who will have to act as *change agents or change facilitators*. They will have to make judicious used of HRD mechanisms such as performance appraisal, training etc. to effectively meet the challenges of environment. They will have to build up learning organisations having the capacity and capability to learn from experimentation, past experiences and the experiences of others and transfer the learning to all human resources for greater organizational effectiveness. The introduction of Kaizen , **Total Quality Management (TQM) Empowerment, Quality Circles, Quality of Work Life (QWL), Flexible Work Schedule**, etc. in the organization is one such experience which can bring far reaching improvements in the organization and contribute to development of human resources on a continuous basis.

3.6 STRATEGIC HRM MODELS

There are various models that attempt to explore the link between business strategy and HR policies and practices :

1. Life Cycle Model

2. Competitive Advantage Model

3. Developing Human Resource based Competitive Advantage Model

Life Cycle Model : This model was developed by Kochan and Borocci. According to this model, the policies and practices of organization should fit the relevant stage of an organization development or life cycle.

- **Introductory Stage** : At this startup phase of the business, there is an emphasis on 'flexibility' in HR to enable the growth of the business.
- **Growth Stage**: At this stage, when the business grows beyond a certain size, emphasis moves to the development of formal HR policies and procedure.
- **Maturity Stage**: At this stage, as the market matures, margins decrease the performance of certain products or the organization plateaus, then focus of HR strategy is on cost control.
- **Decline Stage**: At this stage, the emphasis shifts to rationalization, downsizing and redundancy implication for the HR functions.

There are various issues emerging for the SHRM. How can the SHRM secure and retain the type of human resources that are necessary for the organisation's continued viability as industries and sectors develop? Which HR policies and practices are more likely to contributes to sustainable competitive advantage as organisations go through their life cycle?

Two kinds of mature organisations mange to survive industry development :

i. The firm that succeeds in dominating the direction of industry change.

ii. The firm that manages to adopt the direction of change.

The route of the advantage of SHRM lies in the preparation for retaining viability and competitive advantage in the mature phase.

The model also keeps the organization agile by building the internal capacity to flex and adapt to changes in the external context and by enabling the business to change as a matter of course.

Competitive Advantage Model: This model was developed by Porter in 1985. It has three major parameters :

i. Cost leadership

ii. Differentiation

iii. Focus

According to this model, the business performance will improve when HR practice mutually reinforce the organization's choice of competitive strategy. Michael E. Porter has identified three types of business unit strategies that help a firm to cope with competitive forces and outperform other firms in the industry. These include (1) Cost leadership strategy (2) differentiation strategy and (3) focus strategy. For each of these strategies a certain set of HR strategies would fit best.

(1) **Cost Leadership Strategy**: This strategy is aimed at gaining a competitive advantage through lower costs. So long as the selling price of the product is closed to industry level, the firm can make huge amount of profit in the short run. In case, the prices are considerably low as compared to the competitors, it is natural that some will be out of business and as a result, the firm has a chance of increasing its profit and market share in the long-run. Once this happens, the firm can increase the present prices so as to earn higher profit. Low cost firms tend to emphasize structured tasks and responsibilities, products designed for easy manufacture on a mass scale. The HR policies that fit a low-cost orientation emphasize efficient low-cost production; reinforce adherence to rational, highly structured procedures to minimize uncertainty; and discourage creativity and innovation. Thus effective HR strategies include carefully spelling out the work that each employee needs to do, job specific training, hiring workers with the required qualifications and skills paying employees on the basis of job held, and relying on performance appraisals as a control tool to weed out low performance.

(2) **Differentiation Strategy** : This strategy believes in differentiate the products and services in term of physical or psychological characteristics. In order to achieves a competitive advantage the product must have unique features which are not unique one easily copiable by competitors. This leads to market leadership and the firm is going to earn pretty high profit per unit in the long-run. Differentiation provides a competitive advantage to the firm because of the brand loyalty it fosters. Consumers who are brand loyal are less sensitive to changes in price. This enables the firm to enjoy higher profit margins. Which in turn allow it m to invest in activities that enhance the perceived superiority of its product or services. These activities include extensive research, innovating new ideas and product design and supporting creative initiatives by managers and employees. HR policies that fit a differentiation strategy emphasize innovation, flexibility, renewal of the workforce by attracting new talent from other firms, opportunities for movericks, and reinforcement of creative flair. The specific HR strategies include the use of broad job classes, loose work planning, external recruitment at all levels, team based learning, emphasis on what the individual can do as a basis for pay, and reliance on performance appraisal as a developmental device.

(3) Focus Stragegy: This strategy relies on both a low cost position and differentiation with the objective of serving a narrow target market better than other firms. The firm seeks to achieve differentiation either from better meeting the needs of the particular target, or from lowering costs in serving this target, or both, Focus strategy helps the firm to earn higher profit even when it has high cost position in case of niche market provided the product differentiation is unique and sustainable.

The HR policies likely to fit the focus strategy best would be somewhere in the middle of those described for low-cost producer an differentiators. For example, a firm may ask its employees to work hand –in –hand with customers to find out their needs and expectations and to learn how the firm can lower the customer's operating costs. HR strategy may reflects this focus by boosting efficiency to hold down the costs.

Developing Human Resource Based Competitive Advantage Model:

Building human resource based competitive advantage is a challenging task in any organization operating in an external environment characterized by cut-throat competition, fast pace of technological changes, unstable government policies, turbulence in international conditions etc. human resource based competitive advantage may be defined broadly as *the utilisation of employees capabilities to create value for customers in a way that rival firms cannot*. This perspective has emerged from resources based theories in organizational economics where profit and competition focus on internal characteristics of firms rather than external forces in the industry environment. Barney made the case that a firm's resources lead to sustained competitive advantages when they are:

i) Valuable

ii) Rare

iii) Inimitable, and

iv) Non-substitutable

These dimensions are examined below

1) **Valuable Human Resources**. Human Resources can add value by either improving efficiency or enhancing a firm's ability to satisfy customer needs. The program designed to create a highly skilled workforce can result in higher productivity and these improvement provide value to firms over and above the costs incurred. For instance, employee empowerment programs tend to make performance more sensitive to variations in human skills, knowledge and attitudes and to ensure that mental effort rather than physical effort is instrumental for creating value and success.

2) **Rareness of Human Resources**. Human resources based competitive advantage is based on the assumption that human resources are heterogeneous across firms. If a firm can attract and retain the best and the brightest employees, and establish programs that maximize their value-added contribution, it would be able to build a competitive advantages through people.

3) **Inimitability of Human Resources.** Human capital can be either acquired from the open market or developed internally. If employee capabilities can be duplicated or imitated by another firm, they cannot be a source of sustainable competitive advantages. Resources are difficult to imitate under two conditions; (a) when the link between a firm's resources and its competitive advantages is causally ambiguous, and (b) when internal and external relationship are multifaceted and socially complex. These two conditions imply that while individual skills and capabilities can be important sources of competitive advantage, it may be the complementarily among them that is most distinctive and sustainable.

4) **Substitutability of Human Resources.** In the context of human resource-based competitive advantage, if a competitor can substitute another resource (e.g. technology) and achieve the same benefit via-a-vis customers, then human resources would not provide a sustainable source of competitive advantage. The key issue here is *functional equivalence (i.e. alternative resources that serve the same function are substitutes)*. In the past, organisations have substituted capital for labour where possible and replaced decision making with rules and procedures. Thus, human resources have been readily substituted in traditional organisations, particularly in the context of routine aspects of physical work. However, as employees make the shift from routine labour to knowledge work, their value hinges more on cognitive processes such as problem diagnosis, trouble shooting, and decision-making.

These aspects of human capital are not easily substitutable. To sum up, human resource-based competitive advantage refers to leveraging employee skills to outperform rival firms. Particularly in knowledge based, industries competitive advantage increasingly resides in the people-embodied know how and human resources rather than physical or financial resources.

Another approach is the 'best practice approach for managing people and organisations are required to identify and adopt these best practices. Advocating the 'best practice' approaches to SHRM, Arthur (1992), Pfeffer (1995), Huselid (1995), Mc Duffie (1995), Pfeffer &Veiga (1999) have given a universalistic approaches to the HR practices which is summarized in the table given below:

Table 1 : Best Practice Approaches to SHRM

Arthur (1992)	Broadly define jobs, employee participations, Formal Dispute Resolution, Information sharing, Highly skilled workers, Self Managed Teams, Extensive Skills Training, High wages, Salaried Worker, Stock ownership.
Pfeffer (1995)	Employment security, Selectivity in recruiting High wages, Incentive pay, Employee ownership, information sharing, Participation & Empowerment, Self Managed Teams, Training and Skill development, Cross-Utilisation and Cross-Training, Symbolic Egalitarianism, Wage Compression, Promotion from within.
Huselid (1995)	Personnel Selection, Performance Appraisal, Incentive Procedures, Information Sharing, Attitude Assessment, Labour/ Management Participation, Recruiting Intensity, Training hours, Promotion Criteria.
Mac Duffie (1995)	Work leaves, problem solving groups, Employee suggestions, Job orientation, Decentralization, Recruitment and Hiring, Contingent Compensation, Status Differentiation, Training of New employees, training of experienced employees.
Pfeffer & Veiga (1999)	Employee security, Selective Hiring, Self Managed Teams and decentralization, Comparatively High Compensation, Contingent on Organisational Performance, Extensive Training, Reduction of Status Differences, Sharing Information.

3.7 SUMMARY

A strategy is a unified, comprehensive and integrated plan designed to ensure that the basic objectives of the enterprise are achieved. A strategy is not just a plan. It is a plan that is unified; it ties all the parts of the enterprise together. A strategy is integrated in the sense that all parts of the plan are compatible with each other and fit together well. Strategic management is a systematic approach to a major and increasingly important responsibility of general management to position and relate the firm to its environment in a way which will assure its continued success and make it secure from surprises. Formulation of a strategy involves defining mission and objectives, environmental scanning, organizational analysis, developing alternatives , evaluation strategic alternatives and formulation of strategy, implementation of strategy, and evaluation of strategy. Strategic models attempt to explore the link between business strategy and HR policies and practices. They are Life Cycle Model, Competitive Advantage Model, Developing Human Resource based Competitive Advantage Model.

The future HR professionals will have to act as change agents or change facilitators. They will have to make judicious used of HRD mechanisms such as performance appraisal, training etc. To effectively meet the challenges of environment. The introduction of Kaizen, Total Quality Management (TQM) Empowerment, Quality Circles, Quality of work Life (QWL), Flexible Work Schedule, etc. In the organization is one such experience which an bring far reaching improvements in the organization and contribute to the development of human resources on a continuous basis.

3.8 SELF ASSESSMENT EXERCISE

1. Define strategy.
2. Explain the meaning and nature of strategic human resource management.
3. Discuss the need of strategic human resource management.
4. Discuss the process of SHRM.
5. Describe the various models of SHRM.

3.9 FURTHER READINGS

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UNIT 4

INTERNATIONAL HUMAN RESOURCE MANAGEMENT

Objectives

After studying this lesson, you will be able to:

- explain the meaning of international HRM;
- identify the international human resource approaches;
- describe the various policies of IHRM;
- understand the impact of work culture on employees in an international scenario.

Structure:

4.1 INTRODUCTION

Globalisation creates a need for internationally engaged firms to operate more effectively to gain competitive advantages and important contributor in optimising organisational effective operations is the human resource management (HRM)-function (Schuler, Dowling et al. 1993, Guest, Michie et al. 2000a , Guest, Michie el al. 2000b) . The HRM-function develops and motivates employees to create skills, knowledge and innovation needed for the firm to compete with foreign companies (Singh 2003). For this reason, the HRM field has been the subject of many studies and concurrently with the increasingly globalised business environment, an amplified focus on the field of international human resource management (IHRM) has been witnessed (Dowling, Schuler 1990, Brewster 1991). Globalisation has created the challenge of applying management approaches from company headquarters and at the same time adjusting them locally in subsidiaries.

It is a truism to point out that the world is becoming more international. This applies to our technology, our travel, our economies and our communications- if not always obviously to our understanding. The growth of global enterprises leads to increased permeability in the traditional business boundaries, which in turn leads to high rates of economic change, a growing number and diversity of participants, rising complexity and uncertainty.

Traditionally, much of our understanding about IHRM has been based on the study of multinational corporations (MNCs). A multinational corporation is defined as an enterprise that operates in several countries but is managed from one home country. In practice, once an enterprise derives more than on quarter of its revenue from outside its home country, it is considered an MNC.

MNCs may take any of four forms; a decentralised corporation that has a strong home-country presence; a global and centralised corporation that can acquire a cost advantage through centralized production; an international company that builds on the parent company's technology or research and development; or a transnational enterprise that combines all three of these approaches. In general, an MNC may not have co-ordinated product offerings in each country, because it is more focused on adapting its products and service to each individual local market. Some people prefer to use the term 'multinational enterprise' (MNE) because the word 'corporation' implies business organisations, whereas many other forms of organisation – such as non-governmental bodies or charities – might be deemed to have multinational characteristics. The term 'transnational corporation' (TNC) is typically used to describe much more complex organisations that have invested in foreign operations, have a central corporate facility, but give decision-making R&D and marketing powers to each individual foreign market.

The United Nations Conference on Trade and Development (UNCTAD) was originally set up as an intergovernmental forum for North-South dialogue and negotiations on issues of interest to developing countries, including debates on the 'New International Economic Order'. Its World Investment Report focuses on trends in foreign direct investment (FDI) worldwide and at the regional and country levels.

4.2 INTERNATIONAL HUMAN RESOURCE MANAGEMENT

From the mid-1980s to the turn the 1990s the field of IHRM was considered to be in its 'infancy' (Laurent, 1986). Since its early beginnings, there has both an evolution of territory covered by the IHRM field as well as more critical discussion of whether this evolution has been towards an expanded field, or represents a process of fragmentation. Generally, the subject matter of IHRM is covered under three headings:

- cross-cultural management
- comparative HRM
- IHRM

In broad terms, authors in the cross-cultural tradition argue that every nation has its own unique sets of deep-lying values and beliefs, and that these are reflected in the ways that societies operate, and in the ways that the economy operates and people work and are managed at work. The comparative HRM tradition focuses more specifically on the way that people work and explores the differences between nations in the way that they manage this process. In general, the comparative tradition makes more of the institutional differences than the cultural differences. International HRM (and its more recent 'strategic' derivative, SIHRM) examines the way organisations manage their human resources across these different national contexts. The IHRM can be defined as follows:

IHRM defines:

- '. The worldwide management of people in the multinational enterprise' (Poole, 1990; p1)
- '. Human resource management in an international environment …. problems created in an MNC performing business in more than one country, rather than those posed by working for a foreign firm at home or by employing foreign employees in the local firm' (Briscoe and Schuler, 2004; p1)
- 'How MNC manage their geographically dispersed workforce in order to leverage their HR resources for both local and global competitive advantage' (Scullion, 2005; p5)
- 'a branch of management studies that investigates the design of and effects of organisational human resource practices in cross cultural contexts' (Peltonen, 2006; p523)
- '. all issues related to the management of people in an international context [including] human resource issues facing MNCs in different parts of their organisations [and] comparative analyses of HRM in different countries' (Stahl and Bjorkman, 2006;p1)
- '… complex relationship between globalisation, national systems and companies [which provides us with] three distinct "levels of analysis" for interpreting and understanding HRM strategies and practices [the globalization effect, the regional and national effect, and the organisation effect]' (Edwards and Rees, 2008; p22)
- International human resource management is concerned with the human resource issues in cross national boundaries or beyond the

domestic nation. According to Boxell P. (1992), International Human Resource Management may be defined as concerned with human resource problems of multinational firms in foreign subsidiaries or more broadly with the unfolding HRM issues that are associated with the various stages of the internationalization process. In this definition Boxall tried to explain the concern of international human resource management but Mark Mendenhall (2000) is more précised in his approach of defining IHRM. He outlines some of the criteria which are relevant to a definition of IHRM.

According to Mark Mendenhall, IHRM is concerned with HRM issues that cross national boundaries or are conducted in locations other than the home country headquarters. IHRM is related with the relationship between the human resource management activities of business organisations and the international environments in which those organisations operate . For example, IHRM includes comparative HRM studies viz, differences between different countries about plan for upgrading of employee skills and so on. But, here it should be made clear that what is not IHRM , International Human Resource Management does not include studies that are focused on issues outside the traditional activities inherent in the HRM function viz. leadership style is not IHRM ,unless specifically linked to an HRM function; developing a selection programme to measure and select global leaders would arguably lie within the domain of organisational behaviour. It means IHRM is concerned with the comparative studies of foreign environment. IHRM does not include studies of HRM activities in single countries viz. a study of personnel selection practices in India. Wheather undertaken by an English, German or Canadian researcher, is still a about domestic HRM in India. Though such studies may have interest to those who work in international HRM issues,they are essentially examples of domestic HRM research.

4.3 HRM AND ORGANISATIONAL STRUCTURE

There are five types of organisational structures adopted by the different MNC (Multinational Company) depending upon their life time existence and nature of business and complexity of environment in which these MNC operate. The five types' of organisatonal structure include:

1. **International division structure**: This type of structure is often used in early stage of international within an 'international division' merely added to the existing divisional sturctures.

2. **International geographic/regional structure**: This type of structure involves separating out the different geographical/ regional areas in which the MNC operates. Each geographic area may be given its own division which its own functional departments. MNC which have wide variety of products in their

product portfolio sold across many geographic areas often adopts this organizational structure.

3. **International product structure**: This types of structure is adopted by a multinational organisation where its divisions are established on the basis of related product lines rather than geographical area. Each product division is responsible for all functions relating to those items in that particular product portfolio. This structure is often adopted by those MNC with a variety of unrelated product lines (e.g. conglomerate MNC).

4. **International functional structure:** This structure is adopted by those MNC in which each functional department has its own importance and each functional department of the MNC is responsible for the international operations of that function.

5. **Matrix or mixed structures:** This structure is the combination of all above structures as it brings together the functional, geographical and products structures and combines them in an attempt to meet the needs of a specific activity or project. Once the activity or project is completed, the 'team' is often disbanded and return to their original position within divisional or other structures of the MNCs.

4.4 IHRM APPROACHES

There are mainly four IHRM approaches. These approaches explain how any organisation takes decisions related to human resource, their recruitment & selection, training and development and other related issues. These include ethnocentric approach, polycentric, approach, geocentric approach, and regiocentric approach (Wall et al, 2010). This suitability of the type of staffing policy adopted by MNCs depends on the strategy used by company.

Focus on Multicultural Differences

High	**Polycentric Strategy**	**Geocentric Strategy**
Low	**Ethnocentric Strategy**	**Regiocentric Strategy**
	Low	**High**

Focus on Multicultural Commonalties

Source : Nitsche (2003, p.44)

1. **Ethnocentric Approach:**

In the ethnocentric approach, all key positions in the host country subsidiary are filled by nationals of the parent company. The policy makes most sense for firms pursuing an international strategy.

An ethnocentric staffing policy is attractive when

- the firm believes there is a lack of qualified individuals in the host country to fill senior management positions.
- The firm sees an ethnocentric staffing policy as the best way to maintain a unified corporate culture.
- The firm wants to transfer knowledge of core competencies to the foreign operation.

The ethnocentric approach to staffing is falling out of favor because

- it limits the advancement of host country nationals. This can lead to resentment, lower productivity and increased turnover.
- it can lead to cultural myopia (the firm's failure to understand host-country cultural differences that require different approaches to marketing and management)

2. Polycentric Approach:

Polycentric approaches to staffing policy emphasis on recruiting host country nationals to manage the subsidiaries in their own country. This means that host country nationals are recruited to manage subsidiaries in their own country, while parent country nationals occupy the key positions at corporate headquarters. This allows the MNC to take lower profile in sensitive economic and political situations and helps to avoid intercultural management problems. This approach minimizes the dangers of cultural myopia, but it also help create a gap between home and host country operations. The polycentric policy is best suited to firms pursuing a localization strategy.

The advantages of the polycentric approach are that

- the firm is less likely to suffer from cultural myopia
- it may be less expensive to implement

The disadvantages of the polycentric approach are that

- Host country nationals have few opportunities to gain foreign experience and so cannot progress beyond senior positions in their own subsidiaries.
- A gap can form between host country managers and parent country managers.

3. Geocentric Approach :

This approach utilizes the best people for all key jobs throughout the organization, whatever their nationality or whatever the geographical location of the post to be filled. In this way an international executive team can be developed. This approach is consistent with building a strong unifying culture and informal management network. It makes sense for firms pursuing either a global or transnational strategy to adopt geocentric staffing policies. However immigration policies of national governments may limit the ability of a firm to pursue geocentric staffing policy.

The advantages of a geocentric approach to staffing are that

- it enables the firm to make the best use of its human resources
- it builds a cadre of international executives who feel at home working in a number of different cultures.

The disadvantages of geocentric approach include

- difficulties with immigration laws
- costs associated with implementing the strategy

4. Regeocentric Approach :

Here the MNC divides its operations into geographic regions and moves staff within a particular region. Example include Europe, America, Asia rather than between regions**.**

A comparison between different IHRM Approaches

Staffing Approach	**Strategic Appropriateness**	**Advantages**	**Disadvantages**
Ethnocentric	International	Overcomes lack of qualified managers in host nation Unified culture Helps transfer core competencies	Produces resentment in host country Can lead to cultural myopia
Polycentric	Localization	Alleviates cultural myopia Inexpensive to implement	Limits career mobility Isolates headquarters from foreign subsidiaries

Geocentric	Global standardization and transnational	Uses human resources efficiently Helps build strong culture and informal management networks	National immigration policies may limit implementation Expensive

4.5 CENTRALIZATION OR ECENTRALIZATION OF IHRM

Staffing approach in international human resource management may be centralized or decentralized. A multinational company may adopt any of these two approaches but which of the approach is more suitable and important depends upon different factors. These factors include :

i. Degree and type of internationalization:

There is a range of options for international firms as to how they may expand, from exporting through to using wholly owned subsidiaries. In general an integrated and more ethnocentric approach to IHRM is often adopted for the wholly-owned subsidiary with the MNC retaining centralized control over the way in which its employees are managed.

ii. Types of industry and market served:

Porter (1986) suggests that strategies for the global industry are more likely to involve the firms in integrating its activities worldwide especially where strong brand images are involved. For the global industry, IHRM is more likely to be ethnocentric while for the multi-domestic industry IHRM is more likely to be polycentric and to resemble that typically used in the particular country in which the subsidiary operates.

iii. Characteristics of Staff :

The types of employees may well influence the degree to which the IHRM function is decentralized. For example if the employees of the subsidiary consist of highly skilled, experienced and fully committed staff, the IHRM function may be decentralized. However, where the employees mainly consist of unskilled and temporary staff, then headquarters will usually wish to exercise a greater degree of control over the corporate foreign subsidiary.

iv. Cultural preferences:

The degree or integration of decentralization will also depend on the cultural preferences towards either of these approaches to management in both the organisation and in the country in which the subsidiary operates. The latter reflects Hofstede's idea of national culture.

4.6 IHRM POLICIES AND PRACTICES

The key decisions related to international human resource management policies and practices include those decisions which affect organizations' effectiveness and efficiency. These policy decisions are taken very cautiously when an organization wants to start its operations beyond the domestic boundaries. These policy and practices decisions include:

a) Recruitment and Selection

b) Training and Development

c) Pay and international employee relations

d) Performance appraisal

Recruitment and Selection

Recruitment refers to the process of identifying and attracting qualified people to apply for vacant position in an organization. The recruitment stage usually begins with a company's assessment of its needs in terms of human resources. The company then decides how it will make potential applicants aware of the job vacancies.

According to Cullen and Parboteeah, 2010, Recruitment methods include among others, applications and advertisements placed in newspaper or on the Internet Internal job posting where companies post a list of vacancies on their websites or internally, use of private or public agencies and use of recommendations from current employees. Research shows that US managers see newspaper advertising as one of the most effective recruitment channels, while university recruitment was judged among the most effective only for professional channels, while university recruitment was judged among the most effective only for professional and technical jobs. In contrast, other forms such as employee referral and use of personal contacts for recruitment purposes are not seen as very effective.

However, many of the collectivist societies such as Japan, South Korea and Taiwan, referrals from friends or family tend to be much more important. In South Korea, many blue-collar jobs are filled through referrals from friends and family. Such practices are not surprising as collectivist societies place emphasis on harmony and loyalty. By only recruiting from friends and family or other important social groups (e.g high schools, universities, clubs), an MNC can maximize the chances of finding someone who can fit the organization's culture.

After recruitment, multinational enterprises must carry out their selection process. Selection refers to the process by which a company chooses people to fill a vacant position. Similar to recruitment, selection is also affected by cultural practices, which is one of the most critical differences pertains to more collectivist countries.

In selecting employees, collectivist cultured norms value trustworthiness, reliability and loyalty over performance-related background characteristics. Personal traits such as loyalty to the company, loyalty to the boss, and trustworthiness are the traits that family members can provide. As such, in smaller companies, preference is given to family members.

Training and development in an international context

Training and development refer to the efforts of the MNC to provide education and other programs to better equip its employees to do their job. Such training at work may involve formal training, informal training, learning embedded in the workplace and other forms of learning.

Training and development increases in complexity as multinational enterprise moves abroad. The type of training that takes place would usually depend on a number of factors,

- The degree to which management is centralized
- The types of workers employed in subsidiaries or joint venture
- The importance of branding and the extent to which employees are expected to reflect the brand
- The cultural expectations of training

In a global company, the training will be centralized so that suppliers, employees and distributors are aware of the brand image that needs to be communicated. For example Ford set up centralized training programs and then translated and delivered to all main suppliers, subsidiaries and distributors. However, if more polycentric approach is taken, then the training may well be far more local, and more in line with the local culture.

Cross cultural training is also vital in order to prevent problems that arise with team-working. In a cross-cultural context, it is not only the personality types that have to be taken into account, but also the very real cultural differences and approaches between team members. Therefore attempts at cross-cultural team training are becoming increasingly prominent in MNEs. Many multinational enterprises run extensive training programmes for employees going overseas, designed to provide individuals with information and experience related to local customs, cultures and work habits so that they can interact and work more effectively with local colleagues. Also such programs may run for spouses and children to ensure that employees send abroad are fully immersed in the foreign culture.

Some of the training programs involve –

- Environmental briefing regarding geography, climate, housing and schools
- Cultural orientation designed to familiarize the individual with cultural institutions and value systems of the host country
- Cultural assimilations to provide participants with inter-cultural encounters
- Language training
- Sensitivity training designed to help develop attitudinal flexibility
- Filed experience which sends the participants to the country of assignment to get them used to the emotional stress of living and working with people of different culture.

Compensations and International Employee Relations

The success of an organization depends on how an organization seeks to reward its employees, Due to the global competition, organization are demanding and encouraging its staff to engage in high performance work practices or go beyond the minimum expectations. Compensation includes the efforts of the multinational to distribute wages and salaries, incentives such as bonuses, and benefits such as retirement contributions. Compensation is also a critical aspect of what human resource management policies companies use to motivate their employees.

According to Wall et al 2010, there are many factors that will be considered before drawing a compensation package for employees. The most commonly used method for designing a compensation package is ‘Balance Sheet’ approach.

Balance Sheet Approach is a system designed to equalize the purchasing power of employees at comparable position levels living overseas and in the home country, and to provide incentives to offset qualitative differences between assignment locations. In order to achieve such ‘balance’ the organization must take into account a number of factors when sending employees to a different country.

1. Income taxes incurred in both home and host country
2. Housing allowances (which might range from financial assistance to employees to providing company housing)
3. Cost of living allowances (to make up any differences in prices between home and foreign country)
4. Contribution to savings, pension schemes etc, while abroad)
5. Relocation allowances (including moving, shipping and storage of personal and household items and temporary living expenses)

6. Education allowances for expatriate's (e.g. language tuition and enrolment fees in the host country or boarding school fees in the home country)

7. Medical, emergency and security cover There are wide variations both among countries and among organizations within countries concerning how to compensate workers. Some differences stem from whether compensation should be based on achievement or performance. Other important differences include whether everyone in a team should be paid the same or whether compensation should be made based on individual performance.

According to Cullen and Parboteeah, 2010, Cultural dimension that impacts compensation is the individualism-collectivism cultural dimension. In individualistic societies like the U.S. individuals are only loosely connected to each other. In contrast, in highly collectivistic societies, people tend to be more tightly connected to each other and there is focus on harmony. Given the above, it is advisable for multinationals to apply equity principles (compensate according to performance) in more individualistic societies. In contrast, equality or parity principles (compensate everyone equally) seem to be more sensible for collectivistic countries. In such countries there is more emphasis on harmony and cohesion and compensating all employees equally minimizes the risk of conflict.

Employee/labour Relations

Labor relations provide an indication of the relationship between companies and their employees and the degree to which employees influence the company's operations. There are wide variations in the patterns of labor relations in different nations. These differences in patterns stem from cultural factors as well as historical factors. Historical factors, such as the state of technological development during early unionization and the time when governments recognized the legality of unions, influence current union structure and activities. Management of labour relations also differ from country to country.

In the US, most unions remain at the regional level. Most local unions associate with same craft, industry or mixed national union. As trade globalizes, local unions are slowly losing their power on workers, In Germany, labor unions are more powerful and have an important influence in what companies do. At the company level, industrial democracy in Germany gives many workers equal representation on the board of directors with those elected by the shareholders.

Performance Appraisal

The process by which companies appraise their employees is known as performance appraisal. All companies must assess their employees performance to identify people to reward, promote, demote, develop and improve, retain, or fire. According to Wall et al (2010, p.332-333) the benefit of a comprehensive appraisal system includes the following:

1. It can identify an individual's strengths and weakness, and show how these can be overcome
2. It can reveal organization obstacles blocking progress
3. It can provide useful feedback to help improvement human resource planning
4. It can improve communication by giving staff a chance to talk about expectations

According to James (1998), performance has its roots in three key principles. People learn work/ achieve meore when they are given: 1. Adequate feedback as to how they are performing, 2. Clear and attainable goals, 3. Involvement in the setting of task and goals. 3. Not everyone can move up the ladder of the organizational pyramid and the performance appraisal function serves as an important assessment tool, Similarly performance appraisal techniques used in different countries differ due to cultural or political factors. One of the dimensions that seem to impact performance appraisal is the collectivist cultural dimension. Recall that in collectivist societies, the group takes precedence over individuals and harmonious relationships are emphasized. As such, in more collectivistic cultures, both employer and employee accept as correct and fair that human resource decisions should take into account personal background characteristics more than achievement. In such cases, the usefulness of a US-style performance appraisal system is less clear because who you are and how old you are may count more than how perform (Cullen and Parboteeah, 2010) In other collectivist societies such as South Korea, there is preference for seniority-based promotions, rather than appraisal-based promotion. This follows from the Confucian tradition that strives to preserve harmony (since it is unseemly for younger employees to supervise older ones). While job performance is important and most companies do have appraisal systems, seniority is most important for advancement. Because of the long-term orientation of Korean culture, Korean performance appraisal systems focus on sincerity, loyalty, and attitude on an equal footing with job performance (Cullen and Parboteeah, 2010) In international performance appraisals can be very complex. Consider also that while the major objective of performance appraisal it to provide feedback, some societies may not engage in such practices. In many Asian countries, such as China and Japan, feedback is generally not given to save face. Furthermore, to preserve harmony, appraisals may be done through group meetings rather than the more typical individual appraisals in individaulistics societies (Cullen and Parboteeah, 2010)

4.7 IMPACT OF WORK CULTURE ON EMPLOYEES

Work culture plays an important role in increasing effectiveness and efficiency of employees. In international human resource management Flexible working is increasingly sought after approach within many countries. The strategic IHRM director may have to evaluate the impacts of adopting flexible working on the organization, especially in times of global recessions. Clearly HR thinking and practice needs to evolve in responses to these challenges of flexibility and environmental uncertainty, specifically in the areas of :

- Planning horizons
- Staff appraisal where there may be no formal supervisor/subordinate reporting relations
- Remuneration strategies where outputs are not easily attributable to individuals alone
- The structure of the workforce and the use of consultants and contractors
- Development, promotion and succession planning

The main organizational disadvantages of employment Flexibility

- Potentially reduced commitment and / or quality
- Potential loss of stability
- Problems with continuity and team working
- Training expenditure : Flexibility implies a necessity to significantly increase expenditure on training and yet temporary working implies minimal training commitement.
- Conflict with the workforce and trade union opposition
- Resistance, especially from crafts people who are unlikely to willingly give up time-honoured job definition.
- A redefinition of the role and focus of managers

Charles Handy's (1999) concept of the shamrock organization depicts an orgnisation with 'core' and 'periphery' workers as well as a contractual fringe.

- Core employees possess key scarce and scarce skills and enjoy relatively high status positions with good prospects of security and promotion.
- Periphery workers on temporary or part-time contracts act as a buffer against changes in demand.

These concepts provide a background against which consideration can be given to the different forms of flexibility, namely task, numerical and financial (Atkinson, 1984).

1. **Task or Functional flexibility**. There is evidence that traditional demarcations between jobs are being eroded and employees are being required to undertake a wider range of tasks.

2. **Numerical flexibility**. Temporary, part-time short-term contract working and sub-contracting have been in the ascendant in recent years and have been adopted by organization as a means of responding to demand fluctuations. Numerical flexibility can be achieved by using both contractors and agency staff.

3. **Financial flexibility**. The growth of individualised and variable systems of reward has been noticeable and performance related pay schemes are now widely in use. Fees for service payments are used for increasing numbers of self-employed sub-contrators.

4.8 SUMMARY

It is a truism to point out that the world is becoming more international. This applies or our technology, our travel, our economies and our communications –if not always obviously to our understanding. The growth of global enterprises leads to increased permeability in the traditional business boundaries, which in turn leads to high rates of economic change, a growing number and diversity of participants, rising complexity and uncertainty. IHRM is concerned with HRM issues that cross national boundaries or are conducted in locations other than the home country headquarters. IHRM is related with the relationships between the human resource management activities of business organisations and the international environments in which those organizations operate . There are five types of organizational structures adopted by the different MNC (Multinational company) depending upon their life time existence and nature of business and complexity of environment in which these MNC opearate.

There are mainly for IHRM approaches. These approaches explain how any organization takes decisions related to human resource, their recruitment & selection, training and development and other reltated issues. These include ethnocentric approach, polycentric approach, geocentric approach, and regiocentric approach. Work culture plays an important role in increasing effectiveness and efficiencey of employees. In international human resource management Flexible working is increasingly sought after approach within many countries.

4.9 SELF ASSESSMENT EXERCISE

1. Define IHRM
2. Explain the different approaches of IHRM
3. Discuss the different organisational structures adopted in IHRM
4. Discuss the policies and programs related to various issues of human resource in context with international human resource management

5. Describe the impact of work culture on employees in international environment.

4.10 FURTHER READINGS

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Uttar Pradesh Rajarshi Tandon Open University

Master of Business Administration

MBA-2.3

Human Resource Management

Block

2

Human Resource Procurement

परिशिष्ट–4

आन्तरिक कवर–दो का प्ररूप

Format of the II Inner Covers

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परिमापक

परिमापक

अनुवाद की स्थिति में

मूल लेखक	अनुवाद
मूल सम्पादक	भाषा सम्पादक
मूल परिमापक	परिमापक

सहयोगी टीम

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प्रूफ रीडर

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BLOCK INTRODUCTION

This block comprises of four units. The first unit introduces the human resource planning its meaning, process and limiting factors. This unit also explains the concept of job analysis, job description and job specification . The second unit explains the concept of human resource information system and Human resource accounting and auditing. The third unit deals with recruitment and selection. This unit focuses on methods and process and various policies related to recruitment and selection of employees in any organization. The fourth unit describes the concepts of placement and induction. It provides information related to transfer and its reasons, promotion and its purpose. This unit also throws light on separation.

UNIT 5

HUMAN RESOURCE PLANNING

Objectives :

After studying this lesson, you will be able to :

- Explain the meaning and nature of human resource planning (HRP);
- Discuss the purpose and objectives of HRP;
- Identify the different steps in HRP process;
- Describe the job analysis and its applications;
- Understand the concept of job description and job specification.

Structure :

5.1 INTRODUCTION

Human Resource Procurement

Human Resource are the most important assets of any organization. The success of failure, growth and development of the organization depends on human resources. The organisation must therefore acquire knowledge, skillful, trained, talented and potential human resources to attain and accomplish the organizational objectives. A great care needs to be taken in their acquisition. The human resource planning provides necessary direction in this regard to the human resource management in the human resource management in the light of overall organizational objectives. The organizational objectives determine the required number of type and kind of human resources of human resource planning begins. The human resource planning bridges the gap between the organisational plans and human resource management. It is a conscious determination of direction and composition of human resources of organization. The human resource planning provides the necessary groundwork and set of stage ready for manpower procurement to fill up various positions in the organization. The human resource planning must be in tune with the human resource policy of the organization. Human resources are the most valuable intellectual assets. Hence their planning should be done carefully. Organisations used to neglect people as they cannot establish ownership over them like in case of other resources. Now it has been realized that neglecting human resources may cost heavily to the organization. Human resource planning helps in tracing a route, finding a way for acquiring human resource.

5.2 MEANING AND NATURE OF HUMAN RESOURCE PLANNING

MEANING AND DEFINITION OF HRP

Human resource planning determines the movement of the organization from the present human resource position of the anticipated one. If is a process which determines and assures the required number and kind of people at proper time and proper places to accomplish the organizational objectives. According to Dale. S. Beach, human resource planning is, “a process of determining and assuring that the organisation will have an adequate number of qualified persons, available at a proper times, performing jobs which meet the needs of the enterprise and individuals:”

The human resource planning should be in tune with the overall planning of the organization. A properly implemented human resource planning leads to improvement in productivity and helps in attaining enterprise goals. It also helps in minimizing labour turnover. Human resource planning enables management in placing right people in right positions and at right time. This is possible if the human resources department is well integrated into the organisation’s functioning and is given a free hand to play its role. The forecasting of human resources needs should be carefully done and acquire them in advance as far as possible. Effective planning ensures the organization with the right number and kind of people with proper skills and abilities at the most appropriate time. The human resource planning may concentrate only on recruitment and selection of personnel, while medium terms human resources apart from their acquisition. The long-term human resource planning has broader aim in sight hence concentrates on their acquisitions, training and development, health, welfare and safety, determining wages, salaries, bonuses and other fringe benefits, maintaining human resources information system, performance evaluation, career planning managing stress counselling etc. The human resource development requires long term planning. This will ensure organisation's development and growth.

Each organisation has to pass through various stages of growth. Human resource planning adopted by the organization differs according to the different stages. During infancy period of the organisation, the human resource planning should be in accordance to the needs of the organisation. During this stage government also provides various concessions such as taxes holiday, power at low rate etc. The aim is to let the enterprise grow. In the growing organisation human resource planning acquires a new dimension of anticipating for human resources and cares for their development. The fully grown and established organisation adopts long term human resource planning. The stock of current human resources and their potentialities is taken, performances are evaluated. The organization can develop and keep human resources information in a computer software and make it available to all line and human resource managers to make an 'at hand assessment' of human resource inventory which helps in planning for human resources. The human resource planning is taking stock of current human resources inventory and forecasting the need for future. The human resource information system can play a supportive role in decision making in this regard. This makes easier for the manager to make decisions regarding recruitment, promotion, transfer, training and wage fixing.

Human resource planning is the decision making process regarding procurement, development compensation, information, welfare, appraisal and safety of human resources. It is process of visualizing the organization plans and objective into a reality by providing quantitative and qualitative human resource requirement through their proper utilization. The formulation and choice of human resource planning depends upon the type and kind of organization. It may prefer short term or long term, flexible or rigid human resource planning. It mostly depends in turn upon the strategy adopted by the organization. Human resource are multifaceted resources. They not only differ in their abilities, skills, potentialities, capabilities, techniques but also possess more than one quality. Human resources planning take into account the stock of these typical skills inventory maintained by the human resource department while forecasting for the future need. The overall organizational plan is integrated with human resource plan. Human resource determines and sets the goals for performing human resource functions of acquisition, development, compensation, promotion, transfer, retention, termination, retirement, welfare, safety to facilitate accomplishment of corporate objectives.

5.3 PURPOSE OF HUMAN RESOURCE PLANNING

The human resource planning in an organisation is essential for the following reasons:

1. Human resources with required skills, qualifications and capabilities are always in short supply despite growing unemployment, hence their planning is essential.

2. The fast changing technology and globalization has brought new challenges on trade and commerce, sales and marketing, production fronts. The corporations require new breed of manpower to meet the challenges.

3. There is a market rise in the human resource mobility which has increased the need for human resource planning.

4. To increase labour productivity human resource planning is required.

5. To increase smooth supply of workforce without interruption.

6. The structural adjustment in the body corporation changes the demands for human resources.

7. The government's policy regarding reservation in employement brings about changes in the demand for a supply of human resources, need proper human resource planning.

5.4 IMPORTANCE OF HUMAN RESOURCE PLANNING

The human resource planning is important to the organization in the following ways:

1. The effective human resource planning fulfills the corporate need for quality workforce.

2. A proper human resource planning reduces the labour cost substantially. It maintains a balance between demands for a supply of human resources. It works as a cost saving device.

3. Human resource planning facilitates increase in skills, abilities and potentials of the workforce through training and development.

4. Human resource planning provides multiple gains to the employees by way of promotions, increase in salary and other fringe benefits.

5. It facilitates comparison and evaluation of alternate human resource policies.

6. It provides for welfare, health and safety of the employees in the form of residential accommodation, schools, hospitals, stores, and recreation clubs thus increases the productivity.

7. It enables the assessment of human resource for future requirements.

8. Human resource planning clears the way for effective motivation of the employees of the organisation.

Above all, with the increase in productivity increase in skill, knowledge, potentialities of human resources and employee satisfaction, the main beneficiary is the organisation which gains in terms of increase in profit, prosperity, growth and development and edge over rivals in business competition.

5.5 HUMAN RESOURCE PLANNING PROCESS

Acquisition and utilization of human resource is an important decision a manager has to make. The process of human resource planning helps in this regard and makes the task of a manager easy. The process of human resource planning involves the following steps:

Analysis of organisational plans and objectives

↓

Analysis of human resource planning objectives

↓

Forecasting for human resource requirement

↓

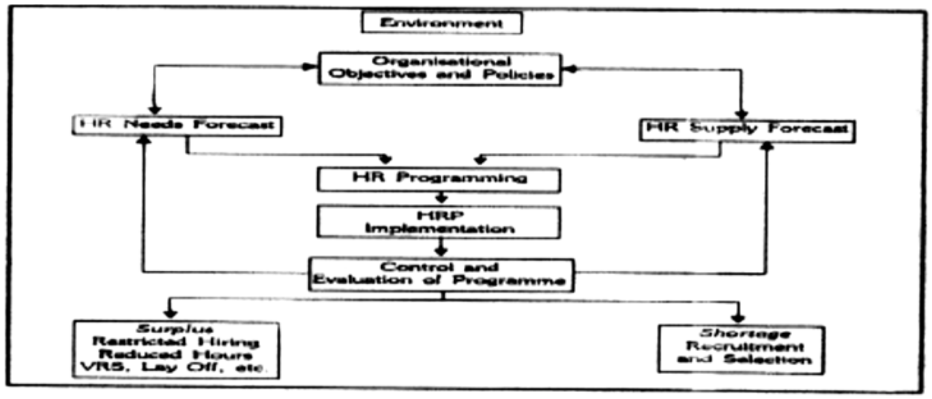
Assessment of supply of human resources

↓

Match the demand and supply

Human Resource Procurement

It can be shown as in figure:



Let's discuss each of these steps in details. :

1. **Analysis of organisation plans and objectives** :- Human planning is a part of overall plan organisation. Human resource planning process begins with the analysis of overall plan of the organization into departmental, sectional and sub-sectional plans and functional plans like sales, marketing, technological plans. This break up of overall plan provides for assessing the human resource requirement for each department and activity. Besides analyzing the organizational plans, the objective of the organizational are also analyzed. If the objective of the organization is speedy growth and expansion, it requires more manpower in all functional activities and department to meet the challenges of increased market share, finances, size of assets, new markets, inventory and new products. The new growth strategy of the organization requires large number of skilled manpower. The human resource department needs to go for quick recruitment and training to meet the human resource requirement of the organization. In case the organization facing tough times of falling demand for its products has to curtail production thereby needs to reduce manpower. The human resource department has to take some harsh decisions to retrench the existing manpower. In modern corporate world mergers and acquisition pose fresh challenge to human resource department. The human resource department has to face tough time because of conflicting corporate culture and working environment of the two or more firms coming together in the event of merger or acquisition. Human resource department has to formulate plans for laying off or hiring and amalgamation of conflicting cultural working environment. Sometimes the decisions regarding wage cuts have to be taken. This will displease the employee paving the ways for labour unrests.

2. **Analysis of human resource planning objectives:-** Human resource planning is a part of corporate plan. It objectives are to be

fixed in the light of corporate objective. The emphasis is give on future requirements than the present one. The main purpose of human resource planning is to match the present and future manpower needs of the organization. The human resource department should specify the policy regarding acquisition of human resources. It may recruit them by the way of promotion; transfer i.e. from within the organization or from external source. It also has to clarify the selection criteria and he need for training and development. It has to decide on abolishing or continuing some old and routine jobs or replace them by meaningful new jobs to meet challenges thrown by the speedily changing business and industrial environment. These objectives should be integrated with the objectives of all the functional areas of the organization. The emphasis should also be given on to maximize the return on investment in human resource.

3. **Forecasting for human resource requirement :-** The correct forecasting for required human resource for the organization becomes simple if design and structure of the jobs examined thoroughly keeping in view the skills, potentialities and knowledge required to perform them and make an estimate for the future requirements. It should not be taken for granted that the design and structure of the existing jobs are perfect and cannot be changed overtime. The recent development in technology and use of computers and robots in manufacturing has change the scenario. Now the computer aided designs (CAD) and computer aided manufacturing (CAM) has entered in ousting the traditionally used old methods. This has changed the design of jobs altogether. In modern times welding and other related jobs are done by robots. The point is the need of capabilities, skills, knowledge, potentialities in the employees present and future must be reviewed. It will change the human reosource planning. The improved techniques have not only upgraded the quality of the product but also have brought about restructuring of jobs design. The new jobs design requires more people with the knowledge of computer, engineering and other technology. There is, therefore, a growing, demand for engineers and technocrats with management background by the companies.

   The other factors dominating the forecast for human resource are the following :

(a) Expansion of the enterprise

(b) Mergers and acquisitions,

(c) Retirement, death, resignation and terminations,

(d) Change in style of leadership

(e) Improvement in productivity

The above factors dominate the quality and quantity of the human resources. The various skills required to perform the jobs will enable the forecasting of human resource requirement for the organization. Determining the skills needs and fulfilling them is vital aspect of human resource planning. The demand for human resources is forecasted by using some statistical and work study methods and managers opinions regarding the manpower requirements for their respective departments. This is how the forecasting of demand for quality and quantity of human resources for the whole organization is made.

4. **Assessment of supply of human resources :-** To make assessment of supply of human resources for the organization it should begin with the current human resource inventory of the organization. It is also known as auditing of human resources under 4 taken by the departments of the organization where complete information regarding skills, abilities, qualifications, capacity for hard work is available and so also the quantity and quality of human resources manning various positions, the probable retirements. On the basis of this information they can determine the supply of manpower which is sufficient enough to meet the departmental need or in excess or in short supply. This can be quantitatively and qualitatively worked out. The sum total of supplies of all departments shall organisations supply of human resources. In this way the current or present human resource inventory is accounted for the supply of human resources may be less because of layoffs, dismissals, voluntary retirements, retirements, death etc. if the supply is less than the demand for or is inadequate to meet the requirement for human resources then it can be fulfilled through external sources. The graduates from educational institutions serve the purpose. Also the existing manpower be asked to work extra and overtime wages may be paid to them. This is purely ad hoc arrangement. After some time the organization has to hire the required number and kind of people to meet the need.

5. **Matching demand and supply :-** It is one of the objectives of human resource planning to assess the demand for and supply of human resources and match both to know shortage and surpluses on both the side in kind and in number. This will enable the human resource department to know overstaffing or understaffing In case of shortages of human resources to meet certain jobs in the organization and are not available in the labour market then under such circumstances it is advisable to change the objectives of the organization. In case of shortages the human resource department should be in touch with all the known sources to meet the requirement. The human resource manager may recommend the retention plan for the employees such as higher pay, improvement in work life or to grant extension to those employees are on the verge of retirement. In case of surplus human resources in some department then the scheme for redeployment in other department

or other job may be recommended. If the surpluses could not be absorbed in any of the departments or jobs then in consultation with the employee's union retrenchment may be undertaken giving them full benefits under the law. A promise may be given to the retrenched employees for helps to get job elsewhere vacancies exist they will be preferred. Human resource planning must get a support from the organization with relevant personnel policy statement. The human resource plan becomes am action plan for the organization as regard manpower requirement. The organization must follow the human resource philosophy as a guiding principle. Career planning must be kept in view while planning for human resources. Any individual who joins the organization has a long way to go. During his long span, he aspires high level and should be rewarded monetarily. This is especially important for those who are professionals joining vocations. Thus an organization gets professionals or experts in particular field. It is because of this certain people are becoming professional. The carreer planning is a part of human resource development.

5.6 OBJECTIVES OF HUMAN RESOURCE PLANNING

(1) It ensures optimum use of present stock of human resources.

(2) It helps in fulfilling individual and organizational aspirations though collective effort of employees and organization.

(3) It makes future skills assessment of the organization to meet overall objective.

(4) It helps in meeting proper allocation of human resources.

(5) Formulation of transfer and promotional policies of the organization effectively.

(6) To cope with change in the organisational set up.

(7) Control over cost of human resources.

(8) To replace employees, who retire, die, and quit the organization. Hence continuity in workforce in maintained.

(9) Designing training programs for various categories of employees.

(10) Prescribes qualifications for different jobs in the organization.

5.7 LIMITATIONS/BARRIERS OF HUMAN RESOURCE PLANNING

Human Resource Managers face significant barriers while formulating an HRP. The major barriers are elaborated below :

1) HR practitioners are perceived as experts in handling personnel matters. but are not experts in managing business. The personnel plan conceived and formulated by the HR practitioners when enmeshed with organizational plan, might make the overall strategic plan of the organization ineffective.

2) HR information often is incompatible with other information used in strategy formulation. Strategic planning efforts have long been oriented towards financial forecasting, often to the exclusion of other types of information. Financial forecasting takes precedence over HRP.

3) Conflict may exist between short term and long term HR needs. For example, there can be a conflict between the pressure to get the work done on time and long term needs, such as preparing people for assuming greater responsibilities. Many managers are of the belief that HR needs can be met immediately because skills are available on the market as long as wages and salaries are competitive. Therefore, long times plans are not required, short planning are only needed.

4) There is conflict between quantitative and qualitative approaches to HRP. Some people view HRP as a number game designed to track the flow of people across the department. Others take a qualitative approach and focus on individual employee concerns such as promotion and career development. Best result can be achieved if there is a balance between the quantitative and qualitative approaches.

5) Non-involvement of operating managers renders HRP inffective. HRP is not strictly an HR department function. Successful planning needs a co-ordinated effort on the part of operating managers and HR personnel.

5.8 JOB ANALYSIS

Job analysis is the procedure of exploring systematically the facts and functions within a job. It is one of the important functions of the human resource manager who through this process of job analysis knows the duties, responsibilities and accountabilities of a job and qualifications, skills, potentials and talents to perform it. The job analysis is done systematically because it is basically a technical procedure involving compilation of information relating to successful performance of job and determination of relationship with other jobs and evaluating and prescribing the required qualifications, skill and knowledge necessary for it. It is a useful tool for human resource planning, making recruitment and selection, providing for training and development performance appraisal career planning , fixing compensation. It helps in determining the standard of personnel in advance facilitating comparison of perspective condidates. Job analysis assists in deciding the minimum qualifications, training and knowledge required to perform a job. The procedure for determining the necessaries for performance of a job is job analysis.

The job analysis is defined by Edwin. B.Flippo as, "the process of studying and collecting information relating to the operations and responsibilities of a specific job."

Job analysis is a process of determining duties, responsibilities and defining accountabilities. It also involves in collecting and analyzing the relevant information relating to job, checking job information for accuracy, writing job description on the basis of information, determining skills, knowledge, abilities required for the job and updating information with changing times. Job analysis is the basis for the human resource management practices.

JOB ANALYSIS

(Systematic collection and compilation of job data)

Job Description	**Job Specification**
(A statement of duties and responsibilities of a specific job)	(A statement of qualifications required to perform a specific job)

Fig.2. Job Analysis

5.9 JOB ANALYSIS PROCESS

It is a process of collecting information regarding some or all jobs in an enterprise. Under the job analysis process the data is collected in respect of job and not related to the personnel holding the job though he may be consulted for obtaining vital information about the job. It should be noted here that job analysis process is meant for analyzing the job not the person holding it. The following steps are followed for job analysis process.

1. **Time for conducting job analysis**: Human resource manager has to ask himself, "Is the time ripe for conducting job analysis.?" He has to decide on this vital issue. It is a matter of strategy. In modern times things are changing very fast. The new competitors are entering into the business. Under the changed circumstances, organisations have to restructure the organizational setup as a part of strategy to meet the challenges and this leads to job analysis. Some new jobs may be created, some old jobs may be eliminated and some may be combined with others. Additional jobs may be

created due to expansion, mergers and acquisitions requiring job analysis. Normally job analysis should be conducted after a regular interval of two, three or five years of any time if the need arises.

2. **Collection of information relating to job**: After deciding to conduct job analysis the first step is to collect all relevant information relating to various jobs in the organization. The following are the ways to collect information for the purpose of job analysis.

   a. Questionnaires: It is a widely used method of data collection. It is less costly method of collecting information about the job from the employees. A detailed questionnaire is prepared so that vital information is not missed. The questionnaire used to be distributed to the employees from whom information in respect of jobs are to be gathered.

   b. Observation: In this method the job performers are observed while they are working. Observation may be continuous or in samples. This method is not fool proof. It is useful for the jobs involving physical activities. It provides observe the general familiarity about the job.

   c. Interviews: The experienced employees having complete knowledge about the jobs are interviewed and the relevant information about the job its and specific activities gathered. A structured interview is most useful to collect vital information regarding the job and its performance. An interview is time consuming. An interview may be biased. To avoid this more employees are to be interviewed.

The information collected through the above ways must include the information relating to physical environment while performing job such as, temperature, noise, dirt, likelihood of accident, comforts or discomforts; social environment prevalent while performing job; financial benefits draw such as pay scales and other incentives; the qualities, required in a person for performing the job such as skills, abilities, talent, knowledge, potential, intellect etc.

3. **Preparing job description forms:** The information collected in the above ways should now be used to prepare job description the various activities involved in the job. It describes how and when job is to be done and how jobholder will do it. The separate job description forms are prepared for different jobs stored for reference.

4. **Preparing job specifications:** The next step in the process of job analysis is to prepare job specification on the basis of collected information. The job specification is the statement declaring minimum acceptable qualifications required in a person to perform the job successfully.

5. **Preparing Report:** The job analysis are appointed by organization to do job analysis. The next step in the process of job analysis is to prepare the report on job analysis by the analyst and to submit the same to the human resource manager. The report contains the different activities of various jobs and the minimum educational qualifications, experience, training and skills required to perform them and the recommendations.

The report submitted by the analyst is then discussed at the top level management or human resource manager may have the authority to accept in total or make certain amendments in job description and job specification after taking into confidence the employees union and other fellow managers of various departments of the organization.

5.10 METHODS OF JOB ANALYSIS

The methods used for determining the knowledge, skill, abilities required for successful performance of the job under job analysis and the following:

1. **Observation method**: Under the method the job analyst observes the employees at work. This is the most reliable method of seeking first hand information relating to the job. The information obtained through direct observation may be verified and supplemented from the supervisor of the section. If the employees came to know that they are being observed then they may not be natural in their performance. So care must be taken in this regard otherwise the information will not be accurate and may lead to distortion in job analysis. The observation may be continuous or intermittent depending upon the analyst and the nature of the job. A video film can also be prepared for observation.

2. **Questionnaire method**: Under this method the structured questionnaire is prepared and is distributed among the employees by the job analyst. This is good and less expensive method to seek necessary information in respect of job but there is no way to take feedback.

3. **Interview method**: Under this method the workers working on the jobs and their supervisor individually are contacted and asked questions in respect of the jobs performed by them. Group interviews can also be conducted for extracting information from the employees. A care is to be taken in group interview as group dynamics may become a hurdle in effective exploration of information. This method is time consuming.

4. **Daily recording of activities method**: Under this method the employees are asked to record day-to-day activities in a diary. This serves as a good source of information but lot of time is required to maintain the correct information on the part of the employee. The precious time is wasted in maintaining the diaries.

5. **Records maintained by the human resource department:** The records in respect of various jobs and their incumbents by the human resource department also become the source of information.

The above methods of collecting information for job analysis are not mutually exclusive and none is perfect. For obtaining factual information a combination of methods may be worked out. The immediate outcome of job analysis process is job description and job specification. The application of job analysis is shown in the following figure:

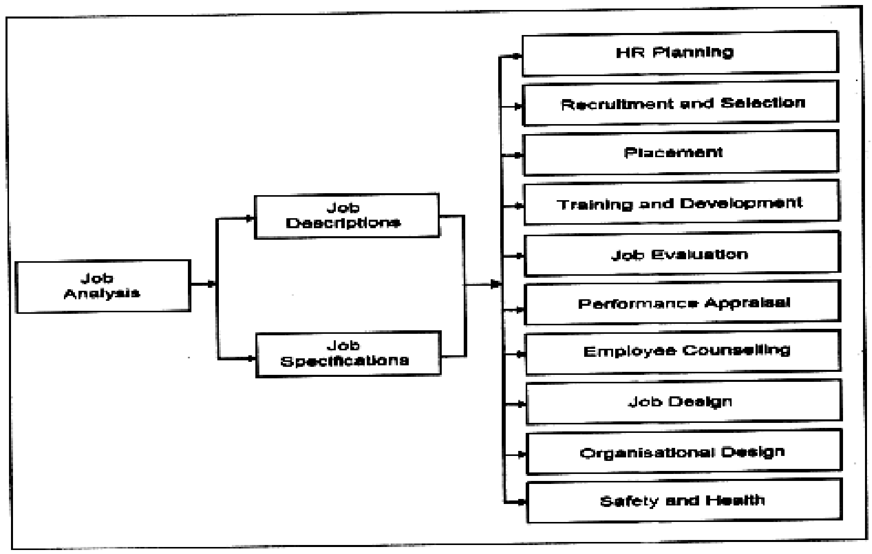


Fig.3. Application of Job Analysis

5.11 JOB DESCRIPTION

Job description is the first immediate by-product of job analysis process. It is recorded statement of facts about the activities of the jobholder, how and why it is performed. Job description statement is recorded on job description blank. Job description statement reveals what, how and why job is to be done. Pigors and Myres defined the job description as, "pertinent picture (in writing) of the organizational relationship, responsibilities and specific duties that constitute a given job or position. It defines a scope of responsibilities and continuing work assignment that are sufficiently different from those of other jobs to warrant a specific title.

The job description not only reveals what, how and why a job is to be done but also describe the job title, duties and responsibilities to be performed and authority assigned and the distinct features of the job. It describes every aspect of the job. A good job description possesses up-to-date information i.e. if amendment in duties and responsibilities are made then they should have been included, should indicate job title, extent of the job, limitation and functions should be described in simple and understandable language, characteristics of the job, knowledge and skills to perform the job should be included in the statement.

Contents of the Job Description

Job description document contains the following information:

1. **Job title:** A suitable title to the job given that suggest the nature of job, required skills and other distinctive features of the job. For example account clerk, record keeper, lathe machine operator, computer programmer, system analyst etc.
2. **Functions:** The functions of the jobs are clearly and precisely stated. For example account clerk's functions include maintaining account books, ledgers etc.
3. **Duties and responsibilities:** The duties and responsibilities of the jobholder are classified into primary and secondary and the time taken for performance of the job should be mentioned.
4. **Nature of supervision:** The degree of supervision needed should be prescribed. Reporting authority should be mentioned. Certain jobs require close supervision while the jobs at higher level require less supervision. Some managerial jobs require no supervision but others do require. It should be clearly mentioned.
5. **Place of job:** Place means the place where job is to be performed by the jobholder i.e. the department, section, shop or office etc.
6. **Tools, implements, machines:** The performance of certain jobs require tools and implements, some require machines e.g. lathe machine, computer etc. All these details are to be included in the job description. This will disclose the nature of the job and the complications involved in it which enable for planning training programme
7. **Environment at workplace:** The environment at workplace, the related hazards, possibility of accidents are to be mentioned so that it will help in evaluating the job.
8. **Future prospects:** Anyone who is working on any job wants to be promoted after some period of time. It is, therefore, pertinent for the job analyst to mention the relationship, vertical and horizontal both of the job. It will make the jobholder aware of his future growth by the way of promotion.

Job description is an important document which determines wages and salary and the future promotional avenues of the employees working in an organization, hence it should be flexible and described in such a manner that is should over complete information in respect of the job in clear and understandable language.

EXHIBIT-1

Specimen of Job Description

Job Title ____________________ Job Number/Code ______________

Department ____________________ Division/Section ______________

Report to ____________________ Wage Category ______________

Summary of Job Duties

- Regular duties ____________________

- Occasional duties ____________________

Working Conditions

- Surrounding ____________________

- Work hazards ____________________

Relation to Other Jobs

-Promotion from ____________________

-Promotion to ____________________

Tools, Equipment, and Machines used ____________________

Materials used ____________________

Nature of Supervision Required ____________________

5.12 JOB SPECIFICATION

Another immediate outcome of job analysis is job specification. It is the statement in respect of minimum acceptable qualities required in the incumbent for successful performance of the job. It states that the jobholder should possess the required educational qualifications, training, experience, talent, potential and abilities etc. to perform the job successfully. It provides lot of help in recruitment and selection of proper person for the organization. Edwin B. Flippo has defined job description as, "a statement of minimum acceptable human qualities necessary to perform a job properly".

Besides minimum acceptable educational qualifications a job specification should specify physical feature (weight, height, eyesight, physique, good health etc.) personal features (mental attitude, leadership, qualities, decision-making ability, behaviour etc.), psychological features (enthusiasm, soundness of mind, capacity to make analysis, sense of responsibility, attention etc.), social features (interpersonal contact), wisdom (oral and written communication, planning numerical computation etc.), motivating qualities (work extracting ability, adaptability to change, pressure, displeasure, controlling etc.)

EXHIBIT-2

Specimen of Job Description

Job Title ____________________ Job Number/Code ______________

Department ____________________ Division/Section ______________

Job Analyst ____________________ Age Limits ______________

Report to ____________________ Wage Category ______________

Educational Qualifications ____________________

Skills ____________________

Training ____________________

Previous Experience ____________________

Responsibility for Others

- For other's performance ____________________

- For other's safety ____________________

Health Condition ____________________

Any Other Requirement ____________________

5.13 USES OF JOB ANALYSIS INFORMATION

An effectively conducted job analysis helps in more than one way to formulate sound human resource policy and program. The information collected during job analysis process has following uses:

1. **Human resource planning:** Job analysis is an analytical process from which we develop tangible results in the form of job description and job specification. These two outcomes i.e. job description and job specification determines the duties and responsibilities a particular job possess and the qualifications, skills, knowledge, potentials required to perform the job respectively. This in turn determines the demand for various jobs in the organization and the manpower required to hold them. Accordingly human resource manager has to plan for human job resources. This is how job analysis helps in human resource planning.

2. **Job Evaluation:** Job evaluation is treated as the third tangible outcome of the conceptual job analysis. The information provided by the job analysis serves the purpose of job evaluation i.e. to

determine the relative work of job for fixing compensation. Here again the job description and job specification provides a base for determining worth of a job to the enterprise and determining salary and wages for the job or jobs.

Human Resource Procurement

3. **Recruitment, selection and placement:** A comprehensive job analysis provides sufficient information in respect of jobs that will most likely to be filled up in future. Selection of a person for a job necessitates the deep and clear understanding of the kind of work to be performed and the qualifications, knowledge, talent and potentials require doing it. Job analysis ably provides all required information facilitating the recruitment, selection and placement smoothly in an organisation. Here also job specification and job description helps, immensely in matching the job requirements with the knowledge, qualities, potentials, talents, skills of the incumbent.

4. **Optimum use of human resource:** Every organization wants optimum use of its human resources to increase the productivity. Information from job analysis furnishes the facts regarding what employees have to do. If they lag behind in putting up the required efforts which is prescribed by job description then the managers take action for improvement so that they put up maximum require d efforts to perform their jobs. The job analysis also helps the employees understanding their own duties and responsibilities towards jobs. This is how optimum use of human resource is being achieved with the help of job analysis.

5. **Training and development:** Training and development is yet another field where information form job analysis is used. From the requirement of the job the manager know the deficiencies in the jobholders. He then decides to provide training to the incumbents. Job descriptions and job specifications reveal what is needed from and in the incumbents to perform a particular job. They came to know what is being expected form them accordingly they prepare for carrier development.

6. **Labour Management relations:** The information gathered from job analysis are helpful in improving labour management relations by understanding what is being expected from the jobholders, by the employees. This can be achieved if employees are informed about the information from the job analysis.

7. **Job design:** The information generated from the job analysis are of immense help to the industrial engineers in designing the job through the study of job element. Job element is the minute unit into which work can be divided. Hence it helps in time and motion study, determining work specification, work measurement, providing for methods and improvement at workplace.

8. **Safety and welfare measures :** Job analysis process discloses the environment where job is to be performed. Hazardous and

unhealthy conditions, if any , prevailing at the workplace can be taken care by providing adequate safety and welfare measures. Most of the accidents can be thus avoided.

9. **Compensation:** The information collected under job analysis cab be used for determining wages and salaries of the incumbents. Salaries are to be fixed on the principle "equal pay for equal work". It is also to be noted while fixing salaries that the jobs of comparable work receive same pay. All this is possible because of job anlaysis.

10. **Reduce frustration:** Job analysis provides factual information relating to job and thus reduces the frustration from the minds of those employees who have imagined high expectations about the job. They are saved from being dissatisfied or leaving job in the middle. Job analysis assures low turnover. It orients new recruits to their positions.

11. **Determines authority responsibility relationship:** Job helps in delegating authority thus determines lines of authority and responsibility. This also helps in designing organizational framework. It helps in determines the vertical and horizontal relationship in the organization.

5.14 SUMMARY

Human resource planning is a process which determines and assures the required number and kind of people at proper time and at proper places to accomplish the organizational objective. Human resource planning is, "a process of determining and assuring that the organization will have an adequate number of qualified person, available at a proper times, performing jobs which meet the needs of the enterprise and individuals." The process of human resource planning involves the various steps i.e. *Analysis of organizational plans and objectives, Analysis of human resource planning objectives, Forecasting for human resource requirement, Assessment of supply of human resources, Match the demand and supply*.

Job analysis is a process of collecting information regarding some or all jobs in an enterprise. Under the job analysis process the data is collected in respect of job and not related to the personnel holding the job though he may be consulted for obtaining vital information about the job. Job description is the first immediate by –product of job analysis process. It is recorded statement of facts about the activities of the jobholder, how and why it is performed. Job description statement is recorded on job description blank. Job description statement reveals what, how and why, job is to be done. Job specification is the statement in respect of minimum acceptable qualities required in the incumbent for successful performance of the job. It states that the jobholder should possess the required educational qualifications, training, experience, talent, potentials and abilities etc. to perform the job successfully.

5.15 SELF ASSESSMENT EXERCISE

1. Define Human Resource Planning and outline the steps in HRP process.
2. Explain the concept of job analysis.
3. Differentiate between job description and job specification.
4. What are the uses of job analysis information?
5. Discuss the objectives and importance of human resource planning.

5.16 FURTHER READINGS

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UNIT 6

HUMAN RESOURCE INFORMATION SYSTEM (HRIS)

Objectives:

After studying this lesson, you will be able to:

- explain the meaning of human resource information system;
- examine the various methods of HR valuation;
- identify the advantages, functions and different levels of HRIS;
- describe the Human Resource Accounting; its needs, objectives and benefits;
- understand the purpose, process and importance of Human Resource Audit and Research

Structure:

6.1 INTRODUCTION

Computers have become essential part of any organization these days. Computers have made possible scientific and industrial advances that could not be imagined many years ago. They are used everywhere in space, in military, in hospitals, in education and in all industrial applications. The beneficial aspects of computers include speed and accuracy which are important for solving complex problems in the modern world. Computers are playing an important role in shaping the future of mankind.

The use of computers in industry has increased tremendously. They are used for all industrial functions from purchasing and inventory control to preparation of accounts and for all managerial functions-planning, organising, staffing, direction and control. Computers are capable of solving complex business problems very quickly. They facilitate the installation of effective Human Resource Information System (HRIS) in modern organizations.

6.2 HUMAN RESOURCE INFORMATION SYSTEM (HRIS)

Human resource information system has become a part of all large organizations. It is a computerized system that aids in the processing of information relating to human resource management. It is a device, design to fulfill the manpower information needs of the organization. The organization has to incur a meager amount to install this system. Human resource information system facilitates the organization to store information relating to skills. knowledge, capabilities, potentialities, qualifications required to perform jobs and available among employees which is made accessible at the fingertips of the managers through computer network. HRIS differs from the manual system as it uses the information technology or computers. HRIS forms a part of management information system which includes information relating to finance, assets, accounting, sales, marketing, production etc. HRIS meant for collection and analysis of data relating to human resources of the organization. It helps managers in decision-making in respect of promotion, wage fixing, recruitment, training and development. In this way HRIS works as a decision support system device. The inputs of HRIS include the information relating to employees, their abilities, qualifications, potentialities, creative instincts, age, pay scale, various jobs in the organization, their required skills and qualifications to do them, the number of employees and executives at various positions, organizational objectives, policies and procedures etc. This information is loaded into the system. This data is analyzed into the most useful information required by the managers. This is the transformation of input data. The information technology after transformation gives output in multiple forms like printouts and other devices. HRIS is the device widely used by the corporate bodies as it provides significant, accurate, relevant and comprehensive data base information in respect of human resources required by the organization. There are many private firms which keep and maintain the database relating to human resources dealing in consultancy services in respect of recruitment of executive and other personnels required by the companies. These consultancy firms are the important exernal source of recruitment of all types and kinds of personnels to the companies in India and abroad.

The HRIS can, not only be prepared for an industrial, business, service, educational, govt. organisation but also for the entire city, district, state or country, it can be prepared and used whenever need arise for a special kinds of personnels. In order to eliminate human resource problem of any kind, HRIS comes to the rescue and provides the services of hiring human resources, maintaining the complete record of human resources. It can at any moment show the supply of human resources available. The HRIS works as follows:

Inputs : The Input of human resource information system includes information related to employees such as education, age, experience, training, present status, present salary, whether promoted or not, organization’s policy past and present, procedures past and present, and other necessary detailed information relating to the human resources at the organization. These are the raw data collected from the office files and entered into computer terminal connected to the main computer. This information is checked and rechecked and scanned to ensure its correctness. The computerized human resource information system is in all respect a superior one to that of manual system which is time consuming and not so cost effective. On the contrary, HRIS is time saving and cheap and there is no possibility of error. Error can be eliminated. The most important benefit of the system is the information available immediately as and when desired.

Transformation: The information fed to the computer can be transformed into more meaningful and necessary information that exactly required by the organization. This is the conversion stage of computerized HRIS. The transformation of HRIS is closely related to the computer software. These are the instructions or commands for the computer to do the needful.

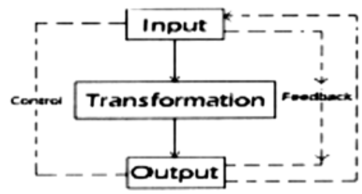

Fig.1: HRIS Framework

Organizations may have functional HRIS to suit to their needs. They may have HRIS for marketing, sales, advertising, production, finance, accounting, materials etc. These are the various types of HRIS which can easily be prepared and maintained. The information transformed in to meaningful calculation is very useful to the managers and organization as well. This works as a decision support system. Comparative statements weekly, monthly, quarterly, annually can easily be had at the fingertips of the managers which aid in making appropriate decisions. Statistical and operation research techniques can be used.

Output: The transformed material can be utilized potentially. Output referred to the printouts of the transformed material from the computer printer, e.g. salary statement, cheques to be issued to the parties, report on performance of an employee, budget estimates, average cost of production of goods etc. All these can be had in the form of printouts, terminal screens etc. A well knit HRIS acts as a worthy decision support system of a very high quality. The high quality output must be accurate, relevant, consistent, readable and comprehensive not partial.

Feedback and control : The output obtained is relevant and useful or not must be known. The method of ensuring it is known as feedback. Feedback establishes control over the system.

Therefore designing of an effective information system is vital for the efficient working of an organization. It can be built around electronic computers in case of big organizations. HRIS is a system desiged to supply information required for effective management of human resources in an organization. Any organization is managed by taking various decisions at the various levels of its management hierarchy. Information is needed to take these decisions. Human Resource Information System is designed to support the human resource department in the performance of its functions as shown in figure as follows:

Human Resource Information System

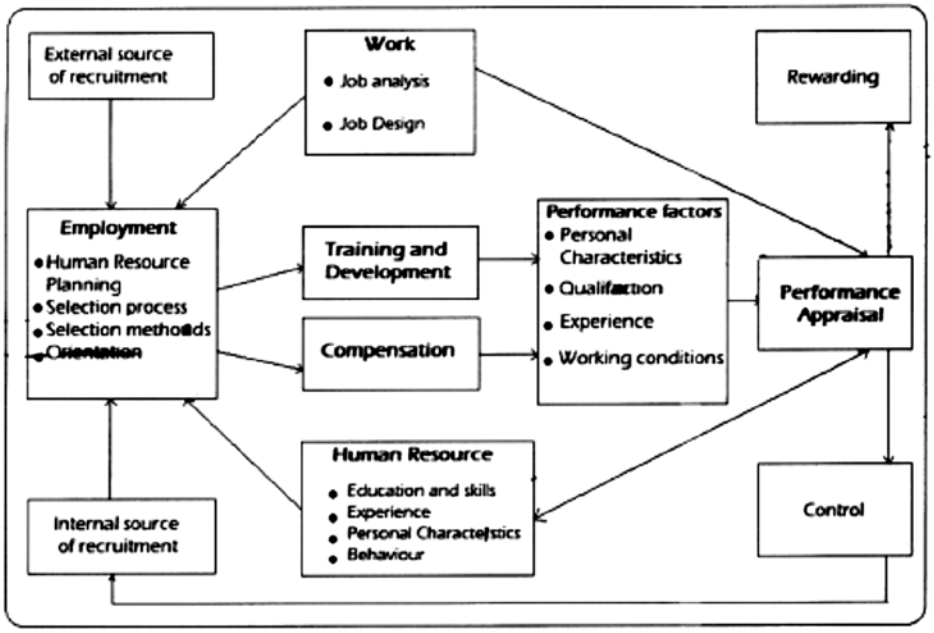

Fig 2: Human Resource Information System (Arrows denote flow of information)

A Computerised Human resource Management is designd to monitor, control and influence the movement of people from the time they join the organization till the time they separate from the organization. That is why; modern organizations use computerized Human Resource Information System (HRIS). It virtually integrates the information relating to various sub-systems of human resource management like HRP, Recruitment training, appraisal, payroll and personnel administration etc. Thus the scope of HRIS is very vast. It, in fact, serves as a common data base of information on jobs, people and organization variables as shown in figure. An integrated HRIS involves the following elements:

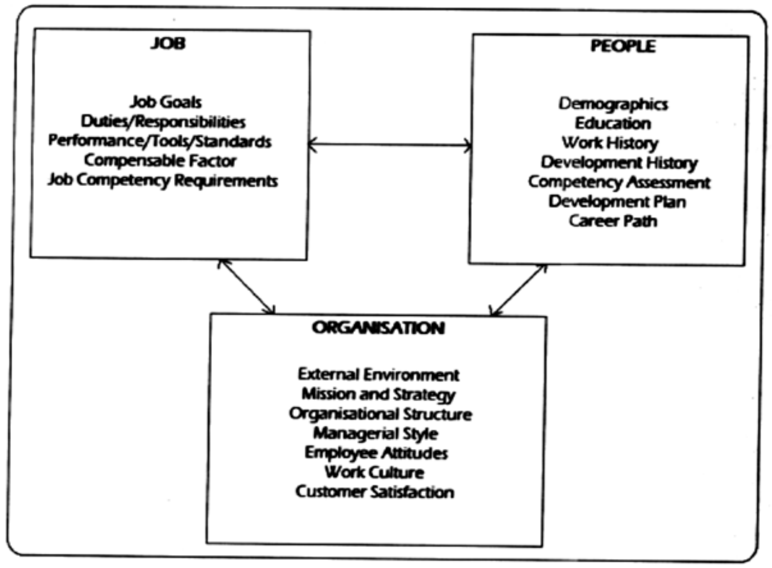

Fig. 3: Integrated view of information about job, people and organisation.

6.3 ADVANTAGES OF HRIS

1. It gives accurate information.
2. It dose fast processing.
3. It works as a valuable tool to strategic planning and its implementation.
4. It gives instant information relating to existing human resources, skills, categories, pay structures, qualifications, age, specialization, training and development, experience etc.
5. It acts as a decision support system.
6. It is an expert system.
7. It is time efficient and not much expensive.
8. It facilitates reliable information.
9. Information relating to human resource is made easily accessible through HRIS.
10. It establishes strong management control.
11. It facilitates configurations of various designs, such as multiple systems, mixing of system designs, centralized computer facility. It tells about the attitude of the organization regarding its human resources.

6.4 INFRASTRUCTURE REQUIRED BY HRIS

Computerised human resource information system is one time investments. Initial investment is very high. Installation of the entire network of computers, software, specialized staff needs very heavy investment. But in the long run it is very cost effective. It is quite cheap. For its use only the computer consumables are required.

HRIS is the system which facilitates quick human resource decision making. But it has certain drawbacks. This information is easily accessible by anyone and hence there is every likelihood of its misuse or underuse. It requires that the members of the organization using HRIS must follow certain ethics and abstain from revealing the vital information to any unauthorized person. It is a strategic tool in the hands of management of effective planning for future. Therefore the secrecy of the information must be maintained at any cost. The employees of the organization need to be trained on certain ethics to be followed by everyone.

6.5 FUNCTIONS OF HRIS

1. *Data Collection:* The manner of data collection depends upon the purpose for which data is required. The nature and the form of data vary from organization to organization depending upon its objectives.
2. *Data Management:* A good data management system involves the following subfunctions:
   - **i.** Processing operations, viz, classifying, analysing, summarising and editing the data.
   - **ii.** Storage of data, viz, indexing, coding and filing of information.
   - **iii.** Retrieval of data, whenever required.
   - **iv.** Evaluation, i.e., judging the usefulness of information in terms of its relevance and accuracy.
   - **v.** Dissemination i.e., providing the required data in the right form at the right time.

The data management system should be capable of giving efficient service in terms of day-to-day processing of information. It should be flexible enough as the conditions demand.

6.6 HUMAN RESOURCE INFORMATION SYSTEM AT DIFFERENT LEVELS

There are three basic functions of HRM, namely, staffing, training and development and compensation administration. These functions have different HRIS requirement at the strategic, tactical and operational levels of the organization as shown in the following figure:

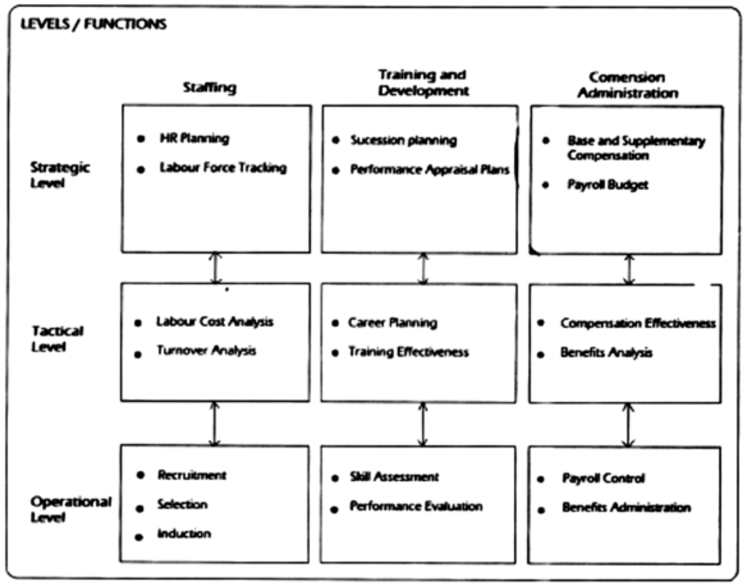

Fig. 4: HRIS at various levels

Human Resource Procurement

HRIS contains personal information about the employees of an organisation and security of this information against unwanted of unwarranted access, use or distribute is extremely important to the individuals involved. HRIS includes number of tactical and strategic information systems. Tactical includes job analysis, recruitment, training and development and employee compensation. Strategic HRIS includes information systems that support human resource planning and human resource tracking.

6.7 HUMAN RESOURCE ACCOUNTING

Human resources means the total qualities of the employees i.e. knowledge, skills, potential, experience, health etc. available to the organisation for fulfillment of its objectives. These qualities or attributes of employees are ht productive capacity of the enterprise. There is therefore a need for their accounting. Human Resource Accounting is a process of identification and measurement of human resources and supplying the information to the interested parties. It is the measurement and financial assessment of human resources of the organisation. It involves measurement of cost of recruitment, training and development, experience and commitment of employees as resources. It also measures the economic value of employees of organisation.

As per Stephan Knauf, “HRA is the measurement and quantification of human organisational inputs, such as recruiting, training, experience and commitment”.

However it is absurd to treat people as assets in accounting sense. But this objection is not considered in human resource management.

6.8 NEED, OBJECTIVES & BENEFITS OF HUMAN RESOURCE ACCOUNTING

Need of Human Resource Accounting:

The need for human resource accounting was felt because of growing concern for human relations management in industry. Experts felt that failure of on the part of accountants to evaluate human resources was the main hurdle in effective management. The need for HRA is felt because of the following:-

(1) **Non availability of information in conventional Accounting:**The need for HRA is felt because of non availability of information in respect of human resources to the organisation in conventional accounting. This makes the job of attaining long run objectives of the organisation difficult for the managers. People are important assets for the organisation who help in making physical and financial resources operationally effective.

(2) **No record of human assets:** The physical resources have recorded value of assets but there is not record available of human assets of the organisation corresponding firms depend on their contribution. Accounting does not treat human capital in the same manner as non human capital. With the neglect value of human capital in accounting practice, assessment of the total value of the firm is not possible. That is why need for human resources accounting is essential.

(3) **Non balance sheet of human resources:** The need for HRA is, essential to prepare balance sheet of value of human assets with capital assets so that the real worth of the firm get reflected in the balance sheet of the firm and then the valid comparison between the two firms can be easily made. This will reflect true performance of the firm which will strengthen investor's interest in the firm.

(4) **Expenses on training and development:** The present accounting system treats expenses incurred on training and development of the employees and the fringe benefits offered to them as current cost and written against current revenue. Blind eye is turned off toward the fact that these expenses are the investment made by the firm on human capital the benefits of which result over a period of time extended beyond one year. It is a general feeling among manager to cut down expenses on human development ignoring the fact that effective motivation in long run in terms of high performance, high productivity, high profitability and high quality. It is for this fact there arise a need for human resources accounting.

(5) **Reflection in financial statement:** Today's need is that the value of human resources should be reported in the financial statement i.e. balance sheet and profit and loss account of the organisation. It is essential to understand the management decision on human capital which is possible through the reflection of them in the financial statement of the organisation. In the accounting practice which is followed today, the expenses incurred on human resources are charge against revenue of the accounting period in which they are incurred. But the fact is the benefits of human resources can be extended to several accounting periods not just one. Accountancy cannot justify this because of uncertainly of tenure of employees. The need of human resource accounting arises because of the above facts.

Objectives of HRA:

The following are the objectives of human resources accounting:

(1) To create managerial awareness about the value of human assets

(2) To facilitate better decisions on people at work based on improved information system.

(3) To get sufficient time for planning and budgeting.

(4) To increase accountability of management for its human assets.

(5) To develop effective measure/method for utilization of human resource.

(6) To ascertain the conservation, appreciation and depreciation of human resource during any given time period.

Benefits of HRA:

There are certain benefits accrue to the organisations which are listed below.

(1) Explains Return on Capital Employed:

Human Resources accounting reveals the valuation of human resources employed by the organisation. This enables the organisation to explain and interpret the return on capital employed. Further it is possible to know the long term dimensions of business performance.

(2) Improvement in Decision Making:

For making HRA the detailed and up-to-date records relating to human resources are to be maintained. This helps managers to take right decisions in respect of recruitment, promotions, transfers, retention and retrenchment in the best interest of the organisation in the light of budgetary provisions.

(3) Increased Productivity:

HRA practices open the avenue for increasing productivity of human resources. This is possible because valuation in monetary terms is made of human assets and this valuation find a place in financial statements of the organisation. This motivates the employees for putting better efforts.

Also the feeling of sense of belonging to the organisation is developed among the employees. They are now identified as valuable resources of the organisation.

In India the concept of HRA is yet to gain momentum because the financial statements are prepared according to the Company law where there is no scope for showing valuation of human resources. Only the salaries paid to them can be exhibited. However compaines can have a mention about the worth of human assets in the schedules or notes. In Indian the companies like Minerals and Metal trading corporation of India, Oil and Natural Gas Commission, Bharat Heavy Electricals and some of the corporate bodies have adopted the concept of HRA. Once it has made headway, it will be adopted by many companies in the country. In brief several benefits of the human resource practices are listed below:

(1) HRA provides vital information about the human capital to the organisation enabling executive to take right decisions in respects of recruitment, promotions, transfers etc.

(2) HRA provides a true picture about the human resources with their strengths and weaknesses in the enterprise so that the recruitment or retrenchment policies can be frame.

(3) HRA provides feedback to the performance of employees enabling managers to evaluate the effectiveness of current policies and practices of human resources.

(4) HRA facilitates comparison between enterprises or with the industry and enable the investor to make a choice of enterprise to invest.

(5) HRA is a tool of cost control.

(6) The organization records physical resources and value of human resources are ignored which does not provide correct evaluation. HRA practices prevent the faulty evaluations.

6.9 METHODS OF HR VALUATIONS

(1) Historical Cost Method:

This method is based on costs incurred or recruitment, training, familiarization etc. It is developed by Rensis Likert. This is a very simple method an attempt is made to have proper match between cost and revenue. The plus point of this method is that the organization can show the value of human capital in its balance sheet and profit and loss account, the weak point of this method is that is fails to fulfill the need of developing a system of HRA based on systematic valuation of human resources.

(2) Replacement Cost method:

Under this method the replacement cost of existing personnel is estimated. Replacement cost includes the cost of recruitment, training and opportunity cost for the intervening period. This serves the purpose of making valuation of human resources periodically. It helps in planning for human resources in future. The difficulty in this method is that the value differs from person to person making difficult to find identical replacement of the present human assets.

(3) Economic Value Method:

The payment made to the human resources till their retirement are calculated and appropriately discounted to get their present economic value.

(4) Standard Cost Method:

This method is in improvement over replacement cost method. Under this method the standard cost of recruitment, training and development are developed and established every year to overcome complications in calculations. There costs represent the value of human resources for accounting. It is easy for implementation and control.

(5) Present Value Method:

Under this method the net contributes of employees to the earning of the organisation are discounted to have present value of human resources.

(6) Current Purchase Power Method:

In this method the historical costs are converted into current purchasing power of money with the help of index numbers.

(7) Opportunity Cost Method:

Under this method the value of human asset is determined in their alternative use or the next best alternative use. This value forms the basis for valuation of human asset of organization. For calculation of opportunity cost bidding method is used. But it is difficult to decide bid or offer.

6.10 HUMAN RESOURCE AUDIT AND RESEARCH

Managers need to have the complete information about the health of organizations they are working in. they require continuous feedback in respect of performance appraisal, salaries and benefits, promotions, transfers, career planning and development, HR programmes and policies etc. HR audit and research shows the functioning of HR programmes and policies which are harmful or useful to the organization. It is further useful in detecting deficiencies in HR programmes, lack of teamwork, lack of interest on the part of personnels. For the knowledge of this keeping HR records is very essential.

HR Records: It refers to the information documents utilized by an organization to carry out its functions. It represents the memory of organization. The records provide information about the organization which is maintained in tangible form i.e. written, pictorial, charts etc. they are therefore tangible evidence of the activities of the organization. Personnel records provide information about the position of HR in the organization. Personnel records provide information, about the position of HR in the organization e.g. records relating to training performance, absenteeism, wages and salary, labour turnover, productivity, morale surveys, job satisfaction, social security, employee welfare etc. Conventionally records are stores in the form of papers, cards, files, charts, blue prints etc. But in modern times records are stored in C.D. & video films, audio cassettes etc.

Human Resource Information System

Types of information: The records are prepared from reports, minutes of meetings, orders etc. They contain information about employees, trade unions, employer, government, job description, job analysis, recruitment, selection, promotion, transfer, termination, redeployment, training and development, lay off, strikes, PF contributions, employee benefits, wage and salary, grievances disputes etc.

Objectives of Personnel Records:

The main objective of records is not in storing but in having information for making analysis of various problems. Effectively stores records enable better analysis of the problems. Records serve the following purposes.

1) Help managers to identify, prepare and implement training programmes for employees and executive development for managers.

2) Facilitate in decision making in respect transfer, promotion, demotion, redeployment etc.

3) Help in preparing wage and salary sheets. Enables to provide information relating accidents, absenteeism, labour turnover, wages and salaries to government agencies.

4) Facilitate human resource audit.

5) Enable research in human relations.

6) Provide knowledge about validity of employment tests and interviews.

7) Maintain data in respect of leaves, training, promotion, transfer, layoffs, dismissals, expenses incurred on employee benefits etc.

Essentials of a Good Record:

To achieve the above objective a good record must include the following features.

1) It should be objective. It should be maintained to fulfill the stated objectives.

2) Record keeping should be simple and easy to understand.

3) It should be accurate without any chance of errors or fraud.

4) It should be consistent with the needs.

5) It should be easily traceable or available.

6) In maintaining the records, principle of economy should be followed. Maintenance of records should not be expensive.

7) It should be useful for better management of business. Needless papers should not be kept in records.

8) There should be easy access to required information, hence should be maintained accordingly.

9) Different records should be easily differentiated.

10) There should be no duplication

11) Record keeper should be deputed to look after maintenance of records.

Precautions in Maintaining Records:

The records serve many purposes. The records of personnel's are to be maintained from the date of their induction till the time of their retirement or leaving the organization. According to Jucius Michael certain precautions are essential in maintaining the personnel records. They are given as follows:-

1) All hiring information for every employee may be kept in a folder. The other information concerning the employee such as performance evaluation, educational qualifications, training, disciplinary actions, if any, against the personnel etc are placed in the folder.

2) Besides folder a card containing important information may be filed in the folder enabling the easy availability of the employee record at any point of time.

3) In some cases, where the number of employees is very large, data processing equipment may be used for maintaining records.

Types of Personnel Records:

The basic records of personnel in industrial enterprises are the following:

1) **Individual Service Record:** This record includes name and address, sex, age, educational qualifications, experience, department & section, date of appointment, date of superannuation, wage, increment, promotion received, transfer etc. of employee.

2) **Performance Record:** Ratings given to each employee on the basis of annual performance appraisal is included in this record.

3) **Leave Records:** It includes the different types of leave taken by the employees and the leaves balance.

4) **Training Record:** This includes the training programmes attended by the employees with date and time periods.

5) **Health and safety Records:** These records include the information about accidents, medical reports, insurance records etc.

6.11 HUMAN RESOURCE AUDIT

HR audit is an important management control device. It is a tool to judge organizations performance and effectiveness of HR management. According to Dale Yoder, "Personnel audit refers to an examination and evaluation of policies, procedures and practices to determine the effectiveness of personnel management." It is an analytical, investigative and comparative process. It gives feedback about HR functions to operating managers and HR specialists. It enables to know about the effectiveness of personnel programmes. It further provides feedback about how well managers are meeting their HR duties. It provides quality control check on HR activities. It refers to determine the effectiveness and efficiency of HRM. The essential features of HR audits are as follows:-

1) To measure the effectiveness of HR management's mission, goals, strategies, policies, programmes and activities and

2) To determine the action plan for future in response to the results from such measurement. According to R.D. Gray, "the primary purpose of audit is to know how the various units are functioning and how they have been able to meet the policies and guidelines which were agreed upon and to assist the rest of the organization by identifying the gap between objectives and results for the end product of an evaluation should be to formulate plans for corrections or adjustment."

Objectives of HR Audit:-

1) To review every aspect of management of HR to determine the effectiveness of each programmes in an organization.

2) To seek explanation and information in respect of failure and success of HR.

3) To evaluate implementation of policies.

4) To evaluate the performance of personnel staff and employees.

5) To seek priorities, values and goals of management philosophy.

Need for Human Resource Audit:

Though there is no legal obligation to have HR audit as in case of financial accounts but the managements have realized its need and usefulness. Therefore they have taken up HR audit voluntarily. It is done to fulfill the following needs.

1) The management of organization have realized the need for HR audit because of powerful influence on motivation of employees at work due to participation of employees in decision making.

2) Growth of organization needs HR audit. Large organization requires continuous feedback for improvement in performance of its employees.

3) Mounting pressures form trade unions of employees and their participation in formulating employment policy and questioning of managerial competence have raised the need for HR audit.

4) An effective two way communication system has also facilitated the need for HR audit.

5) Many plants are located at large distance. This also made the HR audit compulsory.

6) The HR audit becomes essential because of delegation of authority and decentralization of power.

Areas of Human Resources Audit:

The HR audit must be conducted in every aspect of HRM of the organization. The audit has to be broad in scope because people's problems are not limited to HR department only. It must be directed towards HR function and the impact of HR activities on the employees of the organization. The HR audit should cover the following aspects. The major areas of audit are disused below which are to be evaluated in the light of results obtained, programmers and procedures and policies formulated:

1) **Planning;** Planning is one of the major area where human resources audit can be conducted. Planning of HR requirement and effectiveness of forecasting and scheduling can be ascertained through HR audit. It is to be seen whether the needs of HR were identified in time or not. If there is an indication through audit about inaccurate forecast, the efforts can be made to improve the forecasting techniques for accurate results in future. Through audit management knows whether there is surplus or shortage of manpower. A review of recruitment and selection practices can be made to meet the future HR requirements. Better programmes and procedure can be adopted by way of cost benefit budget. The

training programmes can be reviewed in terms of result obtained. Motivation of employees at all levels is the key aspect in HRM. HR auditors should evaluate the communication in the organization which is one of the major criteria of failure or success. HR auditors should find out the causes of absenteeism, rate of accidents, labour turnover and can make suggestion to improve them. In respect of all these, appropriate policies can be formulates by the management.

2) **Staffing and Development ;** Staffing and Development is yet another area which need to be evaluated with reference to results obtained, programmes and procedures adopted and policies framed. Staffing is done through recruitment and selection. Here the HR auditors need to evaluate the sources of recruitment and the number of persons hired by the organization. The success of these programmes depend upon the contribution made by the hired persons in the achievement of organizational objectives. As for result are concerned they depend upon the effectiveness of HR policies and practices adopted by the enterprise. For conducting the audit of result, the HR auditors need to adopt the method such as questionnaires, checklist, personal data, attitude and morale surveys, productivity data, and costs, time. The auditors should thoroughly check the record and statistics and should stress on their accurate maintenance. The information in respect of disciplinary actions, absents, transfers and promotions are available in records. HR auditors have to examine the procedure and programmes adopted in respect of career and succession planning.

The policy for staffing should be formulated in to achieve organizational goals. In this case cream should get due consideration that too without any discrimination. As for training and development, proper policies need to be formulated by making the SWOT analysis of the existing staff and training and development programmes should be prepared to meet the organizational needs. The cost of training is increasing day by day. Hence there must be evaluation of specific training and development programme. Auditors should see whether the best practice is adopted or not. They should evaluate the training result in terms of costs per trainee hour, average training hours per employee and revenues per employee per year etc. They can obtain the feedback from reports and records available in the organization.

3) **Organizing :** Organizational structure are meant for facilitating coordination, communication and collaboration. HR auditors have to evaluate effectiveness of organizations structure in attaining the result. They can obtain feedback from the employee and from reports and records. They can check the jobs assigned to the individual employees authority delegated to the subordinates,

special task forces etc. H.R. auditors can also evaluate the policy formulated for encouraging employees to accepts change. They can also verify effectiveness for encouraging employees to accepts change. They can also verify effectiveness of three way communication.

4) **Commitment:** Enterprise wants committed employees. Efforts are taken by the management in this respect for motivating individual and groups of employees. HR auditors have to examine the results of motivation through increase in productivity, improvement in performance and costs. They also have to examine the programmes and procedures followed for job enrichment, wage and salary administration, fringe benefits, morale of employees. They have to verify the satisfaction level of employees through the HR policies adopted by the organization. A satisfied employee is committed to the work.

5) **Administration :** HR auditors have to examine the style of leadership adopted by the management in dealing with the subordinates. Leadership may be authoritative or participative should be evaluated. One of the benchmark in this respect is delegation of authority. Delegation is more in participative style. Auditors can assess the result of style of leadership adopted in getting the thing done through others by inviting suggestion, going through grievances of the staff, disciplinary actions taken against the subordinates etc. Leadership results can also be visualized if auditors examine the union management relationship and the employees getting promotions.

   The auditors also have to examine the position of collective bargaining and its procedure to assess the effectiveness of administration in the organization. They have to look at policy of the management in respect of collective bargaining and employees participation in decision making.

6) **Research and Innovation:** Research and innovation is yet another area of HR audit. Here several experiments are conducted and theories are put to test by the experts relating to quality design, marketing etc. Results obtained through this endeavour can be evaluated on this basis of changes brought about, experiments made and reports and other similar publications. Auditors can evaluate the result. They can also examine the programme and procedures adopted for R and D efforts.

The management's policy in respect of R & D efforts can be examined by the auditors and necessary suggestions can be made by them in this regard.

Audit Report:

After evaluating HR policies, procedures, practices and results, the auditors have to prepare a report on their observations and findings and make necessary recommendation. The contents of audit report on HR are the findings of the auditors, their suggestions and conclusions. There exist no set pattern of audit reports in this but in case of financial reports they have. The preparation of reports varies from auditors to auditors. The importance of audit report depends on the competence of the auditors and their educational qualifications. The auditors should possess the required professional qualification. They should adopt professional approach in preparing audit reports.

HR audit report in an eagerly awaited document by the employees and management as well. It should be noted here that all the aspects of audit report are not made public. Some of the aspects are not made available for perusal to the employees for confidential reasons by some organizations. But audit report reveals the weaknesses and strength of the HR of the organization hence it should be widely publicized. It may serve as a reference for future improvement because it is based on findings highlighting the ground realities.

Audit report provides very useful information in the form of summaries and evaluation. The information thus obtained can be utilized for making comparison of policies, practice and programmers of other organizations. This provides a chance for improvement to the organization in future.

The audit report should include the following significant aspects.

1) Highlight the contents.

2) Objectives of audit.

3) Summary of the audit report for perusal of top executives of the organization

4) Conclusions drawn.

5) Department wise evaluation.

6) Appendix-The voluminous data that cannot be included in the body of report.

Evaluation of HR plays a key role in justifying existence of department and the expenditure incurred on it. The department should see it contributes positively to the organization. Excesses expenditure can be brought down. The HR audit reveals the efficiency of HR managers, Their job satisfaction, efficiency of appraisal system and training and development programmes.

HR audit is now gaining importance and companies have realized its significance but it cannot be said firmly how often it is taken up. HR audit is not forced by law. Financial audit is forced by law and the audit is conducted by chartered accountant. But there are no such HR auditors. Moreover there is no one fair method of conducting HR audit or agreed manner in which it is done.

Approach to HR audit:

According to William Weather and Keith Davis, there are five approaches for the purpose of evaluation. These are briefly outlined as under.

1) **Comparative Approach :** Under this approach auditors identify one model company and the results obtained of the organization under audit are compared with it.

2) **Outside Authority Approach :** In outside authority approach a benchmark is set to compare own results. A standard for audit set by outside consultant is used as benchmark.

3) **Statistical Approach :** Under statistical approach the statistical information maintained by the company in respect of absenteeism, employee turnover etc is used as the measures for evaluating performance.

4) **Compliance Approach :** Under compliance approach the auditors make a review of past actions to determine to see whether this activities are in compliance with the legal provisions and in accordance with the policies and procedures of the company.

5) **MBO Approach :** Under MBO approach specific targets are fixed. The performance is measured against these targets. The auditors conduct the survey of actual performance and compare with goals set.

6.12 SUMMARY

HRIS forms a part of management information system which includes information relating to finance, assets, accounting, sales, marketing, production etc. HRIS meant for collection and analysis of data relating to human resources of the organization. It helps managers in decision-making in respect of promotion, wage fixing, recruitment, training and development.

HR audit and research shows the functioning of HR programmes and policies which are harmful or useful to the organization. It is further useful in detecting deficiencies in HR programmes, lack of teamwork, and lack of interest on the part of Personnel.

Personnel audit refers to an examination and evaluation of policies, procedures and practices to determine the effectiveness of personnel management. It is an analytical, investigative and comparative process. It gives feedback about HR functions to operating managers and HR specialists. It enables to know about the effectiveness of personnel programmes. It further provides feedback about how well managers are meeting their HR duties.

6.13 SELF ASSESSMENT EXERCISE

1. Explain the concept of HRIS in an industrial organization.
2. Explain the various subsystems of HRIS.
3. Discuss the functions of HRIS.
4. Why is there a need for HR accounting?
5. Define the concept of human resource accounting and its objectives.
6. What are the uses of HR audit?
7. Discuss the various methods of HR valuation.

6.14 FURTHER READINGS

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UNIT 7

RECRUITMENT AND SELECTION

Objectives:

After studying this lesson, you will be able to:

- explain the meaning, policy and sources of recruitment;
- describe the various methods of recruitment;
- distinguish between recruitment and selection
- analyse the steps involved in selection process;
- understand the offer of employment.

Structure:

7.1 INTRODUCTION

Recruitment is a positive process and concerned with attracting the candidates for consideration of selection to various jobs. It enables the management to select suitable employees for different jobs. Recruitment is done before selection or employment of employees. Recruitment is a positive process of searching the prospective employees and attracting them to apply for vacancies.

7.2 MEANING AND PROCESS OF RECRUITMENT

"Recruitment is the process of identifying the sources for prospective candidates to stimulate them to apply for jobs in the organization." It involves seeking and attracting a pool of people from which qualified candidates for job vacancies can be chosen.

The process of identification of different sources of personnel is known as recruitment. It is a positives process as it attracts suitable applicants who apply for available jobs. Recruitment precedes the selection process and aims at creating a pool of candidates so that management can select the most suitable candidate. For this the human resource department communicates the vacant job positions through notice board, advertisement, employment exchange, website, etc.

The process of recruitment:

1) Identifies the different sources of labour supply,

2) Assesses their validity,

3) Chooses the most suitable source or sources, and

4) Invites applications from the prospective candidates for the vacant jobs.

7.3 POLICY OF RECRUITMENT

As Yoder et al observe recruitment policy spells out the objectives of the recruitment and provides a framework for implementations of the recruitment programme in the form of procedures. It may involve a commitment to broad principles such as filling vacancies with the best qualified individuals. The recruitment policy may embrace several issues such as the extent of promotion from within, attitudes of enterprise in recruiting old, handicapped, and minor individuals, minority group members, part-time employees and relatives of present employees. In addition, the recruitment policy may also involve the organisation system to be developed for implementing the recruitment programme and procedures to be employed. Explicitly, an organizational system is a function of the size of an enterprise. In smaller enterprises, there may be merely informal recruiting procedures and the line official may be responsible to handle this function along with their usual responsibilities. On the other hand in larger organizations, there is usually a staff unit, attached with personnel or an industrial relations department designated as employment or recruitment office. This specialization of recruitment enables staff personnel to become highly skilled in recruitment techniques and their evaluation. However, recruitment remains the line responsibility as far as the personnel requisition forms are originated by the line personnel, who have also the final word in the acceptance or rejection of a particular applicant. Despite this, the staff procedure to be followed for this purpose. Recruitment policy covers the following areas:

- To prescribe the degree of emphasis inside the organization or outside the organization.
- To provide the weightage that would be given to certain categories of people such as local population, physically-handicapped personnel, personnel from scheduled castes/tribes and other backward classes.
- To prescribe whether the recruitment would be centralized or decentralized at unit levels.
- To specify the degree of flexibility with regard to age, qualifications, compensation structure and other service conditions.
- To prescribe the personnel who would be involved in recruitment process and the role of human resource department in this regard.
- To specify the budget for meeting the expenditures incurred in completing the recruitment process.

According to Yoder, "the recruitment policy is concerned with quantity and qualifications of manpower." It establishes broad guidelines for the staffing process. Generally, the following factors are involved in a recruitment policy:

- To provide each employee with an open road and encouragement in the continuing development of his talents and skills;
- To provide individual employees with the maximum of employment security, avoiding, frequent lay-off or lost time;
- To avoid cliques which may develop when several when several members of the same household or community are employed in the organization;
- To carefully observe the letter and spirit of the relevant public public policy on hiring and, on the whole, employment relationship;
- To assure each employees of the organization interest in his personal goals and employment objective;
- To assure employees of fairness in all employment relationships, including promotions and transfers;
- To provide employment in jobs which are engineered to meet the qualifications of handicapped workers and minority sections; and

- To encourage one or more strong, effective, responsible trade unions among the employees.

Prerequisites of a Good Recruitment Policy: The recruitment policy of an organization must satisfy the following conditions:

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

7.4 SOURCES OF RECRUITMENT

The scope of recruitment process is very wide as the candidates for various jobs are widely scattered. Recruitment of employees can be done from both **internal sources** and **external sources.** Internal sources of recruitment means the Personnel already working in the organization. External sources denote recruitment from sources outside the organisation as shown in:

INTERNAL SOURCES

- TRANSFERS
- PROMOTIONS
- RE-EMPLOYMENT OF EX-EMOLOYEES

EXTERNAL SOURCES

- FACTORY GATE
- ADVERTISING
- EMPLOYMENT EXCHANGE
- EMPLOYMENT AGENCIES
- EDUCATIONAL INSTITUTES
- LABOUR CONTRACTORS

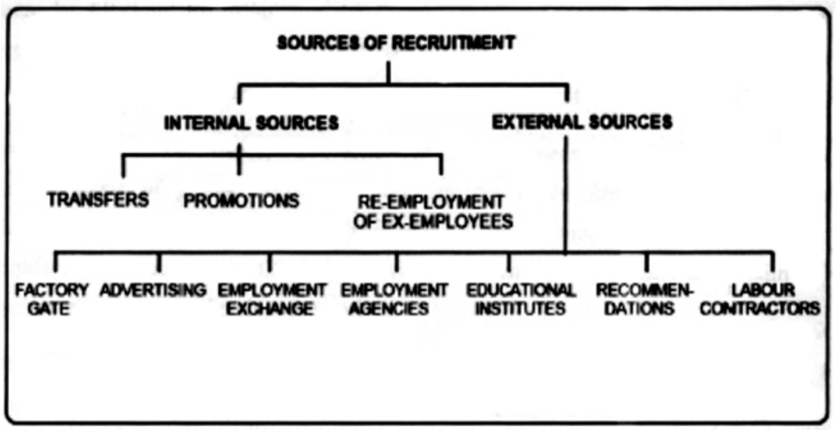

Fig. 1. Sources Of Recruitment

7.4.1 INTERNAL SOURCES

The internal sources of recruitment include *transfer, promotion* and reemployment of ex-employees as discussed below :

1) **Transfer :** It means shifting an employee from one job to another having similar status and responsibility. Transfer are done to fill vacancies with employees from overstaffed departments.

According to Dale Yoder, "A transfer involves the shifting of an employee from one job to another without special reference to changing responsibility or compensation". Transfer means shifting of an employee from one job to another, one unit to another or one shift to another and may involve a new geographical location. For example, a bank employee may be transferred from one seat (or post) to another or even from one branch to another.

Promotion : A promotion is the transfer of an employee to a job that carries higher pay and status. A promotion involves reassignment of an employee to a position having increased responsibilities, higher privileges, increased benefits and greater potential. For example, the vacant post of General Manager Thus, Promotion is a vertical shifting of an employee. The purpose of a promotion is to a Job which a is worth more to the organization than incumbents present position.

According to Pigors and Myres, *"Promotion is the advancement of an employee to a better job-in terms of greater responsibilities, greater skills, higher status and higher Pay"* The existing employees may be given training for promotion to higher position in the enterprise. If a vacancy is filled from within the enterprise, it acts as a stimulating force for the employee to develop themselves.

2) **Re-employment of Ex-employees :** It refers to employing the people who had left the organization earlier because of some reason. It may be on a temporary or permanent basis.

Merits of Internal Source

The merits of sources of internal recruitment are as follows :

1) The internal candidates having intimate knowledge of the organization structure, can handle the new Jobs easily.

2) Promotion will increase the morale of the employees.

3) Promotion will ensure sincere efforts on the part of employees because they know that they may rise to senior positions by promotions.

4) The costs of training the insiders will enable the enterprise to make best ues of the capabilities of its employees

5) The cast of internal recruitment is very low.

Demerits/Limitations of Internal Sources

Internal sources may be associated with the following drawbacks:

1) Better qualified outsiders may not be reached by the management, Moreover, the Person promoted to a senior job may not possess the required qualities.

2) The mobility of manpower is restricted. Once a man joins an organization, he will stick to that organization. Employee turnover to a certain extent is good for the health of the organization.

3) In promotion there may be clash between factors like seniority and ability. Such decisions by managers may lead to favouritism.

4) The spirit of competition among the employees is hampered if they are sure about time bound promotion.

5) Future growth of the business is hindered by the limited by talent of the insiders. The entry of talent into organization will restricted

7.4.2 EXTERNAL SOURCES

Many a time, suitable candidates are not available from the internal sources. In order to meet the demands of the company, the external sources have to be used. The personnel department may use the following external sources of recruitment:

1) **Direct Recruitment :** Many unskilled persons often contact the employment section of various enterprises to ascertain if they could be employed. Many firms follow the practice of recruitment at factory gate to fill casual vacancies. Such workers are known as *Budli Workers.* This method is very useful for recruiting unskilled workers are for a temporary period. It does not involve costs of advertising the vacancies. Whenever the regular workers absent themselves in large number of candidates may be called whenever the need arises.

2) **Casual Callers :** In case of reputed organization, many qualified people are known as unsolicited applicants or casual callers. They serve as a good source of manpower. A proper files may be Kept of such applications and the candidates may be called whenever the need arise.

3) **Advertising :** Job advertising has become a popular practices with the large companies particularly when the vacancy is for a higher post or when there are a large number of vacancies. This help in approaching the candidates spread over different parts of the country. Information about the Job descriptions and Job specifications can be given in the advertisement so that only the candidates who think themselves to be suitable may apply only. This method also increases the choice of the management.

4) **Employment Exchanges :** There is a network of employment exchanges in the country run by the government which has also made it compulsory for the employers to fill some vacancies through the employment exchange. Thus, employment, exchanges play an important role in recruitment.

5) **Placement Agencies :** Professional bodies have come into existence which provide their services to the enterprises for recruitment and selection of employees. These agencies specialize in the supply of particular categories of employees such as trained computer professionals.

6) **Management Consultants or Head Hunter :** Management Consultancy firms help the organizations to recruit technical, professional and managerial personnel. They specialize in middle level and top level executive placements. They maintain data bank of persons with different qualifications and skills and even advertise the jobs on behalf of their clients to recruit right type of personnel. A few example of head hunter are A.F Ferguson and Co., ABC Consultants, Godman's International, Mantec Consultants, etc. These days, professional bodies of accountants, engineers, etc. also help their members to get suitable placements in industrial organizations.

7) **Campus Recruitment :** Colleges and institutes of management and technology have become a popular source of recruitment for technical, professional and managerial jobs. Many big organizations maintain a close liaison with the universities, vocational and management institutes to recruit qualified personnel for various jobs. Recruitment from educational institutions is the well-established practice of business and other organizations. This is referred to as 'campus recruitment'.

8) **Recommendations or Referals :** Applicants introduced by friends and relatives may prove to be a good source of recruitment. In fact, many employers prefer to take such persons because something about their background is known. When a present

employee or a business friend recommends someone for a job, the person is placed on the job after a brief screening. Some organizations have agreements with the trade unions to give preference to blood relations of existing or retired employees if their qualifications and experience are suited to fill the vacant jobs.

9) **Labour contractors :** Labour contractors are an important source of recruitment in some industries in India. Workers are recruited through labour contractors who are themselves employees of the organization. The disadvantage of this system is that if the contractors has been banned for the public sector units in India. However, this practice is still common in case of construction industry in the private sector.

10) **Web Publishing :** Internet is becoming a popular source of recruitment these days. There are certain websites specifically dedicated for the purpose of providing information about job seekers and job opening both. In fact, websites such as www.naukri.com, www.jobstreet.com etc. are very commonly visited both by the prospective employees and the organizations searching for suitable people.

11) **Telecasting :** The practices of telecasting of vacant over T.V. (Doordarshan and other channels) is gaining importance these days. Special programs like '**Job Watch', Youth Pulse 'Employment News',** etc. Over the T.V. have become quite popular in recruitment for various types of jobs. The detailed requirements of the job and the qualities required to do it are publicized along with the profile of the organization where the vacancy exists.

Merits of External Sources

The merits of external sources of recruitment are as under:

1) **Qualified Personnel :** By using external sources of recruitment, the management can make qualified and trained people apply for vacant jobs in the organization.

2) **Wider Choice:** When vacancies are advertised widely, a large number of applicants from outside the organization apply. The management has wider choice while selecting the people for employment.

3) **Fresh Talent :** The insiders may have limited talents. External sources facilitate infusion of fresh blood with new ideas into the enterprise. This will improve the overall working of the enterprise.

4) **Competitive Spirit :** If a company can tap external sources, the existing staff will have to compete with the outsiders. They will work harder to show better performance.

Demerits of External Sources

The demerits of filling vacancies from external sources are as follows :

1) **Dissatisfaction among existing Staff :** External recruitment may lead to dissatisfaction and frustration among existing employees. They may feel that their chances of promotion are reduced.

2) **Lengthy Process :** Recruitment from outside takes a long time. The business has to notify the vacancies and wait for applications to initiate the selection process.

3) **Costly Process :** It is very costly to recruit staff from external sources. A lot of money has to be spent on advertisement and processing of applications.

4) **Uncertain Response :** The candidates from outside may not be suitable for the enterprise. There is no guarantee that the enterprise will be able to attract right kinds of people from external sources.

Table 1. COMPARISON BETWEEN INTERNAL SOURCES AND EXTERNAL SOURCES

Basis	**Internal Sources**	**External Sources**
1. Meaning	It involves search of candidates from within the organization	It involves finding candidates from outside the organization
2. Economy	This process is cheaper. It does not involve any costs of contracting the external sources.	This process is costly as vacancies have to be notified in newspaper, etc.
3. Motivation	The existing staff members are motivated to improve their performance.	The workers feel dissatisfied if external sources are used.

4. Choice	Choice of candidates is limited. The scope of fresh talent is diminished.	The business can hope for talented candidates from outside. This means infusion of new blood and ideas into the enterprise.
5. Time	Internal recruitment is a quick process. Internal sources help in saving time of officials responsible for recruitment.	External recruitment is a lengthy process. External sources of recruitment are time- consuming.

3.5 METHODS OF RECRUITMENT

Methods of recruitment are different from the sources of recruitment. Sources are the locations where prospective employees are available. On the other hand, methods are way of establishing links with the prospective employees. Various methods employed for recruiting employees may be classified into the following categories:

1. Direct Methods:

These include sending recruiters to educational and professional institutions, employees, contacts with public and manned exhibits. One of the widely used direct methods is that of sending of recruiters to colleges and technical schools. Most college recruiting is done in co-operation with the placement office of a college. The placement office usually provides help in attracting student, arranging interviews, furnishing space, and providing student resumes. For managerial, professional and sales personnel campus recruiting is an extensive operation. Persons reading for MBA or other technical diplomas are picked up in this manner. For this purpose, carefully prepared brochures, describing the organisation and the jobs it offers, are distributed among students, before the interviewer arrives. Sometimes, firms directly solicit information from the concerned professors about student with an outstanding record. Many companies have found employees contact with the public a very effective method. Other direct methods include sending recruiters to conventions and seminars, setting up exhibits at fairs, and using mobile offices to go to the desired centres.

2. Indirect Methods:

The most frequently used indirect method of recruitment is advertisement in newspapers, journals, and on the radio and television. Advertisement enables candidates to assess their suitability. It is appropriate when the organisation wants to reach out to a large target group scattered nationwide. When a firm wants to conceal its identity, it can give blind advertisement in which only box number is given. Considerable details about jobs and qualification can be given in the advertisement. Another method of advertising is a notice-board placed at the gate of the company.

3. Third-Party Methods:

The most frequently used third-party methods are public and private employment agencies. Public employment exchanges have been largely concerned with factory workers and clerical jobs. They also provide help in recruiting professional employees. Private agencies provide consultancy services and charge a fee. They are usually specialized for different categories of operatives, office workers, salesman supervisory and management personnel. Other third-party methods include the use of trade unions. Labour management committees have usually demonstrated the effectiveness of trade unions as methods of recruitment. Several criteria discussed in the preceding section for evaluating sources of applicants can also be used for assessing recruiting methods. Attempts should be made to identify how the candidate was attracted to the company. To accomplish this, the application may consist of an item as to how the applicant came to learn about the vacancy. Then, attempts should be made to determine the method which consistently attracts good candidates. Thus, the most effective method should be utilized to improve the recruitment programme.

7.5.1 RECENT TRENDS IN RECRUITMENT

Outsourcing:

Under this arrangement, a company may draw the required personnel from the outsourcing firms or agencies on temporary basis rather than offering them employment. This is also called leasing of human resources. The outsourcing firms develop their human resources polls by employing people for them and make available the personal to various companies (called clients) as per their needs. The outsourcing firms get payment for their services to their clients and give salary directly to the personnel. The personnel deputed by the outsourcing agencies with the client are not the employees of the clients. They continue to be on the payroll of their employers, the outsourcing agencies.

Several outsourcing companies or agencies have comp up which supply (or lease) human resources of various categories to their clients. A company in need of personnel of certain categories can approach an outsourcing agency and avail the services of its human resources on lease basis against payment of agreed amount. The human resources so deputed will report back to the outsourcing agency after their assignment is over.

Human Resource Procurement

This system facilities the organization to hire security personnel from a security agency, computer professionals from a computer firm, or accountants from an accountancy firm.

The advantages of getting human resources through the outsourcing agencies are as follows :

1) The companies need plan for human resources much in advance. They can get human resources on lease basis from an outsourcing agency.

2) The companies are free from industrial problem as human resources taken on lease are not their employees.

3) The companies can dispense with this category of employees immediately after the project or assignment is completed.

Poaching or Raiding

Poaching means employing a competent and experienced person already working with another reputed company which might be a rival in industry. A company can attract talent from another firm by offering attractive pay packages and other terms and conditions. For instance, several executives of **HMT** left to join Titan Watches and several pilots of **Indian Airlines** left to join private air taxi operator. There are several other examples where the firms have raided the rival firms to procure key personnel to enhance their competitive advantage. Whatever may be the means used to raid rival firms for potential candidates, it is often seen as an unethical practices and not openly talked about. In fact, raiding has become poaching of a key executive by a rival firm will weaken the competitive strength of the affected.

Website or e-Recruitment

Many big organisation use internet as a source of recruitment. They advertise the job vacancies through the worldwide web (www). The job seekers send their applications or Curriculum Vitae i.e. CV, through e-mail using the internet. Alternatively, job seekers place their CVs in the world wide web/internet, which can be drawn by the prospective employees depending upon their requirements.

The advantages of e-recruitment are as follows:

1) Low cost of recruitment per candidates.

2) Reduction in time for recruitment.

3) Efficiency in the process of recruitment.

Internship

Internship offered by many industrial enterprises constitute an effective recruiting technique. Internship usually involves employment during the summer before graduation from college, specially in some technical courses. This is also known as **'Summer Placement'** which requires a prior selection process by the employer. The talented interns may be offered regular jobs on completion of their internship training.

Walk-in Interview

Under this method, the employer can insent a 'Walk-in' or Talk-in' advertisement in a daily newspaper of in the cyberspace. Those who walk in (come personally to the human resources department) or talk in (contact the human resources department over phone) or write in (send application through tax or e-mail) are asked to give necessary details to the recruiter. However, during the 'walk in interview, the candidates may be asked to submit a formal applications for the vacant post in the firm. After the interviews, the candidate may be informed about the selection or rejection decision of the employer.

7.6 MEANING OF SELECTION

Selection is the process of coaching the right person for particular job. It leads to employment of workers. Selection is a negative process as it involves rejection of unsuitable candidates. More candidates are rejected than are selected. Selection involves several stages to weed out the unsuitable candidates for the job under consideration. Criteria are laid down at each stage. Those who do not fulfill the criteria set for a stage are rejected immediately.

Selection is the process of choosing from among the candidates the most suitable person for the current position or for the future position- **Dale Yoder**

Selection is the process of differentiating between applicants in order to identify and hire those with a greater likelihood of success in a job.-**Stoner**

7.7 RECRUITMENT VS. SELECTION

Recruitment is a positive process searching the prospective employees and selection is a negative process because it involves rejection of unsuitable candidates. However, both recruitment and selection are the two phases of the employment process. Recruitment being the first phases envisages talking decisions on the choice of tapping the sources of labour supply. Selection is the second phases which involves giving various types of test to candidates and interviewing them in order to select the suitable candidates.

Table 2. COMPARISON OF RECRUITMENT AND SELECTION

Basis	**Recruitment**	**Selection**
1. Meaning	It is the process of searching candidates for vacant jobs and making them apply for the same.	It is process of selection of right types of candidates and offering them job.
2. Nature	It is a positive process as it stimulates people to apply for vacant job.	It is negative process as it leads to rejection of unsuitable candidates.
3. Aim	Its aim is to attract more and more candidates for vacant job.	Its aim is to pick up the most suitable people for the vacant jobs.
4. Procedure	The firm notifies the vacancies through various sources and distributes application forms to candidates.	The firm asks the candidates to pass through a number of stages such as filling of from, employment testes, interview, medical exam, etc.
5. Contact of Services	No contractual realization is created. Recruitment implies communication of vacancies only.	Selection follows recruitment and it leads to a contract of services between the employer and the employee,
6. Number	There is no restriction upon the number of candidates.	Only a certain number of candidates are selected.

7.8 SELECTION PROCEDURE

Selection producer involves the following steps:

1) Preliminary interview

2) Screening applications

3) Employments tests

4) Finale interview

5) Reference checking

6) Medical examination

7) Appointment letter

As shown in every candidates for a jobs has to clear a number of hurdles before getting selected for the job. If he is not found suitable at any stage, he is not considered for the further stages. Thus, he will be rejected. For instance, If a candidate's particulars in the application are not found suitable, he will not be called for the tests. Similarly, if a candidates fails in the tests, he will not be called for the interview. The successive stages in the selection process are discussed below:

1) **Preliminary Interview:** The preliminary interview is generally taken for executive jobs. It is brief and leads to eliminating the totally unsuitable candidates. Lack of certain requirements in education, training of experience may determine unsuitability. The candidates who clears the interview is asked to fill in the application form to provide detailed information about himself. The preliminary interview offers advantages not only to the organization, but also to the applicants. If an applicants is eliminated at this stage, the organization will be saved from the expenses of processing him through the remaining steps of the selection procedure. The unsuitable candidate will be saved from the trouble of passing through the long selection procedure.

Screening of Application Forms: The application from is provided to the candidates on request. It can also be download from the website of the concerned organization. It asks for a written record of qualification, experience and other qualities of the candidates. The application from should be as simple as possible and Incorporate question about the suitability of the applicant for the job. The Application form is useful for several reasons. It gives a preliminary idea about the candidate to the interviewer and helps him in formulating questions to have more information about the candidate. The written information about age, qualifications, experience etc. may prove to be of greater value to the interviewer. It makes the processing of applications very easy since there is uniformity of filling the data in the application form. A specimen of an application form the post of statistically officer is given below.

SPECIMEN APPLICATION BLANK

1. **Name of the application Mr./Miss/Mrs.**

   ____

   (First Name) **(Second Name)** **(Surname)**

2. **Date of Birth** ______________________________

3. **Marital Status** ______________________________

   Place of Birth ______________________________

   Educational Qualification-

S. No.	Board/University	Degree	Major Subjects	Percentage if marks	Division

5. Specialization, if any ______________________________
6. Publications ______________________________
7. Mother Tongue ______________________________
8. Other Language Spoken ______________________________

   Written ______________________________

9. Games/Sport ______________________________
10. Have you ever represented your Institution/College/University/State/ Country. (Please Specify)

    ____

11. Work Experience years. ______________________________
12. Details of Previous Employment-

S. No	Name of Employer	Period of Employment		Reason for Leaving	Salary Drawn
		From	To		
1. 2.					

13. Name of the immediate Supervisor (last employed) ______________________________

    Address ______________________________

14. Salary. Expected Rs. ____________ per month.
15. Hobbies ______________________________
16. Special Interest, if any ______________________
17. Nationality ______________________
18. Why are you interested to join this organisation?

    ____

    ____

    ____

    ____

19. Are you able to work independently?

    ____

    ____

20. If not, reasons

    ____

21. Name of the Referees:
    1. Name ______________________________

       Address ______________________________
    2. Name ______________________________

       Address ______________________________
22. If appointed, how much time will you require to join?

Date :	Signature of Applicant
Place :	(Name in full)

……………………………………………………………………………………

Application forms are processed by the screening committee and properly screened to select the candidates who are to be given the employment test and called for an interview.

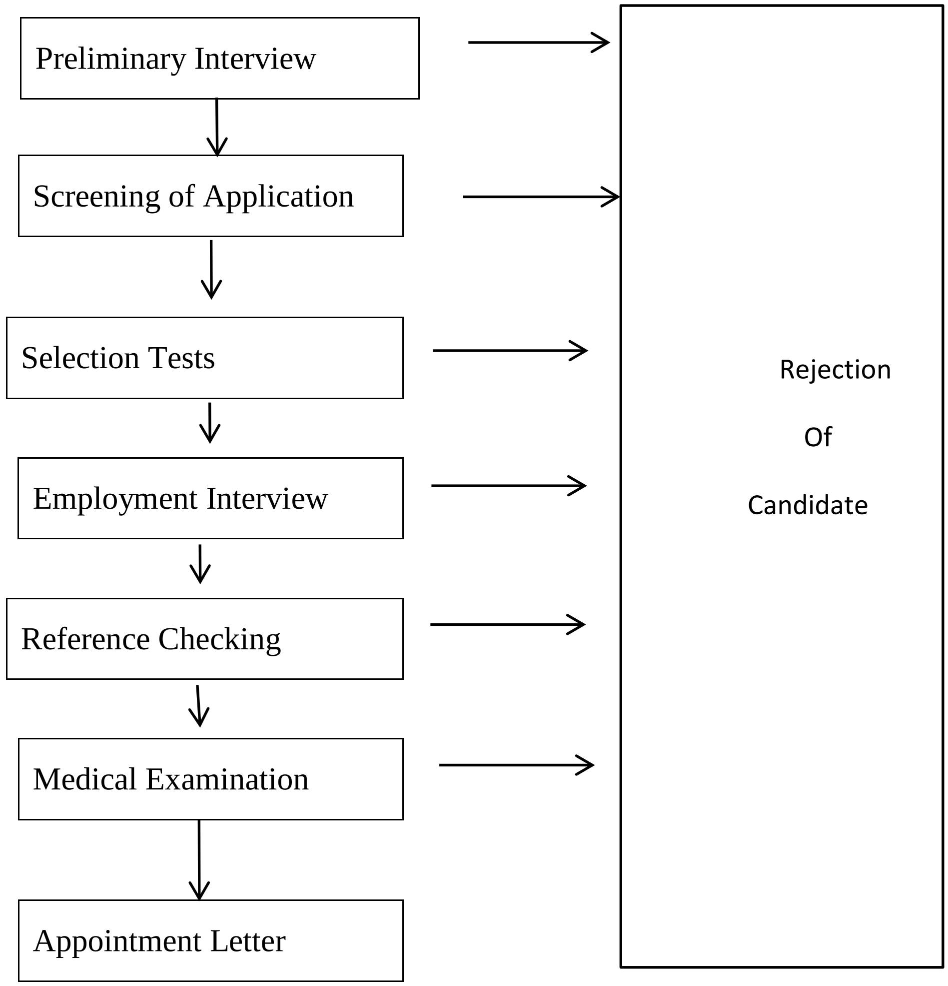

Fig. Selection procedure

2) **Employment Tests:** Employment tests are widely used to select persons for various jobs. These tests help in, attaching the characteristics of individuals with the vancant jobs so as to employ right type to personnel. The following types of tests are given to the candidates:

a) Intelligence tests.

b) Aptitude tests.

c) Occupational or Professional tests.

d) Interest tests.

e) Personality tests.

Employment tests bring out the qualities and weaknesses of Individual which could be analyzed before offering them jobs. The tests must be designed properly. If they are biased, they will not be good indicators of one's knowledge and skills. Selections based on such tests will be faculty. That is why, tests should not be relied upon blindly for the purpose of selection.

3) **Employment Interview :** After an applicant clears the various employment tests, he is called for final interview. The interview is taken by the Board consisting or the HR Manager and the representative of other departments. The interview is help to determine suitability of the candidate and to provide him a complete picture of the responsibility associated with the job. Employment interview is of great importance to both the applicant and the employer. Three should be proper physical arrangement for the interview. It will enhance the reputation of the employer and give confidence to the candidates. Privacy and comfort should not be forgotten to ensure that the objectives if interview are achieved. If this not done, there would be wastage of money on interviewing and right type of candidates may not be selected. The interviews should come fully prepared for the interview and also give proper attention to each candidate.

4) **Reference Checking :** Many employers request names, addresses, and telephone numbers of references for the purpose of verifying information and gaining additional information about the applicant. Previous employers, known persons, teachers and university professors, can act as references. Prior to final selection, the prospective employer normally makes an investigation on the references supplied by the applicant and undertakes more or less a through search into the candidate's past employment, education, personal reputation, financial condition. Policy record etc. However, it is often difficult to persuade a reference to give his opinion frankly. The organization may persuade him to do so by giving an assurance that all information provided by him will be treated as strictly confidential.

5) **Medical Examination :** Medical examination is given to the selected candidates to ascertain their physical capability and protect the employer from employing physically unsuitable candidates. Medical test is given by the medical expert appointed by the employer. Medical physical examination should disclose the physical characteristics of the individual that are significant from the standpoint of this efficient performance of the job he may be assigned or of those jobs to which he may reasonable be expected to be transferred or promoted. A proper medical examination will ensure higher standard of health and physical fitness of the employees and will reduce the rates of accident, labour turnover, and absenteeism.

The advantages of physical examination are : *1)* it serves to ascertain the applicant's physical capability to meet the job requirements;*2)* it serves to protect the organization against the unwarranted claims under worker's compensation laws or against law suits for damages; and *3)* it helps to prevent communicable diseases entering the organization.

6) **Appointment Letter or the offer of Employment:** When a candidate has cleared the above listed hurdles in the selection procedure, he is given an appointment letter and is requested to join the organization. The management or board of the company offers employment in the form of an appointment letter mentioning the post, the rank the salary grade, the date by which the candidate should join and other terms and conditions of employment. Some firm make a contract of service on judicial paper. Usually an appointment is made on probation in the beginning. The probation period may range from three month to two years. When the work and conduct of the employee is found satisfactory, he may be confirmed. The personnel department prepares a waiting list and informs the candidates. In case a person does not join after being selected, the company calls next person of the waiting list. When the employee reports for duty, he is given some sort of orientation and placed on the job for which he is appointed.

7.9 EVALUATION OF SELECTION PROCEDURE

The selection process, if properly performed, will ensure availability of competent and committed personnel. A period audit, conducted by people who work independently of the human resource department, will evaluate the effectiveness of the selection process. The auditors will do a through and the intensive analysis and evaluate the employment programme. In evaluation of selection, it is noted that, selections have two objectives: (1) to predict which job applicants would would be successful if hired and (2) to inform and sell the candidate on the job and the organization. Unfortunately, these two objectives are not always compatible. Putting a job candidate through hours of filling out forms, taking tests, and completing interviews rarely endears the organization to the candidate. These are tiresome and often stressful activities. Yet if the selection activities place too great an emphasis on public relations, obtaining the information needed to make successful selection decisions may be subordinated. Hence a manager's dilemma in selection is how to balance the desire to attract people with the desire to gather relevant selection data.

Selection is a critical process in the employment program of any organization as it involves a heavy investment of time and money to get right types of people Induction and training costs are also high. If the right types of persons are not chosen, it will lead to huge loss of the employer in terms of time, efforts and money. Therefore, it is essential to evaluate the selection procedure. Each step in the selection procedure should help in getting more and more information about the applicants to facilities right selection decision. The benefits of evaluation of selection procedure are as follows:

1) Proper selection and placement of personnel go a long way towards building up a suitable workforce. It will keep the rates of absenteeism and labour turnover low.

2) Competent employee will show higher efficiency and enable the organization to achieve its objective efficiently.

3) The rate of industrial accidents will be considerably low if suitable employees are placed on various jobs.

4) When people get jobs of their taste and choice, they get higher job satisfaction. This will build up a contended workforce for the organization.

5) The morale of the employees who are satisfied with their jobs is often high.

7.10 SUMMARY

Recruitment is the process of identifying the sources for prospective candidates to stimulate them to apply for jobs in the organization. It involves seeking and attracting a pool of people from which qualified candidates for job vacancies can be chosen. Recruitment has two types of sources: Internal sources and external sources. Recruitment policy should be framed in achieving the organizational goals. Selection is the process of differentiating between applicants in order to identify and hire those with a greater likelihood of success in a job. Selection process contains many steps through which a candidate passes to get the desired job for which he has applied. After the selection process, the offer of employment is given to the selected candidates. Recruitment is a positive process searching the prospective employees and selection is a negative process because it involves rejection of unsuitable candidates. However, both recruitment and selection are the two phases of the employment process.

7.11 SELF ASSESSMENT EXERCISE

1. Define recruitment.

2. Discuss the methods of recruitment.

3. What are the various sources of recruitment? Compare them.

4. What is the significance of selection process?

5. Explain the procedure of selection.

6. What do you mean by the offer of employment?

7. Distinguish between recruitment and selection process.

7.12 FURTHER READINGS

1. Chhabra, T.N., Ahuja, K.K. and Jain, S.P., Managing people at work, Dhanpat Rai & Sons, Delhi.
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UNIT 8

PLACEMENT AND INDUCTION

Objectives:

After studying this lesson, you will be able to:

- explain the meaning, nature & scope of human resource development;
- identify the difference between human resource development & personnel functions;
- describe the various roles of HR managers;
- understand the evolution of HRD in India.

Structure :

8.1 INTRODUCTION

Human Resource Procurement

For smooth working of the organisation and efficient management it becomes essential for the organisation to get right human resource in the organization. After the selection process, the candidates are given offer letters. Once they join the organisation they are given right placement and induction so that they can achieve organisational goals in effective and efficient manner. For better staffing and organising, top management reshuffle the human resources, change their positions in the broader interest of the organisation. This reshuffling or change of place laterally is transfer. In other words, it is lateral movement of human resources from one section to other, from one department to other to other, from one table to other without an cognizable change in salary, status, duties and responsibilities. Reshuffling may also be done by means of promotion of the employees. An organisation is always in search of such persons with passions to go up and ready to work hard through which both can gain their goals. Organisation acquire such persons, provide training and maintain them and utilize their services for the accomplishment of organisational goals. Organisation can take work from the employee and force him to pour hundred percent of his capacity but it cannot force him to remain in the same job forever. Organisation must allow and give him chance to move up in the ladder of hierarchy. The employee has the potential to improve and move up in the organisation. Organisation therefore has to fill up vacant post from within by allowing the employees move up to the higher positions and he tries best to put up a good performance. The employees can be pushed up through promotions and transfers. Promotion and career building have important place in the organization

8.2 PLACEMENT

Meaning of Placement:

The last step in the procurement of employees is the placement of selected candidates on right jobs and orienting them to the organization. According to Pigors and Myers,

"Placement may be defined as the determination of the job to which a selected candidate is to be assigned, and his assignment to the job".

It is matching of what the supervisor has reason to think he can do with the job demands (job requirements); it is matching of what he impose (in strain, working conditions) and what he offers in the form of payroll with promotional possibilities etc. However, in broad terms, placement is the assignment or reassignment of an employee to a new job. *It includes the assignment of new entrants and the transfer and promotion of the existing employees.*

Significance of Placement:

It is important for both the organization and the staff that each employee should be placed on a suitable job. While doing so, the factor to be considered is not only the suitability of the individual to the job but also the suitability of the job to the individual. Initial placement is always a problem because of lack of adequate knowledge about the new employee. Therefore, placement should be made after due consideration of the demands of the job and the social, psychological needs of the individual. A company which has spent a lot of time and money in making a very careful selection may lose due to wrong placement.

Advantages of right placement:

Right placement of workers can have the following advantages:

1) Reduced labour turnover rate.

2) Reduced absenteeism rate.

3) Increased safety of workers and lower accidents.

4) Increased morale of workers.

5) Better human relations in the organization.

Placement is not an easy process. It is very difficult to adjust for a new employer who is quite unknown to the job and environment. For this reason, the employee is generally put on a probation period ranging from one year to two years. At the end of the probation period, if the employee shows a good performance, he is confirmed as a regular employee of the organization. Thus, the probation period of trial period is the transition period at the end of which management has to take a decision whether the employee should be made regular or discharged from the job.

Principles must be Considered Placement of New Employees:

Placement decisions are generally taken by line executives. It is the supervisor who in consultation with higher levels decides the placement of each employee. The personnel department's role is to advise the line managers about the human resources policies of the company and to provide counseling to the employees.

While taking the placement decision, the following considerations or principle must be kept in mind:

1) **Job Requirements:** An employee should be placed on the job according to the requirements of the job such as physical and mental ability, Eyesight, hearing, stress, etc. The job should not be adjusted according to the qualifications and abilities of the employee. Job placement profile charts can be used to match the workers physical and mental abilities with the job requirements. This profile charts displays an evaluation of both job requirements and worker abilities for key features of the job so that management can easily determine how well a worker fits a job.

2) **Adequate Information to the Job Incumbent :** The employee should be provided with complete information and facts relating to the job, including the working condition prevailing in the firm. He should also be informed about the rewards associated with various performance levels.

3) **Suitable Qualification :** The job should be offered to a person who is suitably qualified. Over qualified and under qualified persons might create problems for the organization in the long-run.

4) **Commitment and Loyalty :** While placing the new employee, an efforts should be made to develop a sense of commitment, loyalty and cooperation in his mind so that he may realize his responsibilities better towards the job, the organization and his associates.

5) **Flexibility :** The placement in the initial period may be temporary as changes are likely after the completion of training. The employee may be later transferred to the job where he can do better justice.

Proper placement helps to improve employee morale. The capacity of the employee can be utilized fully if he is placed on the job for which he is most suitable. Right placement also helps to reduce labour turnover, absenteeism and accident rates. If a candidate adjust himself to the job and performs as per expectations, it would mean that the candidate is properly placed.

8.3 INDUCTION

Meaning of Induction:

Induction is the first step in a affective communication which seeks to build a tow-way channel of information between the management and the employees.

Induction is concerned with introducing or orienting a new employee to the organization. It is the welcoming process to make the new employee feel at home and generate in him a feeling of belongingness to the organization.

The new employee, on his joining the organization, must be helped to get acquainted and adjusted with the fellow employees and the work environment. Rather than leaving him to groping his way through the organization, it is much better to properly and systematically introduced him to the company, its philosophy, its place in the industry or economy, its major policies, etc. This place of induction is properly handled by the HR department. Some large organizations show to the new employees motion picture depicting their history and operations and also their values and ethical principles. The new employees are also given the necessary information about canteen, lunch break, rest hours, wash room facilities, etc.

***Objectives of* induction**:

The objectives of systematic induction are as follows:

a) To build up the new employee's confidence in the company and in himself, so that he can become an efficient worker.

b) To give the new employee information and knowledge of the company, its organization structure and products.

c) To give him information that he needs, such as the time to break, off for tiffin, where to find the canteen, the wash room, etc. what leave he is entitled to and how to apply for it, and so on.

d) To foster a close and cordial relationship between the newcomers and the old employees and their supervisors.

e) To ensure that the newcomers do not from false impression and negative attitude towards the organizations or the jobs because first impression is the last impression.

f) To promote among employees a feeling of "belonging" and loyalty to the company.

Significance of Induction:

Induction is a socialization process by which the organization seeks to make an individual its agent for the achievement of its objectives and the individual seeks to make an agency of the organization for the achievement of this personal goals. The basic purpose of induction is to introduce the new employee and the organization to each other, to help them become acquainted, and to help them accommodate each other. The new employee is explained what is expected of him and is also told the rules, regulations, policies and procedures that directly affect him. He is made aware of how his job fits into the overall operations of the organization, his own duties and responsibilities, and to whom he should look for when has any problem or difficulty. The first impression made on the mind of the employee is likely to be a lasting impression, and the treatment he receives during the early days on the new job will help to form his opinion of his employers. Careful introduction to his job will make his adjustment to the job more rapid, his mistake fewer and his attitude more co-operative.

Benefits of Induction:

The benefits of formal induction are as under:

1) It reduces new *employee's anxieties* and provides him an opportunity to know about the organization and its people.

2) It helps the new employees in *knowing the expectations* of the organization and its executive.

3) It foster a *uniform understanding* among the employees about the company's objectives, policies, principles, strategies, and what the company expects of its people. The new employees are also interested in learning about the total organization. Orientation tells them how they and their unit fit into the "big picture."

4) It builds a *positive attitude* towards the company and its stakeholders. First day is crucial because new employee remembers it for years. A well managed orientation programme leaves a lasting impression on the mind of the new employee.

5) It builds and strengthens *two-way communication* in the company.

6) It helps speed up *socialization process* by making the new employee understand the social, technical and cultural aspects of the workplace. The new employee become a part of the social fabric of the organization and develops a sense of belongingness.

Induction Procedure and Practice:

Induction may be informal in case of small firms and formal of the duration of two to four weeks case of big organization. Orientation training course should not be too lengthy. It need not necessarily be given on the day when the new employee joins his duties. But if a formal course is to be attended after two or three weeks on the job, the initial introduction and the immediately needed information should be provided to the new employee by an HR executive and a department executive.

Induction procedure should consist of the following steps:

1) The new person should be give a definite time and place to report.

2) The supervisor or the immediate boss should meet and welcome the new employee to the organization when the latter reports for duty.

3) Information about working hours, vacations, probationary period, medical leave, suggestion systems, etc. should be conveyed to the employee.

4) Departmental orientation should include, introduction to the department, explanation of the functions of the department, job instruction and to whom he should look for help and guidance when he should look for help and guidance when he has any problem.

5) Verbal explanations may be supplemented by a wide variety of printed material, employee handbook, employee manuals, house journals, pamphlets etc. along with short guided tour around the company's premises.

6) The induction programme should be handled by persons who are fully conversant with the course contents. The success of the induction course will depend upon the quality of trainers and their ability to draw out the interest of their listeners.

CONTENTS OF INDUCTION PROGRAMME

Topics to be covered in Induction

1. Company's history, vision, mission and philosophy.
2. Products and services of the company.
3. Company's organization structure.
4. Location of department and employee services.
5. Employee's activities like clubs, credit society etc.
6. Personnel policies and procedures.
7. Standing orders.
8. Rules and regulations.
9. Terms and conditions of services.
10. Grievance procedure.
11. Safety measures.
12. Benefits and services for employees.
13. Training facilities.
14. Transfer and promotion policies.
15. Career advancement policies.
16. Counselling facility.

A commonly used practice of induction is talk plus audio video presentation. Motion pictures, visual aids, charts, printed materials, etc. can be used to explain company policies, processes and products of the company. A round of the plant the department should also be arranged to acquaint the new workers with the overall operations of the company.

Guidelines in Effective Induction:

For achieving intended results, care should be taken of the following points:

- Orientation should be thoroughly planned and those conducting the program should give due attention to specific problems faced by the new employees.

- Supervisors should be trained in the art of orientation of new workers. Thus, induction should be treated as a special duty.
- Human side is the most important part of orientation. Therefore, first of all the new employee should be introduced to the people with whom he will work-his colleagues, superiors and subordinates. A tea party may also be arranged for this purpose.
- The new employee should be informed about the rules that apply to him as well as the specific work situation and job requirements.
- Orientation should be a gradual process. The participants should not be overloaded with too much information.
- The supervisions should answer the questions and clarify the doubts that the employee may have about the job and the organization.

8.4 PROMOTION

Every human being by nature looks ahead. He thinks for future, plans for future, saves for future. Future is important for him. What he does today, what he sacrifices today, he does all this keeping future in mind and sight. It is not imagination. It is practical and sensible approach to life. Nothing is wrong in it. This spring aspiration. One must aspire high. He should not be contented what he has today or what he is today. To fulfill his aspiration person acquires what he needs, and obtain where he lacks. He acquires skill, intelligence, knowledge, competence and put them into practice, into his profession.

According to Markham, Harlan and Hackett, “Promotion, succession and career systems have a significant impact on the ability of organization to compete effectively in today’s complex and ever changing environment. These system are relied upon to identify and develop both leaders needed to provides direction and managers needed to competently operate complex organizations. They also have a significant impact on the satisfaction, organizational commitment and involvement, and motivation of all the members of the organization.”

MEANING OF PROMOTION:

Promotion refers to an upward movement of an employee from one job to another job, which commands higher pay scales and allowances, upper status and prestige, more authority, power and responsibility, challenges, and future opportunities to rise. Promotion is given to the employee in the same organization. It is the internally upward mobility of an employee. Promotion leads to chances in the environment, privileges, place, and working hours etc. Promotion puts an employee or executive on a career path which goes upward.

Employees at lower level have to wait years together for promotion while executives get promotion comparatively early. In some of the companies and organizations young executives get promotion quite early. This becomes a critical factor in the identification and development of executives. These executives have to face early challenges of the jobs carrying higher responsibilities. This make them experienced at the earliest and clears their career path of success. This also has a positive effect in the form of increase in confidence and motivation. It also sends favourable singles to the management about their ability to manage. Early promotions given to executives benefit the organization and themselves because they do not have to face stringent competition in future.

8.4.1 PURPOSE OF PROMOTION

The following are the purposes or objectives of the promotion:

1) Promotion is a reward for recognition of efficiency of an employee and his performance.

2) Promotion prevents an employee from leaving the job through resignation.

3) Promotion motivates the employees because they feel secured and worry free that their efficiency will be rewarded with promotion to a higher position.

4) Granting promotions aim at increasing organisational effectiveness.

5) It increases sense of belonging to the organisation among the employees.

6) It aims at promoting job satisfaction among employees.

7) It helps in boosting up of employee morale.

8) It promotes loyalty to the organisation.

9) Yet another purpose of promotion is to create an impression upon others that better opportunities are available to them in this organisation and their career is safe and has a upward movement.

10) It aims at reeducating labour turnover, discontent and labour unrest.

11) It aims at promoting ambitions.

12) It aims at increasing creativity and positive thinking among employees.

13) It aims at attracting trained, competent, and hardworking people.

14) It aims at conserving intelligence, skill, talent, knowledge, creative abilities, and competence.

15) It aims at promoting good human relations.

8.4.2 TYPES OF PROMOTION

Promotion given to the employees in an organisation are of the following types:-

1) **Horizontal Promotion:** It is kind of promotion when a personnel is shifted in the same category. e.g. a junior clerk is promoted as senior clerk. The promotion can be made within the same department from one department to other or from one plant to another plant.

2) **Vertical promotion:** It is a kind of promotion when an employee is shifted from a lower category to a higher one involving higher pay, more authority, increased opportunities e.g. a personnel promoted from lower level of management to a higher level of management in the organisational hierarchy.

3) **Dry promotion:** During the times of monetary and financial crisis the management can grant promotion without any rise in pay and allowances. Such promotions are known as dry promotions. When crisis is over they are paid increased wages.

8.5 TRANSFER

Transfer means shifting of an employee from one job to another, one unit to another or one shift to another and may involve a new geographical location. Transfer may be initiated by the organisation or by the employee with the approval of the organization. According to Dale Yoder, "A transfer involves the shifting of an employee from one job to another without special reference to changing responsibilities or compensation." A transfer may be horizontal or vertical. It may be associated with a higher salary but with change in conditions.

8.5.1 OBJECTS OF TRANSFER

There are multiple objects of transfer of employee from one place or position to another. Some of the objects are listed below:

1) Organization wants that its employee must know the work of all department and becomes versatile and competent. So the transfer are effected to increase competence and versatility of employees working at certain important positions. Hence during emergency work does not suffer.

2) Transfer helps in increasing organisational effectiveness.

3) On certain positions inefficient persons are posted. The object of transfer in such cases to correct the mistake of posting.

4) Employee develop monotony if they are working at the same place without any change. Transfer of the employee in this case help him break monotony and boredom. This also result in increase in efficiency of the transferred employee.

5) Transfer gives employee a chance to show his competence and creative ability.

6) Transfer provides a kind of training.

7) The object of transfers sometimes is to remove incompatibilities in human relations.

8) Human resources are the valued assets of the organisations hence taking care of their health is the prime responsibility of organisations. The ailing and aged employees cannot carry on their duties properly at the responsible and important position hence they are transferred to less important positions where responsibility are less.

9) The changing technology, in modern times has brought in wide changes in the job requirement. Transfer of employees are made to meet the job requirements.

10) Transfers can be effected to stall lay off. When one plant is on the verge of close down the workers from that plant are transferred to the other plant where more workers are required. In this way workers jobs remain intact.

8.5.2 TRANSFER POLICY

In every organisation transfer of employees from one department to the other is a regular phenomenon and there is nothing wrong in it but there should be a policy regarding transfer. The transfer should then be effected according to the laid down policy. Policy serves as the guide-post to the manager in effecting transfer. While framing the policy in respect of transfer of employees certain guidelines must be followed.

1) The need for transfer should be assessed.

2) Type of transfer should be given due consideration.

3) The purpose of transfer should be avoided as far as possible.

4) Needless transfer should be avoided as far as possible.

5) The time period of transfer should be made clear.

6) Transparency in transfer policy should be maintained.

7) Authority in effecting transfer must be fixed.

8) Performance of the employee should be evaluated before transfer.

One should not expect a uniform transfer policy in all the organisations. It varies from organization to organization. It depends upon the type, kind and size of the organization. Transfer policy should be consistent with the overall objectives of the organizations.

8.5.3 TYPES OF TRANSFER

There are different kinds of transfer that an organization can adopt. The following are the major types of transfer:

1) **Production transfer:** When there is excess manpower in one section, department or plant and exists underemployment in the other department, transfer of employees are effected from the former departments to the latter. This prevents lay off and the excess employee are absorbed to stabilize employment in the establishment. This process of stabilization of employment is looked after and controlled by human resources department. The main purpose of production transfer is to prevent lay off and make use of the excess employees in the plants or department where their services are most required.

2) **Remedial transfer:** Remedial transfer are done to correct the wrong placement of the employees or to shift the inefficient one who is not carrying his duties satisfactorily. This type of transfer is resorted to in case of aged and the employee who are ailing. Such transfer protects the interests of the employees.

3) **Shift transfer:** Shift transfer are routine in the plants where work progresses for 24 hours or in three shift. Usually such transfer are effected through mutual understanding of the employees.

4) **Versatility transfer:** Veritably transfer are effected to give employee a chance to learn various skills involved in different jobs. This makes an employee a perfect man and he becomes versatile. His versatility can then be utilized by the organization as and when needed. These transfers are a kind of job rotation through which employee gains in experience and is prepared for promotion. Employee receives training through such transfer.

5) **Penal transfer:** Management may transfer an employee from one position to another to penalize for his ill behavior with his immediate supervisor. Such transfers are also a common feature in most government organisation.

8.5.4 CAUSES OR REASONS OF TRANSFERS

In modern organizations, transfer are made because of the following reasons:

i) **Meeting Organizational Needs:** A company may transfer employee due to changes in volume of production, in technology, in production schedule, in product line in organization structure, in market conditions, etc. filling in of the vacancies which may occur because of separations or because of the need for suitable adjustment in business operations. In short, the purpose of transfer is to stabilize employment in the organization.

ii) **Meeting Employee's Requests:** Transfers are also done at the request of the employees. Employee may need transfers in order to satisfy their desire to work under a different superior in a department/region where opportunities for advancement are bright, in or near their native place, doing a job where the work itself is challenging etc. Many employees seek transfer because of family related issues such as marriage or illness.

iii) **Better Utilisation of the Employees:** An employee may be transferred because the management feels that he is not performing satisfactorily and adequately and when the management feels that he may be more useful or suitable elsewhere, where his capacities would be better utilized.

iv) **Developing All-rounder:** The employees may be transferred to different jobs to widen their knowledge and skills. In some companies, transfer are made as a matter of policy after an employee has stayed on a job for a specified period. Such rotation from one job to another serves as a tool of developing versatile workers.

v) **Manpower Adjustment:** The employees may be transferred from a plant where there is less work to a plant where there is more work. Thus, the employees who have been in service of an organization are not thrown out of employment but adjusted elsewhere.

vi) **Avoidance of Conflicts:** Where employees find it difficult to get along with colleagues in a particular section or department, they could be shifted to another place to reduce conflict.

vii) **Punishing the Employees:** Transfers may be made as a disciplinary measure. The employees indulging in undesirable activities may be transferred to remote, far flung areas or transferred on less important jobs.

viii) **Relief to the Employees:** Transfers may be made to give relief to employees who are overburdened or doing hazardous jobs for long periods. Transfer may also be made to break the monopoly of the employee. The climate to a place may be unsuitable for an employee's health. He may request a transfer to another place, on health grounds.

ix) **Tenure system:** In senior administrative services of the Government and also in industries, the employees hold certain jobs for a fixed tenure. They are made to move from job to job with a view to acquire variety of experience and skill and also to ensure that they do not get involved in favoring certain employees, vendors or customers.

8.6 TRANSFER VS. PROMOTION

The distinction between implies transfer and promotion will be further clear by going through the following points.

1. Promotion generally implies an upward elevation of an individual in terms of job responsibilities, pay scale and status. It represents an advancement, and going up a step in the career ladder. It is a case of upward mobility which most of the employees seek for their career advancement. But transfer refers to a lateral shift of an individual from one job position to another on the same occupational level and pay scale.

2. Promotion represents a recognition of and reward for merit, good performance and behavior, loyal service or the length of time, and so on. It tends to improve satisfaction of the person promoted and to induce him to perform better. Transfer does not have these implications considerations of merit and seniority do not generally enter into transfer matters; there may however be some instances where an employee with good performance is transferred to another unit to utilizes his skills more meaningfully. The incentive value of transfers is generally low.

3. Promotion involves thoughtfully managerial decision, but transfer is a routine administrative matter. In the case of promotion, management has to consider whether a particular position should be filled by internal promotion or external selection. Thus, competition by outsiders is a threat to insider aspiring for promotion. In case of transfer, outsiders do not enter into the scene.

4. The criteria for promotion are different from those of transfers. The promotion criteria may be proved merit in the job, potential for assuming higher responsibilities, length of service in a job, or an appropriate combination of all. In case of transfer, criteria such as need for improving versatility of employees, rectification or correction of wrong placement, increase or decrease in volume of activity, punishment for poor performance or objectionable behavior, solution of genuine personal problems of the employees, etc. are generally used.

5. Normally, once an employee is promoted to a higher position, he is not reverted or demoted to his earlier position. Thus, promotion is a one-way upward movement for the employee concerned, except in some odd cases. But transfer could be multi-directional and reversible. An employee transferred from one job to another may be shifted back to his earlier job after some time. In general, promotion is positively viewed by the employees, because it has economic, psychological and even social implications for them. It is a morale booster for the promote concerned and brightens high sense of self-esteem as also his esteem in the group. Lack of promotional opportunities and stagnation of employees in the same job position can cause serious heart burnings and even revolts within the organization. But transfer is generally free from these considerations. It may have positive, negative impact, separation of an employee from his work-group or place of work may create severe adjustment problems. Some employees resist transfer while others try to sabotage them for their own reasons. Such resistance is generally unthinkable in the case of promotion. However, transfer to some jobs which involve more power is considered as rewards.

8.7 SEPARATION

Separation may arise in a number of ways, including resignation, retrenchment, retirement or dismissal. Each brings with it specific sensibilities that must be addressed carefully. Managing separation is important in terms of staff morale, organizational planning and risk management. Most industrial awards contain clauses regulating termination of employment including redundancy and managers should seek advice if in any doubt about the processes required. Managers responsible for separations should be aware of the potential difficulties inherent in the processes, and should ensure that the appropriate procedures are applied. The advantages of managing the separation process well can include the following:

- Maintaining the morale of employees
- Managing the workforce to meet the organization’s needs
- Receiving feedback through an effective exit interview process
- Gaining relevant information regarding the strengths and weaknesses of the person to assist in refilling the position or in redeployment
- Provision of support if required

8.8 SUMMARY

Placement may be defined as the determination of the job to which a selected candidate is to be assigned, and his assignment to the job. Placement decisions are generally taken by line executives. It is the supervisor who in consultation with higher levels decides the placement of each employee. The personnel department’s role is to advise the line managers about the, human resources policies of the company and to provide counseling to the employees.

Induction is a socialization process by which the organization seeks to make an individual its agent for the achievement of its objectives and the individual seeks to make an agency of the organization for the achievement of this personal goals. Promotion refers to an upward movement of an employee from one job to another job, which commands higher pay scales and allowances, upper status and prestige, more authority, power and responsibility, challenges, and future opportunities to rise. Promotion is given to the employee in the same organization. Transfer means shifting of an employee from one job to another, one unit to another or one shift to another and may involve a new geographical location. Promotion represents an advancement, and going up a step in the career ladder. It is a case of upward mobility which most of the employees seek for their career advancement. But transfer refers to a lateral shift of an individual from one job position to another on the same occupational level and pay scale.

8.9 SELF ASSESSMENT EXERCISE

1. Explain the meaning of placement and induction.

2. What is the role of promotion in procurement of employees?

3. Distinguish between transfer and promotion.

4. Discuss the need for transfer.

5. What are the different types of transfers?

6. Describe the reasons for the transfer of employees?

7. Define separation.

8.10 FURTHER READINGS

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Master of Business Administration

MBA-2.3

Human Resource Management

Block

3

Training and Development

परिशिष्ट–4

आन्तरिक कवर–दो का प्ररूप

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परिमापक

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सहयोगी टीम

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UNIT 9

TRAINING AND DEVELOPMENT

Objectives

After studying this unit, you should be able to understand

What is training and development, need for training, why training is important. Types of training and development in the modern times.

Unit Structure

9.0 Introduction

Human resource management regards training and development as a function concerned with organizational activity aimed at improving the job performance of individuals and groups in organizational settings. Training and development can be described as “ an educational process which involves the sharpening of skills, concepts, changing of attitude and gaining more knowledge to enhance the performance of employees”.

9.1 Concept

Definitions

According to L.L Steinmetz ‘Training is the act of increasing the knowledge and skill of an employee for doing a particular job’.

Training is the act of increasing knowledge and skills of an employee for doing a Particular Job. (Edwin B Flippo)

Training is used to here to indicate the Process by which the aptitudes, skills and abilities of employees to perform specific jobs are increased (Michael J. Jucius).

It is a learning process that involves the acquisition of knowledge, sharpening of skills, concepts, rules or changing of attitudes and behaviours to enhance the **performance of employees.**

According to J.P. Campbell Training refers only to instructions and mechanical operations. Specifically stated, training is the organized procedure by which people learn knowledge and skill for a definite purpose.

Concept :

Training is an activity leading to skilled behaviour.

- It’s knowing how to reach what you want from life.
- It’s knowing how to get where you want to go.
- It’s knowing how to take off to the heights you want to reach.
- It may be a new outcome much beyond your aim.
- It’s having the knowledge about what you dream of doing.
- It’s more like a vision.
- It’s what you need to achieve.

Training is about knowing where you stand (no matter how good or bad the current situation looks) at present, and where you will be after some point of time.

Training is about acquisition of knowledge, skills and abilities (KSA) through professional development.

9.2 Need for Training

Training is essential for overall success of any organization, it is required because of following reasons :

9.1.2 Job requirement

In order to perform job in a better way an employee needs certain skillset, therefore, in order to impart such skillset to an employee training is needed. Training can be given in order to bridge the following gaps.

- **a. Lack of qualifications :-** Employees selected for a particular job might lack the qualifications needed in order to perform the job effectively.
- **b. Inexperienced employees :-** New and inexperienced employees need detailed instructions for successful job performance.
- **c. Remedial training :-** Remedial training are given to such experienced employees in case their past experience, attitudes and behavior patterns might be inappropriate to new organization.
- **d. Orientation training for new employees :-** In order to get acquainted with job and organization.

9.2.2 Technological changes

- **a.** Automation and Mechanization in offices and service sector.
- **b.** Fast changing technology requires new technology training, e.g. computerization in public sector.
- **c.** To reap benefits of latest technology.

9.2.3 Organizational Viability

- **a. Globalization and liberalization :-** Training enables an employee to adapt with continually changing environment, it also helps business firms in expansion, their growth and cope with diversification.
- **b.** Training enhances capabilities of employees to face international competition.
- **c. Refresher training :-** Refresher training is given to existing employees to keep them abreast of knowledge.
- **d.** Prevent obsolescence of skills.
- **e.** Second line of command to meet future needs.

9.2.4 Internal mobility

Training is also needed in case of internal movement of employees from one unit to other or from one department to other. When the employees are promoted or transferred from one place to other or one job to other then training is given to them. Therefore, training is a continuous process which helps in taking advantage from new and advanced techniques. With the help of training improvement in old methods can be implemented successfully.

9.3 Importance of Training and Development

Areas of significance of training are as follows :

Optimum utilization of Human Resources – Training and Development helps in optimizing the utilization of Human resource that further helps the employee to achieve the organizations goals as well as their individual goals.

Development of Human Resources – Training and Development helps to provide an opportunity and broad structure for the development of human resources' technical and behavioral skills in an organization. It also helps the employees in attaining personal growth.

Development of skills of employees – Training and development helps in increasing the job knowledge and skills of employees at each level. It helps to expand the horizons of human intellect and an overall personality of the employees.

Productivity – Training and Development helps in increasing the productivity of the employees that helps the organization further to achieve its long – term goal.

Team spirit - Training and Development helps in inculcating the sense of team work, team spirit, and inter – team collaborations. It helps in inculcating the zeal to learn within the employees.

Organization Culture – Training and Development helps to develop and improve the organizational health culture and effectiveness. It helps in creating the learning culture within the organization.

Organization Climate – Training and Development helps building the positive perception and feeling about the organization. The employees get these feelings from leaders, subordinates, and peers.

Quality – Training and Development helps in improving upon the quality of work and work-life.

Healthy work environment – Training and Development helps in creating the healthy working environment. It helps to build good employee relationship so that individual goals aligns with organizational goal.

Health and Safety - Training and Development helps in improving the health and safety of the organization thus preventing obsolescence.

Morale – Training and Development helps in improving the morale of work force.

Image – Training and Development helps in creating a better corporate image.

Profitability – Training and Development leads to improved profitability and more positive attitudes towards profit orientation.

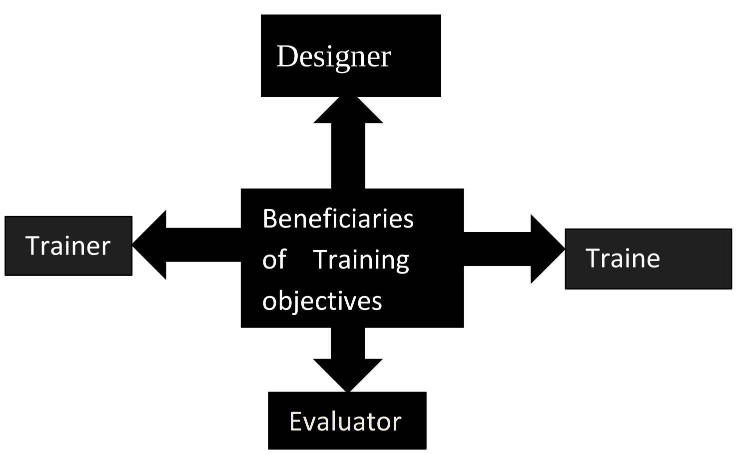
Training and Development aids in organizational development i.e. Organization gets more effective decision making and problem solving. It helps in understanding and carrying out organizational policies.

Training and Development helps in development leadership skills, motivation, loyalty, better attitudes, and other aspects that successful workers and managers usually display.

9.3.1 Importance of Training Objectives

Training objective tell the trainee that what is expected out of him at the end of the training program. Training objectives are of great significance from a number of stakeholder perspectives.

1. Trainer
2. Trainee
3. Designer
4. Evaluator



Trainer - The training objective is also beneficial to trainer because it helps the trainer to measure the progress of trainees and make the required adjustments. Also, trainer comes in a position to establish a relationship between objectives and particular segments of training.

Trainee – The training objective is beneficial to the trainee because it helps in reducing the anxiety of the trainee up to some extent. Not knowing anything or going to a place which is unknown creates anxiety that can negatively affect learning. Therefore, it is important to keep the participants aware of the happenings, rather than keeping it surprise.

Secondly, it helps in increase in concentration, which is the crucial factor to make the training successful. The objectives create an image of the **training program** in trainee's mind that actually helps in gaining attention.

Thirdly, if the goal is set to be challenging and motivating, then the likelihood of achieving those goals is much higher than the situation in which no goal is set. Therefore, **training objectives** helps in increasing the probability that participants will be successful in training.

Designer – The training objective is beneficial to the training designer because if the designer is aware what is to be achieved in the end then he'll buy the training package according to that only. The training designer would then look for the training methods, training equipments, and training content accordingly to achieve those objectives, Furthermore, planning always helps in dealing effectively in an unexpected situation. Consider an example ; the objective of one training program is to deal effectively with customers to increase the sales. Since the objective is known, the designer will <u>design a training program</u> that will include ways to improve the interpersonal skills, such as verbal and non verbal language, dealing in unexpected situation i.e. when there is a defect in a product or when a customer is angry. Therefore, without any guidance, the training may not be designed appropriately.

Evaluator – It becomes easy for the <u>training evaluator</u> to measure the progress of the trainees because the objectives define the expected performance of trainees. Training objective is an important tool to judge the performance of participants.

9.4 Purpose of Training and Development

Advantages of training and development are as follows :

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

Enhancing the companies ability to adapt and use advances in technology because of a highly knowledgeable staff.

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

Ensuring adequate human resources for expansions into new programme.

9.5 Methods of Training

There are various methods of training.

9.5.1 Cognitive Methods

9.5.2 Behavioral Methods

Trainers need to understand the pros and cons of each method, also its impact on trainees keeping their background and skills in mind before giving training.

Cognitive methods are more of giving theoretical training to the trainees. The various methods under cognitive approach provide the rules for how to do something, written or verbal information, demonstrate relationship among concepts, etc. These methods are associated with changes in knowledge and attitude by stimulating learning.

The various methods that come under Cognitive approach are :

9.5.1.1 LECTURES

It is one of the oldest methods of training. This method is used to create understanding of a topic or to influence behaviour, attitude through lecture. A lecture can be in printed or oral form. Lecture is telling someone about something. Lecture is given to enhance the knowledge of listener or to give him the theoretical aspect of a topic. Training is basically incomplete without lecture. When the trainer begins the training session by telling the aim, goal, agenda, processes, or methods that will be used in training that means the trainer is using the lecture method. It is difficult to imagine training without lecture format. There are some variations in Lecture method. The variation here means that some forms of lectures are interactive while some are not.

Straight Lecture : Straight lecture method consists of presenting information, which the trainee attempts to absorb. In this method, the trainer speaks to a group about a topic. However, it does not involve any kind of interaction between the **trainer and the trainees**. A lecture may also take the form of printed text, such as books, notes, etc. The difference between the straight lecture and the printed material is the trainer’s intonation, control of speed, body language, and visual image of the trainer. The trainer in case of straight lecture can decide to vary from the training script, based on the signals from the trainees, whereas same material in print is restricted to what is printed.

A good lecture consists of introduction of the topic; purpose of the lecture, and priorities and preferences of the order in which the topic will be covered.

Main Features of Lecture Method :

Some of the main features of lecture method are :

- Ability to identify and correct misunderstandings
- Less expensive
- Can be reached to large number of people at once
- Knowledge building exercise
- Less effective because lectures require long periods of trainee inactivity

9.5.1.2 DEMONSTRATIONS :

This method is a visual display of how something works or how to do something. As an example, trainer shows the trainees how to perform or how to do the tasks of the job. In order to be more effective, demonstration method should be accompanied by the discussion or lecture method.

To carry out an effective **demonstration,** a trainer first prepares the lesson plan by breaking the task to be performed into smaller modules, easily learned parts. Then, the **trainer** sequentially organizes those modules and prepares an explanation for why that part is required. While performing the demonstration, trainer :

- Demonstrates the task by describing how to do, while doing.
- Helps the focusing their attention on critical aspects of the task.
- Tells the trainees what you will be doing so they understand what you will be showing them.
- Explains why it should be carried out in that way.

The difference between the lecture method and the demonstration method is the level of involvement of the trainee. In the lecture method, the more the trainee is involved, the more learning will occur.

The financial costs that occur in the demonstration method are as follows :

- Cost of training facility for the program
- Cost of materials that facilitate training
- Food, travel, lodging for the trainees and the trainers
- Compensation of time spent in training to trainers and trainees
- Cost related to creating content, material.
- Cost related to the organization of the training.

After completing the demonstration the trainer previde feedback, both positive and or negative, give the trainee the opportunity to do the task and describe what he is doing and why.

9.5.1.3 DISCUSSIONS :

This method uses a lecturer to provide the learners with context that is supported, elaborated, explains, or expanded on through interactions both among the trainees and between the trainer and the trainees. The interaction and the communication between these two make it much more effective and powerful than the lecture method. If the **Discussion method** is used with proper sequence, i.e. lectures, followed by discussion and questioning, can achieve higher level knowledge objectives, such as problem solving and principle learning.

The Discussion method consists a **two – way flow of communication** i.e. knowledge in the form of lecture is communicated to trainees, and then understanding is conveyed back by trainees to trainer.

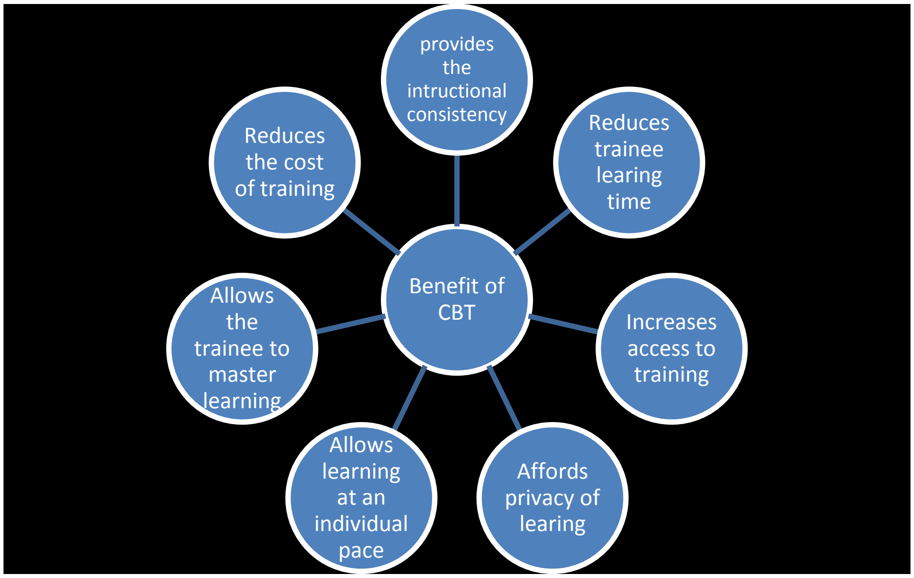
Understanding is conveyed the form of verbal and non – verbal feedback that enables the trainer to determine whether the material is understood. If yes, then definitely it would help out the trainees to implement it at their workplaces and if not, the trainer may need to spend more time on that particular area by presenting the information again in a different manner.

Questioning can be done by both ways i.e. the **trainees** and the trainer. When the trainees ask questions, they explain their thinking about the content of the lecture. A trainer who asks questions stimulates thinking about the content of the lecture, Asking and responding questions are beneficial to trainees because it enhance understanding and keep the trainees focused on the content. Besides that, discussions, and interactions allow the trainee to be actively engaged in the material of the material of the trainer, This activity helps in improving recall.

9.5.1.4 Computer based training (CBT):

With the worldwide expansion of companies and changing technologies, the demands for knowledge and skilled employees have increased more than ever, which in turn, is putting pressure on HR Department to provide training at lower costs. Many organizations are now implementing CBT as an alternative to classroom based training to accomplish those goals.

Some of the benefits of Computer Based training are:



According to a recent survey, about 75% of the organization are providing training to employees through Internet or Internet. Internet is not the Method of training but has become the technique of delivering training, the growth of electronic technology has created alternative training delivery systems.

CBT does not require face to face interaction with a human trainer. This method is so varied in its applications that it is difficult to describe in concise terms.

INTELLIGENT TUTORIAL SYSTEM :

This Intelligent Tutorial system uses artificial intelligence to assist in training or tutoring the participants. This system learns through trainee responses.

Features of Intelligent Tutorial System (ITS)

- It selects the appropriate level of instructions for the participants
- It guides the trainees
- It is a text- based system
- It also evaluates the training Program
- It also improves the methodology for teaching the trainee based on the information.
- It is an interactive system
- It is determines the trainee’s level of understanding

Intelligent Tutorial System (ITS) comprises of 5 Components :

1. A domain expert also called the expert knowledge base

2. **A trainee model –** stores the information on how the trainee is performing performing during the training program

3. A scenario generator

4. **A training session manager-** interprets trainees response and responds either with tutoring more content or information

5. **A user interface –** allows the trainee to communicate with the Intelligent tutorial system

PROGRAMMED INSTRUCTION (PI) Programmed instruction is a Computer – based training that comprises of graphics, multimedia, text that is connected to one another and is stored in memory.

Programmed instruction is the procedure of getting the participants stragegically through the information in a way that facilitates the most effective and efficient learning. It provides the participant with content, information, asks questions, and based on the answer goes to the next level of information, i.e. if the trainee gives the correct answer;

One branch moves the trainee forward to the new information and if the trainee gives the wrong answer information in more elaborate manner. Then different branch is activated, taking the trainee back to the review relevant

This method allows the trainees to go through the content according to the individual speed, and capability. Those trainees, who respond better, move through the content rapidly.

Programmed Instruction also comes in

- Printed form i.e. books
- Tape
- Interactive Video
- Other formats
- In programmed instruction, trainees receive information in substantial amount and then tested on their retention of information. If the trainees are not able to retain the information, they are referred back to the original information. If the trainees retain the information, they are referred to next log of information that is to be learned.

VIRTUAL REALITY : Virtual reality is a training method that puts the participants in 3-D environment. The three dimensional environment stimulates titrations and events that are experienced in the job. The participant interacts with 3-D images to accomplish the training objectives. This type of environment is created to give trainee the impression of physical involvement in an environment. To experience virtual reality, the trainee wears devices, like headset, gloves, treadmills, etc.

Virtual Reality provides trainees with an understanding of the consequences of their actions in the work environment by interpreting and responding to the trainees' action through its accessories.

- **Headset –** provides audio and visual information
- **Gloves –** provides tactile information
- **Treadmills –** is used for creating the sense of movement
- **Sensory devices -** transmits how the trainees are responding in the virtual workplace to the computer. This allows the virtual reality (VR) system to respond by changing the environment appropriately.

Features of Virtual Reality (VR) System

Some of the features of Virtual Reality System are :

- It is Poorly understood- require technical understanding
- It is expensive
- It is time consuming
- It is flexible in nature
- It does not incur traveling, or food cost
- It requires excellent infrastructure

9.5.2 Behavioral methods

Behavioral methods are more of giving practical training to the trainees. The various methods under behavioral approach allow the trainee to behavior in a real fashion. These methods are best used for **skill development**.

The various methods the come under behavioral approach are :

9.5.2.1 Games And simulations

games and simulations are structured and sometimes unstructured, that are usually played for enjoyment sometimes are used for training purposes as on educational tool. Training games and simulations are different from work as they are designed to reproduce to simulate events, circumstances, processes that take place in trainees job.

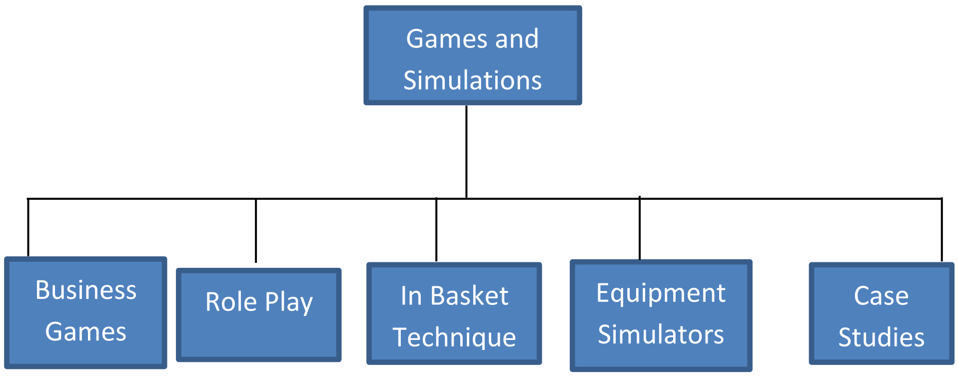
Training game is defined as spirited activity or exercise in which trainees compete with each other according to the defined set of rules.

Simulation is creating computer versions of real-life games. Simulation is about imitation or making judgment or opining how events might occur in a real situation.

It can entail intricate and numerical modeling. Role playing without the training because its key components are :

- Challenge
- Rules
- Interactivity
- These three components are quite essential when it comes to learning.

Some of the examples of this technique are:



Trainees can therefore experience these events, these events, processes, games in a controlled setting where they can develop knowledge, skills, and attitudes or can find out concepts that will improve their performance.

The various methods that come under Games and simulations are:

A. BEHAVIOR – MODELING Behavior modeling use this innate inclination for people to observe others to discover haw to do something new. It is more often used in combination with some other techniques.

Procedure of Behavior Modeling Technique

In this method, Some Kind of process or heavier is videotaped and then is watched by the trainees. Games and simulation section is also included because once the trainees see the videotape, they practice the behavior through role plays or other kind of simulation techniques. The trainee first observes the behavior modeled in the video and then reproduces the behavior on the job.

- The skills that are required to build up are difined
- A brief overview of the theory is then provided to the trainers
- Then the trainees are given instructions that what specific learnig points or critical behavior they have to watch
- Then the expert is used to model the suitable behaviors

- Then the trainees are encouraged to practice the suitable behavior in a role play or through any other method of simulation
- Trainees are then provided with some opportunities to give reinforcement reinforcement for appropriate imitation of the model behavior
- In the end, trainer ensures that trainees appropriately reinforces the behavior on the work place.

Behavior modeling focuses on developing behavioral and interpersonal skills. This type of method can be used for training in

- Sales training
- Interviewee training
- Interviewer training
- Safety training
- Interpersonal skills training

B. BUSINESS GAMES With the increase in globalization and changing technologies, many organizations are now moving from board games to computer based simulations, using interactive multimedia (IM) and virtual reality (VR).

Business games are the type of simulators that bry to present the way an industry, company, organization, consultancy, or subunit of a company functions. Basically, they are based on the set of rules, procedures, plans, relationships, principles derived from the research. In the business games, trainees are given some information that describes a particular situation and are then asked to make decisions that will best suit in the favour of the company. And then the system provides the feedback about the impact of their decisions.

Again, on the basic of the feedback they are asked to make the decisions again. This process continues until some meaningful result do not came out or some predefined state of the organization exists or a specified number of trails are completed.

As an example, if the focus is on organization's financial state, the game may end when the organization reach at desirable or defined profitability level.

- It develops leadership skills
- It improves application of total quality principles
- It develops skills in using quality tools
- It strengthen management skills
- It demonstrates principles and concepts
- It explores and solves complex problem

any games and simulations examine the total organization but only some focus on the functional responsibilities of specific positions in an organization.

Business games simulate whole organization and provide much better perspective then any other training methods. They allow trainees to see how their decisions and actions impact on the related areas.

9.5.2.2 Case Studies Case Studies

try to simulate decision making situation that trainees may find at their at work place. It reflects the situations and complex problems faced by managers, staff, HR, CEO, etc. The objective of the case study method is to get trainees to apply known concepts and ideologies of the case study method is to study method emphasize on approach to see a particular problem rather than a solution. Their solutions are not as important as the understanding of advantages and disadvantages.

Procedure of the Case Study Method

- The trainee is given with some written material, and the some complex situations of a real or imaginary organization. A case study may range form 50 to 200 Pages depending upon the problem of the organization.
- A Series of questions usually appears at the end of the case study.

- The longer case studies Provide enough of the information to be examined while the shorter ones require the trainee to explore and conduct research to gather appropriate amount of information.
- The trainee then makes certain judgment and opines about the case by identifying and giving possible solutions to the problem.
- In between trainees are given time to digest the information. If there is enough time left, they are also allowed to colled to relevant information that supports their solution.
- Once the individuals reach the solution of a problem, they meet in small group to discuss the options, solutions generated.
- Then the trainee meets with the trainer, who further discusses the case.

Case Study method focuses on :

- Building decision making skills
- Assessing and developing Knowledge, Skills and Attitudes (KSAs)
- Developing communication and interpersonal skills
- Developing management skills
- Developing procedural and strategic knowledge

9.5.2.3 EQUIPMENT STIMULATORS

These are the mechanical devices that use some actions, plans, measures, trails, movements, or decision processes they would use with equipment back on their respective work place.

It is imperative that the simulators be designed to repeat, as closely as possible, the physical aspects of equipment and operational surroundings trainees will find at their work place. This is also called as physical fidelity of the simulation.

Besides that, the mental conditions under which the equipment is operated such as, increasing demands, pressure of time, and relationship with colleagues, subordinates, etc. must also be closely matched to what the trainees experience on the work place.

The literature on socio-technical approaches to organizational development provides guidelines for the design or redesign of tools. Human Resource Professional involved in propose of simulators and their pre-testing should engage who will be using the equipment and their supervisors. Their input can help in reducing the potential resistance, errors in the equipment and more importantly, it also increases the degree of reliability between the simulation and work setting.

Equipment simulators can be used in giving training to:

- Air Traffic Controllers
- Taxi Drivers
- Telephone Operators
- Ship Navigators
- Maintenance Workers
- Product Development Engineers
- Airline Pilots
- Military Officers

9.5.2.4 In –Baseket Technique-

It provides trainees with a log of written text or information and requests, such as memos, messages, and reports, which would be handled by manager, engineer, reporting officer, or administrator.

Procedure of the in-basket Technique

- In this technique, trainee is given some information about the role to be played such as, description, responsibilities, general context about the role.
- The trainee is then given the log of materials that make up the in-basket and asked to respond to materials within a particular time period.
- After all the trainees complete in-basket, a discussion with the trainer takes place.
- In this discussion the trainee describes the justification for the decisions.
- The trainer then provides feedback, reinforcing decisions made suitably or encouraging the trainee to increase alternatives for those made unsuitably.

A variation on the technique is to run multiple, simultaneous in baskets in which each trainee receives a different but organized set of information required to make a suitable decision.

This technique focuses on:

- Builing decision making skills
- Assess and develops knowledge, Skills and Attitudes (KSAs)
- Develops of communication and interpersonal skills
- Develops procedural knowledge
- Develops strategic knowledge

9.5.2.5 Role Play

Role Play is a simulation in which each participant of given a role to play. Trainees are given with some information related to description of the role concerns objectives, responsibilities, emotions, etc. them a general description of the situation, and the problem that each one of them faces, is given. For instance situation could be strike in factory, managing conflict, two parties in conflict, scheduling vacation days, etc. Once the participants read their role descriptions, they act out their roles by interaction with one another,

Role plays helps in

- Developing Interpersonal skills and communication skills
- Conflict resolution
- Group decision making
- Developing insight into one's own behavior and its impact on others

There are various types of role plays, such as:

Multiple Role Play – In this type of role play, all trainees are in groups, with each group action out the role play simultaneously. After the role play, each group analyzes the interactions and identifies the learning points.

Single Role Play-One group of participants plays the role for the rest, providing demonstrations of situation. Other Participants observe the role play, analyze their interactions with one another and learn from the play.

Role Rotation – It starts as a single role play. After the interaction of participants, the trainer will stop the role play and discuss what happened so far. Then the participants are asked to exchange characters, this method allows a variety of ways to approach the roles.

Spontaneous Role Play – In this kind of role play. One of the trainees plays herself while the other trainees play people with whom the first participant interacted before.

9.6 TYPES OF TRAINING

Training in an organization can be divided to two broad types, They are on the job trainings and off- the- job trainings.

These on – the job- trainings are given to the employees while they are conducting their regular works at the same places. In this way they do not lose time while they are training or learning. After a plan is developed for what should be taught, employees should be informed about the detailes. A time table should be established with periodic evaluations to inform employees about their progress. On – the- job training techniques include orientations, job instruction training, apprenticeship, internships, assistantships, job rotation and coaching.
Off – the- job techniques include lectures, special study, audio visual conferences or discussions, case studies, role playing simulation, programmed instructions, and laboratory trainings, Most of these techniques are too costly, can be basically divided into Methods of trainings to four types, namely,

a. The telling method

b. The showing method

c. The role playing method

d. The discussion technique

This is any form of training which takes place away from the immediate workplace. Off the job training includes more general skill and knowledge useful for work as well as job specific training, Training may be provided by specialist working for National Grid or by an outside company hired to help with training, off the job training is particularly effective of non – technical skills, as employees can use these across different areas of the company.

Induction training

Both apprentices and graduates receive induction training. One of the induction modules for graduates is a project that aims to accelerate their understanding of the whole Company and introduce them to the behaviours required for working in business teams.

It provides many opportunities to learn about and explore four core competencies:

1. Managing oneself. Trainees learns to tools and techniques to help their self-development through managing their time effectively, meeting deadlines and targets and building other personal capabilities.

2. Working with others, trainees develop leadership and influencing skills, learn to better listen to and respect others, build team spirit and understand personal differences within the team.

3. Business and strategic awareness. Trainees learn and analyses the company's strategy and the commercial environment in which it operates.

4. Planning to achieve. Trainees improve their skills in data gathering and interpret station, project management and creative problem solving.

Health and Safety

In addition, health and safety is an essential part of training at National grid, whether employees perform their work in an office or outdoors in the field. National grid passionately believes that all workplace injuries and incidents are preventable. The company constantly emphasizes and the public as well as the safety of the safety of their colleagues and the public as well as ensure their own safety, the of help the company achieve its target of zero injuries every day. Is in place to help the company achieve its target of zero injuries every day. National grid's Golden Rules are a fundamental building block for its Road to Zero programme. They focus on critical aress of the business where safe behaviours are essential to safeguard employees and the public. They cover behaviours that will prevent the most serious injuries.

9.7 IDENTIFYING TRAINING ISSUES

When building a blue print for success, it is important that you analyze the issues to ensure that they are actually '**training issues".**

Determine the problem : Determining the problem can sometimes be difficult, especially when it comes to identifying training issues, the first reaction is to look at a issues on the surface, By looking at the shallow end of a situation, we often misinterpret the symptoms of an issue as the root cause of the problem, to avoid for a the misinterpretation, try to take each problem and determine if there is a source of the problem, for example, your client states that his employees need training on a widget process, the misinterpretation is that the employees do not know the processes, after further analysis your discover that the employees do not understand what the widget does, if you simply develop training around the widget processes, the employees, will still find it difficult to meet the expectations of your client, However, training the employees about the purpose of the widget, will result in greater success. One they understand the purpose of the widget, the processes will be easier on understand and they will perform to the expectations of your client, consider the following questions.

- What is the root cause of the problem ?

- What can training do to improve performance ?
- What performance measures are being used to assess employee Performance ?

Determine expectations : Many times People determine a problem and fail to identify the expectations of the performance. This is an important step in the process of identifying training issues. In the last example, you identified the problem. The next step is to determine the expectations of performance for the identified problem. For example, you identified that the employees need on understand the purpose of the widget. However, you have not established the amount of understanding that the employees need.

To know in order to meet acceptable performance measures, it is one thing to know about a widget, it is another thing to know how you should use the widget in accordance to management expectations, Many training courses fail because they lack a clear understanding of the performance standards. Ensuring that employees meet the expectations is the goal of all training initiatives, Consider for the following questions when discussion expectations:

- What performance measures are being used to assess exployee performance?
- What skills are required for the job?
- What level of experience is required for the job?
- What level of skill is expected once of employee completes the training?
- How does the business define success?
- What are the goals of the business?

After determining the problem and the expectations, you should be able to define and list the training objectives for the course. Remember that training attempts to prove the necessary knowledge and skill for employees to meet their job performance expectations successfully.?

9.8 Key Words

CBT: Computer based training

Business games : Type of simulators that represent the way an industry, company, organization, consultancy, or subunit of a company functions.

Cognitive methods: Making trainees aware of mental processes required ofr learning.

Behavioral methods: Giving practical training to the trainees.

9.9 Self assessment questions

1) Define training. Why training need occurs?

2) Elaborate on CBT

3) Describe various types of training.

4) Differentiate between cognitive methods and behavioral methods.

5) Write brief account of

A. Programmed instructions

B. Role playing

C. In-basket techniques of training.

D. Equipment stimulators

E. Case study methods

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UNIT 10

EVALUATION OF TRAINING

After studying this unit, you would be able to understand the :

1) Reaction, i.e. did trainees like the programme? Did they think it worthwhile ?

2) Learning. Test the trainees to determine whether they learned the principles, skills and facts they were suppose to learn.

3) Behaviour. Whether trainees behaviour changed because of the training programme.

4) Results. What final results were achieved in terms of the training objectives previously set? Did the number of complaints about employees drop? Did the reject rate improve ? Did the scrappage cost decease? If desired results are not achieved then in the final analysis the training has not achieved it's goals.

Unit Structure

10.1.1 INTRODUCTION

Training is a vital component for any organization or business to be successful. Thorough evaluation are needed to determine the most effective training programs and how best to implement them. Evaluation is an important part of most instructional design (ID) models. Evaluation tools and methodologies help determine the effectiveness of instructional interventions. Despite it's importance, evaluations of training programs are often inconsistent or missing (Carnevale & Schulz, 1990; Holcomb, 1993; McMahon & Carter, 1990; Rossi et al, 1979). Reasons include : insufficient budget allocated; insufficient time allocated; lack of expertise; blind trust in training solutions; or lack of methods and tools (see, for example, McEvoy & Buller, 1990).

Part of the explanation may be that the task of evaluation is complex in itself. Evaluating training interventions with regard to learning transfer, and organizational impact involves a number of complexity factors. These complexity factors are associated with the dynamic and ongoing interactions of the various dimensions and attributes of organizational and training goals, trainees, training situations, and instructional technologies.

Evaluation goals involve multiple purposes at different levels. These purposes include evaluation of student learning evaluation of instructional materials, transfer of training, return on investment and so on. Attaining these multiple purposes may require the collaboration of different parts of an organization. Furthermore, not all goals may be well-defined and some may change.

Different approaches to evaluation of training indicating how complexity factors associated with evaluation are addressed below. Furthermore, how technology can be used to support this process is suggested. In the following section, different approaches to evaluation and associated models are discussed. Next, recent studies concerning evaluation practice are presented. In the final section, opportunities for automated evaluation systems are discussed. The article concludes with recommendations for further research.

10.1.2 APPROACHES TO EVALUATION OF TRAINING

Commonly used approaches to educational evaluation have their roots in systematic approaches to the design of training. They are typified by the instructional system development (ISD) methodologies, which emerged in the USA in the 1950s and 1960s and are represented in the works of Gagne and Briggs (1974), Goldstein (1993) and Mager (1962). Evaluation is traditionally represented as the final stage in a systematic approach with the purpose being to improve interventions (formative evaluation) or make a judgment about worth and effectiveness (summative evaluation) (Gustafson & Branch, 1997). More recent ISD models incorporate evaluation throughout the process (see, for example, Tennyson, 1999).

Six general approaches to educational evaluation can be identified (Bramley, 1991; Worthen & Sanders, 1987), as follows:

- Goal-based evaluation

- Goal-free evaluation
- Responsive evaluation
- Systems evaluation
- Professional review
- Quasi-legal

Goal-based and systems-based approaches are predominantly used in the evaluation of training (Philips, 1991). Various frameworks for evaluation of training programs have been proposed under the influence of these two approaches. The most influential framework has come from Kirkpatrick (Carnevale & Schulz, 1990; Dixon, 1996; Gordon, 1991; Philips, 1991, 1997). Kirkpatrick's work generated a great deal of subsequent work (Bramley, 1996; Hamblin, 1974; Warr et al. 1978) Kirkpatrick's model (1959) follows the goal-based evaluation approach and is based on four simple questions that translate into four levels of evaluation. These four level are widely known as reaction, learning, behaviour and results. On the other hand, under the systems approach, the most influential models include : Context, Input Process, Product (CIPP) Model (Worthen & Sanders, 1987); Training Validation System (TVS) Approach (Fitz-Enz, 1994); and input, Process, Output, Outcome (IPO) Model (Bushnell, 1990). Table 1 presents a comparison of several system-based models (CIPP, IPO & TVS) with a goal-based model (Kirkpatrick's). Goal-based models (such as Kirkpatrick's four level) may help practitioners think about the purposes of evaluation ranging from purely technical to covertly political purpose. However, these models do not define the steps necessary to achieve purposes and do not address the ways to utilize results to improve training. The difficulty for practitioners following such models is in selecting and implementing appropriate evaluation methods (quantitative, qualitative or mixed). Because of their apparent simplicity, "trainers jump feet first into using [such] model[S] without taking the time to assess their needs and resources or to determine how they'll apply the model, and training ends up being evaluated only at the reaction, or at best, at the learning level. As the level of evaluation goes up, the complexities involved increase. This may explain why only levels 1 and 2 are used.

Kirkpatrick (1959)	**CIPP Model (1987)**	**IPO Model (1990)**	**TVS Model (1994)**
1. Reaction: To gather data on participants reactions at the end of a training program	1. Context: Obtaining information about the situation to decide on educational needs and establish program objectives.	1. Input: Evaluation of system performance indicators, such as, trainee qualification, availability of materials, appropriateness	1. Situation: Collecting pre-training data to ascertain current levels of performance within the organization and defining a desirable level of future performance.

		of training, etc.	
2. Learning: To assess whether the learning objectives for the programme are met.	2. Input: Identifying educational strategies most likely to achieve the desired result.	2. Process: Embraces planning, design, development and delivery of training programmes.	**2.** Intervention: Identifying the reason for the existence of the gap between the present and desirable performance to find pout if training is the solution to the problem.
3. Behaviour: To assess whether job performance changes as a result of training.	3. Process: Assessing the implementation of the educational program.	3. Output: Gathering data resulting from the training interventions.	3.Impact: Evaluating the h difference between the pre- and post-training data.
4. Results: To assess cost versus benefits of training programs, i.e., organizational impact in terms of reduced costs, improved quality of work, increased quantity of work, etc.	4. Product: Gathering information regarding the results of the educational intervention to interpret its worth and merit.	4. Outcomes: Longer-term results associated with improvement in the corporation's bottom line-its profitability, competitiveness, etc.	4. Value: Measuring differences in quality, productivity, service of sales all of which can be expresses in terms of dollars.

Table 1. Goal-based and system-based approaches to evaluation

On the other hand, systems-based models (e. g, CIPP, IPO and TVS) seem to be more useful in terms of thinking about the overall context and situation but they may not provide sufficient granularity. System-based models may not represent the dynamic interactions between the design and the evaluation of training. Few of these models provide detailed descriptions of the processes involved in each steps. None provide tools for evaluation. Furthermore, these models do not address the collaborative process of evaluation, that is, the different roles and responsibilities that people may play during as evaluation process.

10.1.3 Current Practices in Evaluation of Training

Evaluation becomes more important when one considers that while American Industries, for example, annually spend up to s 100 billion on training and development, not more than "10 percent of these expenditures actually result in transfer to the job" (Baidwin & Ford, 1988, p.63). This can be explained by reports that indicate that not all training programs are consistently evaluated (Carnevale & Shulz, 1990). The American Society for Training and Development (ASTD) found that 45 percent of surveyed organizations only gauged trainees reactions to courses (Bassi & Vab Buren, 1999). Overall, 93% of training courses are evaluated at Level one, 52% of the courses are evaluated at Level Two, 31% of the courses are evaluated at Level Three and 28% of the courses are evaluated at Level Four. These data clearly represent a bias in the area of evaluation for simple and superficial analysis.

This situation does not seem to be very different in Europe, as evident in two European commission projects that have recently collected data exploring evaluation practices in Europe. The first one is the Promoting Added Value through Evaluation (PAVE) project, which was funded under the European Commission's Leonardo da Vinci program in 1999 (Donoghue,1999). The study examined a sample of organizations (small, medium and large), which had signaled some commitment to training and evaluation by embarking on the UK's Investors in People (Iip) standard (Sadler-Smith et al., 1999). Analysis of the responses to surveys by these organizations suggested that formative and summative evaluations were not widely used. In the majority of the cases, the responsibility for evaluation was that of managers and most frequently used methods were informal feedback and questionnaires. The majority of respondents claimed to assess the impact on employee performance (the 'learning' level). Less than one-third of the respondents claimed to assess the impact of training on organization (the results level). Operational reasons for evaluating training were cited more frequently than strategic ones. However, information derived from evaluations was used mostly for feedback to individuals, less to revise the training process, and rarely for return on investment decisions. Also, there were some statistically significant effects of organizational size on evaluation practice. Small firms are constrained in the extent to which they can evaluate their training by the internal resources of the firm. Managers are probably responsible for all aspects of training (Sadler-Smith et al. 1999).

The second study was conducted under the Advanced Design Approaches for Personalized Training- Interactive Tools (ADAPT IT) is a European project within the Information Society Technologies programme that is providing design methods and tools to guide a training designer according to the latest cognitive science and standardization principles (Eseryel & Spector, 2000). In an effort to explore the current approaches to instructional design a series of surveys conducted in a variety of sectors including transport, education, business and industry in Europe. The participants were asked about activities that take place including the interim products produced during the evaluation process, such as a list of revisions or an evaluation plan. In general, systematic and planned evaluation was not found in practice nor was their distinction between formative and summative evaluation. Formative evaluation does not seem to take place explicitly while summative evaluation is not fully carried out. The most common activities of evaluation seem to be the evaluation of student performance (i.e. assessment) and there is not enough evidence that evaluation results of any type are used to revise the training design (Eseryel et al. 2001). It is important to note here that the majority of the participants expressed a need for evaluation software to support their practice.

10.1.4 Using Computer to Automate Evaluation Process:

For evaluations to have a substantive and pervasive impact on the development of training programs, internal resources and personnel such as training designers, trainers, training managers and chief personnel will need to become increasingly involved as program evaluators. While using external evaluation specialists has validity advantages, time and budget constraints make this option highly impractical in most cases. Thus the mentality that evaluation is strictly the province of experts often results in there being no evaluation at all. These considerations make a case for the convenience and cost-effectiveness of internal evaluations. However, the obvious concern is whether the internal team possesses the expertise required to conduct the evaluation and if they do how the bias of internal evaluators can be minimized. Therefore, just as automated expert systems are being developed to guide the design of instructional programs (Spector et al., 1993), so might such systems be created for instructional evaluations. Lack of expertise of training designers in evaluation, pressures for increased productivity, and the need to standardize evaluation process to ensure effectiveness of training products are some of the elements that may provide motivations for supporting organization's evaluation with technology. Such systems might also help minimize the potential bias of internal evaluators.

Ross & Morrison (1997) suggest two categories of functions that automated evaluation systems appear likely to incorporate. The first is automation of the planning process via expert guidance; the second is the automation of the data collection process.

For automated planning through expert guidance, an operational or procedural model can be used during the planning stages to assist the evaluator in planning an appropriate evaluation. The expert program will solicit key information from the evaluator and offer recommendations regarding possible strategies. Input information categories for the expert system include:

- Purpose of evaluation (formative or summative)

- Type of evaluation objectives (cognitive, affective, behavioural, impact)
- Level of evaluation (reaction, learning, behaviour, organizational impact)
- Type of instructional objectives (declarative knowledge, procedural learning, attitudes)
- Type of instructional delivery (classroom-based, technology-based, mixed)
- Size and type of participant groups (individual, small group, whole group)

Based on this input an expert system can provide guidance on possible evaluation design orientations, appropriate collection methods, data analysis techniques reporting formats, and dissemination strategies. Such expert guidance can be in the form of flexible general strategies and guidelines (weak advising approach). Given the complexities associated with the nature of evaluation, a weak advising approach such as this is more appropriate than a strong approach that would replace the human decision maker in the process. Indeed, weak advising systems that supplement rather than replace human expertise have generally been more successful when complex procedures and processes are involved (Spector et al., 1993).

Such a system may also embed automated data collection functions for increased efficiency. Functionality of automated data collection systems may involve intelligence test scoring of procedural and declarative knowledge, automation of individual profile interpretations and intelligent advice during the process of learning (Bunderson et al., 1989). These applications can provide increased ability to diagnose the strengths and weaknesses of the training program in producing the desired outcomes. Especially, for the purposes of formative evaluation this means that the training program can be dynamically and continuously improved as it is being designed.

Automated evaluation planning and automated data collection systems embedded in a generic instructional design tool may be an efficient and integrated solution for training organizations. In such a system it will also be possible to provide advice on revising the training materials based on the evaluation feedback. Therefore evaluation data, individual performance data, and revision items can be tagged to the learning objects in a training program. ADAPT IT instructional design tool is one of the systems that provide such an integrated solution for training organizations (Eseryel et al. , 2001).

10.1.5 Conclusion

Different approaches to evaluation of training discussed herein indicate that the activities involved in evaluation of training are complex and not always well-structured. Since evaluation activities in training situations involve multiple goals associated with multiple levels, evaluation should perhaps be viewed as a collaborative activity between training designers, training managers, trainers, floor managers and possibly others.

There is a need for a unifying model for evaluation theory, research and practice that will account for the collaborative nature of and complexities involved in the evaluation of training. None of the available models for training evaluation seem to account for these two aspects of evaluation. Existing models fall short in comprehensiveness and they fail to provide tools that guide organizations in their evaluation systems and procedures. Not surprisingly, organization are experiencing problems with respect to developing consistent evaluation approaches. Only a small percentage of organizations succeed in establishing a sound evaluation process that feeds back into the training design process. Evaluation activities are limited to reaction sheets and student testing without proper revision of training materials based on evaluation results. Perhaps lack of experience in evaluation is one of the reasons for not consistently evaluating. In this case, the organization may consider hiring an external evaluator, but that will be costly and time consuming. Considering the need for the use of internal resources and personnel in organizations, expert system technology can be useful in providing expert support and guidance and increase the power and efficiency of evaluation. Such expert systems can be used by external evaluators as well.

Strong, completely automated systems offer apparent advantages, but their development and dissemination lag behind their conceptualization. Future needs to focus on the barriers to evaluation of training, how training is being evaluated and integrated with the training design, how the collaborative process of evaluation is being managed and how they may be assisted. This will be helpful in guiding the efforts for both the unifying theory of evaluation and in developing automated evaluation systems.

10.2 New Issues in Manpower Training and Career Development

Major Issues that are related to manpower training are:

1) Aligning training with business strategy: Aligning training activities with business strategy has been a goal of most training units for a long time. This is because organizations have begun to realize that training is a tool not only for getting better job performance, but also for creating organization-wide adaptability.

2) Changing demographics: Most demographic shifts affect the business nowadays. Principle among these demographic shifts are:

- Increased ethnic and cultural diversity.

- ➢ Differing generational values
- ➢ Significant fluctuations in generational birth rates
- ➢ Aging of the population (baby boomers)

3) Knowledge workers : It is predicted that there will be a shortage of labour in areas requiring advanced or specialized knowledge and skill. Companies are now trying to find ways to maintain the competency levels of existing employees and provide appropriate competencies to new employees.

4) Training as a continuous improvement: Effective training is a continuous performance improvement process. Training does not start and stop with each program. The training function in organizations continuously searches for performance improvement opportunities.

5) Quality: High quality products and services are necessary to stay in business in today's competitive markets and thus have priority for most businesses. Once a company takes a decision to ensure quality measures it, therefore, is prepared to engage in a substantial amount of training.

6) Legal Issues: Equal employment opportunity, affirmative action, sexual harassment and related legislation have placed legal requirements on business that affect how training is managed.

Some of the important legal issues are:

- ➢ Equity
- ➢ Required training
- ➢ Liability for injury or illness
- ➢ Confidentiality
- ➢ Copyrighted materials

7) Job analysis as an indicator: An effective job analysis should be done in order to find the deficiency in the employee's knowledge and skill so that these gaps are filled. Therefore, job descriptions and job specifications will help in indicating the strengths and weaknesses.

8) Trainer training: In order for training programs to be more efficient, it is important that the trainers themselves should have adequate and specialized type of training.

9) Technology: The methods and techniques used by the trainers should provide an active participation of the trainees in the learning process, so that they have grasp and assimilation of the knowledge and information gained through various methods and techniques.

10.3.1 Roles you can Play

COACH: Helps employees identify strengths, weaknesses, interests, and values by maintaining open, effective communication and ongoing encouragement. You can improve your coaching by:

- Encouraging two-way dialogue
- Showing employees how to identify their skills, interests, and values
- Scheduling uninterrupted career development discussions

ADVISOR: Provides organizational information, realities, and resources to employees.

You can improve your advising by:

- Helping employees develop realistic career goals based on your department's needs and their individual development plans
- Helping employees understand the current opportunities and limitations on the campus
- Advising employees on the feasibility of various career options

APPRAISER: Evaluates employee's performance in an open, candid way and relates this to potential opportunities. You can improve your appraisal skills by:

- Providing frequent feedback in a way that fosters development
- Conducting performance appraisals that define strengths, weaknesses, and career development needs
- Relating current performance to future potential in realistic ways
- Using an individual development plan as a tool for continual feedback and development

REFERRAL AGENT: Helps employees meet their goals through contacts with people and resources. You can improve your referral agent skills by:

- Helping employees formulate development plans and consulting on strategies
- Providing opportunities for experience, exposure, and visibility, such as committees and task forces
- Using personal resources who you know and what you know to create opportunities
- Assisting in seeking employees placement lateral or vertical.

10.3.2 The 10-Step Process For Developing Training Courses

The process for developing performance-based training includes the following 10 steps. The first four steps constitute the task analysis that is necessary to design and develop relevant, useful training materials. Steps-5 constitute the design and development process.

1. Define the target population for training.

2. List the tasks to be performed by the target population on the job.

3. List the skills and knowledge needed to do the tasks.

4. Select the skills and knowledge to be taught. (These make up the "training objectives").

5. Organize the selected skills and knowledge into suitable teaching units (modules) and develop the training design (including brief outlines of Module content and planned training methods).

6. Draft expanded outlines of modules, including instructional objectives, main body of text, and descriptions of training methods, examples and exercises.

7. Experts provide realistic examples and information for use in exercises.

8. Draft the complete modules, facilitator guidelines and course director guidelines.

9. Field-test the training materials.

10. Revise and finalize training materials on the field test.

10.4 EMERGING ISSUES IN TRAINING

The general training objectives need to be broken into various components such as knowledge, skill, attitude and understanding. For each constituent, specific contents are decided, appropriate methods chosen and time frame specified. It is useful to work out in detail the specification for each constituent part called event or block in terms of

A. General objectives

B. Specific objectives

C. Content

D. Method

E. Teaching aid needed

F. Time required

G. Evaluation

H. Resource Persons

10.4.1 Developing Training Packages:

After analyzing each constituent segment of the objectives, a number of training packages can be developed to provide the organization with various alternative ways of achieving the objectives. For example, for meeting the objectives of helping middle managers acquire human relations skills the following training packages may be suggested.

Package 1- One week full time residential program.

Package 2- One week full time non residential programme.

Package 3- Two weeks part-time non residential training after working hours.

Through the analysis already done of the content, method, resources, facilities and time required, it will be possible and advisable to work out budget for each of the packages so as to enable the decision makers to select the appropriate package.

Such a training package should also contain a detailed syllabus with proper sequencing of content and themes, consistency in their arrangement, and an appropriate mix of training methods. Today psychology has a fund of knowledge that can be applied with extremely beneficial results in the matter of training of all sort and at all the levels of organization. The psychological principles can serve as guidelines in drawing sounder and more satisfactory training programmes in industry.

Other advantages of implementation of a well drawn out and sound training programme in industries are reduced turnover, absenteeism, dissatisfaction accident scrap and increased production. Training is an investment in HR with a promise of better return in future.

10.5 TRAINING IN GLOBAL ENVIRONMENT

Training in global environment are organized around three pillars namely Education, Training and Networking.

Education:

Focuses on: Inspiring, informing, mentoring, supporting and facilitating institutions of higher learning to undertake curriculum innovations for sustainability. Additionally, institutions of higher learning are encouraged to reorient their curricula in support of sustainable development.

The Education pillar also focuses on: Inspiring, encouraging, and supporting universities to develop and implement their own transformative strategies for establishing green, resource-efficient and low carbon campuses. This provides an opportunity to build stakeholder capacity to deliver systemic, institution-wide integration of sustainability principles into all aspects of university business with the view to improve the sustainability performance of universities globally and to provide support to other stakeholders embarking on their own sustainability journeys. Further, this initiative aims to enhance the practical relevance of universities to sustainable development.

Current initiatives include: Guidance to universities and other institutions of higher learning on curriculum review and reorientation towards sustainable development, in line with the principles of Education for Sustainable Development (ESD); Greening

Universities initiative; Environment and Sustainability Seminars and Leadership Programmes and ;Development dissemination of information and knowledge resources e.g. Source Books to aid development of graduate level (masters) curricula and programmes on Green Economy and Ecosystems Management.

Training

Focuses on developing applied competence by enhancing knowledge and awareness on UNEP's priority thematic areas as well as equipping the target audience (mainly mid-level managers and policy makers) with relevant skills, values and attitudes on key environmental and sustainability themes, issues and emerging concepts such as 'Green Economy'. This is implemented through scheduled training courses and leadership programmes in universities.

Current training programmes include: The International Post-graduate Training Programme on Environmental Management (Dresden University, Germany) ; Youth Encounter on Sustainability (YES)/ Activating Talent in Sustainability (ACTIS) programme; sustainable Communities Course (Helsinki University of Technology, Finland) ; International Environmental Law-making and Diplomacy Training (University of Joensuu, Finland), International training Programme (ITP) on Education for Sustainable Development (ESD) (Ramboll Natura , AB, Sweden), UNEP-Tongji Institute of Environment for Sustainable Development Training Courses (Tongji University, China), Central Asian Leadership Programme on Education for Sustainable Development and UNEP / WATSON Scholars of the Environment (Brown University, U.S.A.).

Networking

Focuses on encouraging and strengthening regional and sub-regional higher education networks for environment and sustainability. These are modeled around continents, UNEP regions as well as the North-South and South-South frameworks. It also aims to further establish linkages with other higher education initiates for sustainability around the world and recognize programmes of excellence.

Training and Development

Some flagship networking initiatives include : Mainstreaming Environment and Sustainability in African Universities (MESA) for Africa, Mainstreaming Environment and sustainability in the Caribbean Universities (MESCA) for the Caribbean and, the Regional University Consortium (RUC) for Asia and the Pacific. All these feed into the Global Universities Partnership on Environment for Sustainability (GUPES). Sustainable societies of Africa. This is vital contribution to the efforts of universities throughout Africa to contribute in a real and sustainable manner to development in Africa. In both design and content, the United Nations Environment Programme (UNEP) and the Environic Foundation International (EFI) have produced a valuable tool for both improving the quality of higher education in Africa and the quality of life for graduates and their communities.

Environment Awareness Programme : The promotion and support of structured and continued environmental awareness raising initiatives aimed at developing informed citizens able to critically engage in decision making and action taking for sustainable development.

Training Programmes : The promotion and strengthening of professional development and training programmes that are empowering, tolerant of diversity, and contextually responsive to local and regional environmental and development issues.

Ongoing research and Training Programme : Facilitating ongoing research to enhance the quality and effectiveness of environmental education and training programmes for all sectors of society as well as the use of information and communication technology skills.

Training Programmes : The promotion and strengthening of professional development and training programmes that are empowering, tolerant of diversity, and contextually responsive to local and regional environmental and development issues.

Networking and Partnership : The establishment and strengthening of mechanisms for flexible, cross-sectoral, governmental cooperation amongst relevant organizations, institutions and civil society to enhance the shared development and wise use of environmental education resources programmes.

Promotion of Environmental Education : Strengthening of UNEP's advocacy role in enabling policy and resource allocation decisions within political, economic, social and environmental agencies, institutions and the private sector.

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Key Words:

Advanced Design Approaches for Personalized Training – Interactive Tools (ADAPT IT) is a European project within the Information Society Technologies programme that is proving design methods and tools to guide a training designer according to the latest cognitive science and standardization principles.

Automated expert systems-are being developed to guide the design of instructional programs

Automated planning through expert guidance, an operational or procedural model can be used during the planning stages to assist the evaluator in planning an appropriate evaluation.

Aligning training with business strategy- a tool for creating organization-wide adaptability.

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Self Assessment Questions

1 What are the general approaches to evaluation program?

2 Presents a comparison of several system-based models (CIPP, IPO & TVS) with a goal-based model (Kirkpatrick's).

3 Discuss Ross & Morrison (1997) suggested two categories of functions that automated evaluation systems appear likely to incorporate.

4 Elaborate on the major Issues that are related to manpower training

5 Describe the 10-steps Process For Developing Training Courses.

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UNIT 11

EXECUTIVE DEVELOPMENT PROGRAMME

Objectives

After studying this unit, you would be able to understand the:

Meaning, principles, characteristics, factors which influence Executive development program.

Why executive development Programme is needed.

How to assess present executives talent,

The training requirement for executive development.

Process of executive development programme and its evaluation.

Unit Structure

Introduction: Executive development consists of all the means that improve his/her performance and behaviour. Executive development helps understand cause and effect relationship, synthesizes from experience, visualizes relationships or thinks logically. That is why some behavioural scientists suggest that the executive development is predominantly an educational process rather than a training process. Flippo has viewed that "executive/management development includes the process by which managers and executives acquire not only skills and competency in their present jobs but also capabilities for future managerial tasks of increasing difficulty and scope". Executive development being a predominantly educational process is a continuous and life-long process. It is not like training as a one-shot programme but an on-going continuous programme throughout the career of an executive or manager.

Like any kind of learning, executive development is based on the assumption that there always exists a gap between what an executive performs and what he/she can. Executive development harnesses this untapped potential.

11.1 EXECUTIVE DEVELOPMENT PROGRAMME:

Executive development includes all the activities aimed at developing the skills and competencies of those that (will) have executive position in organisations. While "executive" and "manager" and "leader" are often used interchangeably, "executive" is commonly used to signify the top 5% or 10% of the organization. Similarly, "development" and "training" and "education" are often used as synonyms, however, "development" is generally seen as the more encompassing of the three in terms of activities that build skills and competencies.

"Executive Development is a planned, systematic and continuous process of learning and growth by which managers develop their conceptual and analytical abilities to manage."

While it is typical to find organizations that have dedicated corporate training and development to people and processes, it is not always the case that an organization will have a dedicated executive development set of activities. In some organizations (typically large multinationals), there is a separate executive development team, in other organizations executive development is handled as one of many activities by the larger corporate training group, and in yet other scenarios there is no executive development activity to speak of.

In contrast to other corporate training and development activities, which have as their core purpose to build tactical skills for employees, executive development plays a different role for the organization. Indeed some executive development is conducted for the purpose of building tactical skills (sometimes referred to as "hard skills" such as business fundamentals, finance, marketing, operations and also "soft skills" such as communication and team building), yet executive development is also used to evaluate future potential future executives as well as a mechanism for the CEO and the executive team to cascade their strategies, goals, and even elements of the culture to the rest of the management team and ultimately the organization. In the best of the cases, executive development not only helps an organization execute its key strategies, it can also help provide input to the strategy creation process. In this way, executive development is much more strategic than typical corporate training and development which is used for most employees of an organization.

11.1.1 Characteristics of Executive Development:

The characteristics of executive development are as following:-

a) Executive development is a planned and organized process of learning.

b) It is an ongoing and never ending exercise.

c) Executive development is a long term process as managerial skills cannot be developed overnight.

d) It aims at preparing managers for managers job.

11.2 FACTORS INFLUENCING EXECUTIVE DEVELOPMENT

11.2.1 Principles of Executive Development

Top Management should accept responsibility for executive development. A senior executive should be made in charge of initiating and implementing the company's executive development programmes.

Every manager must accept direct responsibility for developing the executives under his control on the job.

Executive development programme must be geared to the needs of the company and the individual.

Define strategy spelling out the Objectives, Coverage and the type of executive development programmes should be formulated. A realistic time schedule for the development of executive personnel should be prepared keeping in view the present and future needs of the organization. Executive development begins with the selection of right man for the executive positions. Thus good persons should be fed into executive development programme at all entry level.

11.2.2 Key Factors Identified for Executive Development are as follows:-

1. HRD Environment: Executive programmes, no matter how well designed may not perform if environment is unsuitable as they will create lot of barriers in their performance.

2. Goal Clarity: One of the most important factor for the success of any executive development programme is goal clarity. Managers must have in mind a clear picture of the goal they want to achieve. If this clarity does not exist they cannot be sure about how they are progressing.

3. Motivation : If no incentive is perceived by participants for attending Executive Development then success of that programme is not possible. People usually do things for two reasons:

1) If it gives advantage to them; and

2) If it serves someone else purpose and they do it for something in return for doing it. Self-interest and incentives are the two significant motivators.

4. Review of what is being done and what is being accomplished is very important for executive development programme. Constant review of every activity from planning stage to the performance stage is an essential focal point of Executive Development Programme.

11.3 PROCESS OF EXECUTIVE DEVELOPMENT

- 3.3.1 Analysis of development needs
- 3.3.2 Appraisal of present managerial talent
- 3.3.3. Inventory of executive manpower
- 3.3.4 Planning individual development programmes
- 3.3.5 Establishing training and development programmes
- 3.3.6 Evaluating development programmes

This can be shown by the following diagram :

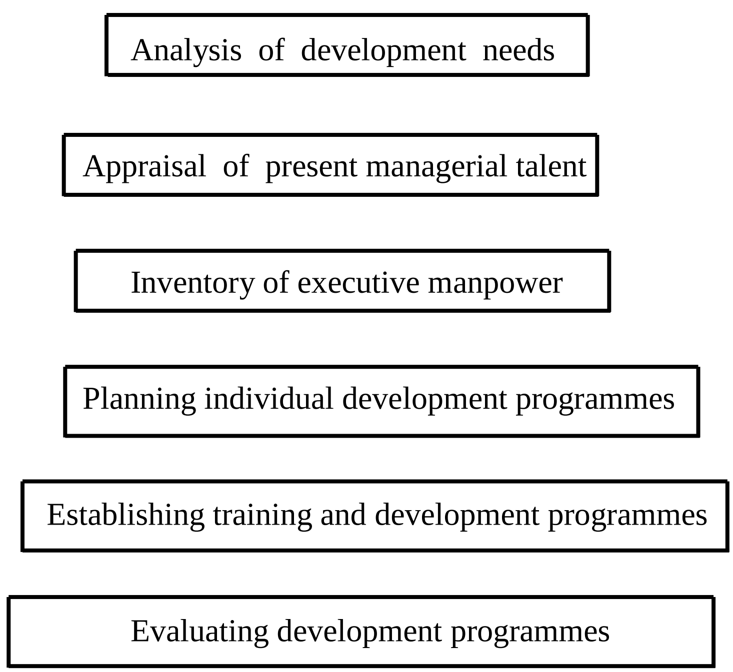

Figure 1 : Process of Executive Development Programme

11.3.1 Analysis of Development Needs :-

- Present and future development needs of the organization are ascertained.
- Determination of number and type of executives are required to meet the present and future needs of the enterprise.
- Focuses is on organizational planning.
- Critical analysis of the organization structure in the light of future plans, i.e.
  - **i)** Department needs
  - **ii)** Function
  - **iii)** Key executive functions
- Finally job description and job specifications are prepared for all executive positions.

11.3.2 Appraisal of Present Managerial Talent :-

- Qualitative assessment of the existing executives is made to determine the type of executive talent available within the organization.
- Every Executive's performance is compared with the standard expected.

11.3.3 Inventory of Executive Manpower :-

- Inventory is prepared to obtain complete information about each executive.
- Data on
  - **i)** Age
  - **ii)** Education
  - **iii)** Experience
  - **iv)** Health
  - **v)** Test results and
  - **vi)** Performance appraisal results are collected.
- All this information is maintained on cards of each executive.
- This indicates the strength and deficiencies of executives.
- The gaps are rectified to fulfill the future needs of the organization.

11.3.4 Planning Individual Development Programmes :-

Each individual has a unique set of physical, intellectual and emotional characteristics. Therefore, development plan should be designed individually.

11.3.5 Establishing Training and Development Programmes

- HRD prepares comprehensive and well conceived programmes.
- The department identified development needs and may launch specific courses in fields of
  - **i.** Leadership
  - **ii.** Decision making
  - **iii.** Human relations etc.
- HRD also recommends specific executive development programmes organized by well known institute of management.
- On the basis of recommendations top management nominates the executives at the cost of the company.

11.3.6 Evaluating Development Programmes :-

- Programme evaluation will reveal the relevance of the development programmes.
  - **i)** Observation of the trainee's behaviour
  - **ii)** Opinion surveys
  - **iii)** Interviews
  - **iv)** Tests and change in productivity
  - **v)** Quality
  - **vi)** Cost etc. can be used to evaluate development programmes.
- Evaluation is necessary to find out to what extent the programme Objectives have been achieved.

11.4 Methods and Techniques of Executive Development

There are two methods of Executive Development :

a) On the job techniques

b) Off the job techniques

On the job techniques	**Off the job techniques**
1. Coaching	1. Lectures

2. Understudy
3. Position rotation
4. Multiple Management

2. Group Discussions
3. Case Study Method
4. Conference Method
5. Sensitivity Training

On the job techniques :

Let us discuss each one by one :

a) Coaching :

In this method,

- The superior guides and instructs the trainee as a coach.
- The coach sets mutually agreed upon goals.
- Suggests how to achieve the goals.
- Periodically reviews the trainee's progress.
- Suggests changes required in behaviour and performance.

Advantages:

1. It is learning by doing.

2. Every executive can coach his subordinate even if no executive development programme exits.

3. Periodic feedback and evaluation are a part of coaching.

4. It involves close interactions between the trainee and his boss.

Disadvantages:

1. It requires that the superior is a good teacher and guide.

2. The training atmosphere is not free from the worries of daily routine.

3. It involves close interactions between the trainee and his boss.

b) Understudy:

- In this method, a person is selected and being trained as the heir apparent to assume at a future time the full duties and responsibilities of the position presently held by his superior.
- In this way, a fully trained person becomes available to replace a senior during his long absence of illness, on his retirement, transfer, promotion or death.

- The junior is generally assigned tasks which are closely related to the work in his section and he is deputed to attend executive meetings as a representative of his superior.

Advantages:

1) Trainee receives continuous guidance from the senior and gets the opportunity to see the total job.

2) It is practical and time saving due to learning by doing.

3) Ensure continuity of management when the superior leaves his position.

Disadvantages:

1) As one employee is identified in advance as the next occupant of a higher level managerial position, the motivation of other employees in the unit may be affected.

2) Under an over bearing senior, the understudy may lose its freedom of thought and action.

c) Position rotation:

- Involves movement or transfer of executives from one position or job to another on some planned basis.
- Persons are moved from one position to another according to a rotation schedule.
- Also known as job rotation.
- Aim: to broaden the knowledge, skills, and outlook of executives.
- Often designed for junior executives.
- May continue for a period ranging from six months to two years.

Advantages:

1) Helps to reduce monotony and boredom.

2) Facilitates inter-departmental cooperation and coordination.

3) Infuses new concepts and ideas.

Disadvantages :

1) May cause disturbance in established operations.

2) Trainee executive may find it difficult to adjust himself to frequent moves.

3) It may upset family and home life when transfers are made to different geographical areas.

d) Multiple management:

- Technique developed by Charles P. McCormic Corporation of Baltimore, U.S.A.
- Under it, a Junior board of young executives is constituted.
- Major problems are analyzed in the junior board which makes recommendations to the Board of Directors.
- The young executives learn decision-making skills and the Board Directors receive the collective wisdom of the executive team. Vacancies in the Board of Directors can be filled from the junior board members who have received considerable exposure to problems and issues.

Advantages:

1) Participants gain practical experience in group decision-making and teamwork.

2) This method helps to identify executive talent.

3) Relatively inexpensive method.

Disadvantages:

1) Specific attention to the developmental needs of executives is not possible.

2) This method is not suitable for lower level executives.

Off the job techniques:

a) Lectures:

- Formally organized talks by an instructor on specific topics.
- Lectures are essential when technical or special information of a complex nature is to be provided.
- Supplemented by discussions, case studies, demonstrations, audio-visual aids and film shows.
- A simple way of imparting knowledge to a large number of persons within a short time.
- More material can be presented within a given time than any other method.
- Used to introduce a subject, to reduce anxiety about upcoming training programmes or organizational changes.

Limitations:

- One way communication.
- No participation and feedback from the audience.
- Audience loses attention quickly as they are passive listeners.
- Require great deal of preparation and speaking skills for which executives may lack time.
- The presentation of material has to be geared to a common level of knowledge.

Making of Effective Lectures:

Lecture should be:

- Well planned
- Not be more than an hour.
- Made interesting through leading questions, guided discussions and audio-visual aids.

Lecturer should be:

- Competent and a good speaker.
- Should keep in mind the listener's needs and interest.

b) Group Discussions:

- Variant of lecture method.
- Paper is prepared and presented by one or more trainees on the selected topic.

Followed by critical discussions.

Chairman of the discussion or seminar summarizes the contents of the papers and the discussions.

Often the material to be discussed is distributed in advance.

It enables the executives to learn from the experiences of each other.

c) Case Study:

- Under this method, a real hypothetical business problem or situation demanding solution is presented in writing to the trainees.
- They are required to identify and analyze the problem.
- Suggest and evaluate alternative courses of action.
- Choose the most appropriate solution.
- The trainer guides the discussions and ensures that no relevant fact is overlooked.

Advantages:

- Promotes analytical thinking and problem-solving skills.
- Encourages open-mindedness and provides a means of integrating interdisciplinary knowledge.

Disadvantages:

- Time taking and expensive to prepare good case studies.
- A real life case may not be useful in different culture situations.

Conference Method:

- A formal meeting is conducted in accordance with an organized plan.
- Problems of common interest are discussed.
- Participants pool their ideas and experience to deal with problems effectively.
- A conference may be divided into the small groups (buzz sessions).
- These small group report back to the conference.
- This method stresses upon small group interactions and active participation of the trainees.
- Ideally suited for analyzing problems and issues and examining them from different view points.

Helps in:

- Developing conceptual knowledge,
- Reducing dogmatism and
- Modifying attitudes
- Suitable for a small group of 15 to 20 persons.

C) **Sensitivity Training** developed by Kurt Lewin. Also called T-Group training and laboratory training.

Its purpose is to increase self-awareness, develop interpersonal competence and sharpen team work skills.

Trainees are brought together in a free and open environment wherein participants discuss themselves.

The discussion is lightly directed by a behavioural expert who creates the opportunity to express their ideas, beliefs and attitudes.

Focus is on a face to face interaction and confrontation.

Key words:

HRD Environment : Environment which is suitable for growth and progress of personnels.

Understudy: Person who will take the position later is trained under the person whom he will replace.

Conference Method : A formal meeting is conducted in accordance with an organized plan

Self Assessment Questions :

Discuss the process of executive development program.

Elaborate on methods of executive development program.

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UNIT 12

MANAGEMENT DEVELOPMENT

Objectives

After studying this unit, you would be able to understand the:

a) The aptitude to sustain good performance of managers throughout their careers by exploiting their full potential.

b) Economic, technical and institutional forces in order to solve business problems.

c) To acquire knowledge about problems of human resources.

d) To think through problems which may confront the organization now or in the future.

e) To develop responsible leaders and teams.

f) To inculcate knowledge of human motivation and human relationship.

g) To increase proficiency in management techniques such as work study, inventory control, operation research and quality control.

Unit Structure

Introduction: Organizations select various people for managerial responsibilities through different sources. Some of them may not be efficient exactly for the job description as they were supposed to be. Because of changes in organizational goals, structures, level of technology, working procedures and etc., efficiency of existing managers also need to be updated. The Management Development Program (MDP) prepares you to become a better leader of your unit, department, or college, as well as a more valuable contributor to broader institutional goals.

12.1 Definitions of Management Development

The term "development" implies overall development of a person. Accordingly, management development means not only improvement in job performance, but also improvement in knowledge, personality, attitude, behaviour of an executive, etc. It means that management development focuses more on management's personal growth.

Management development is a systematic process of growth and development of the manager's ability to manage. Management development is concerned with improving the performance of the managers by giving them opportunities for growth and development.

According to Flippo,

"Executive development includes the process by which managers and executives acquire not only skills and competency in their present job but also capabilities for future managerial tasks of increasing difficulty and scope."

According to P.N. Singh

"Management Development is an activity designed to improve the performance of existing managers, Provide a supply of managers to meet the need of organizations in future and extend the understanding of the management activity by drawing from the following 3 resource areas:

a) Knowledge

b) Experience, and

c) Trainee himself.

According to S.B. Budhhiraja,

"Any activity designed to improve the performance of existing managers and to provide for a planned growth of managers to meet the future organizational requirements is management development."

Characteristics of Management Development

1. **Growth Oriented:**

   Management development is growth oriented. It focuses its activities to enhance the skills, knowledge and capabilities to meet for the higher level responsibilities. After management development employees get the opportunity of higher responsibility which assists for personal growth.

2. **Future oriented:**

   Management development is future oriented. Main objective of management development is to develop the human competencies for the future job responsibilities. On the basis of succession planning and market analysis, management development aims to uplift the skills, knowledge and capabilities of managerial employees so that future demand can be fulfilled.

3. Focus to managerial employees:

Management development focuses only to the managerial level employees. It prepares the educational programs to enhance interpersonal skills, decision skills, and technical skills to the managerial employees.

4. Educational process:

Beyond training, management development is an educational program which stands in learning progress. It focuses on overall personality development for business communication, environmental and industry analysis, business planning, maintaining human and business relation, etc. This is possible only through educational programs.

5. Proactive:

Management development is advance thinking. This aims to prepare human resources ready for any types of emergencies. It is not conducted only after realizing the need.

6. Self-motivation:

Since management development is basis of personal growth. So, each manager wants to participate in such types of management development programs. External motivation is not necessary for management development as in training.

7. Behavioral change:

Managerial development aims to enhance the knowledge and skills of managers. Such programs include different new techniques of doing job, supervising and motivating employees, and interpersonal communication. Such programs change the attitude and behavior of managers. The way of events and jobs are expected to be changed positively after the managerial development.

8. Continuous process:

Management development is not spontaneous learning process. It is long term planned learning process. It starts with analysis of organizational objectives, future scopes, strategies and succession planning. As managers require involving in many managerial activities, they need to acquire different skills which are not possible in single program. So, managerial development must be arranged as continuous learning process.

12.2 Management Development Programmes in India:

Management Development Programmes have been organized after taking into account the need of present industry requirements and changes happening around the world. Theme based management development programmes are designed and conducted for members, corporate executives, entrepreneurs, businessman and students.

Many institutes offer management development programmes regularly with different themes, for e.g. IIM, Indore and Ahmedabad regularly offer various MDP programmes for various levels of exucutives in various industries. Ahmedabad management associations has already announced a list of MDPs which it is running this year, like Human Resource Management and Development, Achievement, Motivation, Enhancing Workplace Performance, etc.

The Centre for Executive Education (CEE) at ISB conducts programmes for working professionals that are designed to provide timely learning interventions that help them upskill and progress in their careers, while impacting the organisations that they operate in. Programmes are available across multiple business areas, for different seniority levels, in various national and international locations.

Over the years, CEE has evolved into a hub for meaningful exchange between business leaders and the academia. The center attracts some of the finest faculty from leading business schools and has become a knowledge centre for practical understanding on emerging economies. Participants learn from both the innovative management research of the faculty, as well as from the wide experience of fellow learners.

It provides an ideal platform for gaining new insights in order to be successful. Through its alumni initiatives, the centre reaches out to past participants and conducts knowledge events on management thought leadership. The programme design team at the CEE identifies current business and industry challenges through extensive research on business environment and discussion with industry experts, management thinkers and corporate leaders. This ensures that learning solutions at ISB remain relevant to the dynamic business scenarios.

CEE Advantage

Learning what is relevant to the market and to your business

What you learn must be relevant to your business and your market. Hence our programme design team studies the challenges across industries and functions, and combines the learning with the latest findings in management research. Thus the programmes designed are most relevant to you in terms of issues addressed , ideas provided and pedagogy.

Learning from the best of global faculty

ISB CEE's unique combination of resident and visiting faculty model implies that each programme is delivered by the most relevant and experienced faculty in that domain. Thus you can be assured that you are learning from a globally-renowned in the subject being taught.

A like minded peer group

A healthy exchange of ideas with fellow learners can enrich your classroom experience and can provide you with crucial insights. That is why we pre-screen all applicants for the programme. This along with expectation mapping of each participant means that you share the classroom with likeminded peers.

An active learning approach

At CEE, learning is not confined to one-sided lectures. Instead the pedagogy combines lectures, case studies, simulations, discussions, etc., to ensure a holistic learning experience. To ensure you can apply your learning to solve your business problems, we help you articulate your business challenges and arrive at solutions during the course of programme.

12.3 Team Building

A team is a collection of people who interact with each other regularly and are dependent on each other for the attainment of common goals. Team building removes hindrances and enhances organizational effectiveness and efficiency.

The key elements of a team are goal sharing, interdependence, commitment and accountability.

With good team-building skills, you can unit employees around a common goal and generate greater productivity. Without them, you limit yourself and the staff to the effort each individual can make alone.

Team building is an ongoing process that helps a work group evolve into a cohesive unit. The team members not only share expectations for accomplishing group tasks, but trust and support one another and respect one another's individual differences. Your role as a team builder is to lead your team toward cohesiveness and productivity. A team takes on a life of its own and you have to regularly nurture and maintain it, just as you do for individual employees. Your Development & Training Organization Development Consultant can advise and help you.

Team building can lead to:

- Good communications with participants as team members and individuals.
- Increased department productivity and creativity
- Team members motivated to achieve goals

- A climate of cooperation and collaborative problem-solving
- High levels of job satisfaction and commitment
- Higher levels of trust and support
- Diverse co-workers working well together
- Clear work objectives
- Better operating policies and procedures

12.3.1 Steps to Building an Effective Team:

The first rule of team building is an obvious one: to lead a team effectively, you must first establish your leadership with each team member. Remember that the most effective team leaders build their relationships of trust and loyalty, rather than fear or the power of their positions.

- **Consider each employee's ideas as valuable.** Remember that there is no such thing as a stupid idea.
- **Be aware of employee's unspoken feelings.** Set an example to team members by being open with employees and sensitive to their moods and feelings.
- **Act as a harmonizing influence.** Look for chances to mediate and resolve minor disputes; point continually toward the team's higher goals.
- **Be clear when communicating.** Be clear to clarify directives.
- **Encourage trust and cooperation among employees on your team.** Remember that the relationships team members establish among themselves are every bit as important as those you establish with them. As the team begins to take shape, pay close attention to the ways in which team members work together and take steps to improve communication, cooperation, trust and respect in those relationships.
- **Encourage team members to share information.** Emphasize the importance of each team member's contribution and demonstrate how all of their jobs operate together to move the entire team closer to its goal.
- **Delegate problem-solving tasks to the team.** Let the team work on creative solution together.
- **Facilitate communication.** Remember that communication is the single most important factor in successful teamwork. Facilitating communication does not mean holding meeting all the time. Instead it means setting an example by remaining open to suggestions and concerns, by asking questions and offering help,

and by doing everything you can to avoid confusion in your own communication.

- **Establish team values and goals; evaluate team performance.** Be sure to talk with members about the progress they are making toward established goals so that employees get a sense both of their success and of the challenges that lie ahead. Address teamwork in performance standards. Discuss with your team:

  What do we really care about in performing our job?

  What does the word success mean to this team?

  What actions can we take to live up to our stated values?

- **Make sure that you have a clear idea of what you need to accomplish;** that you know what your standards for success are going to be; that you have established clear time frames; and that team members understand their responsibilities.

- **Use consensus.** Set objectives, solve problems and plan for action. While it takes much longer to establish consensus, this method ultimately provides better decisions and greater productivity because it secures every employee's commitment to all phases of the work.

- **Set ground rules for the team.** These are the norms that you and the team establish to ensure efficiency and success. They can be simple directives (Team members are to be punctual for meetings) or general guidelines (Every team member has the right to offer ideas and suggestions), but you should make sure that the team creates these ground rules by consensus and commits to them, both as group and as individuals.

- **Establish a method for arriving at a consensus.** You may want to conduct open debate about the pros and cons of proposals, or establish research committees to investigate issues and deliver reports.

- **Encourage listening and brainstorming.** As supervisor, your first priority in creating consensus is to stimulate debate. Remember that employees are often afraid to disagree with one another and that this fear can lead your team to make mediocre decisions. When you encourage debate you inspire creativity and that's how you'll spur your team on to better results.

- **Establish the parameters of consensus-building sessions.** Be sensitive to the frustration that can mount when the team is not achieving consensus. At the outset of your meeting, establish time limits, and work with the team to achieve consensus within those parameters. Watch out for false consensus; if an agreement is struck too quickly, be careful to probe individual team members to discover their real feelings about the proposed solution.

12.3.2 Stages of Team Building

Stage I: Forming:

In the forming stage, personal relations are characterized by dependence. Group members rely on safe, patterned behaviour and look to the group leader for guidance and direction. Group members have a desire for acceptance by the group and a need to be known that the group is safe. They set about gathering impressions and data about the similarities and differences among them and forming preferences for future sub-grouping. Rules of behaviour seem to be to keep things simple and to avoid controversy. Serious topics and feelings are avoided. The major task functions also concern orientation. Members attempt to become oriented to the tasks as well as to one another. Discussion centers around defining the scope of the task, how to approach it, and similar concerns.To grow from this stage to the next, each member must relinquish the comfort of non-threatening topics and risk the possibility of conflict.

Stage II: Storming:

The next stage, which Tuckman calls Storming, is characterized by competition and conflict in the personal-relations dimension an organization in the task-functions dimension. As the group members attempt to organize for the task, conflict inevitably results in their personal relations. Individuals have to bend and mold their feelings, ideas, attitudes and beliefs to suit the group organization. Because of “fear of exposure” or “fear of failure”. There will be an increased desire for structural clarification and commitment. Although conflicts may or may not surface as group issues, they do exits. Questions will arise about who is going to be responsible for what, what the rules are, what the reward system is and what criteria for evaluation are. These reflect conflicts over leadership, structure, power and authority. There may be wide swings in member’s behaviour based on emerging issues of competition and hostilities. Because of the discomfort generated during this stage, some members may remain completely silent while others attempt to dominate.

In order to progress to the next stage, group members must move from a “testing and proving” mentality to a problem-solving mentality. The most important trait in helping groups to move on to the next stage seems to be the ability to listen.

Stage III: Norming:

In Tuckman’s Norming stage, interpersonal relations are characterized by cohesion. Group members are engaged in active acknowledgement of all member’s contributions, community building and maintenance and solving of group issues. Members are willing to change their preconceived ideas or opinions on the basis of facts presented by other members and they actively ask questions from one another. Leadership is shared and cliques are dissolved. When members begin to know-and identify with-one another, the level of trust in their personal relations contributes to the development of group cohesion. It is during the stage of development (assuming the group gets this far) that people begin to experience a sense of group belonging and a feeling of relief as a result of resolving interpersonal conflicts.

The major task function of stage three is the data flow between group members: They share feelings and ideas, solicit and give feedback to one another and explore actions related to the task. Creativity is high. If this stage of data flow and cohesion is attained by the group members, their interactions are characterized by openness and sharing of information on both a personal and task level, They feel good about being part of an effective group.

The major drawback of the Norming stage is that members may begin to fear the inevitable future breakup of the group; they may resist change of any sort.

Stage IV: Performing:

The performing stage is not reached by all groups. If group members are able to evolve to stage four, their capacity, range and depth of personal relations expand to true interdependence. In this stage, people can work independently, in subgroups or as a total unit with equal facility. Their roles and authorities dynamically adjust to the changing needs of the group and individuals. Stage four is marked by interdependence in personal relations and problem solving in the realm of task functions. By now, the group should be most productive. Individual members have become self-assuring and the need for group approval is past. Members are both highly task oriented and highly people oriented. There is unity: group identity is complete, group morale is high and group loyalty is intense. The task function becomes genuine problem solving, leading toward optimal solutions and optimum group development. There is support for experimentation in solving problems and an emphasis on achievement. The overall goal is productivity through problem solving and work.

Stage V: Adjourning:

Tuckman’s final stage, Adjourning, involves the termination of task behaviors and disengagement from relationships. A planned conclusion usually includes recognition for participation and achievement and an opportunity for members to say personal goodbyes. Concluding a group can create some apprehension-in effect, a minor crisis. The termination of the group is a regressive movement from giving up control to giving up inclusion in the group. The most effective interventions in this stage are those that facilitate task termination and the disengagement process.

12.3.3 Conditions necessary for Team Building:

- Clear objectives and agreed goal

- Openness and confrontation
- Support and trust
- Cooperation and conflict
- Sound procedures
- Regular review
- Individual development
- Sound intergroup relations

12.3.4 Ten Qualities of an Effective Team Player:

If you were choosing team members for a business team in your organization, who would the best team players be? Assuming that people have the right technical skills for the work to be done, what other factors would you use to select your team members?

Demonstrate reliability:

You can count on a reliable team member who gets work done and does his fair share to work hard and meet commitments. He or she follows through on assignments. Consistency is key. You can count on him or her to deliver good performance all the time, not just some of the time.

Communicates constructively:

Teams need people who speak up and express their thoughts and ideas clearly, directly, honestly and with respect for others and for the work of the team. That's what it means to communicate constructively. Such a team member does not shy away from making a point but makes it in the best way possible-in a positive, confident and respectful manner.

Listens actively:

Good listeners are essential for teams to function effectively. Teams need team players who can absorb, understand and consider ideas and points of view from other people without debating and arguing every point. Such a team member also can receive criticism without reacting defensively. Most important, for effective communication and problem solving, team members need the discipline to listen first and speak second so that meaningful dialogue results.

Functions as an active participant:

Good team players are active participants. They come prepared for team meetings and listen and speak up in discussions. They're fully engaged in the work of the team and do not sit passively on the sidelines. Team members who function as active participants take the initiative to help make things happen and they volunteer for assignments. Their whole approach is can-do: "What contribution can I make to help the team achieve success"?

Shares openly and willingly:

Good team players share. They're willing to share information, knowledge and experience. They take the initiative to keep other team members informed.

Much of the communication within teams takes place informally. Beyond discussion at organized meetings, team members need to feel comfortable talking with one another and passing along important news and information day-to-day. Good team players are active in this informal sharing. They keep other team members in the loop with information and expertise that helps get the job done and prevents surprises.

Cooperates and pitches in to help:

Cooperation is the act of working with others and acting together to accomplish a job. Effective team players work this way by second nature. Good team players, despite differences they may have with other team members concerning styles and perspective, figure out ways to work together to solve problems and get work done. They respond to requests for assistance and take the initiative to offer help.

Exhibits flexibility:

Strong team players care about their work the team and the team's work. They show up every day with this care and commitment up front. They want to give a good effort and they want other team members to do the same.

Works as a problem-solver:

Teams, of course, deal with problems. Sometimes, it appears, that's the whole reason why a team is created-to address problems. Good team players are willing to deal with all kinds of problems in a solution-oriented manner. They're problem-solvers, not problem-dwellers, problem-blamers, or problem-avoiders. They don't simply rehash a problem the way problem-dwellers do. They don't look for others to fault, as the blamers do. And they don't put off dealing with issues, the way avoiders do.

Team players get problems out in the open for discussion and then collaborate with others to find solutions and form action plans.

Treat others in a respectful and supportive manner:

Team players treat fellow team members with courtesy and consideration-not just some of the time but consistently. In addition they show understanding and the appropriate support of other team members to help get the job done. They don't place conditions on when they'll provide assistance, when they'll choose to listen, and when they'll share information. Good team players also have a sense of humour and know how to have fun (and all teams can use a bit of both), but they don't have fun at someone else's expense. Quite simply, effective team players deal with other people in a professional manner.

Team players who show commitment don't come in any particular style or personality. They don't need to be rah-rah, cheerleader types. In fact they may even be soft-spoken but they aren't passive. They care about what the team is doing and they contribute to its success-without needing a push.

Team players with commitment look beyond their own piece of the work and care about the team's overall work. In the end, their commitment is about winning –not in the sports sense of beating your opponent but about seeking the team succeed and knowing they have contributed to this success. Winning as team is one of the great motivators of employee performance. Good team players have and show this motivation.

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Key words

Management development: It is a systematic process of growth and development of the manager's ability to manage

Self-motivation: Internal drive motive to do well.

(CEE): The Centre for Executive Education

Adjourning: involves the termination of task behaviors and disengagement from relationships

Norming stage: interpersonal relations are characterized by cohesion.

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Self assessment questions

1) Define Management Development programme.

2) Discuss the characteristics of management Development.

3) What are the steps of team building?

4) What are the 10 qualities of effective team worker?

Write short notes on:

A CEE advantage

B Storming and Forming

C Team building advantages

D Team works as a problem solver?

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Uttar Pradesh Rajarshi Tandon Open University

Master of Business Administration

MBA-2.3

Human Resource Management

Block

4

Appraisal System

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परिमापक

परिमापक

अनुवाद की स्थिति में

मूल लेखक	अनुवाद
मूल सम्पादक	भाषा सम्पादक
मूल परिमापक	परिमापक

सहयोगी टीम

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प्रूफ रीडर

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UNIT 13

PERFORMANCE APPRAISAL

Objectives:

After studying this unit, you would be able to understand the:

1. Background to the measurement of performance in organisations.
2. The types of performance appraisal tools and processes used in organisations.
3. Discuss organisational issues in the measurement of performance and the feedback of performance data.
4. Identify and discuss the various influences on different stakeholders in the performance appraisal process.
5. Highlight some of the difficulties involved in collecting and using performance data in organisations and appreciate how occupational psychologists can help organisations to improve these processes.
6. Review current trends in professional practice and contemporary research.

Unit Structure

Introduction: A performance appraisal is a method by which the job performance of an employee is documented and evaluated. Performance appraisals are a part of career development and consist of regular reviews of employee performance within organizations. It is a systematic general and periodic process that assesses an individual employee's job performance and productivity in relation to certain pre-established criteria and organizational objectives. Other aspects of individual employees are considered as well, such as organizational citizenship behavior, accomplishments, potential for future improvement, strengths and weaknesses, etc.

13.1 Meaning and Concepts

Performance appraisal is the process of obtaining, analyzing and recording information about the relative worth of an employee. The focus of the performance appraisal is **measuring and improving** the actual performance of the employee and also the future potential of the employee. It's aim is to measure what an employee does.

According to Flippo, "Performance Appraisal is the systematic, periodic and an impartial rating of an employee's excellence in the matters pertaining to his present job and his potential for a better job."

According to Dale Beach, "Performance Appraisal is the systematic evaluation of the individual with regards to his or her performance on the job and his potential for development."

Performance appraisal is a systematic way of reviewing and assessing the performance of an employee during a given period of time and planning for his future. It is a powerful tool to calibrate, refine and reward the performance of the employee. It helps to analyze his achievements and evaluate his contribution towards the achievements of the overall organizational goals. By focusing the attention on performance, performance appraisal goes to the heart of **personnel management** and reflects the management's interest in the progress of the employees.

13.2 Purpose of Performance Appraisal

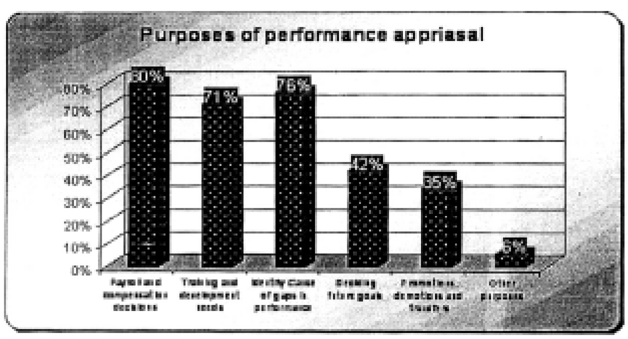
Performance Appraisal is being practices in 90% of the organizations worldwide. Self-appraisal and potential appraisal also form a part of the performance appraisal processes.

Typically, Aims of Performance Appraisal are as follows:

- To review the performance of the employees over a given period of time.
- To judge the gap between the actual and the desired performance.
- To help management in exercising organizational control.
- To reduce the grievances of the employees.
- Helps to strengthen the relationship and communication between superior-subordinates and management-employees.

- ➢ To diagnose the strengths and weaknesses of the individuals so as to identify the training and development needs of the future.
- ➢ To provide feedback to the employees regarding their past performance.
- ➢ Provide clarity of the expectations and responsibilities of the functions to be performed by the employees.
- ➢ To judge the effectiveness of the other human resource functions of the organization such as recruitment, selection, training and development.
- ➢ Provide information to assist in the HR decisions like promotions, transfers, etc.

According to a recent survey, the **percentage of organizations** (out of the total organization surveyed i.e. 50) using performance appraisal for the various purposes are as shown in the diagram below:



The most significant reasons of using Performance Appraisal are:

- ➢ Making payroll and compensation decisions-80%
- ➢ Training and development needs-71%
- ➢ Identifying the gaps in desired and actual performance and its cause-76%
- ➢ Deciding future goals and course of action-42%
- ➢ Promotions, demotions and Transfers-49%
- ➢ Other purposes -6% (including job analysis and providing superior support, assistance and counseling)

13.3 Procedure of Performance Appraisal

The Performance Appraisal process involves the following steps:

a) Establishing Performance Standards

b) Communicating the Standards

c) Measuring the Actual Performance

d) Comparing the Actual with the Desired Performance

e) Providing Feedback

f) Taking Corrective Action

Let us discuss each step one by one in detail

a) Establishing Performance Standards:

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

b) Communicating the Standards:

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

c) Measuring the Actual Performance:

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

d) Comparing the Actual with the Desired Performance:

The actual performance is compared with the desired or the standard performance. The comparison tells the deviations in the performance of the employees from the standard set. The result can show the actual performance being more than the desired performance or, the actual performance being less than the desired performance depicting a negative deviation in the organizational performance. It includes recalling, evaluating and analysis of data related to the employee's performance.

e) Providing Feedback:

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

f) Taking Corrective Action:

The last step of the process is to take decisions which can be taken either to improve the performance of the employees, take the required corrective actions, or the related HR decisions like rewards, promotions, transfers, etc. Thus, the process of performance appraisal moves in the following manner:

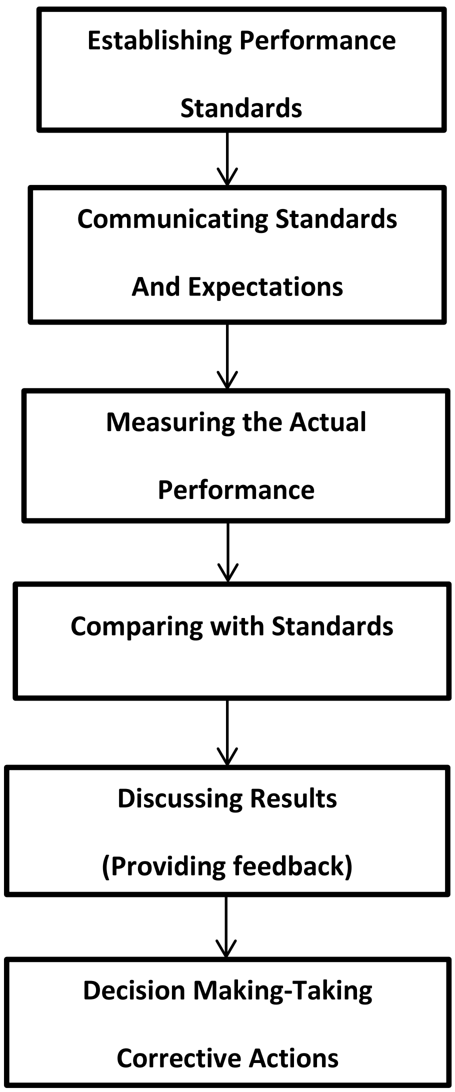
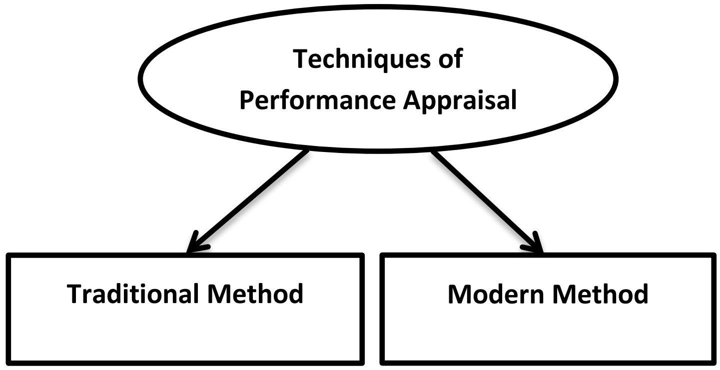


Figure 1: Procedure of Performance Appraisal

13.4 Techniques of Performance Appraisal



13.4.1 Traditional Methods:

These methods lay more emphasis on rating of individual's personality traits, such as, initiative, dependability, drive, creativity, integrity, intelligence, leadership potential, etc.

These are some of the traditional methods:

- Ranking Method
- Paired Comparison Method
- Forced Distribution Method
- Forced Choice Method
- Critical Incident Method
- Check List Method
- Field Review Method
- Graphic Rating Scale
- Essay Method
- Confidential Report
- Person-to-Person Method

In the following pages each method has been described in brief:

a) Ranking Method:

It is the oldest and simplest method of performance appraisal. In this method the employee is ranked from the highest to the lowest or from best to worst. Thus, if there are ten employees the Best employee is given the first rank and the worst employee in the group is given the tenth rank.

However, this method has some limitation, namely:

(1) It is difficult to adopt this method, in case of evaluating large number of employees.

(2) It is difficult to compare one individual with other having varying behavioural traits.

b) Paired Comparison Method:

In this method, each employee is compared with the other on one-to-one basis. This method makes judgment easier as compared to ranking method. The number of times the employee is rated as better in comparisons with other determines his or her final ranking. The total number of comparison can be ascertained by the following formula:

Total Number of Comparison=Nx(N-1)/2

Where N stands for number of employees to be evaluated.

The concept can be illustrated with the help of the following example. If the following five students Ashok (A), Bina (B), Chitra (C), Dinesh (D), Eillen (E) have to be evaluated for the best student award, the total number of comparison would be=10 A with B, A with C, B with C, A with D, B with D, C with D, A with E, B with E, C with E and D with E. The number of times a student gets a better score, would be the basis for selecting the Best Student. This method is not appropriate if a large number of students are required to be evaluated.

c) Forced Distribution Method:

This technique was contributed by Joseph Tiffin. The method operates under the assumption that an employee’s performance can be plotted in a bell shaped curve. Here 10% of the employees are given excellent grade, 20% are given good grade, 40% are given the average grade, next 20% are given the below average grade and last 10% are given unsatisfactory grade.

Advantages – Eliminates

Disadvantages – Assumption of normal distribution, unrealistic, errors of central tendency occur.

d) Forced Choice Method:

This method was contributed by J. P. Guilford. Here, an evaluator rates an employee on the basis of a group of statements. These statements are a combination of positive and negative statements and are arranged in blocks of two or more. The rater is required to identify the most or least descriptive statement pertaining to an employee. For example:

1) Provides clear guidance to employees.

2) Can be dependable in completing the assignment on hand.

3) Is reliable and trustworthy.

4) Is partial to some employees.

Advantages – Absence of personal biases because of forced choice.

Disadvantages – Statements may be wrongly framed.

e) Check-list Method:

The main purpose of this method is to reduce the evaluator's burden of rating the employee. In this method a dichotomous questionnaire (A question with two answer choices, namely 'Yes' or 'No') is used. A rater is required to put a tick mark against the respective column.

The questionnaire is prepared and scored by the HR department.

Advantages –Economy, ease of administration, limited training required, standardization.

Disadvantages – Raters biases, use of improper weighs by HR, does not allow rater to give relative ratings.

A typical check list is given below:

Table: Check list for Students:

1. Is the student regular

2. Is he/she disciplined

3. Does he/she complete the assignment on time

4. Does he/she participate in extra-curricular activities.

f) Critical Incidents Method:

This method evaluates an employee on the basis of certain 'events' or 'episodes' known as critical incident. The underlying principle of this method is "there are certain significant acts in each employee's behaviour and performance, which can make all the difference between success and failure on the job." Thus, in this method the rater focuses his attention on all those factors that can make a difference between performing a job in a noteworthy manner.

Advantages – Evaluations are based on actual job behaviours, ratings are supported by descriptions, feedback is easy, reduces recency biases, chances of subordinate improvement are high.

Disadvantages – Negative incidents can be prioritized, forgetting incidents, too close supervision; feedback may be too much and may appear to be punishment.

g) Field Review Method:

If during the appraisal process there are reasons to believe that the employee is given a higher rating because of rater bias, a review process is initiated. The review process is generally conducted by the personnel officer of the HR department.

This method is also used for making promotional decisions at the managerial level and when information is required from employees of different units and locations.

Advantages – Useful for managerial level promotions, when comparable information comparable information is needed.

Disadvantages – Outsider is generally not familiar with employee's work environment. Observation of actual behaviours is not possible.

h) Graphic Rating Scale:

This is the most commonly used method of evaluating an employee's performance. Rating scales consists of several numerical scales representing job related performance criterions, such as, dependability, initiative, output, attendance, attitude, etc. Each scale ranges from excellent to poor. The total numerical scores are computed and final conclusions are derived.

Here the Questionnaire consists of more than 2 answer choices. The Questionnaire consists of set of questions covering aspects, such as:

- Employee Characteristics (includes factors, such as, initiative, leadership, dependability, attitude, loyalty, creative ability, analytical ability etc.)
- Employee Contribution (includes factors, such as, Quantity and Quality of work, Specific goals achieved, regularity, attitude and approach towards supervisors and colleagues, etc.)

Advantages – Adaptability, easy to use, low cost, every type of job can be evaluated, large number of employees covered, no formal training required.

Disadvantages – Rater's biases.

i) Essay Method:

In this method, the rater writes a narrative description of an employee's strengths, weaknesses, past performance, potential and suggestions for improvement. As there is no prescribed format, the length and content of essay is likely to vary. Similarly, the quality of Essay would depend upon the rater's writing skills. As the essays are descriptive in nature, it only provides qualitative information about the employee.

Advantage – It is extremely useful in filling information gaps about the employees that often occur in a better-structured checklist.

Disadvantages – It is highly dependent upon the writing skills of rater and most of them are not good writers. They may get confused, success depends on memory power of raters.

j) Confidential Report:

Mostly used by government departments, however, it's application in industry is not ruled out. Here the report is given in the form of Annual Confidential Report (ACR) and may record ratings with respect to following items: attendance, self-expression, team-work, leadership, initiative, technical ability, reasoning ability, originality and resourcefulness, etc. The system is highly secretive and confidential. Feedback to the assessee is given only in case of an adverse entry. Disadvantage is that it is highly subjective and ratings can be manipulated because the evaluations are linked to HR actions like promotions etc.

13.4.2 Modern Methods:

Modern methods were devised to improve the traditional methods. It attempted to improve the shortcomings of the old methods, such as, biasness, subjectivity, etc.

These are some of the modern methods:

- MBO
- BARS
- Assessment Centres
- 360^0 Appraisal
- Cost Accounting

In the following pages each method has been described in brief.

a) Management by Objectives:

It means management by objectives and the performance is rated against the achievement of objectives stated by the management. MBO process goes as under:

- Establish goals and desired outcomes for each subordinate
- Setting performance standards
- Comparison of actual goals with goals to be attained by the employee
- Establish new goals and new strategies for goals not achieved in previous year.

Advantage – It is more useful for managerial positions.

Disadvantages – Not applicable to all jobs, allocation of merit pay may result in setting short-term goals rather than important and long-term goals etc.

b) Behaviorally Anchored Rating Scales:

Statements of effective and ineffective behaviours determine the points. They are said to be behaviorally anchored. The rater is supposed to say, which behaviour describes the employee performance.

Advantages – Helps overcome rating errors.

Disadvantages – Suffers from distortions inherent in most rating techniques.

c) Assessment Centers:

This technique was first developed in USA and UK in 1943. An assessment center is a central location where managers may come together to have their participation in job related exercises evaluated by trained observers. It is more focused on observation of behaviours across a series of select exercises or work samples. Assesses are requested to participate in basket exercises, work groups, computer simulations, role playing and other similar activities which require same attributes for successful performance in actual job. The characteristics assessed in assessment center can be assertiveness, persuasive ability, communicating ability, planning and organizational ability, self confidence, resistance to stress, energy level, decision making, sensitivity to feelings, administrative ability, creativity and mental alertness, etc. Disadvantages-Cost of employees traveling and lodging psychologists, ratings strongly influenced by assesse's inter-personal skills. Solid performers may feel suffocated in simulated situations. Those who are not selected for this also may get affected.

Advantages – Well-conducted assessment centre can achieve better forecasts of future performance and progress than other methods of appraisals. Also reliability, content validity and predictive ability are said to be high in assessment centers. The tests also make sure that the wrong people are not hired or promoted. Finally it clearly defines the criteria for selection and promotion.

d) 360-Degree Feedback:

It is a technique which is systematic collection of performance data on an individual or group, derived from a number of stakeholders like immediate supervisors, team members, customers, peers and self. In fact anyone who has useful information on how an employee does a job may be one of the appraisers. This technique is highly useful in terms of broader perspective, greater self-development and multi-source feed-back is useful. 360-degree appraisals are useful to measure inter-personal skills, customer satisfaction and team building skills. However, on the negative side, receiving feedback from multiple sources can be intimidating, threatening, etc. Multiple raters may be less adept at providing balanced and objective feedback.

e) Cost Accounting Method :

Here performance is evaluated from the monetary returns yields to his or her organization. Cost to keep employee and benefit the organization derives is ascertained. Hence it is more dependent upon cost and benefit analysis.

13.5 Job Evaluation: Meaning and Concepts

An assessment of the relative worth of various jobs on the basis of a consistent set of job and personal factors, such as, qualifications and skills required**.**

According to Kimball and Kimball, "Job evaluation represents an effort to determine the relative value of every job in a plant and to determine what the fair basis wage for such a job should be."

Job evaluation is different from performance appraisal. In job evaluation, worth of a job is calculated while in performance appraisal, the worth of employee is rated.

13.5.1 Objectives of Job Evaluation:

The objectives of job evaluation, to put in a more systematic manner are to:

1. Establish a standard procedure for determining the relative worth of each job in an organization;
2. Ensure equitable wage for a job and reasonable wage differentials between different jobs in a hierarchical organization;
3. Determine the rate of pay for each job which is fair and equitable with relation to other jobs in the plant, community or industry;
4. Eliminate wage inequalities;
5. Use as a basis for fixing incentives and different bonus plans;
6. Promote a fair and accurate consideration of all employees for advancement and transfer;
7. Provide information for work organization, employees selection, placement, training and other similar purposes;
8. Provide a bench mark for making career planning for the employees in the Organization; and
9. Ensure that similar wages are paid to all qualified employees for similar work.

13.5.2 Merits and Demerits of Job Evaluation:

13.5.2.1 Merits:

The job classification method has several advantages. The major merit of the method are:

1. This method is easy to understand and simple to operate.
2. It is economical and, therefore, suitable for small organisations.

3. The grouping of jobs into classifications makes pay determination problems easy to administer.

4. This method is useful for Government jobs.

13.5.2.2 Demerits:

The job classification method also has some disadvantages. The major demerits of the method are:

1. The method suffers from personal bias of the committee members.

2. It cannot deal with complex jobs which will not fit neatly into one grade.

3. This method is rarely used in industries.

4. It is difficult to know how much of a job's rank is influenced by the man on the job.

5. The system is rather rigid and unsuitable for large organizations or for very varied work.

Key Words:

1) **Compensation decisions**: money paid to someone because they have suffer

2) **360- Degree Feedback**: It is a technique which is systematic collection of performance data on an individual or group, derived from a number of stakeholders like immediate supervisors, team members, customers, peers and self.

3. **Assessment center**: It is a central location where managers may come together to have their participation in job related exercises evaluated by trained observers

4. **MBO**: Management by objectives

5. **BARS**: Behaviorally Anchored Rating Scales

Self assessment questions

1. What are the Aims of Performance Appraisal?

2. What are the procedures of performance appraisal?

3. Describe the traditional tools of performance appraisal?

4. Give the objectives, meaning and definitions of job evaluation.

5. Give account of merits and demerits of job evaluation.

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UNIT 14

COMPENSATION ADMINISTRATION

Objectives

After reading this unit, student should be able to :

1. Appreciate compensation function and objectives:
2. Understand the system of wage policy in India:
3. Assess the characteristics of executive compensation and its determinants ; understand the principles and practice of compensation administration;
4. Identify the major compensation of wage structure in India.

Unit Structure

14.1 Introduction

Compensation is a systematic approach to providing monetary value to employees in exchange for work performed. Compensation may achieve several purpose like assisting in recruitment, job performance and job satisfaction.

Compensation management, also known as wage and salary administration, remuneration management, or reward management, is concerned with designing and implementing total compensation package. The traditional concept of wage and salary administration emphasized on only determination of wage and salary structures in organizational settings. However, over the passage of time, many more forms of compensation as discussed earlier, entered the business field which necessitated to take wage and salary administration in comprehensive way with a suitable change in its nomenclature.

It has become imperative for organizations to balance the cost of compensation and employee motivation (for retention) to survive in a competitive world.

Pay and compensation represents an exchange between the employee and the organization. Each gives something in return for something else. In the past, the compensation issue was often confidential and governed by individual employer's preference or choice. However, in today's competitive world, compensation issues are more transparent. Compensation should be fair irrespective of economic consideration. Many scholars believe that compensation is the outcome of productivity. In India right from Vedic age, the volume of work and time required to perform the work were considered to decide compensation.

Beach has defined wage and salary administration as follows:

"Wages and salary administration refers to the establishment and implementation of sound policies and practices of employee compensation. It includes such areas as job evaluation, surveys of wages and salaries, analysis of relevant organizational problems, development and maintenance of wage structure, establishing rules for administering wages. Wage payments, incentives, profits sharing, wage changes and adjustments, supplementary payments, control of compensation costs and other related items."

14.2 Objectives of Compensation Planning : (Elaboration)

The basic objective of compensation management can be briefly termed as meeting the needs of both employees and the organization. Since both these needs emerge from different sources, often, there is a conflict between the two. This conflict can be understood by agency theory which explains relationship between employees and employers.

The theory suggests that employers and employees are two main stakeholders in a business unit, the former assuming the role of principals and the latter assuming the role of agents. The compensation paid to employees is agency consideration. Each party to agency tries to fix the consideration in its own favour. The employers want to pay as little as possible to keep their costs low. Employees want to get as high as possible. The compensation management tries to strike a balance between these two with following specific objectives:

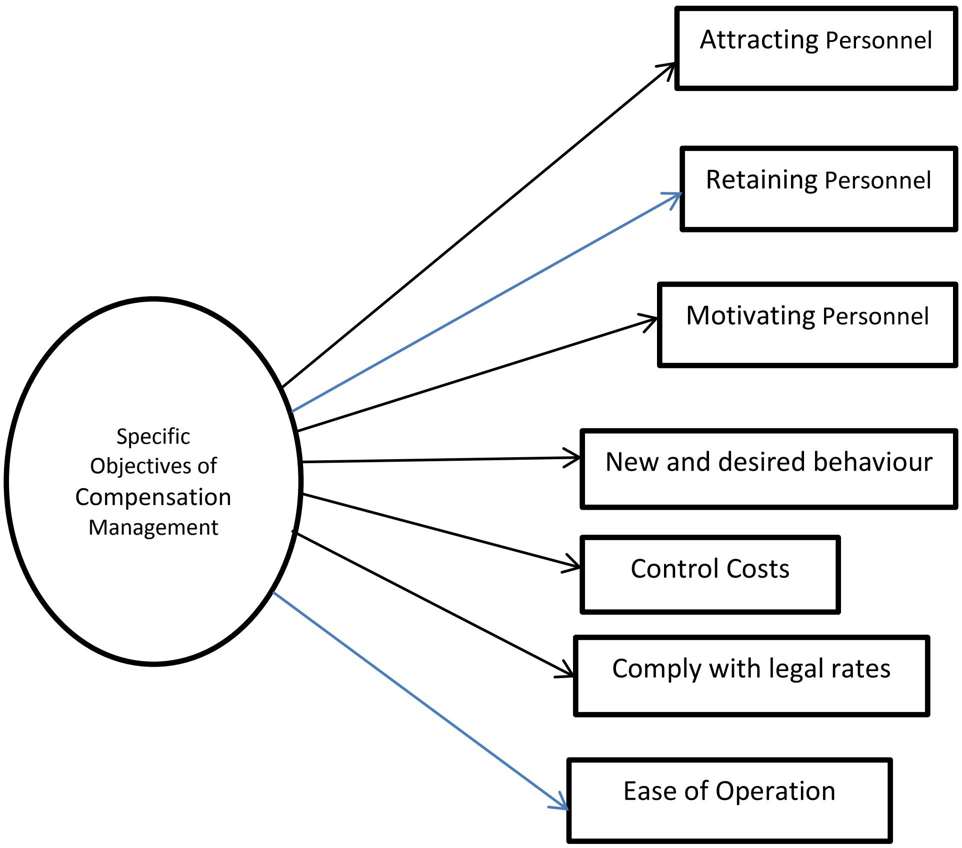


Figure-1- Specific objective of compensation management

1) Attracting Personnel:

Compensation needs to be high enough to attract talented people. Since many firms compete to hire the services of competent people, the salaries offered must be high enough to motivate them to apply.

2) Retaining Personnel :

If compensation levels fall below the expectations of employees or are not competitive, employees may quit in frustration.

3) Motivating Personnel :

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

- Rewards punish people – their use confirms that someone else is in control of the employee.
- Rewards rupture relationships – they create competition where teamwork and collaboration are desired.
- Rewards ignore reasons – they relieve managers from the urgent need to explore why an employee is effective or ineffective.
- Rewards discourage risk taking – employees tend to do exactly what is required to earn the reward, and not any more.
- Rewards undermine interest – they distract both manager and the employee from consideration of intrinsic motivation.

Notwithstanding these arguments, compensation management can be designed to motivate people through monetary compensation to some extent.

4) New and desired behavior :

Pay should reward loyalty, commitment, experience, risk taking initiatives and other desired behaviours. Where the company fails to reward such behaviours employees may go in search of greener pastures outside.

5) Control Cost :

The cost of hiring people should not be too high. Effective compensation management ensures that workers are neither overpaid nor underpaid.

6) Comply with legal rates :

Compensational programs must invariably satisfy governmental rules regarding minimum wages, bonus, allowance benefits, etc.

7) Ease of Operation :

The compensation management system should be easy to understand and operate. The only will it promote understanding regarding pay related matters between employees unions and managers.

The most important objective of any pay system is fairness or equity. The term equity has three dimensions :

1) Internal Equity :

This ensures that more difficult jobs are paid more.

2) External Equity :

This ensures the jobs are fairly compensated in comparison to similar jobs in the labour market.

3) Individual equity :

It ensures equal pay for equal work, i.e. each individual pay is fair in comparison to others doing the same/similar jobs.

In order to fulfill these objectives, proper mechanism for management of compensation should be there in every organization.

14.3 Components of Compensation System

The literal meaning of compensation is to counter – balance, In the case of human resource management, compensation is referred to as money and other benefits received by an employee for providing services to his employer. Money and benefits received may be in different forms – base compensation in money form and various benefits, which may be associated with employee's service to the employer like provident fund, gratuity and insurance scheme and any other payment which the employee receive or benefits he enjoys in lieu of such payment. Cascio has defined compensation as follows :

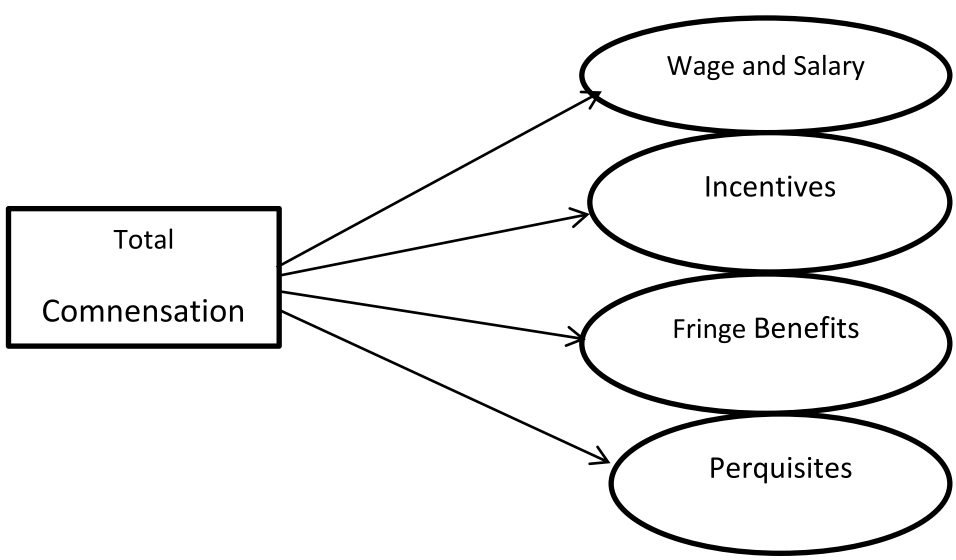
"Compensation includes direct cash payments, indirect payments in the form of employee benefits and incentives to motivate employees to strive for higher levels of productivity."

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

TOTAL COMPENSATION=DIRECT + INDIRECT COMPENSATION

BASE PAY INCENTIVE BENEFITS

PERQUITIES



14.3.1 Wage and Salary :

Wage and salary are the most important component of compensation and these are essential irrespective of the type of organization. Wage is referred to as remuneration to workers particularly. Hourly – rated payment. Salary refers to as remuneration paid to white collar – employees including managerial personnel. Wages and salaries are paid on the basis of fixed period of time and normally not associated with productivity of an employee at a particular time.

14.3.2 Incentives :

Incentives are the additional payment to employees besides the payment of wages and salaries. Often these are linked with productivity, either in terms of higher production or cost saving or both. These incentives may be given on individual basis or group basis.

14.3.3 Fringe Benefits :

Fringe benefits include such benefits which are provided to the employee either having long term impact like provident fund, gratuity, pension or occurrence of certain events like benefits, accident relief, health and life insurance; or facilitation in performance of job like uniforms, Canteens, recreation etc.

14.3.4 Perquisits :

These are normally provided to managerial personnel either to facilitate their job performance or to retain them in the organization. Such perquisities include company car, club membership, free residential accommodation, paid holiday trips, stock-option etc.

14.4 Wage Policy in India

Wage Policy are principles acting as guidelines for determining for determining a wage structure. Initially as an economic issue it was mainly the concern of the employer while state was adopting laissez faire policy. But, with the industrial progress and subsequent industrial balance between employers, employees, wage bargain has become a matter for three fold concern of the employer, employee and the state.

14.4.1 Principles of Wage Policy:

In India it is built around certain cardinal principles :

- Equal pay for equal work;
- Living wages for all workers so that they lead a decent life:

- Payment of wages on appointed dates without unauthorized deductions;
- Resolving wage related issues through collective bargaining;
- Payment of statutory bonus at 8.33 percent as per legal provisions.
- Ensuring a fair, equitable wage plan for various employees without significant wage differences;
- The capacity to pay (according to Supreme Court ruling –"an employer who cannot pay minimum wages has no right to exist)".
- Determining fair wages over and above minimum wages with due regards to (i) the productivity of labour, (ii) the prevailing level of wages, (iii) the level of national income and distribution, and (iv) the place of industry in the economy of the company.
- To compensate for the rise in cost of living.

14.4.2 Objectives of Wage Policy :

The objectives of wage policy can be categorized as :

a) Economic objectives

b) Social Objectives

14.4.2.1 Economic Objectives of Wage Policy :

- Full employment and optimum allocation of all resources;
- The highest degree of economic stability consistent with an optimum rate of economic progress;
- Maximum income security for all sections of the community;

14.4.2.2 Social Objectives of Wage Policy :

- The elimination of exceptionally low wages;
- The establishment of 'fair' labour standards;
- The protection of wage earners from the effect of rising prices;
- The incentive for workers to improve their productivity performance.

Wage Policy is a democratic set up so it cannot be enforced by the Government alone, it's implementation has to be secured through employers and employees organization at bargaining table, i.e. by consensus.

According to economic theory, wages are defined broadly as any economic compensation paid by the employer to his laborers under some contract for the services rendered by them. In its actual sense which is prevalent in the practice, wages are paid to workers which includes basic wages and other allowance which are linked with the wages like dearness allowances etc. Traditionally, in the absence of any bargaining power possessed by laborers, they did not have any say in the determination of wages paid to them. This has led to the development of several theories of wages such as subsistence theory by Ricardo, wage fund theory by Adam Smith, surplus value theory by Karl Marx residual, claimant theory by Frascis Walker, marginal productivity theory by Philip Wickstted and John Clark, bargaining theory by John Davidson and behavioral theory by James March and Herbert Simon. Each theory tries to explain how wages are determined in the Indian context, soon after independence, Government of India setup a Committee on Fair Wages in 1948 which has defined various concepts of wages which govern the wage structure in the country specially in those sectors which can be termed as underpaid and where workers do not have bargaining power through unions.

14.4.3 Concepts of Wage Policy :

These concepts are : minimum wage, living wage and fair wage.

Later the concept of need based minimum wage was added. Let us have a brief look at these concepts.

14.4.3.1 Minimum Wage :

A minimum wage is one which has to be paid by an employer to his workers irrespective of his ability to pay. According to the above committee,

“Minimum wage is the wage which must provide not only for the bare

Sustenance of life, but for the preservation of the workers. For this purpose, minimum wage must provide some measure of education, medical requirements and amenities.”

Subsequent to the committee’s report, Government enacted legal provisions regarding minimum wages under the Minimum Wages Act, 1948. This act does not define the concept of minimum wages but empowers the Central Gevernment as well as State Governments to fix minimum wages from time to time. Wherever this act applies, the payment of minimum wages is mandatory, In 1957, Indian Labour.

Conference elaborated the concept of fixation of minimum wages which were termed as need –based minimum wages.

For the calculation of wages, the Conferences suggested the following guidelines:

- The standard working class family should be taken to consist of three consumption units for the earner: The earnings of women, children and adolescents should be disregarded.

- The minimum food requirments should be calculated on the basis of the net intake of 2,700 calories per adult.
- The clothing requirements should be estimated at a per capita consumption of 18 yards per annum per person.
- In respect of housing, the norms should be the minimum rent charged by the Government in any area for houses provided under subsidized housing scheme for low- income groups.
- Fuel, Lighting and other miscellaneous items of expenditure should constitute 20 percent of the total minimum wage.

14.4.3.2 Living Wage :

Along with the minimum wage the Committee on Fair Wages has given the concept of living wage which has been defined as follows:

" A living wages is one which should enable the earner to provide for himself and his family not only the bare essentials of food, clothing and shelter but a measure of frugal comfort including education for his children, protection against ill- health, requirements of essential social needs and a measures of insurance against the more important misfortunes including old age."

Living wage is more than the concept of minimum wage. Such a wage is determined keeping in view the national income and paying capacity of industrial sector. The Committee also observed that since the national income did not support the payment of living wage, it should be implemented in three phases. In the initial stage the wages to be paid to the entire working class were to be established and stabilized. In the second phase fair wages were to be established in the community and industry. In the final phase the working class was to be paid the living wage.

14.4.3.3 Fair Wage :

The concept of fair wage is linked with the capacity of the industry to pay. The Committee has defined fair wage are follows:

"Fair wage is the wage which is above the minimum wage below the living wage. The lower limit of the fair wage is obviously

The minimum wage : the upper limit is to be set by the capacity of the industry to pay".

Thus, fair wage depends on different variables affecting wage determination. Such factors are labour productivity, prevailing wage rates, the level of national income and its distribution and the capacity of industry to pay.

At present the concept of fair wages is followed by most of the business organizations.

14.4.4 Limitations of Wage Policy

There are certain limitations of wage policy in India :

- Socio-economic setup of our society;
- Enforcement in organized sector;
- Lack of Unity among unions;
- Price rise almost beyond Government regulatory capabilities;
- Wages lag far behind labour productivity;
- Lesser number of workers in organized sector take away bulk of wages than unorganized;
- Wage incomes are consumption oriented rather than saving oriented so increased wages would mean increased consumption . Therefore, economic growth may not be affected positively as it depends upon rate of investment possible through savings.
- Ever increasing addition to workforce yet dearth of skilled labour.
- High wages may force employer to shift towards capital intensive methods.
- High wages reduce capital for growth.

Key words

Incentives: are the additional payment to employees besides the payment of wages and salaries.

Wage Policy : are principles acting as guidelines for determining a wage structure Compensation Management : Briefly termed as meeting the needs of both employees and the organization.

Fair Wage: is with the capacity of the industry to pay

Wage: is referred to as remuneration to workers particularly, hourly- rated payment

Salary: refers to as remuneration paid to white – collar employees including managerial personnel.

Self Assessment Questions

1) What are the components of compensation programme?

2) What are the concepts of wage policy?

3) What are the limitations of wage policy?

4) What are the objectives of compensation planning?

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UNIT 15

INCENTIVE PAYMENTS

Objectives

After Studying this unit, you would be able to understand the:

1. Meaning and definition
2. Need of Incentive
3. Identify the types of incentive payments.
4. Understand how to make an incentive payment an effective one.
5. Understand the incentive schemes in Indian Industries.
6. Determine the fringe benefits.

15.1 Introduction

'Incentive' may be defined as any reward of benefit given to the employee over and above his wage or salary with a view to motivating him to excel in his work. Incentives include both monetary as well as non-monetary rewards. A scheme of incentive is a plan to motivate individual or group performance.

15.2 Incentives: Meaning and Definition

The following are some of the definitions of the term 'incentive':

- Wage incentives are extra financial motivation. They are designed to stimulate human effort by rewarding the person, over and above the time rated remuneration, for improvements in the present or targeted results."

-The National Commission on Labour.

- It refers to all the plans that provide extra pay for extra performance in addition to regular wages for a job."

-Hummel and Nickerson

- "It is any formal and announced programme under which the income of an individual, a small group, a plant work force or all the employees of a firm are partially or wholly related to some measure of productivity output." **-Scott**

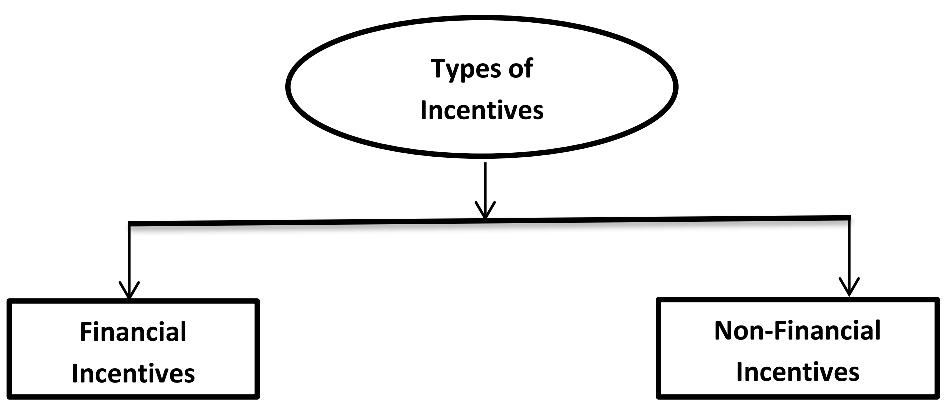
15.3 Need for Incentive

It is true that monetary compensation does constitute very important reason for the working of an employee. But this compensation alone cannot bring job satisfaction to the workers. One cannot expect effective performance from a worker who is dissatisfied with its job, even if he is well paid. Sociologists and industrial psychologists also view that the financial aspect is not the only dominant motivating force. Confidence in the management, pride in the job and in firm and concern for the overall good cannot be brought by a bonus. Hence the modern authorities on management science have recognized the need for the provision of incentives to build up good morale.

15.4 Types of incentives

All forms of incentives can be broadly classified into two kinds, namely:

1. Financial Incentives, and
2. Non-financial Incentives



15.4.1 Financial Incentives:

Financial Incentives or pecuniary incentives are the most original of all the incentives. It is given in the form of money. The financial incentives still form the most important influencing and motivating factor upto a certain limit.

Because it is only by virtue of the monetary compensation that the workers can satisfy their fundamental needs, such as, food, clothing, shelter, etc. The financial incentives may be either direct or indirect. Direct incentives include wages, bonus and other incentives directly given to the workers in the form of cash.

Indirect financial incentives include subsistence allowance expenses, medical expenses, etc.

15.4.2 Non-financial Incentives:

Non-financial or non-pecuniary incentives include all other influences planned or unplanned, which stimulate exertion. Mere monetary incentive cannot help the management in solving all the problems of industrial unrest.

Further additional cash wage may also tempt the workers to misuse the money in vices like gambling, drinking, etc. Under such circumstances, the non-financial incentives have a significant role to play. Such incentives create a healthy atmosphere and change the mental outlook of the workers. They make the working class more stabilized and economically sound. Thus, in short, the workers by virtue of the non-financial incentives are enabled to enjoy a richer and fuller life. Experiences of foreign countries particularly countries like, Britain, America and Japan have shown that there is a high degree of positive correlation between non-financial benefit scheme and labour productivity.

Non-Financial Incentives can take a variety of forms. Some of the popular ones are given below:

1. Job Security;
2. Recognition;
3. Participation;
4. Sincere Interest in Subordinates as Individual Persons;
5. Pride in job;
6. Delegation of Responsibility;
7. Other Incentives.

Let us discuss each one by one:

1. Job Security:

The management must try its best to create a sense of job security. There should be no risk of retrenchment, demotion and termination. Experiences have also shown that the productivity is less in those concerns where workers have no feeling of safe and secure future. But it is high in those concerns where they have a feeling of job security.

2. Recognition:

Recognition of work is the essence of securing good work. Efficient people would naturally like to get recognition for their skill and excellence in their work. Such recognition can do many things that a cash reward can do. Of course it is not practicable for the superiors to praise everybody for everything done by them. But the technique of praise must be practiced as far as possible.

3. Participation:

Workers feel more satisfied when they are given an opportunity to raise their voice in handing the affairs of the enterprise. Since they actually take part in the decision-making their co-operation is assured.

4. Sincere Interest in Subordinates as Individual Persons:

The workers must be made to feel pride in their job. Various techniques can be employed to develop pride to work. Food product, dynamic leadership, fair treatment, ethical conduct, etc. an effectively stimulate the workers' pride in their job and in the firm.

5. Pride in job:

The workers must be made to feel pride in their job. Various techniques can be employed to develop pride to work. Food products, dynamic leadership, fair treatment, ethical conduct, etc. can effectively stimulate the workers pride in their job and in the firm.

6. Delegation of Responsibility:

Delegation of rights and responsibilities to execute a given task often proves to be a strong motivating factor. By delegation the superior trusts his workers and stimulates them to show better results.

7. Other Incentives:

Other incentives like quick promotion, provisions of facilities for development and training, provision of labour welfare amenities, etc. also have a significant role to play in motivating the employees.

15.5 Merits of Incentives

The following are the advantages derived by providing incentives to employees:

1. Higher output;
2. Greater profits;
3. No problem of idle time;
4. Supervision does not pose any problem;
5. Efficient workers are able to earn more;
6. Possible to identify inefficient and dull workers;
7. Rate of labour turnover is bound to be low;
8. Reduction in complaints and grievances.

Let us discuss each one-by-one:

1. Higher Output:

By providing incentives to his employees, the employer is able to induce them to work better. This leads to higher output.

2. Greater Profits:

Needless to say, higher output results in greater profits for the business. This happens in two ways. First, the cost per unit becomes less and second, the enterprise in able to keep the selling price low and this result in greater sales.

3. No problem of idle time:

In an organization where no proper incentives are available for the workers, the tendency will be to while away the time. When suitable incentives are available, the workers tend to become time conscious. They begin to see every minute in terms of money.

4. Supervision does not pose any problem:

When suitable incentives are available, the workers tend to become duty conscious. The need for close supervision, thus, does not arise.

5. Efficient workers are able to earn more:

Those workers who are highly efficient are able to earn more by way of performance based bonus, higher commission and so on.

6. Possible to identify inefficient and dull workers:

If, in spite of the incentive schemes, some workers are able to earn only their normal wage, this means that they are basically dull. The employer, therefore, has to decide whether to retain them or subject them to rigorous training.

7. Rate of labour turnover is bound to be low:

If adequate incentive are available to the workers, they may not have a feeling of dissatisfaction. Such workers are sure to have greater work commitment and, therefore, may not leave the organization. The rate of labour turnover, as a result, is bound to be low.

8. Reduction in complaints and grievances:

As the organization makes available suitable incentives to the workers, they may not have anything to complain about. This leads to reduction in complaints and grievances.

15.6 Problems arising out of Incentives

The following problems are bound to arise while implementing an incentive plan:

1. Quality of work may suffer;

2. Inter-personnel relationships may suffer;

3. Wear and tear of machines may be more;

4. Health of the workers may get affected;

5. Increase in accidents;

6. Increase in paper work;

Let us discuss each one-by-one:

1. Quality of work may suffer:

The workers, those in the production department in particular, may give undue importance to the quantity of output produced neglecting the quality of output. Such a problem can be overcome only if the organization has a perfect system of quality control.

2. Inter-personnel relationships may suffer:

Only those employees who are really efficient will be benefitted out of incentives. This may promote ill feelings among the employees of an organization.

3. Wear and tear of machines may be more:

As the employees are keen on increasing the output all the time, they may handle the machines in a careless manner. This increases the wear and tear of machines.

4. Health of the workers may get affected:

Some workers tend to overwork in order to earn more and this may affect their health.

5. Increase in accidents:

There is always a performance to step up output disregarding even safety regulations and this may increase the rate of accidents in the workplace.

6. Increase in paper work:

Proper administration of any incentive scheme involves lot of paper work. It necessitates the maintenance of proper records and books.

15.7 Perquisites of an effective Incentive System

A good incentive plan shall fulfill the following requirements:

1. Trust and confidence;
2. Consensus required;
3. Assured minimum wage;
4. No scope for bias or favouritism;
5. Simple to operate;
6. Beneficial to both the workers and the management;
7. Sound system of evaluation;
8. Redressing grievances;
9. Review.

Let us discuss them briefly:

1. Trust and confidence:

The success of any incentive plan depends on the existence of an atmosphere of trust and confidence between the workers and the management. In the absence of such an atmosphere, the workers may resist any such proposal by the management.

2. Consensus required:

The management should not take a unilateral decision while evolving an incentive scheme. Consensus between the workers and the management is necessary for the success of the plan.

3. Assured minimum wage:

Payment to any worker should not be totally related to his performance. Every worker should be assured of a minimum wage not with standing performance. Only then the workers would have a sense of security.

4. No scope for bias or favouritism:

The standards set under the incentive plan should be based on objective analysis. It should not expect too much out of the employee nor should it give scope for bias or favouritism.

5. **Simple to operate:**

   The incentive plan should not involve tedious calculations. It should be so simple that the worker will be in a position to work out his total earnings himself.

6. **Beneficial to both the workers and the management:**

   The incentive plan should be beneficial to both the workers and the management. From the management's point of view, it should be cost effective. From the workers point of view, it should offer return, at a rate higher than the normal rate of wages, for the extra efforts made by them.

7. **Sound system of evaluation:**

   A perfect system of evaluating the employee's performance should be created in the organization. The results of evaluation should be made known to the employees at the earliest.

8. **Redressing grievances:**

   Grievances and complaints are bound to arise whenever any incentive plan is in vogue in the organization. Proper machinery should be installed for the quick handling of all such complaints.

9. **Review:**

   The progress of the incentive scheme should be periodically reviewed. Only then it would be possible to notice and remove defects, if any, in the plan.

15.8 Scope of incentive Scheme

Though wage incentives could be applied with advantage in most cases, there may be certain limitations rendering the introduction of incentives difficult in some industries where:

(i) High quality and precision are of Paramount importance;

(ii) Work is dangerous and adherence to safety precautions is essential; and

(iii) Work is such that measurement of either individual or group effort is extremely difficult.

15.9 Incentive Schemes in Indian Industries

Introduced in 1946, incentive payments have become highly popular in our industries. They are as common as monthly wages and salaries. But the schemes in operation defy any generalization because no two plants follow an identical scheme. The schemes differ from industry to industry, and from plant to plant within an industry.

Some of the schemes described by the ILO are followed here, but not in their original form. They have been identified to suit the local requirements. This is necessary because the implementation and standardization of operations are not possible in our industries.

Thus the features of incentive payments are:

1. Though incentive are as old as industries themselves, it was in 1946 that they were introduced in our country. Even to this day, the incentive schemes are in their infancy.
2. In most industrial establishments, the introduction of incentive incentive schemes have not been preceded by work studies, consultations with worker's representatives and rationalization of wage structure through job evaluation.
3. Incentive schemes differ from industry to industry and from plant to plant within an industry.
4. The schemes in public sector plants have an extremely wide coverage, some applying only to day-rated employees while others are being made applicable right upto the top management.
5. Most incentive schemes in operation fall under one or the other of the four classes mentioned by the ILO. But the schemes are fine-tuned to suit the requirements of the organization.
6. Inflation has reduced the motivational effect of incentive schemes. Hence, incentives have to be substantial if workers are to be motivated for higher efficiency and greater output.
7. In many cases, incentives seem to have achieved their objectives, i.e., increased productivity and enhanced earnings.

15.10 Fringe Benefits

It is an incidental benefit awarded for certain types of employment (especially if it is regarded as a right) ; "a limousine is one of the fringe benefits of the job."

The fringe benefits are categorized as follows:

- Payment for Time Not worked: Benefits under this category include: sick leave with pay, vacation pay, paid rest and relief time, paid lunch periods, grievance time, bargaining time, travel time, etc.
- Extra pay for time Worked: This category covers the benefits, such as: premium pay, incentive bonus, shift premium, old age insurance, profit sharing, unemployment compensation, Christmas

bonus, Diwali or Pooja bonus, food cost subsidy, housing subsidy, recreation.

Organization provide a variety of fringe benefits. The fringe benefits are classified under as given here under.

1. Employment Security:

Benefits under this head include unemployment, insurance, technological adjustment pay, leave travel pay, overtime pay, level for negotiation, leave for maternity, leave for grievances, holidays, cost of living bonus, call-back pay, lay-off, retiring rooms, jobs to the sons/daughters of the employees and the like.

2. Health Protection:

Benefits under this head include accident insurance, disability insurance, health insurance, hospitalization, life insurance, medical care, sick benefits, sick leave, etc.

3. Old Age and Retirement:

Benefits under this category include: deferred income plans, pension, gratuity, provident fund, old age assistance, old age counseling and medical benefits for retired employees, traveling concession to retired employees, jobs to sons/daughters of the deceased employee and the like.

4. Personnel Identification, participation and Stimulation:

This category covers the following benefits: anniversary awards, attendance bonus, canteen, cooperative credit societies, educational facilities, beauty parlor services, housing, income tax aid, counseling, quality bonus, recreational programmes, stress counseling, safety measures, etc.

5. Employee Security:

Physical and job security to the employee should also be provided with a view to promoting security to the employee and his family members. The benefit of confirmation of the employee on the job creates a sense of job security. Further a minimum and continuous wage or salary gives a sense of security to the life.

6. Retrenchment Compensation:

The Industrial Disputes Act, 1947 provides for the payment of compensation in case of lay-off and retrenchment. The non-seasonal industrial establishments employing 50 or more workers have to give one month's notice or one month's wages to all the workers who are retrenched after one year's continuous service. The compensation is paid at the rate of 15 days wage in a year. Workers are eligible for compensation as stated above even in case of closing down of undertakings.

7. **Lay-off Compensation:**

   In case of lay-off, employees are entitled to lay-off compensation at the rate to 50% of the total of the basic wage and dearness allowance for the period of their lay-off except for weekly holidays. Lay-off compensation can normally be paid up to 45 days in a year.

8. **Safety and Health:**

   Employee's safety and health should be taken care of in order to protect the employee against accidents, unhealthy working conditions and to protect workers capacity. In India, the Factories Act, 1948, stipulated certain requirements regarding working conditions with a view to provide safe working environment. These provisions relate to cleanliness, disposal of waste and effluents, ventilation and temperature, dust and fume, artificial humidification, over-crowding, lighting, drinking water, latrine urinals, and spittoons. Provisions relating to safety measures including fencing of machinery, work on or near machinery in motion, employment of young people on dangerous machines, striking gear and devices for cutting of power, self-acting machines, easing of new machinery, protection of employment of women and children near cotton openers, hoists, and lifts, lifting machines, chains, ropes and lifting tackles, revolving machinery, pressure plant, floors, excessive weights, protection of eyes, precautions against dangerous fumes, explosive or inflammable dust, gas, etc. Precautions in case of fire, power to require specifications of defective parts of test of stability, safety of buildings and machinery, etc.

15.10.1 Objectives of Fringe Benefits:

The view point of employers is that fringe benefits form an important part of employee incentives to obtain their loyalty and retaining them. The important objectives of fringe benefits are:

- To create and improve sound industrial relations;
- To boost up the employee morale;
- To motivate the employees by identifying and satisfying their unsatisfied needs;
- To provide qualitative work environment and work life;
- To provide security to the employees against social risks like old age benefits and maternity benefits;
- To protect the health of the employees and to provide safety to the employees against accidents;
- To promote employee's welfare by providing welfare measures like recreation facilities;

- To create a sense of belongingness among employees and to retain them. Hence, fringe benefits are called golden hand-cuffs.
- To meet requirements of various legislations relating to fringe benefits.

Key Words: monetary compensation, lay-off compensation, fringe benefits

Self Assessment Questions:

1) What is the need for incentives?

2) Differentiate between types of incentives?

3) Describe non financial incentives.

4) Elaborate on the perquisites of an effective Incentive System.

5) What is meant by fringe benefits?

6) Describe the objectives of fringe benefits.

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UNIT-16

POTENTIAL APPRAISAL

Objective

After reading this unit you will be able to understand

1. The meaning, concept of potential appraisal.

2. Identify the impact of potential appraisal on employee performance.

3. Understand tasks, competency and discrepancy analysis and their usage.

16.1 Introduction

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

Potential appraisal is a process of determining an employee's strengths and weaknesses with a view to use this as a predicator of his future performance.

Potential appraisal is a future oriented appraisal aimed to identify and evaluate the potential of the employees to assume higher positions and responsibilities in the organizational hierarchy.

The time for potential appraisal is not fixed. It is under the discretion of the manager to hold the assessment activity.

Unlike performance review, it does not happen at a particular period in every organization. The managers generally exercise it when an employee achieves a certain milestone, or completes a year or is planning to change jobs for whatever reasons. Usually it is recommended to take place within 6 months.

The procedure of potential appraisal should commence and end with a meeting between two parties. In the first meeting the manager can list the abilities required to deliver additional tasks. He/she can recommend various ways to attain them –in- house training programmes, external workshops, etc. The latter meeting can be a review (usually after 6 months) to test whether the skills have been rightly acquired or not. During the observation time the manager is supposed to note the various abilities adopted and used by the candidate in work and the improvement areas. The employee should be ready to defend every action with examples. They can then chalk out a plan to chase the potential and taste growth in the organization.

It should be noted that a potential appraisal does not guarantee promotion. Normally, most of the companies do it to facilitate the growth of an individual. The companies can use the results of such an assessment for-

- Recommending a growth plan and showing a bigger picture to the employees.
- Infusing enthusiasm in the employees to sharpen the abilities.
- Learning about the training requirements of the employees.
- Drawing a succession plan for future.

16.2 Features of Potential Appraisal

Potential Appraisal is the process of tracking unrevealed skills and abilities in a person which even he/she is unaware of. It is a future oriented appraisal which aims to track the potential of the employees to rise up in the organizational structure. Potential Appraisal is a potent device for employee advancement. The term is not known to many however, managers of almost every organisation have been making potential assessment every year.

Let us discuss some of the characteristics of potential appraisal :

- Process of identifying hidden skills and abilities in a person.

- The time for potential appraisal is not fixed.
- It is future oriented process.
- Part of performance appraisal.
- It does not guarantee promotion.

16.3 Purpose of Potential Appraisal

Potential appraisal can serve the following purposes:

- To advise employees about their overall career development and future prospects;
- To update training and recruitment activities;
- To advise employees about the work to be done to enhance their career opportunities;
- To enable the management to draft a management succession programme;
- Motivate the employees to further develop their skills and competencies.

16.4 Impact of Potential Appraisal

Potential Appraisal helps to identify what can happen in future so that it can be guided and directed towards the achievement of individual and organization growth and goals. Therefore, potential should be included as a part of the Performance Appraisal in organisations.

Potential appraisal is an important part of the appraisal process. Appraising an employee's potential helps to evaluate his/her capability for growth and development to accept bigger challenges, responsibilities and positions in the organizational hierarchy. Most organisations incorporate potential appraisal in their appraisal processes for identifying and developing suitable employee base for succession planning.

This performance Appraisal concentrates on the future, based on the performance of the past and helps in developing the personal interests of the employees in alignment to the organizational goals.

With the help of the potential appraisal form, the employees/individuals are judged on various performance and behavioural parameters like:

- The performance areas in which the improvement or development is indicated;
- The accomplishments and targets achieved in the current appraisal period;

- Overall rating of the performance;
- What skills, knowledge, competencies and qualities should be developed?
- Has the employee taken any steps for improving his performance and his career development?
- Recommendations for the training and development of the employee;
- Updating knowledge on the latest developments on their job related and subject areas;
- Rate the employee on the following characteristics or how does the employee fare on following behavioural characteristics;
- Decision making ;
- Independence;
- Confidence towards the job;
- Handling stress and pressure;
- Inter-personal skills, both with superiors and subordinates;
- Leadership, motivating and conflict handling.

16.5 Task Analysis

Task Analysis can be defined as the study of what a user is required to do, in terms of actions and/or cognitive processes, to achieve a task objective.

"Task analysis for an instructional design is a process of analyzing and articulating the kind of learning that you expect the learners to know how to perform" (Jonassen, Tessmer & Hasnnum, 1999, p.3). Instructional designers perform a task analysis in order to :

1. Determine the instructional goals and objectives;
2. Define and describe in detail the tasks and sub-tasks that the student will perform ;
3. Specify the knowledge type (declarative, structural and procedural knowledge) that characterize a job or task :
4. Select learning outcomes that are appropriate for instructional development ;
5. Prioritize and sequence tasks ;
6. Determine instructional activities and strategies that foster learning ;
7. Select appropriate media and learning environments ;

8. Construct performance assessments and evaluation (Jonassen et al., 1999).

What Methodology does a Task Analysis Support?

The process of task analysis emerged from the behaviorist era in an effort to describe the elemental behaviours involved in performing a task or job. Nevertheless, different methods of task analysis have indeed followed the paradigm shifts to cognitive psychology and onto constructivism. Ultimately, each methodology of instruction commands its own method of analysis, yet regardless of methodology, a task analysis is needed for an in depth understanding of the learning that's to take place (Jonassen, et al.,1990).

I know One Method of Task Analysis. Can I use It all the Time?

According to Jonassen, the answer is no. Too often instructional designers try to force –fit all learning situations into one or two methods with which they are most familiar. However, as different audiences require different instructional strategies, different contexts demand different task analysis methods. To determine the best method for your instruction, you must decide what kind of analysis to perform. In general, there are five kinds of task analyses:

1. Job or performance analysis:
2. Learning analysis;
3. Cognitive task analysis;
4. Content or subject matter analysis;
5. Activity analysis.

Each of the five methods involves a different procedure for conducting a task analysis and also make different assumptions about the process of learning.

How Do I Perform a Task Analysis ?

According to Jonassen, the task analysis process consists of five distinct functions:

- Classifying tasks according to learning outcomes-
- Inventorying tasks – identifying tasks or generating a list of tasks
- Selecting tasks –prioritizing tasks and choosing those that are more feasible and appropriate if there is an abundance of tasks to train.
- Decomposing tasks-identifying and describing the components of the tasks, Goal or objectives.
- Sequencing tasks and sub-tasks-defining the sequence in which instruction should occur that will best facilitate learning.

All forms of task analysis are concerned with the description and representation of task or activities and provide organisation and structure to that description. This can be useful when describing an existing set of activities performed by a person, but also is of value when trying to design a new product. Thinking through the sequences of activities that a person would need to go through to use a product can assist in identifying whether these are organized logically or not and can assist in designing and redesigning the operations needed to use a product. Two processes are usually followed when a task analysis is conducted. The first of these is some understanding of sequence or dependency between different activities. Thus, it is important to understand a particular activity in the wider context. For example, a person using a communication aid may want to communicate hunger, but first he needs to draw the attention of the person with whom he wants to communicate. After they have communicated hunger there is need for them to be fed.

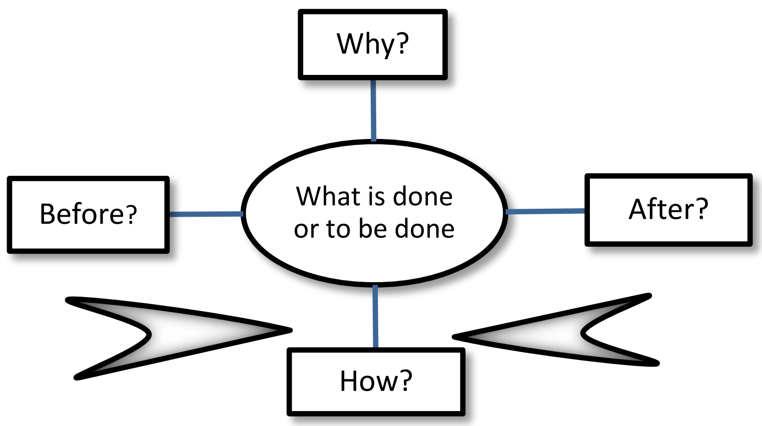

Fig 1 Overview of the technique

The second process is one of representing how activities or tasks fit together. This is a process of representing how large tasks can be decomposed into smaller components and the logical relationship between these. A common technique used is called hierarchical decomposition which means breaking larger activities into smaller activities until a sufficient level of detail is reached. A good way of achieving such decomposition is to repeatedly ask the question “how” to break activities into smaller units. For example, in a communication aid where an identified activity is to draw the attention of the teacher, this might be further decomposed into the child having to press a specific button on the communication aid, repeating the key press in the event of no response by the teacher, etc. One approach which breaks tasks or activities down into smaller units is the Hierarchical Task Analysis (HTA) technique developed by Shepherd (1989).

16.6 Competency Analysis

Competency Analysis is necessary to identify the knowledge, skills and process abilities required to perform the organizations business activities so that they may be developed and can be used as a basis for workforce practices.

16.6.1 Methodology:

Competency analysis begins with identification of the workforce competencies required to perform the organizational business activities. Once the competencies are identified, a mapping between the targeted versus actual value of competencies is required to measure analyze and predict the future capability of competencies and take necessary corrective / preventive action to either enhance or maintain the current capability.

Identifying the tasks, skills, knowledge and attitude required to perform various organizational roles can be used in formulating job description, assessing employee's current level of competency and activities like planning career development and coordinating competency development.

16.6.2 Steps in Competency Analysis :

Step 1 :- Plan

1. A plan is developed for analyzing workforce competencies that typically includes :

- The competency analysis activities to be performed ;
- The schedule for competency analysis activities ;
- The individuals or groups responsible for competency analysis activities ;
- The resources and effort required, including access to the staff, and
- The process for review and approval of the plan by all parties affected by competency analysis activities.

Step 2 :- Method

Examples of methods for workforce competency analysis include the following :

- Position analysis ;
- Critical incident interviews ;
- Behavioral event interviews ;
- Process analysis and engineering ;
- Task analysis ;
- Knowledge engineering ;

- Analysis of skill needs.

Step 3 :

The organization defines the level of knowledge, skills and process abilities underlying each of its workforce competencies.

Step 4 :

The knowledge, skills and process abilities required to perform committed work and defined for each workforce competency.

Step 5 :

Subject matter experts are involved in analyzing the knowledge, skills and process abilities required to perform their committed work.

Step 6 :

A description of the knowledge, skills and process abilities is defined for each workforce competency using a representation and format that is appropriate for its intended use.

Step 7 :

Descriptions of workforce competencies are used for guiding workforce practices at the organizational level and within units.

16.6.3 Goals of Competency Analysis :

- The workforce competencies required to perform the organization's business activities are defined and updated.
- The work processes used within each workforce competency are established and maintained.
- The organisation tracks its capability in each of its workforce competencies.
- Competency Analysis practices are institutionalized to ensure they are performed as defined organisational processes.

Sources of Information :

Example sources of information on an individual's level of capability in a workforce competency include the following :

- Training and other development records ;
- Mentoring or apprenticeship reports ;
- Performance management records ;
- Management assessment of knowledge, skills and process abilities
- Self- assessment of knowledge, skills and process abilities ;
- Peer evaluations ;

- Process assessments ;
- Awards and achievements ;
- Professional accomplishments ;
- Assessment centers ;
- Information from the performance of business activities.

16.6.4 Impact of Competency Analysis :

- Objective gap analysis of employees' competencies resulting in individual development for an employee's current and future role ;
- Reduced interview vs. selection ratio as a result of competency based assessment at the time of hiring ;
- Self- development of more than 90% of employees in their competencies in respective domains, communication skills and leadership skills ;
- Increased transparency in the job expectations for an individual's current or future role ;
- Improved employee – organisation fit with employees having more clarity on their role towards achieving the company's goals ;
- Significant improvement in overall organizational competencies with the mandatory competencies check done at the time.

Measurement and analysis :

Examples of measurements include the following :

- Amount of time or number of people involved in analyzing workforce competencies or in collecting competency information ;
- Number of workforce competencies defined ;
- Effectiveness of meeting milestones in analyzing workforce competencies or collecting competency information ;
- Amount of competency information collected ;
- Period between updates of workforce competency analysis or competency information ;
- Extent to which competency information is used in designing or tailoring workforce practices and performing workforce activities.

16.7 DISCREPANCY ANALYSIS

The procedure in which scores are compared to determine whether they significantly different, most often used to compare expected and actual achievement in the identification of learning disabilities.

Key word: Task analysis, Competency analysis, discrepancy analysis

Self-assessment Questions

- Define potential appraisal. Describe the features of Potential Appraisal.
- What is the purpose of Potential appraisal? Also highlight the impact of potential appraisal.
- Elaborate on the aims of Instructional designers for performing a task analysis.
- What is Competency Analysis?
- What is the methodology of competency analysis?

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Uttar Pradesh Rajarshi Tandon Open University

Master of Business Administration

MBA-2.3

Human Resource Management

Block

5

Industrial Relation and trade Union

परिशिष्ट–4

आन्तरिक कवर–दो का प्ररूप

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परिमापक

परिमापक

अनुवाद की स्थिति में

मूल लेखक	अनुवाद
मूल सम्पादक	भाषा सम्पादक
मूल परिमापक	परिमापक

सहयोगी टीम

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BLOCK INTRODUCTION

This block comprises of four units. The first unit introduces the subject and approaches to industrial relations (IR). It also provides an overview of evolution of IR in India, role of states trade unions in India. The second unit explains the concept of disciplinary procedure, grievances handling procedure, labour turnover, absenteeism, worker's participation in management. It also explains the concept of resignation, dismissal, retrenchment and voluntary retirement schemes. The third unit deals with trade union, its origin & growth. It further highlights various functions & role of trade unions in collective bargaining. It also throws light on the problems of trade unions. The fourth unit describes various industrial acts like Industrial Dispute Act, Factories Act, Payment of Wages Act, Workmen Compensation Act, Payment of Gratuity Act and Employees Provident Fund Act etc.

UNIT 17

INDUSTRIAL RELATIONS

Objectives:

After studying this lesson, you will be able to:

- Explain the meaning & importance of industrial relations;
- Identify the features of ILO and evolution of IR in India;
- Describe the various approaches to industrial relations;
- Understand the role of state trade unions

Structure:

17.1 Introduction

17.2 Meaning & Nature of industrial relations

17.2.1 Distinction between human relations & industrial relations

17.2.2 Importance of good industrial relations

17.2.3 Causes of industrial disputes & poor industrial relations

17.2.4 Objectives of industrial relations

17.3 Approaches to industrial relations

17.4 ILO in IR

17.5 Evolution of IR in India

17.6 Role of state trade unions

17.7 Employer's organizations

17.8 Summary

17.9 Further Readings

17.1 INTRODUCTION

Industrial relation is a dynamic socio economic process. *Dale Younder* in his book, *Personnel Management and Industrial Relations* has discussed industrial relations as 'a designation of a whole field of relations that exist because of the necessary collaboration of men and women in the employment processes of industry'.

It has two faces as cooperation and conflict. Industrial relations are invariably a combination of cooperation, collaboration and conflict between labour and management. The relationship changes from thesis to antithesis and then to synthesis. Thus, the relationship revolves into a form of cycle, starting with cooperation soon changes into conflict and after its resolution, again changes into cooperation. However, efforts should be made to seek the maximum degree of cooperation and collaboration between them so that organizational objective may be achieved efficiently. Some degree of conflict always remains because of the following reasons:

a) Both labour as well as management has different orientations and perceptions which generate generally negative images about each other.

b) Both the groups claim complete rationality for their demands because there are no mutually accepted norms to guide their behavior in the pursuits of their objectives.

c) Both the groups do not come on negotiation table with a clean state. They baring with them some carry over effect from the past which signifies the existence of conflict between the labour and the management.

Industrial relations constitute one of the most delicate and complex problems of the modern industrial society. There are various incidents which had their impact on this bonding of employees and management bonding. We can take example of strike by employees of MARUTI at Manesar plant. This was the one of the most burning issue of modern industrialization which forced all management gurus and HR experts to rethink about the industrial relations. This phenomenon of a new complex industrial set-up is directly attributable to the emergence of 'Industrial Revolution". The pre industrial revolution was characterized by a simple process of manufacturing and trading which was related with small investment and local market and few numbers of employees. Therefore there was a proximity among the managers and the employees and they have healthy relations too as they were near to discuss their issues. Due to personal and direct relationship between the employer and the employee it was easier to secure cooperation of the latter. Any grievance or misunderstanding on the part of either party could be promptly removed. Also, there was no interference by the State in the economic activities of the people. That is why there was simple, direct and personal industrial relation existing that time. This situation underwent a marked change with the advent of industrial revolution – size of the business increased which need huge financial investment and human resources, a new class of learned and professional degree holders managers also emerged causing divorce between ownership and management, and relations between the employer and the employer became entranged and gradually antagonistic. This new set-up rendered the old philosophy of industrial relation irrelevant and gave rise to complex, indirect, and impersonal industrial relations.

Industry today is neither viewed as a venture of employers alone nor profit if considered as its sole objective. Now it is seemed as a venture based on purposeful cooperation between management and labour in the process of production and maximum social good is regarded as its ultimate end and both management and employees contribute in their own way towards its success. This is time of societal marketing in which not only labour and management relationship but welfare of society is to be ensured besides earning profit. Similarly, labour today is no more an unorganized mass of ignorant works ready to obey without resentment or protest the arbitrary and discretionary dictates of management. The management has to deal with employees today not as individuals but also as members of organized social groups who are very much conscious about their rights and have substantial bargaining strength. Hence, the objective of evolving and maintaining sound industrial relations is not only to find our ways and means to solve conflicts to resolve differences but also to secure the cooperation among the employees in the conduct of industry. This is a big challenge for the HR managers to ensure this objective of keeping conflicts away and securing cooperation of employees for the attainment of various goals and profit. But maintaining smooth industrial relation is not an easy task. Almost all the industrialized countries of the world face the problem of establishing and maintaining good management worker relationships in their industries. As here in India, we have seen the example of MARUTI PLANT at Manesar, each country has sought to find our solution, depending upon its economic, social and political environment. However, industrial conflict still arises and therefore establishment and maintenance of satisfactory industrial relations forms an important plank in the personnel policies of modern organization. Industrial conflict also keeps the good industrialist away from the investment which ultimately results in slow growth rate and under developed economy of the country.

17.2 MEANING AND NATURE OF INDUSTRIAL RELATIONS

Meaning of Industrial Relation

Industrial relations are an integral aspect of social relations arising out of employer-employee interactions in modern industries, which are regulated by the state in varying degrees, in conjunction with organized social forces and influenced by the existing institutions. This involves a study of the legal system, and the workers and employers organizations at the institutional level and of the patterns of industrial organization (including management), capital structure (including technology), compensation of the labour forces, and a study of market forces-all at the economic level.

Industrial societies necessarily create industrial relations defined as complex of interrelations among workers. Managers and government. According to Cassel man's Labour Dictionary, Industrial relations denote the relations between employers and employees in industry. In a broad sense, the term also includes the relations between the various unions, between the state, and the unions as well as those between employers and the states.

The above definition reveals that industrial relations arise out of employer-employee interaction in modern industries which are regulated by the Government in varying degrees. 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's relations and joint consultation between employees and workpeople at their workplace; collective relations between employers and their organizations and trade unions and the part played by the state in regulating these relations.

The term industrial relations refer to all types of relationships between the parties concerned with industry. The parties related to industry are the workers and the management representing the owners. Therefore the term should not be restricted to mean merely the relationship between union and management, but a vest complex of relationship between management and employees, union and management, union and employees and between employees themselves. However the major parties to industrial relations are workers and management. Both the parties have a common interest in industry but many times they are found to be pulling in different direction which leads to industrial unrest. Therefore it has become necessary to secure the cooperation of both the parties to improve their relation which is a pre condition to growth and stability of industry. State interference in the regulation of labour management relations has been constantly growing and thus the area of industrial relations has been extended to relations cover all such relationships that a business enterprise maintains with various sections of the society such as workers, state customers and public who come into its contact. While in the narrow sense, it refers to all types of relationships between employer and employees, trade union and management, works and union and between workers and workers. It also includes all sorts of relationships at both formal and informal levels in the organization.

The term 'industrial relations' has been variously defined. J.T. Dunlop defines industrial relations as "the complex interrelations among managers, workers and agencies of the governments". According to Dale Yoder "industrial relations is the process of management dealing with one or more unions with a view to negotiate and subsequently administer collective bargaining agreement or labour contract".

In industrial relations, therefore, one seeks to study how people get on together at their work, what difficulties arise between them, how their relations including wages and working conditions etc., are regulated. Industrial relations, thus, include both 'industrial relations' and 'collective relations' as well as the role of the state in regulating these relations. Such a relationship is therefore complex and multidimensional resting on economic, social, psychological, ethical, occupational, political and legal levels. There are mainly two set of factors that determine the state of industrial relations – whether good or poor in any country. The first set of factors, described as 'institutional factors' include type of labour legislation, policy of state relating to labour and industry, extent and stage of development of trade unions and employers' organizations and the type of social institutions. The other set of factors, described as 'economic factors' include the nature of economic organization capitalist, socialist technology, the sources of demand and supply in the labour market, the nature and composition of labour force etc.

Nature of Industrial Relation

Industrial relations now-a-days are not solely determined by direct relationship between employers and employees. State participation in the regulation of labour management relations has been constantly growing. Hence the era of industrial relations has been extended to relations of the state with employers, employees and their organizations. They are complex and multidimensional resting on economic, historical, social, psychological, ethical, political, legal and other variables.

Industrial relations in the modern times call for inter disciplinary approaches to their study. It we make industrial disputes the centre of the circle, it will have to be divided into many segments. A study of the conditions of the work, mainly of the levels of the wages and security of employment, comes under the purview of economic, their origin and development under history, the resultant social conflicts under sociology, the attitudes of the combatants, the government and the press under social psychology, their cultural interactions under cultural anthropology, state policies bearing on the issues involved in the conflict under political sciences, the legal aspects of disputes under law, the technological aspects (like control of temperature and introduction of rationalization) of disputes under technology etc.

Aspects of Industrial Relations

Industrial relations refer to continuing relationship that emerges out of the day to day association between the labour and the management. There are two important aspects of such relationship:

I. Relations between individual employee(s) and manager(s) called **personal relations.**

II. Collective relations between labour unions and management called **labour relations or labour-management relations.** The pattern of labour-management relations is shaped by State intervention.

17.2.1 DISTINCTION BETWEEN HUMAN RELATIONS & INDUSTRIAL RELATIONS

The term 'human relation' is widely used for inter-personal relationships among individuals as well as the behavior of individuals as members of groups. The term 'industrial relations' is used widely in industrial organizations and refers to the relations between the employers and workers in an organization, at any specified time.

Thus, while problem of human relations are personal in character and are related to the behavior of individuals where moral and social element predominate, the term ‘industrial relations’ is comprehensive covering human relations and the relations between the employers and workers in an organization as well as matters regulated by law or by specific collective agreement arrived at between trade unions and the management.

17.2.2 IMPORTANCE OF GOOD INDUSTRIAL RELATIONS

Maintenance of harmonious industrials relations is on vital importance for the survival and growth of the industrials enterprise. Good industrial relations result in increased efficiency and hence prosperity, reduced turnover and other tangible benefits to the organization. The significance of industrial relations can be summarized as below:

1. Industrial relations help in settling employees problems through collective bargaining, mutual cooperation and mutual agreement amongst the parties i.e., management and employees’ unions.

2. This helps in establishing industrial democracy in the organization which motivates them to contribute their best to the growth and prosperity of the organization.

3. Good industrial relations lead to increased efficiency and hence higher productivity and income. This will result in economic development of the economy.

4. Good industrial relations, built-in mutual cooperation and common agreed approach motivate one to contribute one’s best, result in higher productivity and hence income, give more job satisfaction and help improve the morale of the workers.

5. Good and harmonious industrial relations create a sense of belongingness and group-cohesiveness among workers, and also a congenial environment resulting in less industrial unrest, grievances and disputes.

6. It ensures optimum use of resources, both human and materials, eliminating all types of wastage.

7. Industrial relations involve setting up machinery to solve problems confronted by management and employees through mutual agreement to which both these parties are bound which results in banning of the unfair practices being used by employers or trade unions.

8. Industrial relations necessitate passing of certain labour laws to protect and promote the welfare of labour and safeguard interests of all the parties against unfair means or practices.

9. Good industrial relations help in improvement of cooperation, team work, performance and productivity and hence in taking full advantages of modern inventions, innovations and other scientific and technological advances.

10. It helps the work force to adjust them to change easily and quickly.

17.2.3 CAUSES OF INDUSTRIAL DISPUTES AND POOR INDUSTRIAL RELATIONS

According to Section 2 of Industrial Dispute Act, 1947, “Industrial dispute means any dispute or difference between employers and employers or between employers and workmen or between workmen and workmen, which is connected with the employment or non employment or the terms of employment or with the conditions of labour of any person.” Industrial disputes are symptoms of industrial unrest which may take either unorganized or organized form. Industrial disputes may be individual disputes related to compensation for wrongful termination. Disputes relating to wages, bonus, profit sharing and hours of work are related to collective disputes. Whenever industrial arise workers generally resort to strikes, boycotts and gherao etc while management use lock-out and termination of services as their weapons to put pressure on employees. The main causes of industrial disputes and poor industrial relations are as follows:

- Perhaps the main cause or source of poor industrial relations resulting in inefficiency and labour unrest is mental laziness on the part of both management and labour;
- Management does not bother to devise the best method but leaves it mainly to the subordinates to work it out for themselves;
- Contempt on the part of the employers towards the workers is another major cause. Inadequate fixation of wage or wage structure;
- Unhealthy working conditions;
- Indiscipline shown by workers;
- Demand for higher gratuity and other retire benefits;
- Demand for higher bonus;
- Inappropriate introduction of automation without providing the right climate;
- Unduly heavy workloads;
- Inadequate welfare facilities;

- Dispute on sharing the gains of productivity;
- Unfair labour practices, like victimization and undue dismissal;
- Retrenchment, transfer, layoffs promotions, dismissals and lock-outs on the part of management and strikes on the part of the workers;
- Inter-union rivalries; and
- General economic and political environment, such as rising prices, strikes by others, and general indiscipline having their effect on the employees' attitudes.

17.2.4 OBJECTIVES OF INDUSTRIAL RELATIONS

Objectives:

1. To protect the interests of employees as well as management by securing the highest level of mutual understanding and goodwill among them.
2. To avoid industrial conflicts and minimize the occurrence of strikes, lockouts and gheraos.
3. To establish a proper channel of communication between workers and management.
4. To ensure constructive contributions of trade unions.
5. To ensure worker's participation in decision-making and to minimize labour turnover.
6. To increase the morale and discipline of workers.
7. To ensure better working conditions, living conditions and reasonable wages.
8. To develop employees to adapt themselves for technological, social and economic changes.
9. To make positive contributions for the economic development of the country.

17.3 APPROACHES TO INDUSTRIAL RELATIONS

Industrial conflicts are the results of several socio-economic, psychological and political factors. Various lines of thoughts have been expressed and approaches used to explain his complex phenomenon. One observer has stated, "An economist tries to interpret industrial conflict in terms of impersonal markets forces and laws of supply demand. To a politician, industrial conflict is a war of different ideologies – perhaps a class-war. To a psychologist, industrial conflict means the conflicting interests, aspirations, goals, motives and perceptions of different groups of individuals, operating within and reacting to a given socio-economic and political environment".

Psychological approach:

According to psychologists, problems of industrial relations have their origin in the perceptions of the management, unions and rank and file workers. These perceptions may be the perceptions of persons, of situations or of issues involved in the conflict. The perceptions of situations and issues differ because the same position may appear entirely different to different parties. The perceptions of unions and of the management of the same issues may be widely different and, hence, clashes and may arise between the two parties. Other factors also influence perception and may bring about clashes.

The reasons of strained industrial relations between the employers and the employees can be understood by studying differences in the perception of issues, situations and persons between the management groups and labour groups.

The organizational behavior of inter-groups of management and workers is of crucial importance in the pattern of industrial relations. The group-dynamics between the two conflicting groups in industrial relations tend to shape the behavioural pattern.

Sociological approach:

Industry is a social world in miniature. The management goals, workers' attitudes, perception of change in industry, are all, in turn, decided by broad social factors like the culture of the institutions, customs, structural changes, status-symbols, rationality, acceptance or resistance to change, tolerance etc. industry is, thus inseparable from the society in which it functions. Through the main function of an industry is economic, its social consequences are also important such as urbanization, social mobility, housing and transport problem in industrial areas, disintegration of family structure, stress and strain, etc. As industries develop, a new industrial-cum-social pattern emerges, which provides general new relationships, institutions and behavioural pattern and new techniques of handling human resources. These do influence the development of industrial relations.

Human relations approach

Human resources are up of living human beings. They want freedom of speech, of thought of expression, of movement, etc. When employers treat them as inanimate objects, encroach on their expectations, throat-cuts, conflicts and tensions arise. In fact major problems in industrial relations arise out of a tension which is created because of the employer's pressures and workers' reactions, protests and resistance to these pressures through protective mechanisms in the form of workers' organization, associations and trade unions.

Through tension is more direct in work place; gradually it extends to the whole industry and sometimes affects the entire economy of the country. Therefore, the management must realize that efforts are made to set right the situation. Services of specialists in Behavioural Sciences (namely, psychologists, industrial engineers, human relations expert and personnel managers) are used to deal with such related problems. Assistance is also taken from economists, anthropologists, psychiatrists, pedagogists, and tec. In resolving conflicts. Understanding of human behavior-both individual and groups-is a pre-requisite for the employers, the union leaders and the government – more so for the management. Conflicts cannot be resolved unless the management must learn and know what the basic what the basic needs of men are and how they can be motivated to work effectively.

It has now been increasingly recognized that much can be gained by the managers and the worker, if they understand and apply the techniques of human relations approaches to industrial relations. The workers are likely to attain greater job satisfaction, develop greater involvement in their work and achieve a measure of identification of their objectives with the objective of the organization; the manager, on their part, would develop greater insight and effectiveness in their work.

In brief the different approaches are used to provide principles for good industrial relations. These principles are given as follows:

- The willingness and ability of management and trade unions to deal with the problems freely, independently and with responsibility.
- Recognition of collective bargaining.
- Desirability of associations of workers and managements with the Government while formulating and implementing policies relating to general economic and social measures affecting industrial relations.
- Fair redressal of employee grievances by the management
- Providing satisfactory working conditions and payment of fair wage.
- Introducing a suitable system of employee education and training.
- Developing proper communication system between management and employees.
- To ensure better working conditions. Living conditions and reasonable wages.
- To develop employees to adapt themselves for technological, social and economic changes.
- To make positive contributions for the economic development of the country.

17.4 ILO IN INDUSTRIAL RELATIONS

The International Labour Organization (ILO) was set up in 1919 by the Versailles Peace Conference as an autonomous body associated with the League of Nations. The ILO was the only international organization that survived the Seconds World War even after the dissolution of its parent body. It became the first specialized agency of the United Nations in 1946 in accordance with an agreement entered into between the two organizations. India has been a member of the ILO since its inception. A unique feature of the ILO, as distinct from other international institutions, is its tripartite character.

The aims and objectives of ILO are set out in the preamble to its Constitution and in the Declaration of Philadelphia (1944) which was formally annexed to the Constitution in 1946. The preamble affirms that universal and lasting peace can be established only if its is based upon social justice, draws attention to the existence of conditions of labour involving injustice, hardship and privation of a large number of people, and declares that improvement of these conditions is urgently required through such means as the regulation of hours of work, prevention of unemployment, provision of an adequate living wage, protection of workers against sickness, disease, and injury arising out of employment, protection of children, young persons and women, protection of the interests of migrant workers, recognition of the principle of freedom of association, and organization of vocational and technical education. The preamble also states that the failure of any nation to adopt human conditions of labour is an obstacle in the way of other nations desiring to improve labour conditions in their own countries.

The three main functions of the ILO are;

- To establish international labour standards;
- To collect and disseminate information on labour and industrial conditions; and
- To provide technical assistance for carrying out programmes of social of social and economic development.

From the very beginning, the ILO has been confronted with the tremendous task of promoting social justice by improving the work and conditions of life in all parts of the world.

The ILO consists of three principal organs, namely, the International Labour Conference, the Governing Body and the International Labour Office. The work of the conference and the governing body is supplemented by that of regional conferences, Regional Advisory Committees, Industrial Committees, etc. The meeting of the general conference, held normally every year, are attended by four delegates from each member state, of whom two are government delegates and one each representing respectively the employers and the work people of the state. The international labour conference is the supreme organ of the ILO and acts as the legislative wing of the organization. The general conference elect the Governing Body, adopt the Organization's programme and budget, adopt international labour standards in the form of conventions and recommendations and provide a forum for discussion of social and labour issues. The governing body is the executive wing of the organization. It appoints the Director-General, draws up the agenda of each session of the conference and examines the implementation by member countries of its conventions and recommendations. The international labour office, whose headquarters are located at Geneva, provides the secretariat for all conferences and other meetings and is responsible for the day-to-day implementation of the administrative and other decisions of the conference, the conference, the governing body, etc. The Director-General is the chief executive of the international labour office. An important aspect of its work relates to the provision of assistance to member States. It also serves as a clearing house of information on all labour matters.

In order to achieve its objective, the ILO has relied on its standard-setting function. The international labour standards take the form of conventions and recommendations. A convention is a treaty which, when ratified, creates binding international obligations on the country concerned. On the other hand, a recommendation creates no such obligations but is essentially a guide to national actions. The ILO adopted a series of Conventions and Recommendations covering hours of work, employment of women, children and your persons, weekly rest, holidays leave with wages, night work, industrial safety, health, hygiene, labour inspection, social security, labour-management, relations, freedom of association, wages and wage fixation, productivity, employment, etc. one of the fundamental obligations imposed on governments by the Constitutions of the ILO is that they must submit the instruments before the competent national or State or provincial authorities within a maximum period of 18 months of their adoption by the conference for such actions as might be considered practicable. These dynamic instruments continue to be the principal means at the disposal of the ILO to strive for establishing a just, democratic and changing social order necessary for lasting peace. In fact, these instruments have been included in the category of "international labour legislation". These conventions and Recommendations taken together are known as the "International Labour Code". Wilfred Jenks describes the International Labour Code as the corpus juris of social justice.

17.5 EVOLUTION OF IR IN INDIA

India is primarily an agricultural country. Immediately after India became a Sovereign Democratic Republic, the concept of planned economic development through planning was accepted and the Planning Commission was set up in March 1950. The advent of the era of planning brought in its wake a set of new problems and popular expectations. The

11 successive plans laid down certain principles regarding: (i) worker's right of association and organization, (ii) the machinery and procedure for settlement of disputes and the implementation of awards and agreements. The plans have had two distinctive objectives in regard to industrial relation; (i) the avoidance of industrial disputes and creation of machinery for the settlement of industrial disputes and (ii) The creation of necessary atmosphere for development of labour management co-operation and harmonious relations through the adaptation of suitable institutional frame work.

The application of the concept of social justice is the primary objective of the state as envisaged in our constitution. Social justice is one of the aspirations of the Indian constitution. Supreme Court has also enforced labour laws in India. The ILO has played a key role in promoting international labour standards. It was set up in 1919. India is a founder member of ILO.

The central laws relating to the subject of labour relations are currently the Industrial Dispute act 1947, the trade Unions Act 1926, the Factories act, 1948, the Employees' Compensation act 1923, the Employees' State Insurance Act 1948, the Maturity Benefit Act 1961. The Employees' Provident Fund and Misc. Provisions Act 1952, the Payment of Wages Act, 1936, The minimum wages act 1948, the apprentices act 1961, The Payment of Bonus Act, 1965 and the Industrial Employment (Standing Orders) Act 1946, Sales Promotion Employees (Conditions of Service) Act, 1976. There are state level laws too.

Indian government has ensured that there is work for all who are available for and seeking work and such work is as productive as possible, there is freedom of choice of employment and fullest possible opportunities for each worker irrespective of race, colour, sex, religion, social origin and political opinion. On the basis of above said policy, workers are given the right to work of one's choice, right against discrimination, prohibition of child labour, right to social security, right to redressal of grievances, right to organize and form trade unions and right to collective bargaining and right to participation in management, right to guaranteed wages etc.

The emergence of globalization, liberalization and privatization has brought new challenges. Therefore labour laws were being amended several times to maintain good industrial relations in India. In view of this second National Commission on labour had recommended some hardway to remove the irritants and stumbling blocks. Disinvestment/privatization and VRS are almost accepted facts of modern industrial relations. Social security and employment guarantee schemes like MNREGA, Asha workers, Anganwadi workers are being provided for unorganized and agricultural sectors. The establishment of 'special economic zones' is another area which shows the emergence of business scenario and attitude of government towards IR. The attitude of judiciary is also changing. The recent judgements of the Supreme Court on contract labour, disciplinary action and absenteeism and strikes shows the viewpoint of lobal competition and economic reforms.

17.6 ROLE OF STATE & TRADE UNIONS IN INDUSTRIAL RELATIONS:

Role of state in industrial relations:

In recent years the State has played an important role in regulating industrial relations but the extent of its involvement in the process is determined by the level of social and economic development while the mode of intervention gets patterned in conformity with the political system obtaining in the country and the social and cultural traditions of its people. The degree of State intervention is also determined by the stage of economic develop. For example, in a developing economy like ours, work-stoppages to settle claims have more serious consequences than in a developed economy and similarly, a free market economy may leave the parties free to settle their relations through strikes and lockouts but in other system varying degrees of state participation is required for building up sound industrial relations.

In India, the role played by the State is an important feature in the field of industrial relations and state intervention in this area has assumed a more direct form. The state has enacted procedural as well as substantive laws to regulate industrial in the country.

Role of trade unions in maintaining industrial relations:

The trade unions have a crucial role to play in maintaining smooth industrial relations. It is true that the unions have to protect and safeguard the interests of the workers through collective bargaining. But at the same time they have equal responsibility to see that the organization does not suffer on account of their direct actions such as strikes, even for trivial reasons. They must be able to understand and appreciate the problems of management and must adopt a policy of ‘give and take’ while bargaining with the managements. Trade unions must understand that both management and workers depend on each other and any sort of problem on either side will do harm to both sides. Besides public are also affected, particularly when the institutions involved are public utility organizations.

17.7 EMPLOYER’S ORGANIZATION

As workers get together for joint action through trade unions, likewise employers organize themselves in furtherance of common objectives of evolving common attitudes to labour or approaches to national policies, as also for standardization of wages and other conditions of employment in the industry within a local area. The main objectives of employer’s organization are as follows:

i. To promote collective bargaining in different levels

ii. To develop healthy and stable industrial relations

iii. To bring a unified employers' viewpoint on various issues of industrial relations

iv. To represent employers' organization in the meetings of ILC and SLC boards in conformity with tripartite approach to labour matters

Origin, Growth and Development:

The origin, growth and development of employers, organization have three distinct phases: the period prior to 1930, the period from 1930 to 1946 and the post-Independence period.

1. **Pre 1930 period:** The period was characterized mainly by the formation of associations of merchants in the form of chambers of commerce. During the latter half of the last century, industrial associations also came into being with the aim of protecting the commercial interests of their members and securing concessions from the government. The regional associations like. The Bombay Mill Owners Associations, The Bengal Mill Owners Association, and The Ahmadabad Mill Owner Associations were formed.

2. **1931-1946:** Organizing chambers of commerce and industrial associations for dealing with variety of problems connected with industry was the rule prior to 1930. Some of these chambers dealt with labour matters too. The All India Organization of Industrial Employers (AIOE) and the Employers' Federation of India (EFI) came into existence in 1933 to comprehend and deal with problems of industrial labour in a concerted manner. The All India Manufacturers' Organization (AIMO) was formed in 1941.

3. **Post Independence period:** The period since independence witnessed the growth of planning, expansion of industrial activities, extension of democratic apparatus and several labour laws etc which acted as spur for strengthening and expansion of employers' organization. At present employers' organization are organized at three levels: (a) employers operating through their local organization otherwise, (b) industrial associations which cut across state boundaries; and (c) federation which comprise representatives both of industries and centers. The period witnessed significant developments and several employers' organizations and federations were setup.

Role and Functions of Employers' Organizations:

The main role and function of an employers' organization is to protect and promote the interest of its members. Its activities are designed and directed in such a manner that their members stand to gain. Organizations have to work on broader plane, labour problems are the only a part of their overall responsibilities. Economic, commercial, fiscal matters and policies are equally or even more important for them. The organizations represent their members view in formation of government's policies, rules and regulation and giving advice to members on the interpretations and extent of applicability of agreements and new acts and regulations.

Employers' organization involve themselves in politics also for legislative support to realize their objectives. Political activity by employers' organization may be as inimical to peace in industry as that by workers associations. Along with their economic gains they also keep in view the needs of the developing economy, the requirement of planned growth, importance of maintenance of peace in industry and social responsibilities.

Employers' Federations:

The main employers' organization are as follows:

1. Employers' Federation of India (EFI)
2. The All India Organization of Employers (AIOE)
3. The All India Manufacturers Organization (AIMO)
4. Council of Indian Employers (CIE)
5. Federation of Indian Chambers of Commerce and Industry (FICCI)
6. The Associated Chamber of Commerce and Industry of India (ASSOCHAM)
7. Standing Conference of Public Enterprises (SCOPE)

17.8 SUMMARY

Industrial relations are an integral aspect of social relations arising out of employer-employee interactions in modern industries, which are regulated by the state in varying degrees, in conjunction with organized social forces and influenced by the existing institutions. This involves a study of the legal system, and the workers and employers organizations at the institutional level and of the patterns of industrial organization (including management), capital structure (including technology), compensation of the labour forces, and a study of market forces-all at the economic level. It has two faces as cooperation and conflict. Industrial relations are invariably a combination of cooperation, collaboration and conflict between labour and management. Thus, the relationship revolves into a form of cycle, starting with cooperation soon changes into conflict and after its resolution, again changes into cooperation. However, efforts should be made to seek the maximum degree of cooperation and collaboration between them so that organizational objectives may be achieved efficiently. The term 'human relation' is widely used for interpersonal relationships among individuals as well as the behavior of individuals as members of groups. The term ‘industrial relations’ is used widely in industrial organizations and refers to the relations between the employers and workers in an organization, at any specified time.

According to psychologists, problems of industrial relations have their origin in the perceptions of the management, unions and rank and file workers. These perceptions may be the perceptions of persons, of situations or of issues involved in the conflict. According to sociologists, industry is economic, its social consequences are also important such as urbanization, social mobility, housing and transport problem in industrial areas, disintegration of family structure, stress and strain, etc. according to human relation approach, major problems in industrial relations arise out of a tension which is created of the employer’s pressures and workers’ reactions, protests and resistance to these pressures through protective mechanisms in the form of workers’ organization, associations and trade unions.

The International labour Organization (ILO) was set up in 1919 by the Versailles Peace Conference as an autonomous body associated with the League of Nations. The three main functions of the ILO are to establish international labour standards; to collect and disseminate information on labour and industrial conditions; and to provide technical assistance for carrying out programmes of social and economic development. From the very beginning, the ILO has been confronted with the tremendous task of promoting social justice by improving the work and conditions of life in all parts of the world.

In recent years the state has played an important role in regulating industrial relations but the extent of its involvement in the process is determined by the level of social and economic development while the mode of intervention gets patterned in conformity with the political system obtaining in the country and the social and cultural traditions of its people. The degree of State intervention is also determined by the stage of economic develop. The trade unions have a crucial role to play in maintaining smooth industrial relation. It is true that the unions have to protect and safeguard the interests of the workers through collective bargaining. But at the same time they have equal responsibility to see that the organization does not suffer on account of their direct actions such as strike, even for trivial reasons.

The main objectives of employer’s organization are to promote collective bargaining in different levels, to develop healthy and stable industrial relations, to bring a unified employer’s viewpoint on various issues of industrial relations. The main role and function of an employers organization is to protect and promote the interest of its members. Its activities are designed and directed in such a manner that their members stand to gain. Organizations have to work on broader plane, labour problems are the only a part of overall responsibilities.

17.10 FURTHER READINGS

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UNIT 18

DISCIPLINES & GRIEVANCES CELL ROCEDURE

Objectives:

After studying this lesson, you will be able to:

- explain the meaning & importance of discipline and indiscipline;
- identify the features of grievance handling and its procedure.
- describe the various approaches of labour turnover like separation, retrenchement, voluntary retirement and dismissal;
- understand the meaning and causes of absenteeism

Structure:

18.1 EMPLOYEE DISCIPLINE

Discipline may be defined as an attitude of mind which aims at inculcating restraint, orderly behaviour and respect for and willing obedience to a recognized authority. In any industry discipline is a useful tool for developing, improving and stabilizing the personality of workers. Industrial discipline is essential for the smooth running of an organization, for increasing production and productivity, for the maintenance of industrial peace and for the prosperity of the industry and the nation. It is a process of bringing multifarious advantages to the organization and its employees.

Meaning

Webster's Dictionary give three meaning to the world-"discipline". First, it is the training that corrects, moulds, strengthens or perfects individual behaviour; second, it is control gained by enforcing obedience ; and third, it is punishment or chastisement.

According to Dr. Spiegel, "discipline is the force that prompts an individual or a group to observe the rules, regulations and procedure which are deemed to be necessary to the attainment of an objectives; It is force or fear of force which restraints an individual or a group from doing things which are deemed to be destructive of group objectives.

Discipline is product of culture and environment and a basis part of the management of employee attitudes and behaviour. It is a determinative and positive willingness which prompts individuals and groups to carry out the instructions issued by management, and abide by the rules of control and standard or work which have been established to ensure the successful attainment of organizational objectives. It is also a punitive or a big stick approach which imposes a penalty or punishment in case of disciplinary violantions.

There are two types of discipline, one is positive and other is negative. *Positive Discipline* employees constructive force to secure its compliance. It is immeasurably more effective and pays a greater role in business management. *Negative Discipline* , on the other hand, includes both the application of penalities for violation and the fear of penalties that serve as a deterrent to violation. Positive discipline prevails only where the empolyees have a high morale. In other situations, negative discipline becomes unavoidable.

Aims and objectives

The main aims and objectives of discipline are:

- To obtain a willing a acceptance of the rules, regulations and procedures of an organization so that organizational objectives can be attained.
- To develop among the employees a spirit of tolerance and a desire to make adjustment;
- To give and seek direction and responsibility;
- To create an atmosphere of respect for human personality and human relations;
- To increase the working efficiency morale of the employees; and

- To impart an element of certainty despite several differences in informal behaviour patterns and other related changes in an organization.

18.2 INDISCIPLINE

The term 'indiscipline' generally means the violation of formal or informal rules and regulations in an organization. Indiscipline, if unchecked, will affect the morale of the organization. Hence indiscipline is to checked by appropriate positive means to maintain industrial peace.

Causes for indiscipline in organisations

It is more complex and difficult to identify the causes of indiscipline. The policies and procedure of organization , the attitude of the management towards workers, the attitude of workers, individual behaviour etc. are the causes for indiscipline.

The important causes for indiscipline are:

- Ineffective leadership to control, coordinate and motive workers.
- Low wages and poor working conditions.
- Lack of timely redressal or workers grievances.
- Lack of defective grievance procedure.
- Character of the workers such as gambling, drinking, violet nature etc.
- Political influence.

Principle of Effective Discipline

Discipline actions have serious repercussions on the employees and on the industry, and , therefore, must be based on certain principles in order to be fair, just and acceptable to be the employees and their unions. Therefore, in any discipline maintenance system, certain principles are to be observed such as :

1. The rules of disciplines, as far as possible, should be framed in cooperation and collaboration with the representatives of employees for their easy implementation. Employees in a group should be associated in the process of discipline enforcement. The group as a whole can control an individual work much more effectively than the management can through a process of remote control or by imposing occassional penalities. Informal groups are likely to exert social pressure on wrong-doers avoiding the need for negative disciplinary actions.

2. The rules and regulations should be appraised at frequent and regular intervals to ensure that they are appropriate, sensible and useful.

3. The rules and regulations should be flexible to suit different categories of employees in the organisation, i.e. both the blue-collar workers and white collar employees.

4. The rules must be uniformly enforced for their proper acceptance. They must be applied fairly and impersonally. In other words, all defaulters should be treated alike, depending upon the nature of their offence and past record. Any discrimination or favoritism in this regard is likely to create discontent among the employees. Further, there should be a definite and precise provision for appeal and review of all disciplinary actions.

5. The rules of discipline embodied in the standing orders, or in the company's manual, must be properly and carefully communicated to every employee preferably at the time of induction for their easy acceptance. It serves as a warning and a learning process and helps to improve future behaviour of the employees in the enterprise.

6. Every kind of disciplinary penalty, even if is a rebuke or warning, should be recorded. In some of the American industries they have what is known as the 'pink slip system'. Pink slips are issued as warning signals to a defaulting employee. A person who has been issued with a stated number of pink slips will be liable to be laid-off or discharged, and no elaborate procedure has to be followed.

7. The responsibility for maintaining employee discipline should be enirusted to a responsible person (e.g. a line executive), through it is the personnel officer who should be given the responsibility of offering advice and assistance. The line executive should issue only verbal and written warnings. In serious matters, which warrant suspension, discharge etc., the industrial relations departments should be consulted.

8. Discipline actions should be taken in private because its main objectives in to ensure that a wrong behaviour is corrected and not that the wrongdoer is punished. If disciplinary actions are taken in the presence of other employees, it may offend the sense of dignity of the employee and impair his social standing with his colleagues. Similarly, an immediate supervisor should never be disciplined in the presence of his subordinates. If his happens, it would lower his status and authority, and make it difficult, if not impossible, for him to discipline his subordinates under certain circumstances.

9. A punitive actions must satisfy the principle of natural justice. The management must act without bias and without vindictiveness, and its disciplinary actions must be based on justice and fairplay. The punishment should be commensurate with the gravity of the offence. An individual is presumed to be innocent until he is proved to be guilty. The burden of proof is on the employer and not on the employee.

Approaches to Discipline Enforcement

The different approaches to discipline include –

- Human Relations Approach
- Human Resource Approach
- Group Discipline Approach
- The Leadership Approach

Under human relations approach, the employee is treated as human being and his acts of indiscipline will be dealt from the view point of human values, aspirations, problems, needs, goals, behaviours etc. In this approach the employee is helped to correct his deviations.

Under human resource approach, the employee is considered as 'resource' as an asset to the organisation. This approach analysis the cause of indiscipline from management activities such as defects in selections, training, motivations, leadership etc. after indentifying the defects, corrective are carried out by the management.

Under group discipline approach, group as a whole, sets the standard of discilines and punishments for the deviation. In this approach, trade unions also acts as agencies in maintaining discipline in work situation.

Under the leadership approach, in disciplinary cases are dealt on the basis of lesislations and court decisions. The Industrial Employment (Standing Orders) Act, 1946 to a certain extent, prescribed the correct procedure that should be followed be followed before awarding punishement to an employee.

Code of Discipline

The Fifteenth Indian Labour Conference discussed the question of discipline in industry and lain down the following general principles:

- There should be no lock-out or strike without notice.
- No unilateral action should be taken in connection with any industrial matter.
- There should be no resource to go-slow tactics.
- No deliberate damage should be caused to plant or property.
- Acts of violence, intimadation, coercion or instigation should not be resorted to.
- The existing machinery for settlement of disputes should be utilized.
- Awards and agreement should be speedily implemented.
- Any agreement which disturbs cordial industrial relations should be avoided.

The code embodies four parts. Part I contains the duties and responsibilities of employees, workers and the government in mainataining discipline in industry. Part II enlists the common obligations of management and unions. Part III deals with the obligations of management only, while part IV relates to those of the unions only. In additions, Annexure –A to the Code embodies the national level agreement on the criteria for the recongnition of unions. A supplemenetary document contains the rights of recognized unions and a model grievance procedure. Thus, the Code is highly comprehensive and ethical in its approach to the indstrial relations system. It has been reproduce below.

Part – I : *To maintain discipline in industry (both in public and private sectors)*

There has to be: (i) a just recognition by employers and workers of the rights and responsibilities of either party, as defined by the laws and agreements (including bipartite and tripartite agreement arrived at all levels from time to time); and ii) a proper and willing discharge by either party of its obligation consequent on such recognition.

Part – II *To ensure better discipline in industry, management and unions agree.*

- that no unilateral actions should be taken in connection with any industrial matter and that disputes should be seetled at appropriate level;
- that the existing machinery for settlement of disputes should be utilized with the utmost expedition;
- that there should be no strike or lock-out without notice;
- that affirming their faith in democratic principles, they bind themselves to settle all future difference, disputes and grievances by mutual negotiation, conciliation and voluntary arbitration;
- that neither will have recourse to (a) coercion (b) intimidation, (c) victimization, and (d) go-show;
- that they will avoid (a) litigation, (b) sit-down and stay-in-strikes, and (c) lock-uts;
- that they will promote constructive cooperation between their representatives at all levels and as between workers themselves and abide by the spirit of agreements mutually enered into;
- that they will establish upon a mutually agreed basis a Grievance Procedure which will ensure a speedy and full investigation leading to settlement;
- that they abide by various stages in the Grievance Procedure and take no arbitrary action which would by – pass this procedure; and
- that they will educate the management personnel and workers regarding their obligatons to each other.

Part – III *Management agrees*

Disciplines & Grievances Cell Rocedure

- not to increase work-loads unless agreed upon or settled otherwise;
- not to support or encourage nay unfair labour practice such as: (a) interference with the right of employees to enroll or continue as union member; (b) discriminations, restraint or coercion against any employee because of recognized activity of trade unions; and (c) victimization of any employee and abouse of authority in any form;
- to take prompt actions for (a) settlement of grievance, and (b) implementation of settlements, awards, decisions and others;
- to display in conspicuous places in the undertaking the provision of this Code in local language(s);
- to distinguish between actions justifying immediate discharge and those where discharge must e preceded by a warning, reprimand, suspension or some other form of disciplinary action and to arrange that all such, discipline action should be subject to an appeal through normal Grievance Procedure;
- to take appropriate discipline action against its officers and members in cases where equiries reveal that they were responsible for precipitate action by workers leading to indiscipline; and
- to recognize the unions in accordance with the criteria (Annexure A given below) enolved at the 16^{th} session of the Indian Labour Conference held in May, 1958.

Part-IV*: Unioun(s) agree*

- not to encourage any form of physical duress;
- not to permit demonstrations which are not peaceful and not to permit rowdyism in demonstration;
- that their members will not engage or cuase other employees to engage in any union activity during working hours, unless as provided for by law, agreement or practice;
- to discourage unfair labour practices such as: (a) negligence of duty, (b) careless operation, (c) damage to property, (d) interference with or disturbance to normal work, and (e) insubordination;
- to take promet actions to implement awards, agreements, settlements and decisions;
- to display in conspicuous place in the union, offices the provision of this Code in the local language (s), and

- to express disapproval and to take appropriate action against office bearers and members for indulging in action against the spirit of this Code.

The Code does not have any legal seciton but the following moral sanctions are behind it:

1. The Central Employers' and Workers' Organisations shall take the following steps against their constituent units guilty of breaches of Code:

- to ask the unit to explain the infringment of the Code;
- to give notice to the unit to set right the infringement within a specific period;
- to warn, and in case persistent violation of the Code; and
- not to give countenance, in any manner, to non-members who did not observe to Code; and

2. Grave, willful and persistent breaches of the Code by any party should be widely publicized.

3. Failure to observe the Code would entail derecongnition normally for a period of one year this period proper may be increased or decreased by the implementing Committee concerned.

4. A dispute may not ordinarily be referred for adjudication if there is a strike or lockout without proper notice or in breach of the code as determined by an Implementation.

The Code of Discipline worked well at the beginning of its introduction and had a considerable impact on the industrial relations scene. But, however, the impact of the Code was not sustained over a long period of time due to several problems in its application and implementation. The spirit of the Code has not been imbibed by the central organisation which were signatories to it.

According to the National Commision on Labour, the Code has had only limited success and was obvioulу not the answer to the industrial relations problems. The code began to rust and the parties were more earger to take it off; they developed an attitude of indifference. As regards the future of the Code, the Commission was in favour of giving a legal form to its important provisions regarding recognition of unions, grievance procedure, unfair labour practices, and the like. With the removal of these provisions from the Code to give them a statutory shape, the Code will have no useful function to perform.

Discipline is a two-way traffic and a breach of discipline on the part of either party in industry will cause unrest. The approach to managing discipline depends to a great extent upon managerial philosophy, culture and attitude towards to employees. A negative approach to discipline relies heavily on punitive measueres and in the line with the traditional managerial attitude of 'hire and fire' and obedience to orders. On the other hand, a constructive approach stress on modifying forbidden behaviour by taking positive steps like educating, counseling etc., The concept of positive discipline promotion aims at the generation of a sense of self-discipline and disciplined behaviour in all the human beings in a dynamic organisational setting, instead of discipline imposed by force or punishment. In brief, the approach to the disciplinary action in most cases should be corrective rather than punitive.

18.3 GRIEVANCES HANDLING

A grievance is a sign of the employees' discontent with job and its nature. It is caused due to the difference between employee expectation and management practice.

Beach defines a grievance as, 'any dissatisfaction or feeling of injustice in connection with one's employment situation that is brought to the notice of the management.

Jucius defines a grievance as 'any discontent or dissatisfaction, whether exposed or not, whether valid or not, arising out of anything connected with the company which an employee thinks, believes or even feels to be unfair, unjust and inequitable'.

A grievance is a problem submitted by an employee or by a few employees of different types. It may be concetring a situation or may likely to affect the terms and conditions of employment of one worker or a few workers.

In the Indian context, 'grievance' may be said to 'the representation by a worker, a group of workers of the unions to the management relation to the terms and conditions of employment, breach of the freedom of association or the provisions of standing orders or non-implementation of the Government orders, conciliation agreements or adjudicator awards. It may also include representation against non-compliance with provision of a collective agreement in an establishement where it has been signed.

Grievances usually result in definite and considerable loses to employee morale, efficiency and productivity. The accumulation of grievance leads to strikes, lock outs and other forms of conflicts. Therefore, proper disposal of grievance desreves special and adequate consideration in any programme of harmonizing industrial relations.

Areas of Grievances

Grievances resulting from working conditions

- Poor physical condition of work place.
- Lack of proper tools, machines and equipments.
- Frequent changes in schedules or procedures.

- Rigid production standards
- Improper matching of the worker with the job.
- Poor relationship with the supervisor.

Grievances resulting from management policy and practices

- Poor payment
- Lack of job security
- Inadequate benefits such as medical benefits, leave travel concession etc.
- Leave facilities
- Seniority
- Transfer
- Promotion
- Lack of career planning and development
- Hostility towards labour union
- Defective leadership style
- Communication gap

Grievances resulting from alleged violations of

- Violation collective bargaining agreement
- Violation of Central/State laws
- Violation of common rules

Grievances resulting from personal maladjustment

- Over ambition
- Excessive self-esteem

Methods of Indentifying Grievances

The following methods can help the employer to idenfity the grievances:

1. *Directive observation:* Knowledge of human behaviour is requisite quality of every good manager. From the changed behaviour of employees, he should be able to snuff the causes of grievance. This he can do without its knowledge to the empolyee. This method will give general pattern of grievances. In addition to normal routine, periodic interviews with the employees, group meetings and collective bargaining are the specific occasions where direct observation can help in unfolding the grievances.

2. *Grip boxes:* The boxes (like suggestion boxes) are placed at easily accessible spots to most employees in the organisation. The employees can file anonymous complaints about their dissatisfaction in these boxes. Due to anonymity, the fear of managerial action is avoided. Moreover management's interest is also limited to the free and fair views of employees.

3. *Open door policy:* Most democratic by nature, the policy is preached most but practiced very rarely in Indian organisations. But this method, will be more useful in absense of an effective grievance procedure otherwise the organisation will do well to have a grievance procedure. Open door policy demands that the employees, even at the lowest rank, should have easy aceess to the chief executive to get his grievances redressed.

4. *Exit interview:* Higher employee turnover is a problem of every organisation. Employees leave the organisation either due to dissatisafaction or for better prospects. Exit interviews may be conducted to know the reasons for leaving the job. Properly conducted exit interviews can provide significant information about the strenghts and weakness of the oranisation and can pave way for further improving the management policies for its labour force.

Principles or Guidelines for Grievance Hnadling

1. In handling grievances, a considerable amount of time must be spent in talking to employees; gathering data from them and passing on various types of information. Such talks be most effectives, should conform to definite pattern policies for its rules.

2. The manager must seek to develop an attitube towards employees that should be helpful in gaining their confidence. The management should also disiplay a sincere interest in the problems of employees and their constructive willingness to be help to them with a view to gain not their confidence but also their utmost loyal by and genuine cooperation.

3. The procedure adopt by the management in handling the grievances must be apparent.

4. Grievances should be handled in terms of their total effect on the orgainsation and not solely their immediate or invidual effect.

18.4 GRIEVANCES HANDLING PROCEDURE

Grievance procedure is the most significant channel through which dissatisfaction of employees can be communicated to management. A grievance procedure is an ordered multistep process that employer and employee jointly use to redress grievances and resolve disputes that arise. Thus a formal procedure which attempts to resolve the differences of parties involved, in an orderly, peaceful and expenditious manner, may be defined as grievacne procedure or grievance redressal machinary. The steps in this machinary vary from organisation to organisation.

For handling grievances, as a first step, the management is required to designate the persons for each of the various departments to be approached by the works and the department heads for handling grievances as the second step. A Grievance Committee may also be constituted with representatives of workers and management.

The model grievance producer give the various through which a grievance be processed.

First, the grievance is taken to the departmental representative of the management who has to give an answer within 48 hours. Failing this, the aggrieved worker/ employee can beat the department head along with the departmental representative of the management and this step is allotted three days. Above this, the grievance is taken up by the Grievance Committee which should make its recommendations to the manager within seven days. The final decision of the management has to be communicated to the workers or employee concerned within three days of the Grievance Committee's recommendation. If the employee is not satisfied, he can make an appeal for revision and the management has to communicate its decision within a week. In the case of non-settlement, the grievance may be referred to valuntary arbitration. The formal conciliation machinary will not be invoked till the final decision of the top management has been found unacceptable by the aggrieved employee.

In the case of any grievance arising out of discharge or dismissal, the workman or employee has the right to appeal either to the dismissing authority or to a senior authority specific by the management within a week from the date of dismissal or discharge.

Although the grievance procedure gives the employees opportunity to raise their grievance to the highest possible level of management, yet they should be resolved as close as possible to their source. The main object of grievance procedure is to resolve the grievance at earliest possible stage. The management must convince itself that justice is not only done, but seen to be done and the presence of a trade union representative with the aggrieved party helps to ensure fair play not only for the employee concerned, but also for his management.

Steps in handling grievances

It is important grievance must be handled in a systematic manner. The following steps should be taken in handling grievances:

1. Defining, describing or expressing the nature of the grievances as clearly and fully as possible;

2. Gathering all facts that serve to explain when, how, where, to whom and why the grievance occurred;

3. Establishing tentative solutions or answers to the grievances;

4. Gathering additional information to check the validity of the solutions and thus ascertain the best possible solution;

5. Applying the solution, and

6. Following up the case to see that it has been handled satisfactorily and the trouble has been eliminated.

18.5 LABOUR TURNOVER

In every organisation, employees constantly join and leave for one reason or the other. The relation between the number of persons joining the organization and leaving due to resignation, retirement or retrenchment to the average number on the payroll is called labour turnover. Labour turnover can be defined as the ratio of the number of employees that leave a company through attrition, dismissal, or resignation during a period to the number of employees on payroll during the same period. The rate of labour turnover may be calcutated by the following formula:

Labour Turnover Rate = number of workers joined and left during the year/Average number of workers on the payroll x100

Labour turnover arises because of accession in the organisation and separation from the organisation. These concepts are defined below:

Accession: It means addition of employees due to their appointment in the organisation.

Separation: It means separation of employees from the organisation. It includes (a) retirement or death; (b) quit i. e. when an employee resign on his own, (c) layoff, i.e. when an employer removes an employee declaring him to bee surplus and (d) discharge, i.e. termination of an employee because of misconduct or poor performance.

Measures to Control Labour Turnover

Excessive labour turnover is not desirable because it shows that labour force is not contented. Therefore, every effort should be made to remove the avoidable causes. The following steps may be taken to reduce the labour turnover.

(1) A suitable personnel policy should be framed for employing (he right man for the right job and giving a fair and equal treatment to all workers.

(2) Good working conditions which may be conductive to health and efficiency should be provided.

(3) Fair rates of pay and allowances and other monetary benefits should be introduced.

(4) Maximum non-monetary benefits i.e. frings benefits should be introduced.

(5) Distinctions should be made between efficient and inefficient workers by introducing incentive plans whereby workers may be rewarded more as compared to inefficient workers.

(6) An employee suggestion scheme should be introduced whereby workers who suggested improvements in the method of production should be suitably rewarded.

(7) Labour management relationship should be improved by encouraging labour participation in management.

18.6 ABSENTISM

By absenteeism we mean a condition that arises when an employee fails to come to work when he is sheduled to work. The study of absenteeism is very important because excessive absenteeism tells upon the productivity of the organisation.

Absenteeism is voluntary non attendance at work, without valid reason. Absenteeism means either habitual evasion of work, or willful absense as in strike action. It does not include involuntary or occasional absense due to valid causes, or reasons beyond one's control, such as accidents or sickness.

Absenteeism is an employee's intentional or habitual absense from work. While employers expect workers to miss a certain number of workdays each year, excessive absense can equate to decreased productivity and can have a major effect on company finances, morale and other factors. This article looks at the cause of absenteeism, the costs of lost productivity and what employers can do to reduce absenteeism rates in the workplace.

Causes of Absenteeism

People miss work for a variety of reasons, many of which are legitimate and others less so. Some of the common causes of absenteeism include (but are not limited to):

- **Bullying and harassment –** Employees who are harased by coworkers and / or bosses are more likely to call in sick to aviod the situation.
- **Burnout, stress and low morale –** Heavy workloads, stressfull mettings/presentations and feelings of being unappreciated can cause employees to avoid going into work. Personal stress (outside of work) can lead to absenteeism.
- **Childcare and eldercare –** Employees may be forced to miss work in order to stay home and take care of a child/elder when normal arranagement have fallen through (for examples, a sick caregiver or a snow day at school) or if a child/elder is sick.

- **Depression –** The leading cause of absenteeism is depression. Depression can lead to substance abuse if people turn to drugs or alcohol to self-medicate their pain or anxiety.
- **Disengagement –** Employees who are not committed to their jobs, coworkers and/ or the company are more likely to miss work simply because they have no motivation to go.
- **Illness**- Injuries, illness and medical appointments are the most commonly reported reasons for missing work (though not always the actual reason). Not surprisingly, each year during the cold and flu season, there is a dramatic spike in absenteeism rates for both full time and part time employees.
- **Injuries –** Accidents can occur on the job or outside of work, resulting in absences. In addition to acute injuries, chronic injuries such as back and neck problems are a common cause of absenteeism.
- **Job hunting –** To attend the job interview may be a reason for absenteeism.
- **Partial shifts –** Arriving late, leaving early and taking longer breaks than allowed are considered forms of absenteeism and can affect productivity and workplace morale.

In brief absenteeism is caused due to sickness, accidents, poor control, gender biased, lack of interest and miscellaneous causes.

Control of Absenteeism : The management may use the following measures to control absenteeism;

- **Proper Induction** : Train the new employees preperly.
- **Investigaton**: Analyse the various causes of absenteeism.
- **Punishment** : Take disciplinary action.
- **Counseling** : Employees should be interviewed and provided suggestions.
- **Preventions of accidents** : Take adequate safety measures.
- **Effective Supervision**:

18.7 WORKER'S PARTICIPATION IN MANAGEMENT

Worker participation in management is in essential ingredient of industrial democracy. The concept of workers participation in management is based in 'Human Relations" approach to management which brought about new set of values to labour and management.

Traditionally, the concept of Workers' Participation in Management (WPM) refers to participation of non-managerial employees in the decision-making process of the organisation. Workers participation in management meets the psychological needs of the workers to a greater extent. That way it may also be treated as the process of delegation of authority in the general areas of managerial functions.

According to one view, workers participation is based on the fundamental concept that the ordinary worker invest his labour in, and ties his fate to, his place of work and, therefore, he has a legitimate right to have a share in influencing the various aspects of company policy".

To quote the version of British Institute of Management, "Workers' participation in management is the practice in which employees take part in management decisions and it is based on the assumption of commonality of interest between employer and employee in furthering the long term prospects of the enterprise and those working in it".

According to G.S. Walpole, participation in management gives the workers a sense of important, price and accomplishment; it given him the freedom and the opportunity for self-expression; a feeling of belonging to his place of work and a sense of workmanship and creativity. It provides for the integration of his interest with those of the management and makes his a joint partner in the enterprise".

Dr. Alexander considers a management a be participative, "if it gives scope to the workers to influence its decision making process on any level or sphere or if it shares with them some of its managerial prerogatives".

Clegg says, "It implies a situation where workers representatives are, to some extent, involved in the process of management decision making, but where the ultimate power is in the hands of the management".

In should be borne in mid that when individuals are provided with opportunity for expression and share in decision-making,they show much initiative and accept responsibility substantially. The rationale of workers' participation in management lies in that it helps in creation amongst the workers a sense of involvement in their organisation, a better understanding of their role in the smooth functioning of industry and provides them a means of self-realization, thereby, promoting efficiency and increased productivity.

Thus the concept worker's participation in management encompasses the following:

- It provides scope for employees in the decision making of the organisation.
- The participation may be at the shop level, department level or at the top level.

- The participation includes the willingness to share the responsibility by works as they have a commitment to execute their decisions.
- The participation is conducted through the mechanism of forums which provide for association of workers representatives.
- The basic idea is to develop self control and self discipline among works, so that the management become "Auto Management".

Objectives

The scheme has economic, psychological, ethical and political objectives.

- Its psychological objectives of the scheme is to secure full recognition of the workers. Association of worker with management provides him with a sense of importance, involvement and a feeling of belongingness. He considers himself to be an indispensable constituent of the organisation.
- Socially, the need for participation is to develop workers free personality and to recognize human dignity.
- The ethical objective of participation is to develop workers free personality and to recognize human dignity.
- The political objective of participation is to develop workers conscious of their democratic rights on their work place and thus bring about industrial democracy.

Levels of Participation

Worker's participation is possible at all levels of management; the only difference is that of degree and nature of application. For instance, it may be vigorous at lower level and faint at top level. Broadly speaking there is following five levels of participation:

1. *Information participation*: It ensure that employees are able to receive information and express their views pertaining to the matters of general economic importance.
2. *Consultative participation*: Here works are consulted on the matters of employee welfare such a work, safety and health. However, final decision always rests at the option of management and employees' views are only of advisory nature.
3. *Associative participation*: It is extension of consultative participation as management here is under moral obligation to accept and implement the unanimous decision of employees.
4. *Administration participation*: It ensure greater share of works in discharges of managerial functions. Here, decision already taken by the management come to employees, preferably with

alternatives for administration and employees have to select the best from those for implementation.

5. *Decisive participation*: Highest level of participation where decision are jointly taken on the matters relation to production, welfare etc. is called decisive participation.

Forms of Workers' Participation in Management

The forms of workers participation in management vary from industry to industry and country to country depending upon the political system, pattern of management relations and subject or area of participation. The forms of workers participation may be as follows:

1. Joint Consultation Model
2. Joint Decision Model
3. Self Management, or Auto Management Scheme
4. Workers Representation on Board

1. ***Joint consultation model*****:** In joint consultation model the management consults with the workers before taking decisions. The workers represent their view through 'Joint consultative Committes'. This form is followed in U.K. Sweden and Poland.

2. ***Joint decision Model*****:** In this form both the workers and management jointly decide and execute the decisions. This form of participation is followed in U.S.A. and West Germany.

3. ***Self management of auto management*****:** In this model, the entire control is in the hands of workers, Yugoslavia is an example to this model. Where the state industrial units are run by the workers under a scheme called 'Self Management of Auto Management Scheme'.

4. ***Workers' representation on board*****:** Under this method, the workers elect their representative and sent them to the Board to participate in the decision making process.

The participation of workers may be formal or informal. In the formal participation, it takes the forms of formal structures such as Works Committee, Shop Councils, Production Committee, Safety Committee, Joint Management Councils, Canteen Committee etc. The informal participation may be such as the supervisor consulting the workers for granting leave, overtime, and allotment of worked or transfer of workers from one departement to another.

Workers' Participation in Management in India

Workers participation in management in India was given important only after indepedence. Industrial disputes Act of 1947 was the first step in this direction, which recommended for the setting up of Works Committees. The Joint Management Councils were established in 1950 which increased the participation of labour in management. The management scheme, 1970 gave birth to 'Board of Management'. Since July 1975 the two tire participation model called 'Shop Council at the shop level and 'Joint Councils' at the enterprise level were introduced.

Based on the review and performance of previous schemes a new shceme was formulated in 1983. The new shceme of workers participation was applicable to all central public sector enterprises. Exept those specifically exempted. The scheme with eaqual number of representatives will operate both at shop as well as plant level. The various functions of participative forum laid down in the scheme could be modified with the consent of parties. The shceme could not make such head way due to lack of union leaders consensus of the mode of representation and workers's tendency to discuss ultra-vires issues e.g. pay scales, wages etc.

Prior to WPM Bill, 1990 all the schemes of participation were non-statutory and concentrated on particular levels. For effective and meaningful participation at all levels, a bill was introduced in Parliament on 25^{th} May, 1990. The bill provide for effective participation at all level by formulating schemes of participation. For electing representatives for participation it also provides for secret ballot. The appropriate government may also appoint inspectors to review participation scheme and the bill also has provision of punishment for those who contravene any of the provision of the Act.

Thus the workers' participation shemes in India provide wide scope for application and upliftment of workers. But in practice, these schemes have not met with success though they are seccessful in some private sector units. The factors responsible for the failure are:

- Attitude of the management towards the scheme is not encouraging. The preventatives of workers are not given due recongnition by the management..

- The attitude of trade unions towards the schemes is negative as they consider these schemes are reducing the power of Trade Unions. Some Trade Unions boycott Joint Management Council meetings.

The success these schemes require certain conditions.

- Management should appreciate the scheme and accept them in full faith.

- Trade unions have to cooperate with the schemes.

- Workers have no be educated.

Thus workers' participation in management in India has yet to succeed. It can be done by educating the workers, creating an environment in the organisation for coordination of workers and management.

18.8 SEPARATION

Separation may arise in a number of ways, including resignation, retrenchment, retirement or dismissal. Each brings with it specific sensibilities that must be addressed carefully.

Managing separation is important in terms of staff morale, organisational planning and risk management. Most industrial awards contain clauses regulating termination of employment including redundancy and managers should seek advice if in any doubt about the processes required.

Managers responsible for separations should be aware of the potential difficulties inherent in the processes, and should ensure that the appropriate procdure are applied. The advantage of managing the separation process well can include the following:

- Maintaining the morale of employees
- Managing the work force to meet the organisation's needs
- Receiving feedback through an effective exit interview process.
- Gaining relevant information regarding the strengths and weaknesses of the person to assist in refilling the position or in redeployment
- Provision of support if required

18.9 RESIGNATION

Awards and Employment Agreement provide standard procedures for an employee to notify his/her employer of intention to resign. In such cases, the employee is expected to give the Manager/ Supervisor advance notice of his/her termination date. The amount of notice may differ for varying catagories of staff and the staff member should check the Award or Employment Agreement before giving notice.

Advance notice will allow the club time to adjust working schedules and secure a replacement. Staff members who leave in good standing may be given consideration if they wish to return to work at a future date.

Resignation is inevitable as individuals move on and only heightens the need for good leadership development, succession planning and individual promotion so that no resignation present the organisation with enormous difficulty in filling the position again.

18.10 DISMISSAL

The most stressful and dissatisfied method of separation is that of dismissal or discharge. It is the termination of the employment by an employer because of variety of reasons but is often perceived as being the employee's fault, and is therefore considered disgraceful and a sign of failure. Dismissal of key person, typically at the senior management level is the most difficult to handle. The key person often has support from within or outside. Dismissed employees likely to go through the following stages:

1. Shock and disbelief
2. Rage and anger
3. Defensive reaction as displacement, repression
4. Despair and depression
5. Reflective grief
6. Positive behaviour.

There may be lot of reasons why an employee is being dismissed. It may be the employer seeking a lack of value in the employee, a series of incidents that when put into larger picture make the employer look negative or a single incident that is considered vary severe. Other reasons are:

- Problem of attendance,
- Poor work performance'
- Problematic conduct
- Off jobsite conduct tardiness
- No call no show
- Unauthorized breaks
- Incompetence & negligence
- Unprofessional mannerism
- Foul language
- Sleeping while on duty
- Harassment of other employee (sexual or racial)
- Violation of employers policies
- Illegal usage of office property or material

18.11 RETRENCHMENT

Retrenchment means to cut down the size of employees or rightsizing of employees to reduce the cost of company. The employer makes a position redundant when its duties are no longer needed to be done by anyone. Once the position is redundant, the person doing it duties may either be redeployed by giving another job are retrenched i.e. lose their job and not offered another. When retrenching or making position reduntant, an employer is responsible for following the Fair Work Act 2009, conditions under the National Employment Standard (NES) and any other employee awards or contracts.

Retrenchment is very common and logical pathway to improve profitability during poor economic conditions like recession time. But before going for retrenchment a company should think about mid-term or short term measures also. Like salary reduction and cut down the facilities provided to employees etc.

18.12 VOLUNTARY RETIREMENT

In all organisation whether public, private or government, there is retirement age. ON completion of a specified number of years of service, an employee retires from the job.But valuntary retirement is a decision made by the employee to leave the job. Such decisions are taken due to following reasons.

- Personal dissatisfaction with the job, employer or working conditions.
- Personal reasons not related to job that make holding or performing the job impossible or more difficult like family obligations, education, health or moving to a new location.
- Taking up a new job for want of better condition, better hours, shorter work place distance or better compensations or career progression.
- Fearing or anticipating involuntary termination, employees want to take matter into his hands in order to leave honorably. This also happens with mutual consent sometimes.

18.13 SUMMARY

Discipline may be defined as an attitude of mind which aims at inculcating restraint, orderly behaviour and respect for and willing obedience to a recognized authority. The term 'indiscipline' generally means the violation of formal or informal rules and regulations in an organisation. The important causes for indiscipline are: Ineffective leadership to control, coordinate and motivate workers, Low wages and poor working conditions, Lack of timely, redressal or workers' grievances, Lack or defective grievance procedure, Character of the workers such as gambling, drinking violet nature etc. A grievance is a sign of the employees' discontent with job and its nature. It is caused due to the difference between employee expectation and management practice. Beach defines a grievance as, 'any dissatisfaction or feeling of injustice in connection with one's employment situation that is brought to the notice of the management. Absenteeism is caused due to sickness, accidents, poor control, gender biased, lack of interest and miscellaneous causes. Labour turnover arises, because of accession in the organization and sepration from the organization. Accession means addition of employees due to their appointment in the organization. Separation means separaton of employees from the organization. It includes (a) retirement or death: (b) quit i.e. when an employee resigns on his own; (c) layoff, i.e. when an employer removes an employee declaring him to be surplus and (d) discharge, i.e. termination of an employee because of miscounduct or poor performance. Voluntary retirement is a decision made by the employee to leave the job. Retrenchment means to cut down the size of employess or rightsizing of employees to reduce the cost of company. The most stressful and dissatisfied method of separation is that of dismissal or discharge. It is the termination of the employment by an employer because of variety of reasons but is often perceived as being the employee's fault, and it is therefore considered disgraceful and a sign of failure.

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UNIT 19

TRADE UNIONISM

Objectives:

After studying this lesson, you will be able to:

- explain the meaning & importance of trade unions:
- identify the evolution of trade unions in the world;
- describe the various objectives, problems and functions of trade unions;
- understand the meaning of collective bargaining.

Structure:

19.1 INTRODUCTION

Trade union movement is an offshoot of industrialization. The growth of modern industrial organizations involving use of modern technology and employment of workers has been followed by growth of trade unions throughout the world. This phenomenon has not been observed in advanced countries of the world, but also in the developing economies.

A strong trade union can improve the efficiency of workers and promote industrial peace. The labour unrest which may be inarticulate involving extensive absenteeism, frequent job changes, wandering from one plant or locality to another, can be avoided.

19.2 TRADE UNIONISM

Trade unionism is a worldwide movement and the highly strategic position occupied by trade unions in modern industrial society has been widely recognized. In most cases, employees' associations or trade unions seem to have emerged as 'protest movements' reaching against the working relationships and condition created by industrialization. When industrialization begins, organization members have to be generally recruited from the ranks of former agricultural labour and artisans who have to adapt themselves to the changed conditions of industrial employment. They have to be provided with new types of economic security – wages/salaries, benefits and services etc. often they may have to learn to live together in newly developing industrial townships and cities and also to adopt themselves to new working conditions and new pattern of work-rules imposing discipline and setting pace of work to which they are unfamiliar. Their old habits and traditions do not suffice to guide them in their daily work-behaviour and in consequence they may be disorganized and frustrated. Thus the growth of modern industrial organizations involving the employment of a large number of workers/employees in new type of working conditions and environment makes them helpless in bargaining individually for their terms of employment. As observed by Frank Tannenbaum, "The emergence of trade unionism lies in the Industrial Revolution which disrupted the older way of life and created a new society forged by the shop, the factory, the mine and the industry.

Meaning of Trade Union, Organized Labour and Labour Movement

The term 'Trade Union' has been defined in various ways because of wide differences in the use of this term in different countries. A trade union is "a continuous association of wage-earners for the purpose of maintaining or improving the condition of their working lives". Since this definition does not cover all the extensions of trade union activities in modern times, a trade union with some modification may be redefined as "a continuous association of wage-earners or salaried employees for maintaining the conditions of their working lives and ensuring them a better and healthier status in industry as well as in the society".

The term 'Organized Labour' is used to distinguish workers/employees who are members of trade unions or employee association from those who are unorganized, i.e. who are not members of any union.

The term 'Labour Movement' is generally applied to all the various types of long-term association of workers/employees that the formed in industrialized or industrializing economies. According to Encyclopedia of Social Sciences, labour movement is conceived as "all of the organized activity of wage-earners to better their own condition s either immediately or in the more or less distant future". According to

G.D.H. code, “Labour movement implies, in some degree, a community of outlook. Thus the labour movement in a country emerges from a common need to serve a common interest. A trade union is thus an essential basis of labour movement. The labour movement without trade unions cannot exist. Trade unions are the principal institutions in which the employees learn the lesson of self-reliance and solidarity.

Difference between Labour Movement and Trade Union Movement

There is lot of confusion on the use of the terms ‘labour movement’s and ‘trade union movement’. Often the two are used interchangeably. However, there is a slight distinction between the two. The labour movement’ is ‘for the worker’ whereas the ‘trade union movement’ is ‘by the workers’. This distinction needs to be noticed all the more because till the workers organized themselves into trade unions, efforts were made mainly by the social reformers to improve the working and living conditions of labour. These efforts should be taken as forming a part of the labour movement and not that of the trade union movement. The labour movement thus conveys a higher degree of consciousness amongst workers than conveyed by mere trade union movement.

Origins and background of the trade union movement

Early forms of labour organizations

Union oriented, mainly in Great Britain the U.S.A. in the late 18th and early 19th centuries, as, associations of workers using the same skill. There is no connection between trade unions and medieval craft guilds, for the latter were composed of master craftsmen who owned capital and often employer several workers. The early unions were formed a partly as social clubs but soon became increasingly concerned with improving wages and working conditions, primarily by the device of collective bargaining. Progressing from trade to trade within the same city or area, the clubs formed local associations which, because they carried on their main activities on a purely local level, were almost self-sufficient. With industrial development, however, local associations sooner or later followed the expansion of production beyond the local market and developed into national unions of the same trade. These in turn formed national union federations.

Factors favouring unionism

The unions of the early 19th century were almost exclusively based upon a particular craft. But as mass production industries – which required large numbers of rapidly trained, semiskilled workers – developed, a rend toward large-scale union organization grew, and toward the end of the 19th century Great Britain was including unskilled workers. Industrial unions attempted to organize all works employed in producing a given product or service, sometimes including even the general office or white-collar workers. General unions included skilled workers and labourers of all grades from different industries, even though they usually started from a base in one particular industry. But changing technologies, union mergers, and ideological factors led to the development of various kinds of unions that would not fit easily into any of the above categories.

International Trade Union Organization

The large trade union movements of various countries for may years have maintained loose alliances by joining international organizations of labour; federations of unions, rather than individual unions, usually hold membership. In 1901, the International Federation of Trade Unions was established, chiefly under the guidance of German unions. It proved to be ineffective and disappeared during World War I. In 1919 it was revived at Amsterdam, but immediately came into collision with the Red International of Labour Unions, established by the new government of the Soviet Union.

World federation of Trade Unions (WFTU)

The WFTU was founded in 1945 on a worldwide basis, representing trade union organizations in more than 50 Communist and Non-Communist countries. From he outset, the American Federation of Labour declined to participate. In January 1949, with the WFTU under Communist control, British, USA and Netherlands trade union organizations withdrew and went on to found the ICFTU; by June 1951 all Non-Communist trade unions and the Yogoslav Federation had withdrawn.

By the 1990s, after the collapse of the European Communist regimes, membership became uncertain; unions broke their links with the Communist parties and most were later accepted into the ICFTU. Most of the national trade union centers in Africa and Latin America moved to the ICFTU after 1989, and the French Confederation Generale du Travail has proposed withdrawal to its members. In a move towards decentralization, regional offices have been set up in New Delhi (India), Havana (Cuba), Dakar (Senegal), Damascus (Syria) and Moscow (Russia).

World Confederation of Labour (WCL)

Founded in 1920 as the International Federation of Christian Trade Unions, it went our of existence in 1940 as a large proportion of its 3.4 million members were in Italy and Germany, where affiliated unions were suppressed by the Fascist and Nazi regimes. Reconstituted in 1945 and declining to merge with the WFTU or ICFTU, its policy was based on the papal encyclicals Return novarum (1891) and Quadragesimo anno (1931), and in 1968 it became the WCL and dropped its openly confessional approach. Today, it has Protestant, Buddhist and Moslem member confederations, as well as a mainly Roman Catholic membership. In its concern to defend trade union freedoms and assist trade union development, the WCL differs little in policy from the ICFTU above. A membership of 11 million in about 90 countries is claimed. The biggest group is the Confederation of Christian Trade Unions (CSC) of Belgium (1.2 million). The WCL is organized on a federative basis which leaves wide discretion to its autonomous constituent unions. Its governing body is the Congress, which meets every 4 years. The Congress appoints (or re-appoints) the Secretary-General at each 4-yearly meeting. The General Council which meets at least once a year, is composed of the members of the Confederal Board (at least 22 members, elected by the Congress) and representatives of national confederations, international trade federations, and trade union organizations where there is not confederation affiliated to the WCL.

International Confederation of Free Trade Unions (ICFTU)

The founding congress of the ICFTU was held in London in December 1949 following the withdrawal of some Western trade unions from the World Federation of Trade Unions (WFTU), which had come under Communist Control. The constitution, as amended, provides for cooperation with the UN and the ILO, and for regional organization to promote free trade unionism, especially in developing countries. The ICFTU represents some 124m. Workers across 196 affiliated organizations in 136 countries. The Congress meets every 4 years. It elects the executive Board of 50 members nominated on an area basis for a 4-years period; 5 seats are reserved for women nominated by the Women's Committee; and the Board meets at least once a year, Various Committees cover economic and social policy, violation of trade union and other human rights, trade union cooperation projects and also the administration of the International Solidarity Fund. There are joint ICFTU-International Trade Secretariat Committees for coordinating activities. The ICFTU has its headquarters at Belgium; branch offices in Geneva and New York, and regional organizations in America (Caracas), Asia (Singapore) and Africa (Nairobi)

International Labour Organization (ILO):

The International Labour Organization (ILO) was set up in 1919 by the Versailles Peace Conference as an autonomous body associated with the League of Nations. The ILO was the only international organization that survived the Second World War even after the dissolution of its parent body. It became the first specialized agency of the United Nations in 1946 in accordance with an agreement entered into between the two organizations. India has been a member of the ILO since its inception. A unique feature of the ILO, as distinct from other international institutions, is its tripartite character.

The aims and objectives of ILO are set out in the preamble to its Constitution and in the declaration of Philadelphia (1944) which was formally annexed to the Constitution in 1946. The preamble affirms that universal and lasting peace can be established only if its is based upon social justice, draws attention to the existence of conditions of labour involving injustice, hardship and privation of a large number of people, and declares that improvement of these conditions is urgently required through such means as the regulation of hours of work, prevention of unemployment, provision of an adequate living wage, protection of workers against sickness, disease, and injury arising out of employment, protection of children, young persons and women, protection of the interests of migrant workers, recognition of the principle of freedom of association, and organization of vocational and technical education. The Preamble also states that the failure of any nation to adopt human conditions of labour is an obstacle in the way of other nations desiring to improve labour conditions in their own countries.

The three main functions of the ILO are;

- To establish international labour standards;
- To collect and disseminate information on labour and industrial conditions; and
- To provide technical assistance for carrying ort programmes of social and economic development.

From the very beginning, the ILO has been confronted with the tremendous task of promoting social justice by improving the work and conditions of life in all parts of the world.

The ILO consists of three principal organs, namely, the International Labour Conference, the Governing Body and the International Labour Office. The work of the Conference and the Governing Body is supplemented by that of Regional Conferences, Regional Advisory Committees, Industrial Committees, etc. The meeting of the General Conference, held normally every year, are attended by four delegates from each member State, of whom two are government delegates and one each representing respectively the employers and the work people of the State. The International Labour Conference is the supreme organ of the ILO and acts as the legislative wing of the Organization. The General Conference elect the Governing Body, adopt the Organization's biennial programme and budget, adopt international labour standards in the form of Conventions and Recommendations and provide a forum for discussion of social and labour issues. The Governing Body is the executive wing of the Organization. It appoints the Director-General, draws up the agenda of each session of the Conference and examines the implementation by member countries of its Conventions and Recommendations. The international Labour Office, whose headquarters are located at Geneva, provides the secretariat for all conferences and other meetings and is responsible for the day-to-day implementation of the administrative and other decisions of the Conference, the Governing Body, etc. The Director General is the chief executive of the International Labour Office. An important aspect of its work relates to the provision of assistance to member States. It also serves as a clearing house of information on all labour matters.

19.3 THE TRADE UNION MOVEMENT IN INDIA : AFTER INDEPENDENCE AND IN THE ERA OF LIBRALISATION

The trade union movement's origin in a sense can be traced back to very early date to the time when villages had panchayats and guilds for settling disputes between the masters and their members. The panchayats prescribed the code of conduct which was rigidly observed by its members. Its non-observance resulted in expulsion from the community. Trade unions, as understood today, however originated in the first quarter of the present century, although the groundwork was laid during the last quarter of the 19th century. In Mumbai, as early as in 1975, a movement was started by reformers under the leadership of Sorabji Shapurju. They protested against the appealing conditions of the factory workers and appealed for introduction of adequate legislation to prevent them. The credit of laying the foundation of the organized labour movement in India is at time accorded to Mr. N.M. Lokhande, a factory worker himself. An agitation was organized by him a 1984 in Mumbai. This resulted in certain amenities being extended to the mill workers which led to the organization of the Mumbai Milhands Association.

Actually a real organized labour movement in India started at eh end of the First World War. Rising prices, without a corresponding increase in wages, despite the employers making huge profits, led to a new awakening. Many trade unions were formed throughout India. There were a number of strikes during 1919 to 1922. To this was added influence of the Russian Revolution, the establishment of the ILO (International Labour Organization) and the All-India Trade Union Congress. The speeded up the pace of the trade union movement. Following the Second World War, there was a spiraling of prices. The workers once again became restive. This further indirectly strengthened the movement in India.

The labour world in India is dominated mainly by four central organization of labour. These unions are, in fact, federations of affiliated union/units which function of regional, local and craft bases. These are:

1. *All-India Trade Union Congress (AITUC):* An important event in the history of trade union movement in India was the organization of the All-India Trade Union Congress in 1920. Mr. Nehru took a prominent part in the organization of this Congress. It followed the pattern of the trade union in the United Kingdom. The effort toward unified action in the matter of labour was, however, short-lived and son it came under the domination of the Communists and Radicals. This lienated any prominent people who did not subscribe to the views and ideology of the communists. At present, it is the second largest union of workers and is still controlled by Communists and fellow-travellers.

2. *Indian National Trade Union Congress (INTUC):* In May, the Indian National Trade Union Congress was organized by the Congress party on its labour front. This was formed with the help of the Hindustan Mazdoor Sewak Sangh which consisted of those who believed in Gandhian methods and had left the AITUC in 1937 under of leadership of Mr. M.N. Roy. The INTUC received the blessings of the top congress leaders at the Centre like Mr. Nehru and Sardar Patel. The prominent leaders of ATLA and HMSS were elected office-bearers of INTUC. One of the important points of the constitution of Indian National Trade Union Congress is that every affiliated union has to agree to submit to arbitration every individual dispute in which settlement is not reached thorough negotiations. There must be no strikes till other means of settlement are exhausted. In 1948, the Government of India declared that INTUC, and not AITUC, was the most representative organization of labour in the country entitled to represent Indian labour in I.L.O.

3. *Hind Mazdoor Sangha (HMS):* The socialists in the Congress disapproved not only the Communist run AITUC but also the Congress-sponsored INTUC, particularly because it advocated compulsory arbitration as a method of resolving industrial disputes. For sometime the activities of socialist leaders were coordinated by the Hind Mazdoor Panchayat. Subsequently when they left the Congress, they met in Kolkatta in December, 1948 and a new federation by the Hind Mazdoor domination by employers, Government and political parties.

4. *United Trade Union Congress (UTUC):* The dissidents from the socialist Leaders' Congerence held at Kolkatta in December, 1948 proceeded to establish yet another federation of trade unions in April-May 1949 under the name of United Trade Union Congress. The UTUS is more radical than HMS but less revolutionary in its objectives and policies than AITUC.

19.4 OBJECTIVES OF TRADE UNIONS

- One of the main reasons of workers joining a trade union been their belief to get wages increased and maintained at a reasonable standard through collective action and their realization that individual bargaining was utterly useless for this purpose.
- Since the employee, as an individual, feels specially weak, he prefers to join an organization that my afford him an opportunity to join others for the achievement of those objectives that he considers as socially desirable.
- The employees may join the unions to ensure a just and fair dealing by management.

- Through collective strength, they restrain the management from taking any such action which may be irrational, illogical, discriminatory or contrary to their general interests.
- Another reason of employees joining some union may be the broader realization on their part that unions fulfill the important need for adequate machinery for proper maintenance of labour-management relations.
- Employees may join the unions because of their belief that it is an effective way to secure adequate protection form various types of hazards and income insecurity such as accident injury, illness, unemployment etc.
- The employees may join the unions because of their feeling that this would enable them to communicate their views, ideas, feelings and frustrations to the management effectively.
- Individuals may join the unions in the hope of finding a job through their influence in the company management.

19.5 FUNCTIONS OF TRADE UNIONS

- Functions relating to members
- Functions relating to organization
- Functions relating to the union; and
- Functions relating to the society.

Function relating to trade union members

1. To safeguard workers against all sorts of exploitation by the employers, by union leaders and by political parties.
2. To protect workers from the atrocities and unfair practices of the management.
3. To ensure healthy, safe and conducive working conditions, and adequate conditions of work.
4. To exert pressure for enhancement of rewards associated with the work only after making a realistic assessment of its practical implications.
5. To ensure a desirable standard to living by providing various types of social service-health, housing, educational, recreational, cooperative, etc. and by widening and consolidating the social security measures.
6. To guarantee a fair and square deal and social security measures.
7. To remove the dissatisfaction and redress the grievances and complaints of workers.

8. To encourage worker's participation in the management of industrial organization and trade union, and to foster labour-management cooperation.

9. To make the workers conscious of their rights and duties.

10. To impress upon works the need to exercise restraint in the use of rights and to enforce them after realistically ascertaining their practical implications.

11. To stress the significance of settling disputes through negotiation, joint consultation and voluntary arbitration.

12. The raise the status of trade union members in the industrial organization and in the society at large.

Functions relating to industrial organization

1. To highlight industrial organization as a joint enterprise between workers and management and to promote identity of interests.

2. To increase production quantitatively and qualitatively, by laying down the norms or production and ensuring their adequate observance.

3. To help in the maintenance of discipline.

4. To create opportunities for worker's participation in management and to strengthen labour-management cooperation.

5. To help in the removal of dissatisfaction and redressal of grievances and complaints.

6. To promote cordial and amicable relations between the workers and management by settling disputes through negotiation, joint consultation and voluntary arbitration, and by avoiding litigation.

7. To create favourable opinion of the management towards trade unions and improve their status in industrial organization.

8. The exert pressure on the employer to enforce legislative provision beneficial to the workers, to share the profits equitably, and to keep away from various types of unfair labour practices.

9. To facilitate communication with the management.

10. To impress upon the management the need to adopt reformative and not punitive, approach towards workers' faults.

Functions relating to trade unions organization

1. To formulate policies and plans consistent with those of the industrial organization and society at large.

2. To improve financial position by fixing higher subscription, by realizing the union dues and by organizing special fund-raising campaigns.

3. To preserve and strengthen trade union democracy.
4. The train members to assume leadership position.
5. To improve the network of communication between trade union and its members.
6. To curb inter-union rivalry and thereby help in the creating of unified trade union movement.
7. To resolve the problem of factionalism and promote unity and solidarity within the union.
8. To eradicate casteism, regionalism and linguism within the trade union movement.
9. To keep away from unfair labour practices.
10. To save the union organization from the exploitation by vested interests-personal and political.
11. To continuously review the relevance of union objectives in the context of social change, and to change them accordingly.
12. To prepare and maintain the necessary records.
13. To manage the trade union organization on scientific lines.
14. To publicise the trade union objectives and functions, to know people’s reaction towards them, and to make necessary modifications.

Functions relating to society

1. To render all sorts of constructive cooperation in the formulation and implementation of plans and policies relating to national development.
2. To actively participate in the development of programmes of national development e.g., family planning, afforestation, national integration, etc.
3. To launch special campaigns against the social evils of corporation, nepotism, communalism, casteism, regionalism, linguism, price rise, hoarding, black marketing, smuggling, sex, inequality, dowry, untouchability, illiteracy, dirt and disease.
4. To create public opinion favourable to government’s policies and plans, and to mobilize people’s participation for their effective implementation.
5. To create public opinion favourable to trade unions and thereby to raise their status.

6. To exert pressure, after realistically ascertaining its practical implications, on the government to enact legislation conducive to the development of trade unions and their members.

19.6 PROBLEMS OF TRADE UNIONS

The following are some of the most important problems of the trade unions in India:

1. Multiplicity of trade Unions and Inter-union Rivalry
2. Small Size of Unions
3. Financial weakness
4. Leadership Issues
5. Politicalisation of the Unions
6. Problems of Recognition of Trade Unions

Multiplicity of trade unions

Multiple rival unionism is one of the great weaknesses of the Indian trade union movement. "Multiple unions are mainly the result of political outsiders wanting to establish unions of their own, with a view to increasing their political influence". The existence of different conflicting or rival organizations, with divergent political views, is greatly responsible for inadequate and unhealthy growth of the movement. Within a single organization one comes across a number of groups comprising or 'insiders and outsiders', 'new-comers', and 'old-timers' moderates' and radicals', and 'high' and low caste' people. This develops small unions. Inter-union and intra-union rivalry undermines the strength and solidarity of the workers in many ways.

Multiplicity of unions lead to inter-union rivalries, which ultimately cuts at the very root of unionism, weakens the power of collective bargaining, and reduces the effectiveness of workers in securing their legitimate rights. Therefore, there should be "One union in one Industry".

Inter-union rivalry

Another vexing problem is that of intra-union rivalry. Trade rivalry is acute and pervades the entire industrial scene in India. Practically every important industry, there exists parallel and competing unions, e.g. on the Indian Railways, there are two parallel Federations-the Indian Railway Men's Federation and Indian National Federation of Railway-men.

Small Size of unions

The small size of unions is due to various factors, namely:

- The fact that by seven workers may form a union under the Trade Union Act of 1926, and get it registered and a large number of small unions have grown.
- The structure of the trade union organization in the country-which is in most cases the factory or the unit of employment; so whenever employees in a particular factory or mine are organized, a new union is formed.
- Unionism in India started with the big employers and gradually spread to smaller employers. This process is still continuing and has pulled down the average membership. Though the number of unions and union membership are increasing average membership is declining.

The small size of unions creates problems such as:

- Lack of funds to help its members.
- Lack of ability among the leaders and members.
- Low bargaining power.
- Rivalry between the unions
- Lack of unity among workers.

Financial weakness

The financial weakness of the union may be attributed to the small size of union and poor ability of its members to contribute. The other reasons are low subscriptions and irregular payments of subscriptions by the members.

Leadership issues

Another disquieting feature of the trade unions is the ‘outside’ leadership, i.e. leadership of trade unions by persons who are professional politicians and lawyers and who have no history of physical work in the industry. There are several reasons for this phenomenon, namely.

- The rank and the file are largely illiterate as such they cannot effectively communicate with the management;
- The union’s lack of formal power tends to put a premium on the dharismatic type of the leader, usually a politician, who can play the role of the defender of the workers against the management;
- For ensuring a measure of ‘equation of power’ in collective bargaining where the workers are generally uneducated and have a low status.
- For avoiding victimisation of worker-office-bearers of the trade unions; and

- For lack of financial resources to appoint whole time office-bearers.

These political leaders are inevitably concerned with "maximizing their individual standing as political leaders rather than with, maximizing the welfare of their members". Further, in bigger unions, direct contact with the rank and file membership and the top leaders is missing because of their hold on a number of trade unions in varied fields; they fail to pay adequate attention to any one union. Again, often these union leaders are not adequately aware of the actual needs and pressing problems of the members. They therefore cannot put forth the case of the union effectively.

Politicalisation of the unions

On of the biggest problems of the country's trade union movement faces is the influence of the political parties. i.e., the most distressing feature is its political character. Harold Crouch has observed, "Even to the most casual observer of the Indian trade union scene, it must be clear that much of the behaviour of Indian unions, whether it be militant or passive behaviour can be explained in political terms.

It should be noted that decisions in the trade union fields are taken by the respective political parties to which the unions are attached and, therefore, with the changing political situation, the decisions also change. With the split in the political ideology, there develops factional split in the same trade union professing the same political ideology. The divisions and sub-divisions, thus made, have affected adversely the trade union movement. It has become fragmented and disjointed. Each section pulls itself in different directions; with the result that "instead of becoming a unity and mighty torrential river, the movement is sub-divided into numerous rivulets".

Problems of recognition of trade unions

This is one of the basic issues in our industrial relation system because employers are under no obligation to give recognition to any union. In the initial stages, the attitudes of the employers towards the trade unions have been very hostile. The employers many a times have refused recognition to trade unions either on the basis that unions consist of only a minority or employees; of that two or more unions existed.

PROBLEMS OF LABOURS:

Problems of the labour class can be summarized as below:

1. Poverty is the biggest problem of the labour class:
2. Un-education is a great concern for labor class. They quit their schools in the beginning of their childhood and then they never try to be educated again.

3. Due to poverty and uneducation, labour class faces a problem of population growth also.
4. Unskilled labour is very much available. There is no progammes for their up gradation or learning new techniques.
5. Safety in the plant is major concern as many times the machinery is not properly maintained and old machines are not replaced which result in the accidents.
6. Labour class is suffering of various diseases due to unhygienic living conditions of their houses. They are also suffering due to malnutrition.
7. They are asked to do Overtime work.
8. Minimum wages are not being paid to labours. Even their compensation is also not given at proper time.
9. There is no fix work load. Uneven work load is also a matter of concern.
10. They are not supported by law also as it takes time and it cost much to them.

19.7 ROLE OF TRADE UNIONS IN COLLECTIVE BARGAINING

In the work situation, an individual worker has to face many problems such as, low wages, long hours of work, loss incentive etc. These problems of an individual or few individuals cannot attract the attention of the employer because of their less bargaining power. The growth of trade union increased the bargaining strength of workers and enables them to bargain for their better conditions collectively.

Collective bargaining is a source of solving the problems of employees in the work situation collectively. It provides a good climate for discussing the problems of workers with their employers. The employees put their demands before the employers and the employers also give certain concession to them. Thus it ensures that the management cannot take unilateral decision concerning the work ignoring the workers. It also helps the workers to achieve responsible wages, working conditions, working hours, fringe benefits etc. It provides them a collective strength to bargain with employer. It also provides the employers some control over the employees.

The term collective bargaining is made up of two words, 'collective' – which means a 'group action' through representation and 'bargaining', means 'negotiating', which involves proposals and counter-proposals, offers and counter-offers. Thus it means collective negotiations between the employer and the employee, relating to their work situations. According to the Encyclopedia of social sciencesparties, one or both of whom is a group of persons acting in concert. The resulting bargain is an understanding as to the terms and conditions which a continuing service is to be performed. More specifically, collective bargaining is a procedure, by which employer and a group of employees agree upon the conditions of work".

The I.L.O. workers manual defines collective bargaining as, "negotiation about working conditions and terms of employment between an employer, a group of employers or one or more employer's organizations, on the one hand, and one or more representative workers organization on the other with a view of reaching an agreement. We can summarize the important features of collective bargaining as follows:

- It is a collective process in which representatives of employers and employees participate mutually.
- It is a flexible and dynamic process wherein no party adopt a rigid attitude.
- It is a bipartite process whereas the representatives of workers and management get an opportunity for clear and face to face negotiation.
- It is a continuous process which can establish regular and stable relationship between worker's organization and management.
- It is a practical way to establish an industrial democracy.
- It is a good method of promoting industrial jurisprudence.
- It is good form of interdisciplinary system (i.e. a function embodying economic psychological, administrative, ethical and other aspects.)
- It is a process that includes efforts from preliminary preparations to the presentation of conflicting view points, collection of necessary facts, understanding of view points, taking correct decisions etc.

Role of trade unions in collective bargaining:

Now days trade unions have evolved as a powerful body seeking the welfare of the employees. Therefore it interrupts in all the policies meant for the labour and also suggest in implementing labour laws. Whatever labour laws may lay down, it is the approach of employers and trade unions which matters and unless both are enlightened, industrial harmony is not possible. Therefore, the solution to common problems can be found directly through negotiation between both parties and in this context the role of trade unions in collective bargaining is very great.

- By collective bargaining trade unions develop a sense of self-responsibility and self-respect among the employees concerned and thus significantly pave the way for improved employee morale and productivity.

- By collective bargaining trade unions restrict management's freedom for arbitrary action and thereby management learns a new code of behaviour by conceiving of the union as a method of dealing with employees. The management also comes to know the grievances of workers in advance and it gives an opportunity to take precautionary measure. Moreover, collective bargaining opens up the channel of communication between top and bottom levels of an organization.

- By collective bargaining if property conducted, result in the establishment of a harmonious industrial climate therefore trade unions helps society for the socio-economic development of the nation. It builds up a system of industrial jurisprudence by introducing civil rights in industry and ensures that management is conduct by rules rather than by a arbitrary decisions. It extends the democratic principles from the political to industrial field.

- Trade unions use collective bargaining as a tool for their

1. Social change

Collective bargaining enhances the status of the working class in the society. Wage earners have enhanced their social and economic position in relation to other groups. Employers have also retained high power and dignity through collective bargaining.

2. Peace treaty

Collective bargaining serves as a peace treat between the employers and employees. However the settlement between the two parties is a compromise.

3. Industrial jurisprudence

Collective bargaining creates a system of "Industrial Jurisprudence". It is a method of introducing civil rights into industry. It establishes rules which define and restrict the traditional authority exercised by employers over their employees placing part of the authority under joint control of union and management.

In addition to the above, the role of trade unions in collective bargaining includes:

1. Increasing the economic strength to employers and employers.
2. Improving working conditions and fair wages.
3. Maintaining peace in industry
4. Prompt and fair redressel of grievances.
5. Promoting stability and prosperity of the industry.

Therefore we see that collective bargaining is very important from the workers point of view, and the trade unions play their important role in making consensus among employers and the employees for labour problems. But they should follow some principles or keep some precautions while playing their role in collective bargaining.

1. Unions should avoid undemocratic practices.
2. Unions have to recognize their duties to the management also before emphasizing their demands.
3. Unions have to consider the benefits to all workers rather than a section of workers.
4. Strike lock-outs should be resorted to, only as a last measure. As far as possible they have to be avoided by compromise and discussion.

Thus collective bargaining is an important method of solving problems, thorough mutual understanding. If used properly it can solve the problems of both the parties-management and union through mutual confidence.

Collective bargaining is also used as a tool for bringing coordination between workers and management. It also serves as tool of communication to views by both management and works. In the long-run it will serve as an instrument for labour participation in management and pave way for he cordial industrial relations in India.

19.8 SUMMARY

Trade unionism is a worldwide movement and the highly strategic position occupied by trade unions in modern industrial society has been widely recognized. In most cases, employees' associations or trade unions seem to have emerged as 'protest movements' reaching against the working relationships and condition created by industrialization. When industrialization begins, organization members have to be generally recruited from the ranks of former agricultural labour and artisans who have to adapt themselves to the changed conditions of industrial employment.

A strong trade union can improve the efficiency of workers and promote industrial peace. The labour unrest which may be inarticulate involving extensive absenteeism, frequent job changes, wandering from one plant or locality to another, can be avoided.

Collective bargaining is an important method of solving problems, thorough mutual understanding. If used properly it can solve the problems of both the parties-management and union through mutual confidence.

19.9 FURTHER READINGS

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5. Chhabra TN, Fundamentals of Human Resource Management, Sun India Publication New Delhi.

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UNIT 20

LABOUR VERIFICATION

Objectives:

After studying this lesson, you will be able to:

- Describe the various provisions of various labour laws and their utility for the industrial relations;
- Explain the provisions of the factories act regarding health, safety and welfare of employees;
- Appreciate the law governing payment of wages to employees;
- Identify the features and rulings of Employee's Compensation Act;

Structure:

20.1 THE WORKMEN'S COMPENSATION ACT, 1923

The workmen's Compensation Act came into force on the first day of July

1924 for providing social security to workmen. By an amendment to the Act in 2009, the name of the Act was changed to '**The Employees Compensation Act.'** The main object of the Act is to provide for payment of compensation by an employer to his workmen in case of an accident as a measure of relief and social security. Compensation is to be given not only for personal injuries sustained by accidents arising out of and in the course of employment but also for certain occupational diseases. The compensation payable is not dependent on any negligence on the part of the employer but is the nature of insurance against risks of accident. So long as any rash not or negligent act of the workmen is within the scope of his duty as an employee, it will not be a bar to any claim for compensation under the Act.

The need for the Act was felt due to the growing complexity of industry in India, with the increasing use of machinery and consequent danger to workmen along with the comparative poverty of the workman themselves making is necessary that they should be protected from hardship arising from accidents.

The main objects of the Act are:

a) To give compensation to workmen.

b) To provide special machinery to deal with cases of compensation in the event of an accident.

c) To provide immediate compensation to workmen who cannot offered to go to the court of law.

d) To improve relations among employers and employees.

e) To relieve the parties of unnecessary litigation.

BROAD FEATURES OF THE ACT

The important features of the Act are as under:

1. The Act provides social security to the worksers. The compensation to be paid to the workers is not for the negligence on the part of the employer, but it is rather in the nature of insurance of the workers against certain risks of accidents.

2. The definition of workmen given in Sen.2(1) (n) does not cover persons employed in administrative or clerical capacity drawing more than Rs. 10,000 p.m. (except railway servants), but persons employed through sub-contractors by a person fulfilling a contract with the railway are also entitled to benefit under this Act.

3. The compensation under the Act is payable if the injury has been caused by accident arising out of or in the course of employment. The workman loses the right of compensation if such accident can be attributed to workman , having been at the time to accident, under the influence of alcohol or drugs or if it is caused by his wilful disobedience or rules orders or disregard of safety measures.

4. The term ‘wages’ as defined in the Act includes overtime pay and the value of concessions or benefits in the form of food, clothing , accommodation, etc.

5. The amount of compensation payable to a workman or his dependents depends on the nature and extent of disablement (or death) and his average monthly wages. The rate of compensation have been given in Schedule IV of the Act.

6. Minimum rates of compensation for permanent total disablement and death have been fixed at Rs. 140,000 and Rs. 1,20,000 respectively. Maximum amount for death and permanent total disablement can go up to Rs. 9.14 lakh and Rs. 10.97 lakh respectively depending on age and wages of the employees.

7. In order to protect the interest of dependents in case of fatal accidents, it is provided in the Act that :

- **i.** All cases of fatal accidents are to be brought to the notice of Commissioner of Labour.
- **ii.** In case of admission of liability by the employer, the amount of compensation is to be deposited with the Commissioner within 30 days.
- **iii.** If the employer denies his liability, the Commissioner must decide whether or not there is a ground for claim. The Commissioner may inform the dependent and it open to them to prefer a claim, if they feel so.

Applicability of the Act

The Employees' Compensation Act covers all employees employed on railways, factories mines, etc. The Act applies to all factories enaged in an industry specified in Schedule II of the Act. The Act also applies to semen and shipmasters of power driven ships or of non-power driven ships of 50 or more tons. It applies generally to organized industries and hazardous occupations including building and loading or unloading operations.

The Act dose not apply of persons :

- **i.** Employed in administrative or clerical capacity;
- **ii.** Employed in casual work;
- **iii.** Employed in the Armed Forces;
- **iv.** Claiming compensation under the Employees' State Insurance Act,1948.

Definitions

Commissioner [Sec. 2(b)] 'Commissioner ' means a commissioner for workmen's compensation appointed under Section 20.

Dependent [Sec. 2(d)] 'Dependent ' means any of the following relatives of a deceased workman, namely.

- **i.** A widow, a minor legitimate son, and unmarried legitimate daughter, or a widowed mother; and

ii. If wholly dependent on the earnings of the workman at the time of his death, a son or a daughter who has attained the age of 18 years and who is infirm;

iii. If wholly or in part dependent on the earning of the workman at the time of his death;

a) A widower,

b) A parent other than a widowed mother,

c) A minor illegitimate son, an unmarried illegitimate daughter or a daughter legitimate or illegitimate, if married and a minor or if widowed and a minor,

d) A minor brother or an unmarried sister or a widowed sister if a minor,

e) A widowed daughter-in –law,

f) A minor child of a pre- deceased son,

g) A minor child of pre-deceased daughter where no parent of the child is alive, or

Employer [Sec. 2(e)]. "Employer" includes any body of persons whether incorporated or not and any managing agent of an employer and the legal representative of a deceased employer, and when the service of a workmen are temporarily lent or let on hire to another person by the person with whom the workman has entered into a contract of service or apprenticeship, means such other person while the workmen is working for him :

To establish the relationship of employer and employee, a contract of service is generally necessary. Such contract may be expressed or implied. Further, there is a difference between contract of service and contract for service. It is former which creates the relationship of employer and employee.

Employees Entitled to Compensation

Every employee (including those employed through a contractor but excluding casual employees) who is engaged for the purpose of employer's of business and who suffers an injury compensation under the Act.

However to determine that whether particular person is a workman or not under the Act. two things must be determined :

i. Whether his employment was of a casual nature.

ii. Whether his employment was otherwise for the purpose of employer's trade or business and does not come under the purview of section 2(i) of the Act. Nevertheless where compensation has been claimed by a person, the relation between employer and the person who is claiming compensation has to be seen which can be determined on the basis of following principals:

(i) Whether the person is having contract of service; or

(ii) Whether the master can only order, or he can require of the person, what is to be done, or he can also order as to how it is to be done.

(iii) Whether it is obligatory on the part of the person to obey his order.

(iv) Whether a person is having any agreement to serve the employer only or employed for his trade or business.

The provisions of the Act have been extended to the cooks employed in hotels, restaurants using power liquefied petroleum gas or any other mechanical device, in the process of cooking.

Is Contractor is a Workman ? The broad distribution between a workman and an independent contractor lies in this that while the former agree himself to work, the latter agree to get other persons to work. A person who agree himself to work, and does so work and is therefore a workman does not ceases to be such by reason merely of the fact that he gets other persons also to work along with him and that those persons are controlled and paid by him. If a person agreed to work personally, then he is a workman and the fact that he takes assistance from other persons would not affect his status.

Thus, where a person entered into a consideration contract and agreed to work himself and also to employ his own labour, while construction material was to be supplied by the owner, and the contractor died while working himself, if was held that the dependent of the deceased were entitled to compensation.

DISABLEMENT

Disablement means loss of capacity to work or to move. Disablement of a workman may result in loss of reduction of his earning capacity. He is not able to earn as much as he used to earn before his disablement.

Disablement may be (1) partial or (2) total. Further it may be (i) permanent, (ii) temporary.

Partial Disablement. This means any disablement as reduces the earning capacity of a workman as result of some accident. Partial disablement may be temporary of permanent.

Temporary Partial Disablement means any disablement as reduces the earning capacity of a workman in any employment in which he was engaged at the time of accident which resulted in such disablement.

Permanent Partial Disablement is one which reduces the earning capacity of a workman in every employment in which he was capable of undertaking at the time of injury.

The distinction between these two types of disablement depends on the fact as to whether an injury results in reduction of earning capacity in all the employments which the workman was capable of doing or only in that particular employment in which workman was engaged at the time of injury.

Total Disablement. It means such disablement, whether of a temporary of permanent nature, as incapacitates a workman for all work which he was capable of performing at the time of the accident resulting in such disablement.

Where an employee becomes unfit for a particular class of job is fit for another class which is offered to him by the employer, the workman is entitled to claim compensation only on the basis of partial disablement and not total disablement.

RULES REGARDING EMPLOYEES' COMPENSATION

Employer's Liability for Compensation

Section 3(1) lays down that if personal injury is caused to a workman by an accident arising out of and in the course of employment, his employer shall be liable to compensation. This section imposes four conditions to hold employer liable for payment of compensation to the injured workman. These four conditions are :

i. Personal injury is caused to a workman.

ii. Such personal injury is caused by an accident.

iii. The accident has arisen out of and in the course of employment.

iv. The accident has resulted either in death of the workman or his total or partial disablement for a period exceeding 3 days.

What is an Accident ? An accident may be defined as an unlocked for mishap or untoward event which is not expected or designed. The series of minor accidents each cumulatively producing fatal injury constitute together an accident. In Grime vs. Fletcher (1915), a person become insane as a result of accident and then committed suicide. It was held that earth was the result of the accident and compensation was awarded. But if the insanity is not the direct result of an accident, compensation will not be awarded.

What is personal Injury ? Personal injury is not confined to physical injury only . It includes physiological and psychological injury such as nervous shock, a mental injury, lunacy, or mental strain. In the Indian News Chronicle Ltd. Case a workman had to go into a meeting room and from there to a cooling plant. The changes of temperature caused pneumonia and the workman died. It was held that the death was due to personal injury. An occupational disease is deemed to be an injury by an accident and the employer is liable to pay compensation.

Arising Out of Employment

It has already been observed that the employer is liable to pay compensation only if personal injury is caused to a workman by an accident arising out of and in the course of employment. The phrase 'arising out of suggests the cause of accident and phrase' in the course of employment suggests the time as well as the course of employment. It has been held in many cases that there must be some causal relationship between the accident and the employment. That means a workman who is injured in the course of his employment. Would be entitled to compensation only if the accident arose out of his employment. Under the following circumstances, it has been held that the accident arose out of employment :

a) A roadman , while working on a road, was killed by lightning.

b) A bomb placed in the premises of a workshop by some unknown person, exploded and caused injury to a workman.

c) A workman on duty in a factory was injured due to crashing down within the premises of the factory of some aircraft .

d) A workman lost his mental balance as a result of an injury by accident and committed suicide.

When a person runs a risk incidental to employment and is thereby injured, the injury arises out of employment. The real test is : Was it part of the injured person's employment hazard to suffer : or to do that what caused injury? If the answer is yes, the accident arose out of his employment. An accident arising out of employment almost necessarily occurs in the course of employment, but an accident in the course of employment may not necessarily arise out of employment, though ordinarily, it will. The workman claiming compensation must prove that he was at the time of accident engaged in the employment's business or in furthering that business, and was not doing something for his benefit or accommodation.

In the Course of Employment

Generally speaking, employment commences when the workman reaches the place of work and ceases when he leaves the places. The expression 'in the course of employment ' refers to the period of employment and the place of work. If covers the period of time during which the employment continues. The following are included in he expression in the course of employment :

a) Where the workman is provided with employer's transport for coming to and going from the place of employment, the time consumed in using such transport.

b) The time when the workman is the premises of the employer, though not actually at work.

c) The period of rest granted to the workman provided the workman remains in the employer's premises during rest period

Doctrine of National Extension

The expression in the course of employment, connotes not only actual work but also any other engagement natural and necessary. Thereto, reasonably extended both as regards work hours and work place. It refers to the time during which the employment continues. As a rule, the employment of a workman does not commence until he has reached the place of employment and does not continue when he has left the place of employment. However, this is subject to the theory of natural extension of the employers promises so as to include an area which the workman passes and repassess in going to and in leaving the actual place of work. There may be some reasonable extension in both time and place and a workman may be regarded as in the course of his employment even though he had not reached or had left his employer's premises. This is also called as the Doctrine of National Extension.

Thus sphere of employment is not necessary restricted to the actual place of work, It is extended in many cases. If on his way, to or from his work, the workman proceeds by a permitted route over his employer's premises, the employment continues while he is so going, even though, in the case of alternative permitted route, The theory of national extension of the place of employment does not extend to the whole of the journey between place of work and the workman's residence. When a workman is on a public road, place or transport, he is there as any other member of the public and not in the course of employment unless the very nature of his employment makes it necessary for him to be there.

Situations where Employer is Liable

The employer of any establishment covered under this Act, is required to compensate an employee who has suffered an accident arising out of and in the course of his employment resulting into

(i) Death

(ii) Permanent total disablement

(iii) Permanent partial disablement,

(iv) Temporary disablement whether total or partial, or

(v) Who has contracted an occupational disease.

When is employer not liable ? An employer is not liable to pay compensation for personal injury caused to a workman by accident arising out of and in the course of employment

(a) If the injury does not result in the total or partial disablement of the workman for a period exceeding three days.

(b) If the injury, not resulting in death, is caused by an accident under which is directly attributable to :

(i) The workman having been at the time of the accident which is directly drink or drugs; or

(ii) The wilful disobedience of the workman to an order expressly given ,, or to a rule expressly framed, for the purpose of securing the safety or a workman; or

(iii) The wilful removal or disregard by the workman of any safety-guard or other device (which is an offence under the Factories Act, 1948) which he knows to have been provided for the purpose of security of the workman.

The exceptions namely *(i)* Intoxication by drinks or drugs, *(ii)* wilful disobedience of certain rules and order, *(iii)* wilful removal of safety devices, are not applicable, in case of a fatal accident. The reason is that where a workman has died as a result of personal injury, it is extremely difficult for dependents to rebut evidence that the accident was caused by the deceased misconduct.

Compensation to Deposited with the Commissioner. The amount of compensation is not payable to the workman directly. It is generally deposited along with the prescribed statement with the commissioner who will pay it to the workman. Any payment made to the workman or his dependents directly in the following cases will not be deemed to be a payment of compensation :

(i) In case of death of the employee,

(ii) In case of lumpsum compensation

The receipt of deposit with the commissioner shall be a sufficient proof of discharge of the employer's liabilitiy.

Distribution of Compensation by the Commissioner. On the deposit of any compensation in respect of a deceased workman, the commissioner shall repay to the employer, an amount paid to any dependent by the employer by way of advance against compensation. The balance compensation shall than be distributed amongst the dependents for which the commissioner shall publish or server upon each dependent a notice requiring them to appear before him. The commissioner shall apportion the compensation among the dependents in such proportion as he deems fit.

20.2 THE FACTORIES ACT,1948

The object of the Act is to protect the workers against industrial and occupational hazards. It endeavors to secure for the workers conditions conducive to their health. The scope of this Act is quite wide and covers all aspects relating to factories namely : approval; licensing and registration; inspecting authorities : health safety, welfare, working hours, employment of adults and young children; annual leaves, and penalties for violation.

Meaning of "Factory" Section 2(m) defines a factory as any premises including its precincts wherein (i) a manufacturing process is carried on and (ii) the specified number of workers (10 in case manufacturing is carried on with the aid of power, and 20 if carried on without power) are working therein on any day of the preceding twelve months.

'Mines' Government by Indian Mines Act or mobile unit of armed forces or a railway running shed or hotel restaurant or eating place etc. are not included in the term 'factory'.

Meaning of 'Worker' : The term 'worker' is defined in section 2(1) to mean any person employed directly or through an agency and whether for or without remuneration either in the manufacturing process or in some work connected with or incidental thereto.

Approval of Factory Site. Section 6 of the Act provides that before a site is used as factory, previous, permission in writing of the State Government or the Chief Inspector must be obtained.

Health of Worker (Sec. 11 To 20)

Section 11 to 20 deal with the health of workers and contain the following provision :

(a) **Cleanliness.** Every factory must be kept clean and free from effluvia arising form any drain, privy or other nuisance.

(b) **Disposal of wastes and effluents** so as to render them innocuous.

(c) **Ventilation and temperature.** Effective arrangements must be made to secure and maintain in every work-room (i) adequate ventilation and (ii) such temperature as will secure reasonable conditions of comfort and prevent injury to workers.

(d) **Dust and Fumes.** Where the manufacturing process is liable to give dust or fume, steps must be taken to prevent its inhalation and accumulation in any workroom.

(e) **Artificial humidification.** Regulation relating to the method to be used for artificial humidification as prescribed by the sate government must be observed.

(f) **Overcrowding.** To prevent overcrowding, there must be 500 cubic feet of space for every worker in a workman.

(g) **Lighting.** In every part of the factory where worker are working or passing, sufficient lighting-natural, artificial or both shall be maintained.

(h) **Drinking water.** Adequate arrangement for drinking water is to be made and where the number of workers is more than 250, cool drinking water shall be provided.

(i) **Latrines and urinals.** With separate accommodation for male and female workers.

(j) **Spitoons are.** To be provided at convenient places in the factory.

Section 21 to 41 deal with the safety of employees in factors discussed below:

Safety of workers (Sec. 21 to 41)

(a) **Fencing of machinery.** The dangerous parts of all such machines as moving parts of prime movers, fly wheels, electric generators rotary converters etc. shall be securely fenced.

(b) **Work on or near moving machines.** Work on moving machinery shall be carried out only by specially trained adult male worker wearing light fitting clothes and whose name has been recorded in a register.

(c) **Young persons.** Shall not be made to work on a dangerous machine unless fully instructed or sufficiently trained or placed under the supervision of an-experienced person.

(d) **Provision and maintenance of striking gear or other devices.** For cutting off otherwise effectively guarded.

(e) **Casing of new machinery.** All power driven machinery shall be encased or otherwise effectively guarded.

(f) **Prohibition of employment of women and children near cotton openers.**

(g) **Hoists and Lifts.** In every factory, hoists and lifts are to be of good mechanical construction , sound material and adequate strength and thoroughly examined by a competent person every six months.

(h) **Revolving Machinery.** Where grinding is carried on in a factory, maximum safe working peripheral speed of grindstone shall be notified by means of a notice.

(i) In case of **Pressure plants** safe working pressure is not to be exceeded.

(j) **Floors, Stairs and means of access.** All these shall be of sound construction and properly kept and maintained.

(k) **Pits, pumps or opening in floors** are to be securely covered or fenced.

(l) Provisions have also been made for protection of eyes and for taking precautions against **dangerous fumes,** explosive or inflammable dust, gas etc. ; and also in case of fire.

(m) **Obligation to appoint safety officers.** Safety officers shall be appointed if the factory employs 1000 or more workers or if the state government so prescribes.

The owner of a shall industry is also advised to keep in mind the provisions relating to hazardous processes introduced by the Amendment Act, 1987.

Welfare of Workers (Sec.42 to 50)

A worker would be entitled to the following facilities

(a) Washing facilities; (b) facilities for storing and drying clothing; (c) Facilities for sitting, (d) First-aid appliances' (e) Canteen (where 250 workers are employed); (f) Shelters, rest-rooms and lunch-rooms) (g) Creches (if 30 or more women are employed); (h) Appointment of welfare officers in every factory employing 500 or more workers.

Hours of Work (Secs. 51 to 54)

Maximum working hours for adult worker per week shall be 48. The daily hours of work shall be restricted to 9. There is to be a **rest interval** of half an hour after 5 hours. The period of work cannot be spread over more than $10^{1/2}$ hours.

There is provision for holiday on the first day of the week (or other substituted day which is duly notified). Compensatory holiday must be given where the worker is deprived of his weekly holiday. Where a worker works for more than 9 hours in any day or more than 48 hours in a week, he will be entitled to double the ordinary rate of wages. There is a prohibition on double employment.

Employment of Children

Section 67 of the Act forbids the employment of a child (i.e. person below 14 years of age in a factory. Though non-adult : worker who has completed 14^{th} years but not 15^{th} years and an adolescent who has completed 15^{th} year but not 18^{th} year may be permitted to work in a factory provided he has a certified of fitness from a certifying surgeon and carries a token giving reference to that certificate while at work. But a person who has not completed 17^{th} year of age shall not be allowed to work in factory during night.

Working hours for a child shall be $4^{1/2}$ spread over 5 hours. Moreover, the period of work of children shall be limited to two shifts which shall not overlap. There is a further obligation to maintain a Register of Child- workers.

Further, there is a general prohibition on the employment of children on moving machinery or dangerous machinery or for pressing cotton in a cottn opener.

20.3 THE EMPOYEES' STATE INSURANCE ACT, 1948

The principal object of this Act is to secure certain benefits to employees and their dependents. These benefits are available in the event of sickness, maternity and employment injury. The benefits are given in the form of (a) periodical payment and/or (b) medical treatment.

The Employees' State Insurance Act, 1948 is applicable to non-seasonal factories using power and employing 10 or more persons and non-power using factories employing 20 or more persons. It covers employees drawing wages not exceeding Rs. 15,000 with effect from 01.05.2010 . The Act provides for medical care in kind and cash benefit payments in the contingency of sickness, maternity and employment injury and pension for dependents in the event of death of a worker because of employment injury . Full medical care including hospitalization is also being progressively made available to the members of the family of the insured persons. Under Rajiv Gandhi Shramik Kalyan Yojana, Which has been introduced w.e.f. 01.04.2005, unemployment allowance is paid to the insured person for a maximum period of twelve months (w.e.f. 01.20.2009) from the date of unemployment. This allowance shall cease to be payable in case the insured persons g.-employment or attains the age of superannuation of 60 years. whichever is earlier.

The Act does not apply to : (a) seasonal factories; (b) factories or establishmenrs under the control of the Government; (c) a worker whose wages exceed the limit stipulated by the government; (d) factories working with the aid of power but employing less than ten persons; (e) factories working withour the aid of power but employing less than twenty persons; (f) mines subject to the Mines Act, 1952; (g) railway running sheds.

Benefits under the Act

(1)Medical Benefit : Medical treatment and attendance are provided for the insured person as well as his dependents at the State Insurance Dispensaries.

(2) Sickness Benefit: Under it, periodical Payments are made to the person who is in receipt of free medical aid.

(3) Maternity Benefit : It consists of periodical payments in case of confinement of an insured woman employee. The benefit is payable for a period of 12 weeks of which not more than 6 shall precede the expected date of confinement.

(4) Dependents' Benefit : These are periodical payments to the dependents of an insured employee who has died as a result of injury sustained in the course of employment.

(5) Disablement benefit : If an insured person is injured in the course of his work and disabled-permanently or temporarily, he will get cash payments on a periodic basis.

Contributions

The scheme being contributory in nature, both the employers and the employees have to pay their contributions at the rates prescribed in the Act.

Employer's contribution :	4.75% of employee's wages
Employer's contribution :	1.75% of employee's wages

Conditions for Receipt of Sickness or Disablement Benefit

A person in receipt of Sickness or disablement benefit (except that granted on permanent disablement) is required to observe the following conditions:

(i) The remain under medical treatment at a dispensary , hospital clinic pervaded in the Act.

(ii) To carry out the instructions given by the medical officer.

(iii) Not to do anything which might retard or prejudice the chances of recovery.

(iv) Not to leave the area where medical treatment is given without the permission of the medical officer.

(v) To allow himself to be examined by duly appointed medical officer or other person authorized by the Corporation.

(vi) *Obstructing any officer of ESIC in the discharge of duties etc*

20.4 THE EMPLOYEES PROVIDENT FUND AND MISC. PROVISIONS ACT, 1952

The Act is piece of welfare legislation designed to provide security of old age to the industrial workers. Under the Act. The employees and employers are required to contribute sums to the provident fund for the benefit of employees.

Application to the Act.

The Act is applicable :

(a) To every establishment which is a factory engaged in any industry specified in Schedule I in which twenty or more persons are employed' and

(b) To any other establishment which the central Government may be notification in the Gazette, specify.

The act could be made applicable by the Central Provident Fund Commissioner if any application in this behalf is made to him or there is a mutual agreement between the employer and the majority of employees.

Contribution

The contribution to the made by the employer and employee his been fixed @8.33 percent of basic wages, dearness allowance and retaining allowance if any.

Administration of the Act

The Employees Provident Funds and Miscellaneous Provisions Act. 1952. Seeks to provide financial social security to the employees in the form of provident fund, pension and deposit-linked insurance. It extends to the whole of India except the State of Jammu and Kashmir . It applied to every establishment specified in the schedule and in which twenty or more persons are employed. The Central Government by notification in the Officer Gazette may specify, any other establishment employing twenty or more persons or class of such establishments to which the Act shall apply. As on 31.03.2010 the Act covered 186 specified industries/classes of establishments. Three schemes have been framed under the Act viz., Employees' Provident Fund Scheme, 1952, Employees' Pension Scheme, 1995, Employees' Deposit linked Insurance Scheme, 1976, The Central Board of Trustees (CBT) through Employees Provident Fund Organisation (EPEO) administers the schemes.

The CBT (EPF) is a tripartite body headed by the Union Minister of Labour and Employment Employees' Provident Fund Organisation (EPFO) and has approximately 59 million subscribers enrolled in the three schemes, Employees Provident Fund Organisation provides various services from collection of members' contribution from establishment to maintenance of members accounts to actual disbursement of money under various defined benefit plans to members and their nominees.

20.5 THE INDUSTRIAL DISPUTES ACT, 1947

The main object of Act is to make provision for the investigation and settlement of industrial disputes and to :

(a) Promote measures for securing goods relations between employers and workmen;

(b) Inquire into any matter connected with or relevant to an industrial dispute;

(c) Promote the settlement of industrial disputes ;

(d) Refer individual disputes to grievance settlement authority;

(e) Prevent illegal strikes and lockouts;

(f) Prevent unfair labour practices ;

(g) Provided for the payment of wages from date of award till final decision in court.

By an amendment in 1982, it has been made obligatory for an employer to set up a Grievance Settlement Authority' in an industrial establishment in which fifty or more workmen have had been employed in the preceding twelve months, it shall have the responsibility to settle industrial disputes connected with an individual workman.

The employers have been made liable to pay compensation in the event of lay off, retrenchment, transfer of undertakings and closing down of undertakings.

The Industrial Disputes Act, 1947, also provides the machinery and procedure for the investigation and settlement of industrial disputes, the act has been amended vide the investigation and disputes (Amendment) Act, 2010 and enforced w.e.f. 15.09.2010. By these amendments, the definition of 'appropriate Government' has been made more specific and the wage ceiling of the workers working in a supervisory capacity has been enhanced from Rs. 1500 per month to Rs.10,000 per month bringing it on parity with other labour laws.

An significant feature of the amendments is to provide direct access for the workmen to the Labour Courts or Tribunal in case of disputes arising out of Section 2-A workman can directly approach the CGITs-Cum Labour Courts after 45 days of filling his grievance before the Conciliation Machinery and there will be no need for him to approach the 'Appropriate Government' for making a reference. The amended Act makes it statutory to establish a Grievance Redressal Mechanism within all industrial establishments employing 20 or more workmen.

20.6 THE PAYMENT OF WAGES ACT, 1936

The object of the Act is to are secure to workers the payment of wages in a particular form and at regular intervals without any unauthorized deductions. The Act mainly deals with the responsibility for payment of wages, the fixation of wage period, the time for payment of wages and most importantly the deductions that can be made from the payment of wages.

Applicability

The provisions of the Act are applicable to persons employed in a factory or industrial or other establishment or in a railway-whether directly or indirectly through a sub contractor. The Act does not apply to persons whose wages exceed Rs, 10,000 p.m.

Responsibility for Payment. The Responsibility of payments of wages has been vested with the employers although the following persons shall also be so liable.

(a) Manager in the case of factories.

(b) Person responsible to the employers for the supervision and control of the industrial or other establishment in the case of industrial or other establishment,

(c) Persons nominated by the railway administration in the case of railways.

Time for Payment : In the case of establishment and undertakings which employ less than 100 persons, wages shall be paid before the expiry of the seventh day and in all other establishments, wages shall be paid before the expiry of tenth day, after the last day of the wage period in respect of which the wages are payable. The wages of a persons whose services services have been terminated shall be paid on the next day after such termination. The payment must be made on a working day.

Permissible Deductions : Only following deductions can be made from the wages of an employee, (a) fines, (b) absence from duty, (c) damage/loss of goods or of money entrusted to employee, (d) housing accommodation provided by the employer, (e) any amenity or service supplied by the employer, (f) recovery of advances or abjustment of over-payment, (g) recovery of loans, (h) income tax, (i) contribution to and repayment of advanced form any provident fund, (j) payment to cooperative society or scheme of insurance maintained by the Indian Post Office, (k) deduction made with written authorisation of employee for payment of premium on his life insurance policy or purchase of securities.

The total amount of deductions shall not exceed 75% of the wages where deductions are made for payment to cooperative societies and in any other case 50% of the wages.

Rules for Imposition of Fine : fines can be imposed in respect of approved list of acts and omissions, the list must be exhibited at or near the main entrance of the factory or at the prescribed places in the case of railway. Before inposing fine, the employee shall be given an opportunity of showing cause. The total amount of fine shall not exceed an amount equal to half-an-anna in the rupee of the wages payable to him in respect of that wage period. No fine shall be imposed on a person below the age of 15 years.

All fines and amounts realized on account of such fines shall be recorded in a register.

Similar rules have been made with regard to deductions of absence from duty, damage and loss, recovery of advances, payment to cooperative societies etc.

20.7 TRADE UNIONS ACT, 1926

Definition of Trade Union and Related Concepts

The Trade Unions Act defines trade union as “any combination, whether temporary or permanent, formed primarily for the purpose of regulation the relations between workmen and employers or between workmen and workmen, or between employers and employers, or for imposing restrictive conditions conduct of any trade of business and includes any federation of two or more trade unions.”

According to the above definition a trade union can be either a union of workmen or of employers. The term “workmen” has not been independently defined in the Trade Unions Act. But in the definition of the term “trade dispute” in section 2(g) the term “workman” has been used to include : “all persons employed in the trade or industry whether or not in the employment of the employer with whom the trade dispute arises’’. This means that all the persons whether doing skilled, unskilled, manual, supervisory, technical, managerial or clerical work are workmen provided they are employed in any “trade” or “industry.”

The above definition of trade union also prescribes the primary objectives for which a trade union may be formed; these are:

(a) To regulate the relations (i) between employers, (ii) between workmen, or (iii) between employees and workmen.

(b) To impose restrictive conditions on the conduct of any trade or business. Besides these primary objectives which determine whether a union is trade union or not under the Act, there can be other objectives also. Thus a union may also have a number of economic, political and social objectives besides its primary objectives, On the question whether there is any age restriction for becoming the member of a trade union, section 21(A) (I) (i) of the Act provides that a person who has attained the age of 15 Years may become the member of a registered trade union unless the rules of the union provide otherwise. But to become an office-bearer of the union of member of the executive of the union be should attain the age of 18 years.

Registration of Trade Unions

Any seven or more member of a trade union can, by subscribing their names to the rules of the trade union and union and by otherwise complying with the provision of the Trade Unions Act. apply for registration under the Act. The application has to be made to the Registrar of Trade Unions. This application must be accompanied by a copy of the rules of the trade union and a statement of the following particulars :

1. The names, occupations and addresses of the members making the application:
2. The name of the trade union and the address of its head officer and
3. The titles, names ages, address and occupations of the office-bearers of the trade union.

Where a trade union has been in the existence for more than one year. A general statement of assets and liabilities of the Trade Union is to the be submitted to the registrar along with other relevant documents. Registration of a union is not done unless its executive is constituted. According to the provisions of this act and the rules of the union provide for the following matters:

1. The name of the trade union:
2. The objects for which the trade union has been established;
3. The whole of the purposes for which has general funds of the trade union shall be applicable, all of which purposes shall be purposes to which such funds are lawfully applicable under this Act;
4. The maintenance of a list of the members of the trade union and adequate facilities for the inspection thereof by the office-bearers and members of the trade union;
5. The admission of ordinary members who shall be persons actually engaged or employed in an industry with which the trade union is connected;
6. The payment of a subscription by members of the trade union which shall be not less than 25 paise per month per member;
7. The conditions under which any member shall be entitled, to any benefit assured by the rules and under which any fine or forfeiture may be imposed on the members;
8. The manner in which the rules shall be amended, varied or rescinded;
9. The manner in which the members of the executive and the other office-bearers of the trade union shall be appointed and removed;
10. The safe custody of the funds of the trade union, and annual audit, in such manner as may be prescribed, of the accounts thereof, and adequate facilities for the inspection of the account books by office-bearers and members of the trade union; and
11. The manner in which the trade union may be dissolved. On registration, the Registrar would issue a certificate of registration in the prescribed form. This services as a conclusive evidence that the said trade union has been duly registered. The privilege of a registered trade union is that it becomes a body corporate having a perpetual succession and a common seal. It acquires a legal personality separate From its members. It can acquire and hold property and can contact, sue and be sued in its own name. An

unregistered trade union being a fluctuating body of individuals having no separate legal entity does not enjoy these privileges. Its members are collectively and severally liable for the acts of the union.

Distinction between a Registered and an Unregistered Trade Union

From the above description it is clear that there are a number of differences between a registered and an unregistered trade union. These may be summarized as follows:

1. A registered trade union is a legal entity separate from its members. Hence it can **hold property**, enter into contracts, sue and sued in its own name. An unregistered trade union is not a legal entity separate from its members. Hence it cannot hold property, enter into contracts sue and sued in its own name. Its members are collectively and severally liable for its acts like the partners of an unregistered firm.

2. A registered trade union enjoys a number of statutory rights such as :

   - Use of its general funds for certain specific purpose.
   - Creating of a separate fund for political purpose.
   - Immunity from punishment for criminal conspiracy (not amounting to an offence) for further objects specified in Section 15.
   - Immunity from civil suit in certain cases.
   - Representation of workmen to the works committee.
   - No such rights are available to an unregistered union.

3. A registered trade union is required to observe a number of formalities such as:

   - Maintaining books of accounts and the list of members.
   - Keeping books and list open for members inspection.
   - Submitting annually to the Registrar duly audited statement of receipts and expenditures and assets and liabilities.

Legal Status of a Registered Union

A trade union enjoys the following advantages after registration:

i) It becomes a body corporate.

ii) It gets perpetual succession and a common seal.

iii) It can acquire and hold both movable and immovable property.

iv) It can enter into contracts with others.

v) It can sue and be sued in its registered name.

Cancellation of Registration

The Registrar of Trade Unions can cancel the registration in the following cases: (i) on the application of the trade union, (ii) where the certificate of registration has been obtained by fraud or mistake, (iii) where the trade union has ceased to exist, (iv) where any rule of the union is inconsistent with the provisions of the Act, (v) where the union has rescinded any rule providing for any of the compulsory matters. (vi) where the primary objects of the union are no longer in harmony with the statutory objects.

Rights and Privileges of a Trade Union

The rights and privileges of a registered trade union include : (a) it is a body corporate, (b) it can keep separate fund for political purposes, (c) it enjoys immunity from criminal conspiracies, (d) it enjoys immunity from civil suits, (e) an agreement between the members of a registered trade union not to accept employment is valid (not void being agreement in restraint of trade, (f) it has right to amalgamate to form a larger union or federation of unions, (g) members of the union have a right to inspect books, (h) any person who has attained the age of 15 years can become the member of the union.

Immunity from Criminal Prosecution. No office-bearer or member of a registered trade union shall be liable to punishment under sub-section (2) of section 120 B of the Indian Penal Code, in respect of any agreement made between the members for the purpose of furthering any such objects of the trade as are specified in section 15, unless the agreement is an agreement to commit an offence.

Section 120B(2) of the Indian Penal Code provides for punishment for the offence of criminal conspiracy. But Section 17 of the Trade Unions Act gives immunity to members and office-bearers of registered trade unions from criminal conspiracy in connection with trade disputes. The term trade dispute is defined in Section (2)g.

Immunity from Civil Suit in Certain Cases. No suit or other legal proceeding shall be maintainable in any Civil Court against any registered trade union or any office-bearer or member there in respect of any act done in contemplation or furtherance of a trade dispute to which a member of the trade union is party on the ground only that such act induces some other person to break a contract of employment of some other person or with the right of some other person to dispose of his capital or his labour as he wills.

A registered trade union shall not be liable to a suit or other legal proceeding in any Civil Court in respect of any tortous act done in contemplation or furtherance of a trade dispute by an agent of the trade union if it is proved that such person acted without the knowledge of, or contrary to express instruction given by, the executive of the trade union-Sect18(2).

Amalgamation of Unions. Any two or more registered trade unions may become amalgamated together as one trade union, with or without dissolution or division of the funds of such trade unions or either or any of them provided that the votes of at least one half of the members of each or every such trade union entitled to vote are recorded and that at least sixty percent of the votes recorded are in favour of the proposal.

Notice in writing of amalgamation, signed by the secretary and seven members of each and every trade union which is party thereto shall be sent to the registrar of each the states in which any of the amalgamated unions had a registered office. The Registrar of the State that all the provisions of the Act have been complied with. The amalgamation takes effect from the date of registration.

An amalgamation of two or more unions does not prejudice any right of any of the trade unions or any right of a creditor of any of them.

Duties and Liabilities

The Trade Unions Act impose duties and liabilities on registered trade unions. They are discussed below :

1. **Change of registered Office**. If the address of the head office of a trade union is changed, notice in writing must be given to the registrar within fourteen days of the charge. The change shall be recorded in the Register.

2. **Objects on which general funds may be spent**. Section 15 provides that the general funds of a registered trade union shall be spent on any object other than the following:

(a) The payment of salaries, allowances, and expenses to office-bearers of the trade union;

(b) The payment of expenses for the administration of the trade union, including audit of the account of the general funds of the trade union;

(c) The prosecution of defense of any legal proceeding to which the trade unio or any member thereof is a party, when such prosecution or defense is undertaken for the purpose of securing or protecting any rights of the trade union as such or any rights arising out of the relations of any member with his employer or with a person the member employs;

(d) The conduct of trade disputes on behalf of the trade union or any member thereof;

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(e) the compensation of members for loss arising out of trade disputes;

(f) Allowances to members or their dependents on account of death, old age, sickness, accidents or unemployment of such members;

(g) The issue of, or the undertaking of liability under, policies of assurance on the lives of members, or under policies insuring members against sickness, accident or unemployment;

(h) The provision of educational, social or religious benefits for members (including the payment of the expenses of funeral or religious ceremonies for decreased members) or for the dependents of members;

(i) The upkeep of a periodical published mainly for the purpose of discussing questions affecting employers of workmen as such;

(j) The payment, in furtherance of any of the objects on which the general funds of the trade union may be spent, of contributions to any cause intended to benefit workmen in general, provided that the expenditure in respect of such contributions in any financial year shall not at any time during that year be in excess of one-fourth of the combined total of the gross income which has upto that time accrued to the general funds of the trade union during that year and of the balance at the credit of those funds at the commencement of that year; and

(k) Subject to any conditions contained in the notification any other object notified by the appropriate Government in the Official Gazette.

3. **The Political Fund**. Section 16 empowers a registration trade union to constitute a separate fund to be used for political purposes. Contributions to the Political Fund must be separately collected on a voluntary basis. No member can be compelled to contribute to this fund. No member can be excluded from any benefit or deprived of any privilege by reason of his not contributing to it. The political fund can be used for the following purposes:

(a) The payment of any expenses incurred, directly or indirectly, by a candidate or prospective candidate for election to a legislative body under the constitution or to a local body. The expenses might have been incurred before, after or during the election.

(b) The holding of any meeting or the distribution of any literature of documents in support of such a candidate.

(c) The maintenance of a person who is a member of a legislative body under the constitution or of a local body.

(d) The registration of electors or the selection of a candidate for election to a legislative body under the constitution or a local body.

(e) The holding of political meetings of any kind or the distribution of political literature or political documents of any kind.

4. **Proportion of Office-bearers to be connected with the industry.** Not less than one-half of the number of the officed-bearers of every registered trade union shall be persons actually engaged or employed in an industry with which the trade union is connected. The appropriate Government may be a special or general order exempt any union or class of unions from this provision.

5. **Dissolution.** A registered trade union may be dissolved according to the rules of the union. Notice of the dissolution must be given signed by the secretary and seven members within fourteen days of the dissolution. The dissolution takes effect from the date it is registered. If the rules of the union do not provide how the funds of the union shall be distributed, the Registrar shall distribute the funds among the members in the manner prescribed by the rules framed under the Act.

20.8 PAYMENT OF GRATUITY ACT, 1972

Gratuity is viewed as a gift made by an employer at his discretion, gratuitously to the employees. Generally gratuity is looked upon as a legitimate claim of employees. Whereas provident fund is aimed at including thrift in the employee with a view to provide for his old age, gratuity is a retirement benefit earned by the employee by rendering services. The payment of Gratuity Act, 1972 provides for a payment of gratuity by the employer to an employee, on termination of his employment after having rendered services for not less than five continuous years. The various provisions of the act can be summarized as given in the following table:

Applicability	Every factory, mine, oil field, plantation, port, railways, company, shop, establishment or educational institutions employing 10 or more employees	Sec. 1
Calculation	At 15 days wages for every completed year on an average of 3 months wages	Sec. 4
Employee	All employees irrespective of status of salary	Sec. 2(e)
Entitlement	On completion of five years services, except in case of death or disablement	Sec. 2(e)
Qualifying period	On rendering of five years service, either termination, resignation or	Sec 2(e)

	retirement	
Nomination	To be obtained by employer after expiry of one year's service in Form 'F'	Sec 6, Rule 6
Forfeiture of Gratuity	On termination of employee for moral turpitude or disorderly behavior & wholly or partially for willfully causing loss or destruction of property etc	Sec 4 (6)
Maximum Ceiling	Rupees ten lakh	Sec 4 (3)
Mode of Payment	Cash, bank draft or check	Rule 9
Protection of Gratuity	Cannot be attached in execution of any decree	Sec 13
Penalties	Imprisonment for 6 months or fine upto 10,000 for any misstatement or representation	Sec 9
Wages for Calculation	At 15 days wages for every completed year as if the month comprises of 26 days at the lase wages drawn	Sec 2(8)

20.9 FURTHER READINGS

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5. Meerut	43. Prayagraj
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7. Shamli	45. Hardoi
8. Gaziyabad	46. Sitapur
9. Noida (Gautam Buddh Nagar)	47. Lucknow
10. Hapur (Panchsheel Nagar)	48. Barabanki
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12. Aligarh	50. Bahraich
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15. Agra	53. Lakhimpur Kheri
16. Firozabad	54. Gonda
17. Etah	55. Ayodhya
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19. Kasganj	57. Sultanpur
20. Sambhal (Bhim Nagar)	58. Amethi (CSJ Nagar)
21. Rampur	59. Basti
22. Badaun	60. Siddharth Nagar
23. Bareilly	61. Mahrajganj
24. Shahjahanpur	62. Sant Kabir Nagar
25. Pilibhit	63. Gorakhpur
26. Moradabad	64. Kushinagar
27. Kannauj	65. Deoria
28. Etawah	66. Azamgarh
29. Auraiya	67. Mau
30. Kanpur Dehat	68. Baliya
31. Kanpur Nagar	69. Jaunpur
32. Hamirpur	70. Sant Rabidas Nagar (Bhadohin)
33. Unnao	71. Varanasi
34. Fatehpur	72. Ghazipur
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- Lucknow
- Azamgarh
- Faizabad
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