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SYLLABUS

HUMAN RESOURCE MANAGEMENT

- **Introduction:** Meaning, Definition, Scope, Evolution, Objectives of HRM. Qualities of HR/ Personnel Manager, Role of Human Resources Manager, Development of HRM in India, Distinction between HRM and PM.
- **Human Resources Planning:** Meaning, Objectives, Benefits of Human Resources Planning, Process and Problems in Human Resources Planning, Recent Implication in HRP, Staffing, Recruitment, Types of Tests.
- **Training and Development:** Meaning, Definition, Need, Advantages, Objectives, Importance of Training, Types of Training, Difference between Training and Development, Education Classification of Training Methods, Executive Development, Knowledge Management.
- **Trade Unions:** Meaning, Characteristics, Functions and Role of Trade Unions, Union Structure, Wages and Salary Administration, Wage Boards and Pay Commissions, Wage Incentives, Quality Circles, Industrial Democracy, Socio-technical Systems.
- **Performance Evaluation:** Performance Appraisal, Promotions, Transfer, Demotions, Separation, Grievance Procedure.

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INTRODUCTION**STRUCTURE**

- Meaning and Definition of HRM
- Scope of HRM
- Evolution of HRM—Contribution by Labour Movement
- Objectives of HRM
- Image and Qualities of HR/Personnel Manager
- Personnel Policies and Principles
- Role of Human Resources Manager
- Development of HRM in India
- Distinction Between HRM and PM
- Computer Application in Human Resource Management
- Summary
- Review Questions

1.1 MEANING AND DEFINITION OF HRM

Simply put, Human Resource Management (HRM) is a management function that helps managers' recruit, select, train and develop members for an organisation. Obviously, HRM is concerned with the people's dimension in organisations.

We quote three definitions on HRM. But before quoting the definitions, it is useful to point out the essentials which must find their place in any definition. The core points are:

1. Organisations are not mere bricks, mortar, machineries or inventories. They are people. It is the people who staff and manage organisations.
2. HRM involves the application of management functions and principles. The functions and principles are applied to acquisition, developing, maintaining, and remunerating employees in organisations.
3. Decisions relating to employees must be integrated. Decisions on different aspects of employees must be consistent with other human resource (HR) decisions.
4. Decisions made must influence the effectiveness of an organisation must result in betterment of services to customers in the form of high-quality products supplied at reasonable costs.
5. HRM functions are not confined to business establishments only. They are applicable to non-business organisations, too, such as education, health care, recreation, and the like.

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The following three definitions collectively cover all the five core points:

1. ...a series of integrated decisions that form the employment relationship; their quality contributes to the ability of the organisations and the employees to achieve their objectives.
2. ...is concerned with the people dimension in management. Since every organisation is made up of people, acquiring their services, developing their skills, motivating them to higher levels of performance and ensuring that they continue to maintain their commitment to the organisation are essential to achieving organisational objectives. This is true, regardless of the type of organisation government, business, education, health, recreation, or social action.
3.management is the planning, organising, directing and controlling of the procurement, development, compensation, integration, maintenance and separation of human resources to the end that individual, organisational, and social objectives are accomplished.

Thus, HRM refers to a set of programmes, functions and activities designed and carried out in order to maximise both employee as well as organisational effectiveness.

Human resource management is a management function concerned with hiring, motivating, and manufacturing people in an organisation. It focuses on people in organisations.

1.2 SCOPE OF HRM

The scope of HRM is indeed vast. All major activities in the working life of a worker—from the time of his or her entry into an organisation until he or she leaves—come under the purview of HRM. Specifically, the activities included are—HR planning, job analysis and design, recruitment and selection, orientation and placement, training and development, performance appraisal and job evaluation, employee and executive remuneration, motivation and communication, welfare, safety and health, industrial relations (IR) and the like. For the sake of convenience, we can categorise all these functions into seven sections—(i) introduction to HRM, (ii) employee hiring, (iii) employee and executive remuneration, (iv) employee motivation, (v) employee maintenance, (vi) IR, and (vii) prospects of HRM.

Human resource management is a broad concept. Personnel management and human resource development are a part of HRM.

1.3. EVOLUTION OF HRM—CONTRIBUTION BY LABOUR MOVEMENT

MODERN PERIOD AFTER 1970

Developing nations like India and USA

- Reversal of trend is discernible.
- Employers continue to exploit labour because "Supply" is more than "Demand".

- Workers alienation with union leaders.
- Trade union movement in India failed to emerge as a force.
- Union membership get stagnated.
- Empowerment to a degree has achieved.

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Period up to 1900

European and American Industrial systems developed on the French system of economics the 'laissez faire' and free from government interference.

In the previous section we have seen impact of 'Industrial Revolution' which the authors prefer to term as 'evolution' up to 1918, the labour condition in Europe and USA was something similar.

Period 1900 to 1940

(1) **Indian Acts.** There were no serious Industrial disputes in India. While Evolution of HRM in USA and West European nations like UK were largely voluntary.

(a) 1931 "Royal commission of Labour in India.

(b) Indian Trade Union Act, 1926.

(c) Maternity benefit act 1936—provided leave with pay for 6 weeks for child-birth to female workers.

(2) **Western countries - UK - USA**

(a) **UK.** They instituted a "Pension fund" to the workers as early as in 1906.

(b) **U.S.A.** Create depression in 1930 also influenced legislative measures of western nations like UK and USA.

- 1932 Norris—Lagvardie Act—union Activities like picketing etc.
- 1935 Wagner Acts—Employers to fight union was curtailed.

Period 1940 to 1970

In India, Employee's state act 1948 is the most important act of social security. Employees provident fund act 1952 provides contribution to the PF by employer and employee.

Industrial Disputes Act 1956 provides payment of compensation for 'lay-offs and retrenchment'.

- In USA, Employment Act 1946 provided job opportunities. Taft Hartley Act 1947—restricted 'unfair labour practices'.
- Manpower development act 1962 is the result of untiring efforts of Johnson as US presidents.
- Civil Rights Act 1964 prohibits discrimination in hiring compensation, terms and conditions, privileges in terms of race, religion, colour, sex or national origin.

MODERN PERIOD AFTER 1970

In the modern period, like India and USA doing major legislations on HRM.

1. Payment of Wages Act 1975 stipulates compulsory payment of wages.
2. Equal remuneration act provides compulsory payment of compensation to workers.
3. Equal employment opportunity act in 1972 is an amendment to include employees of all organisations.

4. Employee retirement income security act in 1974 is amended deals with private pension plans and prevent exploitation of workers.
5. Job training partnership act in 1983 is yet another amendment to discuss earlier.

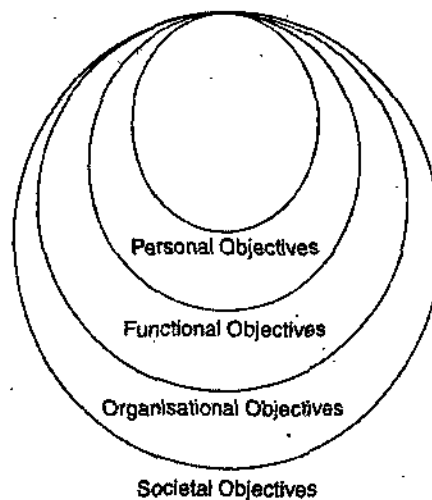
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It focuses more on issues of unemployed and under employed persons to make it more self-supporting.

Up to 1900	1870	First trade union was formed in USA but was not allowed to operate due to Criminal Conspiracy doctrine
	1842	Trade unions declared in USA
	1886	American Federation of Labour
1900-40	1911	Workers welfare league of India formed in UK.
	1919	Formation of ILO
	1927	First time 'May day' was celebrated at Bombay.
	1930	Great economic depression.
	1935	Congress of Industrial organisation was formed in USA
	1940	Unity move of TU in India
1940-70	1942	First time Tripartite Labour Conference
	1947	Indian Independence was established
	1970	Split in Community party

1.4. OBJECTIVES OF HRM

The primary objective of HRM is to ensure the availability of a competent and willing workforce to an organisation. Beyond this, there are other objectives, too. Specifically, HRM objectives are four fold-societal, organisational, functional and personal.



Societal Objectives: To be ethically and socially responsible to the needs and challenges of the society while minimising the negative impact of such demands upon

the organisation to use their resources for the society's benefit in ethical ways may lead to restrictions. For example, the society may limit HR decisions through laws that enforce reservation in hiring and laws that address discrimination, safety or other such areas of societal concern.

The **societal objectives** of **Human resource management** seek to ensure that the organisation becomes socially responsive while the **organisational objectives** make sure that HRM is not a stand-alone department, but rather a means to assist the organisation with its primary objectives.

Organisational Objectives: To recognize the role of HRM in bringing about organisational effectiveness. HRM is not an end in itself. It is only a means to assist the organisation with its primary objectives. Simply stated, the department exists to serve the rest of the organisation.

Functional Objectives: To maintain the department's contribution at a level appropriate to the organisation's needs. Resources are wasted when HRM is either more or less sophisticated to suit the organisation's needs. Resources are wasted when HRM is either more or less sophisticated to suit the organisation's demands. The department's level of service must be tailored to fit the organisation it serves.

Functional objectives remind the HRM that it has only functional value and should not become too expensive at the cost of the organisation it serves while **personal objectives** assist employees in achieving their personal goals.

Personal Objectives: To assist employees in achieving their personal goals enhance the individual's contribution to the organisation. Personal objectives of employees must be met if workers are to be maintained, retained and motivated. Otherwise, employee performance and satisfaction may decline and employees may leave the organisation.

HRM: FUNCTIONS AND OBJECTIVES

In order to realize the objectives stated above, HRM must perform certain functions. These functions have been stated while outlining the scope of HRM. Generally, it may be stated that there is a correlation between the objectives and the functions. In other words, some functions help realize specific objectives. For example, the organisational objective is sought to be met by discharging such functions as HR planning, recruitment and selection, training and development, and performance appraisal. Similarly, the personal objective is sought to be realized through such functions as remuneration, assessment, and the like. Table contains the full list of objectives and functions.

Who will perform these activities in a typical organisation? What is his or her place in the organisational structure? The following section seeks to answer these questions.

ORGANISATION OF HR DEPARTMENT

Two issues become relevant in a discussion on organisation of an HR department. They are (i) place of the HR department in the HR department itself.

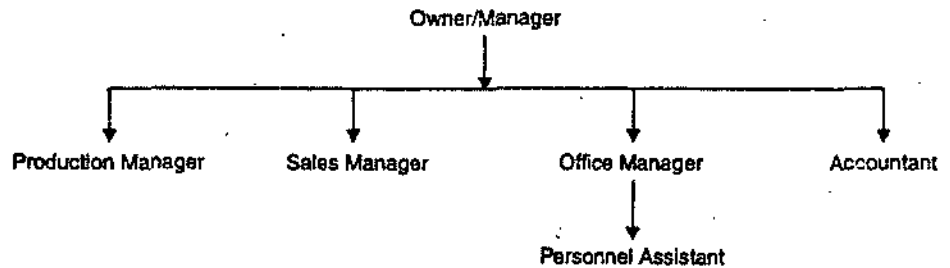
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HRM Objectives		Supporting Functions	
1	Societal objectives	1.	Legal compliance
		2.	Benefits
		3.	Union-management relations
2	Organisational objectives	1.	Human resource planning
		2.	Employee relations
		3.	Selection
		4.	Training and development
		5.	Appraisal
		6.	Placement
		7.	Assessment
3	Functional objectives	1.	Appraisal
		2.	Placement
		3.	Assessment
4	Personal objectives	1.	Training and development
		2.	Appraisal
		3.	placement
		4.	Compensation
		5.	Assessment

Source: William B.Werther, Jr and Keith Davis, Human Resources and Personnel Management.

Status of the HR department in the total organisational structure depends on whether a unit is small or large. In most of the small organisations, there is no separate department to co-ordinate the activities relating to personnel. In fact, there may not be any personnel managers at all. Services of outsiders who specialize in maintaining accounts and records relating to provident fund, pension and other statutory requirements are retained for a fee.

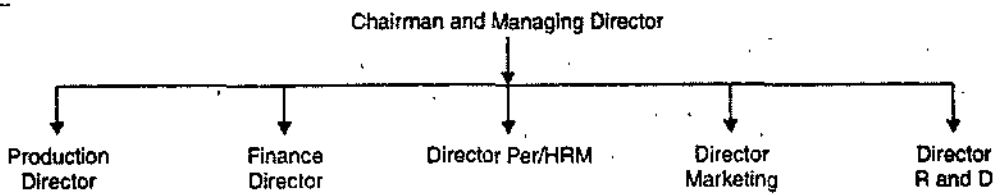


Alternatively, a low-placed employee may be entrusted with the task of attending to these functions. The above table shows a structure of this type. In fact, it was this arrangement which was followed in the past, irrespective of the size of the organisation. Earlier, personnel departments were called 'health and happiness' departments. The people assigned to deal with personnel issues were often individual who were past their prime.

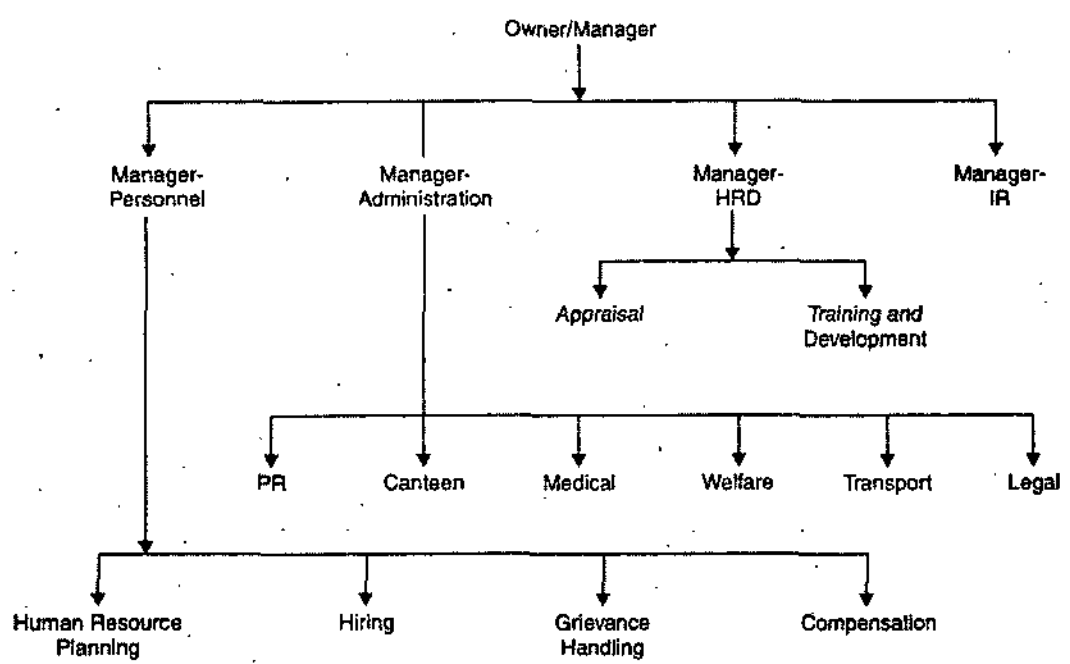
The personnel department was seen as a place where the lesser-productive employees could be placed with minimal damage to the organisation's on going operations. Individuals in the personnel department were perceived as those responsible for planning company picnics, vacation schedules and retirement parties. Personnel, as an activity, was seen as a necessary but unimportant part of the organisation. Fortunately, things have changed for the better, and the status of the personnel department has improved enormously over the years.

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A large-scale unit will have a Manager/Director heading the HR department. His or her status will be equal to that of any executive. The below figure show this structure. This arrangement holds well when the company has a single unit. Where the company has multiple plants located in different parts of the country, there may be a centralized HR/personnel department at the main or registered office and each plant will have separate HR/personnel departments. Routine activities relating to each plant are handled by the HR/personnel department attached to the work, whereas the broad policies, matters concerning executives, and the like are handled by the central department. This is the case with conglomerates as BHEL, ITI and L and T.



Coming to the composition of the HR department, it may be stated that it depends on the scale of operations and attitude of the top management towards its personnel. However, a typical HR department (see below Table) is headed by a Director, under who are Manager-Personnel, Manager-Administration, Manager-HRD and Manager-Industrial Relations. The department will grow in size and importance when new demands are placed on it by the top management.



Composition of a HR/Personnel Department

1.5. IMAGE AND QUALITIES OF HR/PERSONNEL MANAGER

What sort of an image does a HR or a personnel manager project? Caught between the conflicting interests of management and labour; weighed down by his/her loyalty to the

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management and duties to the workers; subjected to political and bureaucratic hassles; ruthlessly cross-examined in courts; and scorched by the glare of occasional publicity, the HR/personnel manager does not have one permanent image. It changes from one set to another set of people and from one situation to another. To the aggrieved and oppressed labour, he/she is the management's henchman, self-serving and unscrupulous. To the enraged trade union, he/she is the villain of the piece, holding back and acceptable settlement, and a representative of the exploiting class. To the unsuccessful job seekers, he/she is the corrupt officer. To the poor vindicated worker, he/she is the 'poor self-suffering fellow'. But, to the students of HRM, he/she is purposeful, tenacious and bold. Thus, the image is never the same.

The HR functions give us some idea of the qualities which a successful HR/personnel manager must possess. The most important quality is his/her ability to deal successfully with people who have likes and dislikes, whims and fancies, who favour some and are prejudiced against others. He/She had to deal with workers who refuse to see reason and who believe that violence pays, and nothing else does. The other qualities are stated below:

1. **Fairness and firmness:** This is a basic quality of the HR manager. He/she should be fair in matters of promotions, demotions, transfers, lay-offs. and be firm in enforcing discipline.
2. **Tact and resourcefulness:** The HR manager must be tactful in dealing with difficult situations. Tact implies determining what is good and fair in trying conditions, and skill in dealing with the most demanding situations. Often, tact is misunderstood as cunning. People with these wrong perceptions resort to unethical practices of dividing workers, setting one group against another, using unlawful means to deal with bold workers or strong union leaders. Such practices are justified, quite unjustifiably, by the argument that they are necessary when workers are not amenable to reason or when they resort to violence. But, such thinking is highly dangerous, to say the least. People, particularly the HR managers, should never give up their belief, however trying the circumstances may be. They should remember that violence begets violence; that wrong deeds do not breed good deeds; that fairness pays and pays well; and that respect for lawful course of action often draws workers on strike to the negotiating table.
The HR manager must be resourceful, too. He/She should have an open mind, objectivity and adjustability to tackle a difficult matter from different angles.
3. **Sympathy and consideration:** The HR manager must be guided by sympathetic attitude towards employee demands. True, several of the demands are unreasonable, but patient listening, open mind, and concern for employees' welfare make recalcitrant workers relent. Similarly, intentions and actions of there HR manager must be tempered with consideration for others.
4. **Knowledge of labour and other terms:** The HR manager must possess a sound knowledge of the Constitution and other acts that influence labour interests. He/She must also be aware of the government's policy towards labour and the general economic conditions prevailing at a given time. However, the HR manager is not directly concerned with the compliance of provisions in the Constitution and other acts. There is a separate manager in charge of this job (See figure (Composition of a HR/Personnel department) on page 7). Still, the HR manager is the head of the HR department and it is desirable that he/she is familiar with the legal provisions affecting labour.

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5. **Broad social outlook:** Social responsibility of business is a topic much discussed these days. Business units undertake several activities in the name of social responsibility. It is desirable that the HR manager has a social outlook and contribute towards the betterment of quality of life of the employees and those who live around and beyond the company.
6. **Others:** The HR manager must have the competence to perform activities relating to personnel better than his/her subordinates. This would earn him/her their enormous respect. Competence gives robust confidence to the HR manager about him/her to face adverse situations with courage. It enables the manager to kindle hope in subordinates when their spirits are down, which is usually the case when the organisation is passing through a lean period. The HR manager must have a long-term perspective, so as to map out a future for the organisation 15 to 20 years ahead and even beyond.
7. **Academic qualifications:** The sequencing is deliberate—we have put academic qualifications of the HR manager as the last in the series. The reason is simple—the HR manager needs no specialised academic degrees, unlike a cost accountant, chartered accountant, doctor, engineer or a professor in a university who must possess the prescribed qualification to enter their respective professions. The apex body of personnel management in India, namely, the National Institute of Personnel Management (NIPM), is also silent about the qualifications of HR managers.

In the years to come, the HR manager will be expected to contribute to the strategic direction of the firm that employs him or her, by helping create and sustain the competitive advantage of the organisation. To play such strategic roles, the HR manager needs to be well-educated and experienced.

Does this imply that individuals with any qualification can become HR managers?

The answer seems to be 'yes', if one were to take a look at the qualification of HR practitioners. Take the case of IR managers. The IR men are predominantly trained in either social work or law, and often in both. Social work as a discipline is strongly oriented towards welfare, which is not the best intellectual equipment for somebody who has to face the fire and brimstone of trade unions. Law trains the manager in methods of punishing the errant, not of motivating the average.

It does not mean that specialised academic qualifications have no relevance for an HR manager. While a degree or diploma will not make the manager efficient and effective automatically, such qualifications will make the incumbent face any situation with a professional touch, an open mind, confidence and objectivity. Realising this, organisations are now looking for well-qualified individuals to head HR departments. The qualification expected from an HR manager is an MBA with specialisation in HR/Personnel Management or a master's degree from TISS or XLRI. For others in the HR department, a basic degree and a certificate issued by the NIPM, or by a recognised university are the desirable requirements.

1.6. PERSONNEL POLICIES AND PRINCIPLES

Policies

A policy is a plan of action. It is a statement of intention committing the management to a general course of action. When the management drafts a policy statement to cover some features of its personnel programmes, the statement may often contain an

expression of philosophy and principle as well. Although it is perfectly legitimate for an organisation to include its philosophy, principles and policy in one policy expression, it is desirable for a student of HRM to separate a principle from a policy. The following statement is an expression of a principle or an objective.

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Policies are plans of action. Organisations need to evolve HR policies as they ensure consistency and uniformity in treating people. They help motivate and build loyalty. Policies become benchmarks to compare and evaluate performance.

It is the intention of the company to provide a safe plant and a healthy working environment. The statement is too general to be of any use. A policy statement, on the other hand, is more specific and commits the management to a definite course of action. The following is a policy.

Our policy is to institute every practical method for engineering safety into our processes and equipment, to provide protective clothing where necessary, to train employees in safe operating procedures, and to vigorously enforce established safety rules. Our policy is to provide a healthy plant by giving adequate attention to cleanliness, temperature, ventilation, light and sanitation.

A policy does not spell out the detailed procedure by which it has to be implemented. That is the role of a procedure. A procedure is in reality a method for carrying out a policy. A policy should be stated in terms broad enough for it to be applicable in varying situations. Lower-level managers who apply a policy must be allowed some discretion in carrying out the policy. The circumstances between two departments or sections vary. Hence a rigid, excessively detailed policy statement might cause injustice, if not granted some latitude.

Why Adopt Policies?

Organisations should have personnel policies as they ensure the following benefits:

- The work involved in formulating personnel policies requires that the management give deep thought to the basic needs of both the organisation and the employees. The management must examine its basic convictions as well as give full consideration to the prevailing practices in other organisations.
- Established policies ensure consistent treatment of all personnel throughout the organisation. Favouritism and discrimination are, thereby, minimised.
- Continuity of action is assured even though top-management personnel change. The CEO of a company may possess a very sound personnel management philosophy. He/she may carry the policies of the organisation in his/her head, and he/she may apply them in an entirely fair manner. But what happens when he/she retires or resigns? The tenure of office of any manager is finite. But the organisation continues. Policies promote stability.
- Policies serve as a standard of performance. Actual results can be compared with the policy to determine how well the members of the organisation are living up to the professed intentions.
- Sound policies help build employee motivation and loyalty. This is especially true where the policies reflect established principles of fair play and justice and where they help people grow within the organisation.
- Sound policies help resolve intrapersonal, interpersonal and inter-group conflicts.

A few specific personnel policies are:

- Policy of hiring people with due respect to factors like reservation, sex, marital status, and the like.
- Policy on terms and conditions of employment—compensation policy and methods, hours of work overtime, promotion, transfer, lay-off, and the like.
- Policy with regard to medical assistance-sickness benefits, ESI and company medical benefits.
- Policy regarding housing, transport, uniform and allowances.
- Policy regarding training and development—need for, methods of, and frequency of training and development.
- Policy regarding industrial relations—trade-union recognition, collective bargaining, grievance procedure. Participative management, and communication with workers.

Formulating Policies

What are the sources and content of personnel policies? How to formulate a policy relating to hiring, training, remunerating or resolving an industrial dispute? There are:

- (i) past practice in the organisation,
- (ii) prevailing practice in rival companies;
- (iii) attitudes and philosophy of founders of the company as also its directors and the top management;
- (iv) attitudes and philosophy of founders of middle and lower management; and
- (v) the knowledge and experience gained from handling countless personnel problems on a day-to-day basis.

Policies must be stable. Stability creates a climate of security and removes uncertainty from the minds of employees. The application of policies must be consistent over a period of time and uniform across departments and among the same category of employees. Yet policies should not be rigid. Flexibility, as pointed above, in interpretation is necessary to meet the changing conditions. Again, a policy must enunciate a principle and not care for minute details. Further, a policy must reflect the goals and values of the organisation. Personnel policy is not an isolated document. It is an integral part of the overall corporate philosophy of the company.

Principles

If policy is a guide for managerial decisions and actions, principle is the fundamental truth established by research, investigation and analysis. Many personnel principles have been established through practice, experience and observation. Principles are universal truths generally applicable to all organisations. Policies, on the other hand, vary from organisation to organisation. Principles guide managers in formulating policies, programmes, procedures, and practices. They also come handy in solving any vexing problem.

Some of the Personnel Principles are:

1. *Principle of individual development*: to offer full and equal opportunities to every employee to realize his/her full potential.
2. *Principles of scientific selection*: to select the right person for the right job.
3. *Principle of free flow of communication to keep*: to keep all channels of communication open and encourage upward, downward, horizontal, formal and informal communication.

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4. *Principle of participation:* to associate employee representatives at every level of decision-making.
5. *Principle of fair remuneration:* to pay fair and equitable wages and salaries commensuration with jobs.
6. Principle of incentive to recognise and reward good performance.
7. Principle of dignity of labour to treat every job and every job holder with dignity and respect.
8. Principle of labour management co-operation to promotes cordial industrial relations.
9. Principle of team spirit to promote co-operation and team spirit among employees.
10. Principle of contribution to national prosperity to provide a higher purpose of work to all employees and to contribute to national prosperity.

1.7. ROLE OF HUMAN RESOURCES MANAGER

Human Resources Manager plays a vital role in the modern organisation. He plays various strategic roles at different levels in the organisation. The roles of the HR Manager include roles of conscience, of a counselor, a mediator, a company spokesman, a problem solver and a change agent.

- (i) **The Conscience Role:** The conscience role is that of a humanitarian who reminds the management of its morals and obligations to its employees.
- (ii) **The Counsellor:** Employees who are dissatisfied with the present job approach the personnel manager for counseling. In addition, employees facing various problems like marital, health, children education/marriage, mental, physical and career also approach the personnel managers. The Personnel Manager counsels and consults the employees and offers suggestions to solve/overcome the problems of the employees.
- (iii) **The Mediator:** As a mediator, the personnel manager plays the role of a peace-maker. He settles the disputes between both of them.
- (iv) **The Spokesman:** He is a frequent spokesman for or representative of the company.
- (v) **The Problem-Solver:** He acts as a change agent and introduces changes in various existing programmes.

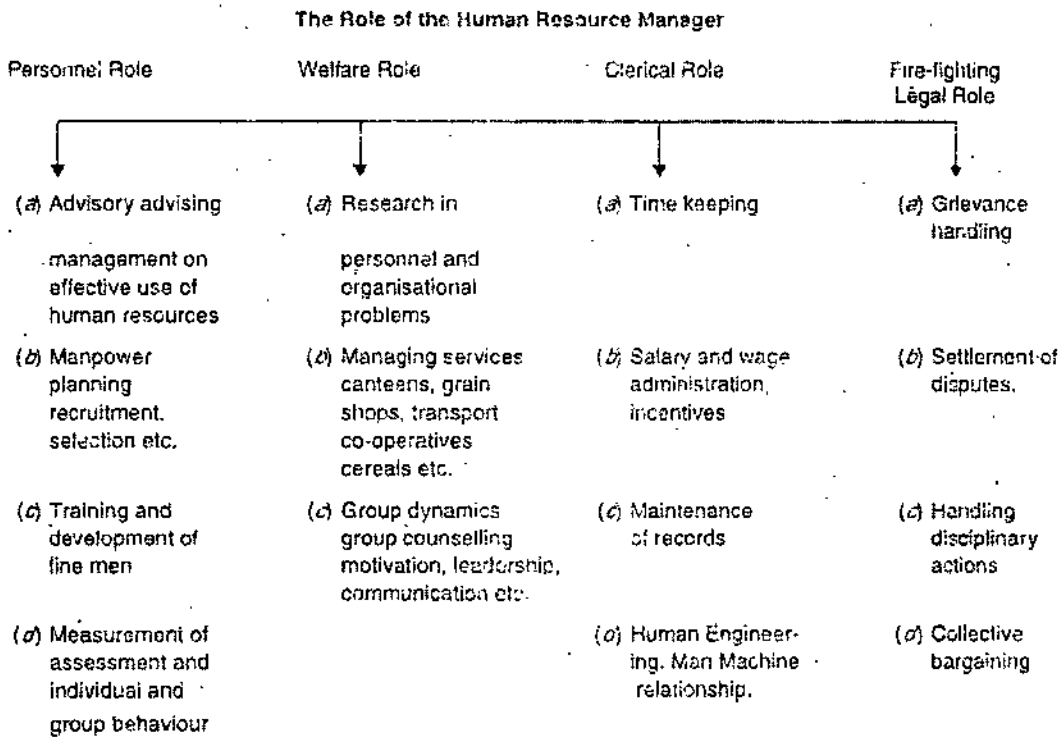
As a Specialist

The personnel department has staff relationship with other departments/managers in the total organisation. The personnel department is responsible for advising management from the Managing Director to the lowest line supervisor in all areas relating to personnel management and industrial relations. Personnel department also performs various functions of employment, training and development. It represents the management in many of the relationships that affect the organisation as a whole. It is also responsible for representing various workers' problems to the management.

Personnel department generally acts in an advisory capacity; it provides information, offers suggestions and is not responsible for the end results. The personnel manager must exercise control very tactfully in order to win the confidence and co-

operation of all line managers. He has to persuade line managers to work with staff specialists and not against them. The authority of the personnel manager should derive from concrete personnel policies and programmes and from the advantages and result of accepted specialised knowledge.

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(i) **As a Source of Help:** In certain situations (When line managers lack skill or knowledge in dealing with employee problems), experienced personnel managers assume line responsibility for personnel matters. But it may be resented by the very managers who ought to seek staff assistance in meeting their personnel responsibilities. They should earn the reputation and confidence of line managers of being a source of help rather than a source of threat to line managers. Staff assistance is likely to be effective when it is wanted rather than imposed.

(ii) **As a Change Agent:** Personnel Manager should work as an enabler and change agent regarding personnel areas and he should be familiar with different disciplines like management technology, sociology, psychology and organisational behaviour as organisational adaptability, viability and development are dependent on human resources development. So, the personnel manager should work as a consultant of an organisational development by providing necessary information and infrastructure to the line managers. Thus, the role of personnel managers is more concerned with providing information and offering advice to the decision-makers rather than making decisions.

(iii) **As a Controller:** Nevertheless, it is still true that effective personnel executives advise on policies, help managers in implementing their programmes and provide services, exercise monitoring and control functions sparingly.

1.8. DEVELOPMENT OF HRM IN INDIA

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Year	Nature of Development
1860	layers' and Workmen's (Disputes) Act was passed. This Act was penal in character, laying down criminal penalties for breach of contract.
1881 to 1891	Factories Acts of 1881 and 1891 were passed showing concern for workers welfare. These Acts were limited to working hours of women and children.
1863 to 1901	The Assam Labour Acts passed between 1863-1901 were concerned with migration of labour
1890	First Labour Organisation, i.e., Bombay Mill Hands' association was established.
1901	The Mines Act, concerned with the safe working conditions of work in the Mines was passed in 1901
1905	The Printers' Union was established in Calcutta.
1907	The Postal Union was established in Bombay.
1907	Fact Labour Commission submitted its report to the government of India. This report dealt with various abuses of the employment of women and children. This commission recommended strengthening and regulating the employment of women and children.
1911	Factories Act, 1911 was passed consequent upon the Report of Factory Labour commission 1907. This Act strengthened the regulations about the employment of women and children. This Act introduced ceiling of number of working hours for men in textile mills.
1915	Calico Mills in Ahmedabad provided welfare facilities by appointing a doctor and a nurse. Later a hospital for maternity cases was opened. Tatas in Bombay appointed a Medical Officer in 1918 and it was expanded into an industrial health department in 1946.
1918	Massive industrial unrest prevailed following the end of World War I. Prices continued to increase sharply after the war, the raise in wages was not in accordance with the rise in cost of living. During the war period many Indian workers were subjected to long working hours. Immediately after the war several prolonged strikes were aimed at securing a ten hour day. This situation led to the enforcement of the sixty hour week by the Factories Act, 1922. Strikes for better wages were also organised during the period. These strikes were generally successful. Political discontentment affected the industrial peace and strikes became longer but achieved less. Sympathetic strikes and loss of many days were also a feature of the period. Strikes organised as a political weapon were mostly unsuccessful.
1919	The All India Trade Unions Congress (AITUC).
1920	Mahatma Gandhi inaugurated the Union of Throstle Department workers. This Union later became the Ahmedabad Textile Labour Association.

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1922	An All India Industrial Welfare Conference was conducted by Social Service League in Bombay. Representatives of the Government and employers, attended the meeting. Subjects discussed were workers' education, sanitation, child welfare, trade unionism, housing etc.
1923	Strikes were organised when employers tried to reduce wages as a measure to reduce cost of living. Workmen's Compensation Act was passed.
1924	Strikes were organised in Cotton Mills in Bombay against the management's decision to withhold the annual bonus due to trade depression.
1926	Indian Trade Unions Act was passed with a provision of voluntary registration of the Unions basing on certain requirements and giving certain legal protection to officers and members of the unions.
Settlement Machinery	Government interfered in major disputes even before 1929. Courts of Enquiry were appointed in Madras in 1919 and 1920 to settle the disputes. Awards were given with the consent of both employers and employees. A dispute in Calcutta was settled by Committee of Enquiry in 1921. Voluntary arbitration made its initial appearance in 1919 and Mahatma Gandhi helped the formation of Board of Arbitration to settle disputes in Ahmedabad Textile Mills. Mahatma Gandhi eventually persuaded the employees and employers to solve their problems by a dialogue and to discontinue their strike in 1923. This system of voluntary arbitration continued until 1938 and revived in 1952.
1928	Strikes were organised for nearly 5 months in Jamshedpur as a consequence of retrenchment of workers. A prolonged strike was also organised in Bombay Textile Mills over the introduction of new methods of work. Total number of man days lost during the preceding 5 years. This unrest forced the Government to set-up the settlement machinery. Committees to settle disputes were set-up in Bengal and Bombay. Bengal Committee suggested joint committees opposing legislative measures. Though the Bombay committee was also of the similar opinion, it recommended Government's interference as a last resort in the form of a Court Enquiry of Conciliation.
1929	Labour Officers were appointed at the main oil installation in Bombay and Calcutta to take complete charge of all matters of labour like recruitment, promotion, discipline, retirement etc.
Royal Commission on Labour	Royal commission on Labour under the Chairmanship of J.H. Whitely was setup in 1929 to enquire into and report on the existing conditions of labour in Industrial undertakings and plantations in British India on the health, efficiency and standard of living of the workers and on the relations between employees and employers. This commission submitted its report in 1931, covering all aspects of labour problems including employment of women and children, hours and conditions of work, industrial relations etc. The important recommendations of the Commission were elimination of jobber from the engagement and dismissal of labour. A Labour Officer should be appointed for this purpose. This officer is in charge of many duties, particularly of welfare, labour legislations were enacted during the period 1932-1937 basing on the recommendations of the Commission.

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1934	The Bombay Trade Disputes Conciliation Act was passed introducing Government Conciliation and Labour Officers to settle the unsolved disputes between the labour and management.
1935	Bombay Mill Owners' Association reported to the Government that Government Labour Officer together with the Association Labour Officer was successful in improving industrial relations.
1936	The Payment of Wages Act (Regulating the deductions from Wages) was passed.
1937	<p>Provincial Labour Legislations were passed in Bombay. For example, Bombay Industrial Disputes Act, Maternity Benefits Act in Bengal etc.</p> <ul style="list-style-type: none"> • Widespread strikes were organised in Jute Mills in Bengal. A number of proposals were made to call off the strikes by the provincial labour minister like establishment of Employment Bureau, Service Records for individual workers, hearing complaints etc. • Bengal Government appointed Labour Commission. Indian Jute Mills Association agreed to appoint Labour Officers. Indian Jute Mills Association appointed Labour Officers, who worked successfully. During the World War II period these Officers helped the workers by explaining to them important labour legislations. Indian Jute Mills Association published a paper called "Mazdoor".
1938	Bombay Mill Owners Association published a booklet called "Recommendations of Labour Matters" which was revised in 1941. The object was to help the heads of department and labour officers dealing with wages, allowances, working hours, leave, appointments, discharge etc. It suggested a standard procedure for appointments and confirmation.
1939	Industrial Code under Bombay Industrial Disputes Act was constituted to settle the dispute under the standing procedure. The pioneer work done in Bombay during this period guided the development of personnel management after World War II.
1940	Government of India convened Labour Ministers' Conference which continued ever since with the representatives of employers and employees. Tata School of Social Work started in 1940 is providing training in social welfare.
1942	<p>Tripartite Labour conference representing Government, employees and labour became a regular feature of labour policy (Indian Labour Conference). The important objects were:</p> <ol style="list-style-type: none"> (i) Promotion of Uniformity in labour legislation. (ii) Determination of a procedure for settlement of industrial disputes. (iii) Consultations on all matters of industrial unrest. <ul style="list-style-type: none"> • Indian Jute Mills' Association with the help of Calcutta University prepared training course for Labour Officers.

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1943	Tripartite Labour Conference recommended the setting up of a machinery to enquire into wages and earnings, employment, housing and social conditions.* Central labour investigation committee was appointed.
1946	Report was submitted by Indian Labour conference. Its recommendations led to a series of amendments to Factories Act with a 48 hour week, leave with pay and canteen facilities. <ul style="list-style-type: none"> • Industrial Employment (Standing Orders) Act was passed.
1947	Industrial Disputes Act was passed. Functions of Labour Officer were elaborated covering the recruitment and selection of unskilled labourers. <ul style="list-style-type: none"> • Recognition of representative unions in different industries has been the policy since 1947. • Labour Advisory service was in existence in a Tobacco company much before the enactment of the Factories Act, 1948. Labour Officers were appointed in larger branches of the company. Labour Liaison Department was established at the Head Office of the Company. The main functions of Labour Liaison Managers were: maintenance of sound labour relations, and a close liaison between management, trade unions, and labour departments of Government, investigation of individual grievances and offering recommendations to management, maintaining labour records and observing labour legislation.
1948	Factories Act was enacted. Section 49 of the Act made it obligatory for the factories employing 500 or more workers to appoint Welfare Officers. The main functions of the Welfare Officers are: supervision of safety and welfare programmes, grant of leave, redressal of grievances, counseling workers on various problems, advising the management regarding personnel issues, establishing liaison between workers and management etc. The responsibilities of Welfare Officers are advisory, service supervisory, functional, policy and mediation. Minimum Wages Act (providing the provision for determination of minimum wages) was passed. The Employees' State Insurance Act (providing the provisions for comprehensive benefits) was enacted. The designation of Labour Officer in the company was changed to Personnel Officer in 1951 and since then there has been a phenomenal change in the functions of Personnel Manager. The Tobacco Company adopted the policy of entering into voluntary long-term agreements with its recognised unions. In 1952 the Employees' Provident Fund, Family Pension Fund and Deposit Linked Insurance Fund Act were passed. Labour Liaison Department of the company developed into a Personnel Department in 1954. The importance of personnel work was recognised by the appointment of a Personnel Director on the Board of Management of the Company.
1959	The Employment Exchange (Compulsory Notification of Vacancies) Act was passed.
1961	The Maternity Benefit Act and the Apprentice Act were passed.

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1965	An ordinance for regulating payment of bonus was issued in May 1965 and was later replaced by the Payment of Bonus Act, 1965 in September of that year. The Act applies to every factory as defined under the Factories Act, 1948 and to every other establishment which employed 20 or more persons. The Act does not apply to the departmentally run public sector undertakings like Indian Railways. The Act was amended in 1972, 1977 and 1980.
1966	Government appointed the National Commission on Labour with Dr.P.B.Gajendragadkar as Chairman in order to review the changes in conditions of labour since independence and to report on existing conditions of labour, to review the existing legislative and other provisions to study and report on the levels of workers' earnings and the standard of living, social security measures, the state of relationship between employees and employers. The labour laws and voluntary arrangements etc., and to make recommendations on the above matters.
1969	<p>National Commission on Labour submitted its reports. The National Commission on Labour (1969) says; "Over the last 20 years, the handling of labour Management relations is getting increasingly professionalised. though this is not to suggest that such professional handling by itself is adequate. Thus, the institution of personnel managers and professionals, though necessary, is not sufficient for industrial harmony. Persons who are drafted for work in these capacities belonging socially to the same group to which the union leaders belong. It is possible for the two to establish rapport. It has been the recent practice for them to discuss on a common platform issues which promote industrial harmony. While the views the personnel managers publicly hold about labour are the employers' views, they seek and are expected to emphasis the workers' viewpoint within the management as an organisation. Their standing in the organisation will naturally depend upon the personality of the members constituting high level management, but by and large, it could be said that they have served as a good link between employers and workers though very often workers have expressed dissatisfaction about the manner in which they have functioned."</p> <p>Consequent upon these developments, large organisations have started personnel departments. In a few advanced industries, the Personnel Management has developed to such a level that their organisations appointed different specialist managers and developed different specialist departments within the personnel management like employment, training and development, wages and benefits, collective bargaining, industrial relations etc. Some of the medium scale organisations have also been establishing personnel departments. A few small scale industries started appointing Personnel Officer/Welfare Officer. Large organisations have also been appointing separate Managers-specialists in Industrial Psychology, Behavioural Sciences and legal officers to advice on labour matters.</p>

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1970	The Contract Labour (Regulation and Abolition) Act was passed. The Act came into force from February, 1971. It applies to every establishment in which 20 or more workmen are/or were employed on any day during the preceding 12 months as contract labour, and to every contractor who employs or employed on any day of the preceding 12 months more than 20 workmen.
1972	Payment of Gratuity Act was passed.
1972 to 1976	ILC did not meet during this period. National Apex Body (NAB) and State Apex Bodies (SAB) were set up in place of ILC in 1975. NABs and some SABs were bipartite in composition. These bodies were abolished and ILC was revived in May, 1977. The Tripartite Labour Conference in its session in May, 1977 recommended a 30 member committee on Comprehensive Industrial Law, which submitted its report and this was adopted by the Government in September, 1977. The bill prepared on the basis of this report was introduced in the Lok Sabha in August, 1978, but it could not be considered and lapsed as the parliament was dissolved. The proposed Industrial Relations Bill attempted to combine the three existing pieces of Central Legislation on Industrial Relations, the Trade Unions Act, 1926. The Industrial Employment (Standing Orders) Act, 1946 and the Industrial Disputes Act, 1947. It also included provisions relating to recognition of Trade Unions and unfair practices like Bombay Industrial Relations Act, 1946 etc.
1980	Bonus was announced under Productivity Linked Bonus Scheme to the employees working in departmentally run Public Sector Undertaking like Indian Railways, Posts and Telegraphs.
1985	Ministry of Human Resources Development was set up in the Union Cabinet. Many Organisations have started changing their personnel department as Departments of HRM and created HRD Departments.
1987	Emphasis has been shifted to various modern techniques of HRM like Role analysis, performance appraisal based on MBO, career planning and development, quality of work life, organisational climate, organisational development, human resource development, motivation etc. Government is thinking or protecting the interests of employees in unorganised sectors like agriculture, shops and establishments, hotels, domestic services etc. Development of HRM can also be studied through different phases of growth of HRM in India.
1995	Emphasis has been shifted to Human Resources Development (HRD), management of cultural diversity, teamwork and participative management, Economic liberalisation and globalisation resulted in increased importance of HRM.
1998	Emphasis on HRD, cultural diversity, teamwork and participative management has been continuing. Further, the emerging areas are total quality in management in HRM, empowering the employees and developing empowered teams and integrating HRM with strategic management as top management realised that HRM is the core of management realised that HRM is the core of core competencies of the 21 st century corporations.

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2000	Emphasis is shifted towards empowerment of employees.
2001	Emphasis is on 'smart sizing of the organisations'.
2002	More emphasis is laid on the positive attitude of the candidate rather than skill and knowledge, shift from intelligence quotient to emotional quotient.
2003	Emphasis on outsourcing, multi-skills, adaptable organisational structure and relationships.

1.9. DISTINCTION BETWEEN HRM AND PM

	<i>Dimension</i>	<i>Personnel Management</i>	<i>HRM</i>
1	Employment	Careful delineation of written contracts	Aim to go 'beyond contract'
2	Rules	Importance of devising clear rules.	Can do outlook impatience with rule
3	Guide to management action	Procedures	Business need
4	Behaviour referent	Norms/Customs and practices	Values/mission
5	Managerial task vis-à-vis labour	Monitoring	Nurturing
6	Key relations	Labour management	Customer integrated
7	Initiatives	Piecemeal	Integrated
8	Speed of decision	Slow	Fast
9	Management role	Transactional	Transformational leadership
10	Communication	Indirect	Direct
11	Prized management skills	Negotiation	Facilitation
12	Selection	Separate, marginal task	Integrated, key task
13	Pay	Job evaluations (fixed grades)	Performance related
14	Conditions	Separately negotiated	Harmonisation
15	Labour management	Collective bargaining contracts	Individual contracts
16	Job categories and grades	Many	Many
17	Job design	Division of labour	Teamwork
18	Conflict handling	Reach temporary truce	Manage climate and culture
19	Training and development	Controlled access to courses	Learning companies

20	Focus of attention for interventions	Personnel procedures	Wide ranging culture structural and personnel strategies,
21	Respect for employees	Labour is treated as a tool which is expendable and replaceable	People are treated as assets to be used for the benefit of an organisation its employees and the society as whole
22	Shared interests	Interests of the organisation are uppermost	Mutuality of interests
23	Evolution	Precedes HRM	Latest in the evolution of the subject

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1.10. COMPUTER APPLICATION IN HUMAN RESOURCE MANAGEMENT

Introduction

Information is recognised as an important source. A wide variety of information needs of a business are recognised into Management Information System (MIS). MIS consists of interconnected subsystems. The computer is an electronic tool used to collect, organise, analyse, interpret and communicate vast amounts of information with great speed. Electronic Data Interchange (EDI) facilitated the speedy, secured and accurate transfer of documents across the globe. Computers make possible a paperless working system. The interlink age of computers enable the transactions to be processed in an integrative approach throughout the world.

E-Business

E-Business is about using the convenience, availability and worldwide reach to enhance existing business or creating new virtual business. According to the concept developed by the IBM, E-Business combines the traditional information system with the vast reach of the web and connect critical business systems directly to critical business constituencies *viz.*, production, marketing, finance, customers, suppliers and employees *viz.*, internets, extranets and the World Wide Web.

E-Business within the organisation uses the Intranet. Business-to-Business (B2B) dealings take place over the extranet. Extranet consists of two or more intranets connected via the internet whereby two organisations are allowed to have access to the information of each other and to interact with each other.

Neural Networks

Yet another information technology breakthrough is the neural networks which change the way people do their jobs. Neural networks combine computer software and chips that are capable of mimicking brain functions. These brain networks are currently regarded as one of the most important forms of emerging information technology and they have an impact on the way work is done. For example, when a purchase order is issued to a vendor, he simultaneously enters the order in the online database. All the activities in the operation are entered into the online database. Finally, when the goods are received, the person at the receiving-end checks a computer terminal to ensure that the shipment corresponds to the purchase order in the database. If it does, the employee enters this information into the database and the computer automatically issues a

cheque to the supplier. Otherwise, the employee is empowered to refuse the shipment and goods will be returned to the supplier.

Aspects of E-HRM

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Thus, electronic aspect of E-Business processes transmits the information in the original form and/or in the processed form to all the parties concerned. Now, we shall discuss the electronic aspect of human resource management i.e., E-HRM.

Electronic aspect is embodied in all the areas of HRM where there is transmission of information from one employee to another employee and from one client to other both internally and in the processed form is highly essential in most of the functions and activities of HRM. Now, we shall discuss each of the important aspects of E-HRM.

E-Job Design and Job Analysis

Most of the organisations tend towards 'dejobbing' environment and introduced alternative work-schedules, flexi work, broad job banding, employee empowerment, multiskilling etc.

HR Manager's job under this environment is identifying the skill requirements of the company, identifying the employee skills and matching these two. HR Managers do these activities through 'listing skills' and 'competency mapping'. The information of listing skills and competency mapping are placed on the net. Then, the system matches the listing skills and competency mapping and produces the output of identifying the employee suitable for a particular task/activity. Thus, the e-hr plays vital role in de-jobbed environment.

E-Human Resource Planning

Computer programmes are developed and used extensively for the purpose of planning human resource requirements based on the data and information. These programmes indicate the number of employees required at each level for each category of the jobs based on sales and production forecasts. The recent trends in this function are outsourcing and co-tangency clause. The extranet which connects the intranets of different organisations identifies the suitable people from other organisations for the purpose of outsourcing and also to draw them where and when contingency situations arise.

E-Recruitment

Organisations advertise the job vacancies through the World Wide Web (WWW) or send the information directly to the most competent people through e-mail. The job seekers send their applications through e-mail using the internet. Alternatively, job seekers place their CVs in the world wide web through various sites like hot jobs.com and jobs.com, which can be drawn by the prospective employers depending upon their requirements.

Advantages of E-recruitment

- A click on the mouse presents 240,000 job sites to the candidate;
- It reduces the cost by 95 percent of the traditional recruitment;
- It reduces the time from normal 43 days of traditional recruitment to just a few days;
- It presents the list of job opportunities to the candidate when he submits details of his/her skill set;
- It shortlists the candidates by matching the candidate's qualifications, skills etc., with those of skills and the right competencies inbuilt in the software;

- It also prepares interview schedules and communicates the same to the candidates;
- It streamlines the entire recruitment process for a given time and unlimited job requirements; and
- The number of people required for handling of applications are reduced drastically.

In view of these advantages a number of employers around the world recruit the people using Internet.

E-Selection

E-selection has become popular with the conduct of various tests through online, contacting the candidates through e-mail and conducting the preliminary interviews and final interview through audioconferencing and videoconferencing. Further, the employers get the reference letters/opinions from the referees through e-mail.

Advantages of E-Selection

- The candidate need not move from his place to take the written test, preliminary interview, provide additional information and final interview. Thus, it eliminates inconveniences, reduces cost and time required to conduct the selection process.
- It reduces the time required for other selection techniques;
- It drastically reduces the overall cost of selection process. However, there are certain limitations of e-selection. They include:

Limitations of E-Selection

- It cannot operate certain selection-tests like, psychological tests;
- Mechanical defects in transmitting information reduce the efficiency of selection techniques; and
- Judgement based on the e-selection process cannot be as perfect as traditional process.

E-Performance Management

Several software packages are developed to measure employee performance and offer suggestions for improvement of employee performance. Many employers tend towards using these software packages and computerise the employee performance appraisal systems.

The software on employee performance appraisal provides a number of statements and sub-statements on each of the performance categories. The appraiser selects and clicks the appropriate rating for each statement. The system generates a detailed report, by the time the appraiser has moved all the performance categories and sub-factors. This report can be modified, comments can be added or deleted by the appraiser and a final report can be prepared by the manager.

Further, organisations use computer networks, sophisticated telephone systems, and video equipment to monitor and record the employee work activities.

Advantages of e-performance management are:

- Managers can manage more number of employees with less effort;
- Appraising performance can be done in less time; and
- Employees can also know the areas/categories of appraisal, ratings of appraisal etc.

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HUMAN RESOURCES PLANNING

STRUCTURE

- Meaning and Objectives of Human Resources Planning
- Benefits of Human Resources Planning
- Factors Affecting Human Resource Plan
- Process of Human Resources Planning
- Problems in Human Resources Planning
- Recent Implications in HRP
- Staffing
- Recruitment
- Selection
- Types of Tests
- Interview and its Types
- Orientation
- Placement
- Training and Development
- Summary
- Review Questions

2.1 MEANING AND OBJECTIVES OF HUMAN RESOURCES PLANNING

In simple terms, human resource planning means deciding the number and type of the human resources required for each job, unit and the total company for a particular future date in order to carry-out organisational activities.

E.W.Vetter viewed human resources planning as "a process by which an organisation should move from its current manpower position to its desired manpower position. Though planning management strives to have the right number and right kind of people at the right place at the right time, doing things which result in both the organisation and the individual receiving maximum long-run benefit."

According to *Leon C. Megginson*, human resources planning is "an integrated approach to performing the planning aspects of the personnel function in order to have a sufficient supply of adequately developed and motivated people to perform the duties and tasks required to meet organisational objectives and satisfy the individual needs and goals of organisational members."

Human resources planning may be viewed as foreseeing the human resources requirements of an organisation and the future supply of human resources and (i) making necessary adjustments between these two and organisational plans and (ii) foreseeing

the possibility of developing the supply of human resources in order to match it with requirements by introducing necessary changes in the functions of human resources management. In this definition, human resources means skill, knowledge, values, ability, commitment, motivation etc., in addition to the number of employees.

Human resource planning is the process of forecasting a firm's future demand for, and supply of, the right type of people in the right number.

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Objectives of Human Resources Planning

The important objectives of manpower planning in an organisation are:

- (i) To recruit and retain the human resources of required quantity and quality;
- (ii) To foresee the employee turnover and make the arrangements for minimising turnover and filling up of consequent vacancies;
- (iii) To meet the needs of the programmes of expansion, diversification etc.;
- (iv) To foresee the impact of technology on work, existing employees and future human resource requirements;
- (v) To improve the standards, skill, knowledge, ability, discipline etc.;
- (vi) To assess the surplus or shortage of human resources and take measures accordingly;
- (vii) To maintain congenial industrial relations by maintaining optimum level and structure of human resources;
- (viii) To minimize imbalances caused due to non-availability of human resources of the right kind, right number in right time and right place;
- (ix) To make the best use of its human resources; and
- (x) To estimate the cost of human resources.

2.2 BENEFITS OF HUMAN RESOURCES PLANNING

Human Resources Planning (HRP) anticipates not only the required kind and number of employees but also determines the action plan for all the functions of personnel management. The major benefits of human resources planning are:

- It checks the corporate plan of the organisation.
- It offsets uncertainty and change. But the HRP offsets uncertainties and changes to the maximum extent possible and enables the organisation to have right men at the right time and in the right place.
- It provides scope for advancement and development of employees through training, development etc.
- It helps to anticipate the cost of salary enhancement, better benefits etc.
- It helps to anticipate the cost of salary, benefits and all the cost of human resources, facilitating the formulation of budgets in an organisation.
- To foresee the need for redundancy and plan to check it or to provide alternative employment in consultation with trade unions, other organisations and the government through remodelling organisational, industrial and economic plans.
- To foresee the changes in values, aptitude and attitude of human resources and to change the techniques of interpersonal management etc.
- To plan for physical facilities, working conditions and the volume of fringe

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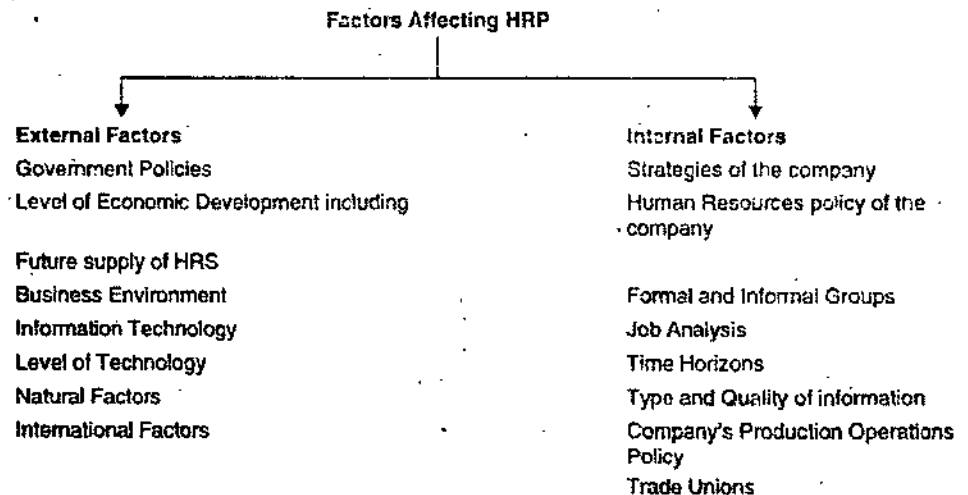
benefits like canteen, schools, hospitals, conveyance, child care centres, quarters, company stores etc.

- It gives an idea of the type of tests to be used and interview techniques in selection based on the level of skills, qualifications, intelligence, values etc., of future human resources.
- It causes the development of various sources of human resources to meet the organisational needs.
- It helps to take steps to improve human resources contribution in the form of increased productivity, sales, turnover etc.
- It facilitates the control of all the functions, operations, contribution and cost of human resources.

2.3 FACTORS AFFECTING HUMAN RESOURCE PLAN

EXTERNAL FACTORS

- (i) **Government Policies:** Policies of the government like labour policy, industrial relations policy, policy towards reserving certain jobs for different communities and sons-of-the-soil etc., affect HRP.
- (ii) **Level of Economic Development:** Level of economic development determines the level of HRD in the country and thereby the supply of human resources in the future in the country.
- (iii) **Business Environment:** External business environmental factors influences the volume and mix of production and thereby the future demand for human resources.



- (iv) **Information Technology:** Information technology brought amazing shifts in the way how do businesses operate? These shifts include: business process reengineering, enterprise resources planning and supply chain management. These changes brought unprecedented reductions in traditional human resources and increase in software specialists. However, these changes reduced the demand for even software specialists at a latter stage. Added to this, the Computer-Aided Design (CAD) and Computer-Aided Technology (CAT) also reduced the existing human resources.

- (v) **Level of Technology:** Level of technology determines the kind of human resources required.
- (vi) **International Factors:** International factors like the demand for and supply of human resources in various countries.

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INTERNAL FACTORS

- (i) **Company Strategies:** Company's policies and strategies relating to expansion, diversification, alliances etc., determine the human resources demand in terms of quality and quantity.
- (ii) **Human Resources Policies:** Human resources policies of the company regarding quality of human resources, compensation level, quality of worklife etc., influence human resources plan.
- (iii) **Job Analysis:** Fundamentally, human resources plan is based on job analysis. Job description and job specification. Thus, the job analysis determines the kind of employees required.
- (iv) **Time Horizons:** Companies with a stable competitive environment can plan for the long run whereas firms with an unstable competitive environment can plan for only short-term range.
- (v) **Type and Quality of Information:** Any planning process needs qualitative and accurate information. This is more so with human resources plan.
- (vi) **Company's Production/Operations Policy:** Company's policy regarding how much to produce and how much to buy from outside to prepare a final product influences the number and kind of people required.
- (vii) **Trade Unions:** Influence of trade unions regarding the number of working hours per week recruitment sources etc., affect HRP.

2.4 PROCESS OF HUMAN RESOURCES PLANNING

Process of human resources planning consists of the following steps:

- Analysing the corporate and unit level strategies.
- Demand Forecasting: Forecasting the overall human resources requirements in accordance with the organisational plans.
- Supply Forecasting: Obtaining the data and information about the present inventory of human resources and forecast the future changes in the human resources inventory.
- Estimating the net human resources requirements.
- In case of future surplus, plan for redeployment, retrenchment and lay-off.
- In case of future deficit, forecast the future supply of human resources from all sources with reference to plans of other companies.
- Plan for recruitment, development and internal mobility if future supply is more than or equal to net human resources requirements.
- Plan to modify or adjust the organisational plan if future supply will be inadequate with reference to future net requirements.

The eight steps of human resources planning are depicted in the order mentioned above. But the same order need not be followed in the actual planning process as the steps are interdependent and sometimes, the first step and the last step may be processed simultaneously. Further, the planner sometimes may not explicitly process some steps. However, it is helpful to the planner to plan for human resources effectively without

any complications if he/she has an idea about all steps of HRP. These steps are discussed in detail as given below.

Analysing the Corporate and Unit Level Strategies

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As indicated earlier, HRP should start with analysing corporate level and unit level strategies. These strategies include expansion, diversification, mergers, acquisitions, reduction in operations, low cost and differentiation. Strategic implementation requires the production implementation, technological implementation, marketing implementation and human resources implementation.

Human resources implementation essentially requires possessing the required number and kind of employees. This in turn requires human resources plan.

Demand Forecasting of the Overall Human Resource Requirements

The existing job design and analysis may thoroughly be reviewed keeping in view the future capabilities, knowledge and skills of present employees. Further, the jobs should be designed and reanalyzed keeping in view the organisational and unit-wise plans and programmes, future work quantum, future activity or task analysis, future skills, values, knowledge and capabilities of present employees and prospective employees. The jobs generally should be designed and analysed reflecting the future human resources and based on future organisational plans. Job analysis and forecasts about the future components of human resources facilitate demand forecasting. One of the important aspects of demand forecasting is the forecasting of the quality of human resources (skill, knowledge values, capabilities etc.) in addition to quantity of human resources. Important forecasting methods are:

- (i) **Managerial Judgement:** Under this method, managers decide the number of employees required for future operations based on their past experience.
- (ii) **Statistical Techniques Include:** Ratio-trend analysis and econometric models. Under ratio trend analysis, ratios are calculated for the past data and these ratios are used for the estimation of the future human resources requirements.
- (iii) **Work Study Techniques:** Under this method, total production and activities in terms of clear units are estimated in a year. Then man-hours required to produce each unit is calculated. Later, the required number of employees is calculated.

Demand forecasting is the process of estimating the quantity and quality of people required to meet future needs of the organisation.

Supply Forecasting the first step of forecasting the future supply of human resources is to obtain the data and information about the present human resources inventory.

Supply forecast determines whether the HR department will be able to procure the required number of personnel. Specifically, supply forecast measures the number of people likely to be available from within and outside an organisation.

Existing Inventory: The data relating to present human resources inventory in terms of human resources components, number, designationwise and departmentwise should be obtained. Principal dimensions of human resources inventory are:

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- (i) Head counts regarding total, departmentwise, sexwise, designationwise, skillwise, pay tollwise etc.
- (ii) Job Family Inventory: It includes number and category of employees of each job family, That is all jobs related to the same category like clerks, cashiers, typists, stenos etc., each sub-job family, that is all jobs having common job characteristics (skill, qualification, similar operations) like production engineer (mechanical) and maintenance engineer (mechanical) and broad job families like general administration, production etc.
- (iii) Age Inventory: It includes age-wise number and category of employees. It indicates age-wise imbalance in present inventory which can be correlated in future selections and promotions.

Estimating the Net Human Resources Requirements

Net human resources requirements in terms of number and components are to be determined in relation to the overall human resources requirements (demand forecast) for a future date and supply forecast for that date. The difference between overall human requirements and future supply of human resources is to be found out. This difference is the net human resource requirements.

Action Plan for Redeployment, Redundancy/Retrenchment

If future surplus is estimated, the organisation has to plan for redeployment, redundancy etc. If surplus is estimated in some jobs/departments, employees can be redeployed in other jobs/departments where the deficit of employees is estimated. The organisation should also plan for training or reorientation before redeployment of employees. Redeployment takes place in the form of transfers. If the deficit is not estimated in any job/department and surplus is estimated for the entire organisation, the organisation, in consultation with the trade unions, has to plan for redundancy or retrenchment.

Redeployment Programmes

The redeployment programmes are as follows:

- (i) **Outplacement:** Outplacement programmes also intended to provide career guidance for displaced employees. This programme covers retraining the prospective displaced employees who can be redeployed elsewhere in the organisation, helping in resume writing, interview techniques, job searching etc.
- (ii) **Employment in the Sister Organisations:** The surplus employees are offered employment in sister organisations either at the similar level or at the lower level under the same management. This programme is undertaken when the jobs are vacant in the sister organisations.
- (iii) **Employment in Other Companies:** Under this programme, the HR manager contacts other similar companies for possible hiring of the surplus employees. If the vacancies are available in other companies, the HR manager helps the surplus employees in getting employment.

Redundancy/Retrenchment Programmes

- (i) **Reduced Work Hours:** Under this technique, each worker works less hours and receives less pay, so that the jobs are saved.
- (ii) **Work Sharing:** Some organisations offer employees the opportunity to share jobs or two employees work half time each. This technique solves the problem of retrenchment in the short run.
- (iii) **Layoffs:** Layoffs can be temporary or permanent. Temporary layoffs are due to the slackness in business, machinery breakage, power failure etc.

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Workers are called back as soon as work resumes to the normal position. Permanent layoff is due to liquidation of the company. Proper human resources planning and levelling the workforce at proper level can help to reduce this effect.

- (iv) **Leave of Absence without Pay:** This technique helps the company to cut the labour cost and the employee to pursue his self-interest. This technique also helps the company to plan for eliminating the unnecessary job in a phased manner. This concept serves as a productive method to help employees prepare for future changes. Syndicate Bank introduced this technique to reduce the problem of excess staff.
- (v) **Voluntary Retirement/Early Retirement:** Another issue is early retirement. Government of India introduced Voluntary Retirement Scheme (VRS) under the caption 'Golden Handshake' in order to solve the problem of overstaffing in the public sector. Managements provide cash reward to those employees who opt for VRS in addition to normal retirement benefits. Hence, this is also called golden handshake. This technique solves the problem of excessive supply of future inventory over the demand for human resources.
- (vi) **Attrition:** Attrition is the process whereby as incumbents leave their jobs for various reasons, those jobs will be kept vacant or unfilled. Attrition, hiring freezes or ban on employment can be implemented organisation-wise, department-wise or job-wise. Indian railways, other Public Sector units and Universities have been following this technique to reduce the problem of overstaffing.
- (vii) **Compulsory Retirement/Iron Handshake:** Under this programme, the HR manager, with the help of the line manager, identifies surplus employees and discharges them from the service. Managements do not provide any cash or non-cash benefits to the employees other than normal retirement benefits at the time of discharging or firing. As such, it is called iron handshake.
- (viii) **Creation of Adhoc Projects:** Some companies create adhoc projects in order to provide employment to the surplus staff for a short span of time.

Action Plan for Outsourcing, Recruitment etc.

If the forecast relating to future supply of manpower from internal sources of the organisation shows favourable trends, the management may prefer internal candidates and plan for their promotion, transfer, training and development. If suitable candidates are not available from internal sources, and the forecasts relating to future supply from external sources indicate the availability of required human resources, then plan for outsourcing, recruitment and selection.

The promotion plan includes establishing of the ratio of internal promotion to external recruits, basis for promotion, promotional channel, reservations in promotions etc. The transfer plan includes channel, company rules regarding organisation initiated transfers and employee initiated transfers.

Outsourcing Plan

Many professional organisations have been performing the outsourcing function. These organisations employ human resources of different categories and supply them or lease them to various companies. These companies can avail the services as and when they need and pay the commission to the outsourcing organisation. This system is more or less like getting a machine for use on a lease basis. Outsourcing is more prominent in the information technology industry. The advantages of outsourcing include:

- The companies need not plan for human resources.
- The companies can get human resources immediately.

- The companies need not manage these resources as such they are free from industrial relations problems.
- The companies can dispense with this category of employees immediately after the work is over.

Outsourcing of non-critical activities through subcontracting or ancillirisation determines HRP

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Recruitment and Selection Plan

Recruitment and selection plan covers the number and type of employees required, when they are required for the job, time necessary for recruitment and selection process, recruitment sources, recruitment techniques to be used, selection procedure to be adopted and selection techniques to be used to subsequently recruiting the required candidates. It also covers the time factor for induction, preliminary training and placement.

Training and Development Plan

The training and development plan covers areas to be developed, training techniques, training programmes, training time, availability of trainers, in plant raining or institute training, new courses to be developed or changes in the existing courses, cost benefit analysis of training, development of the employees and matching of their improved skills with future job requirements etc.

Productivity Plan

The productivity plan includes maximisation of productivity or minimisation of labour cost per unit of output through technological changes, improving/streamlining methods, procedures and systems, productivity bargaining, training, financial incentives, developing various schemes, motivation, commitment, organisation development programmes, job enrichment/enlargement, participation etc. It also includes improving of productivity efficiency.

Retention Plan

Though there is the problem of unemployment, organisations experience shortage of some categories of employees and some organisations experience shortage of some other categories of employees due to employee mobility. Hence, the organisations have to plan for retention of the existing employees.

Modify the Organisational Plan Strategy

If future supply of human resources from all the external sources is estimated to be inadequate or less than the requirements (share of the particular firm in labour market), the manpower planner has to suggest to the management to alter or modify the organisational plan.

In view of the shortage of certain categories of employees, the organisation has to take care not only of recruitment but also the retention of existing employees.

2.5 PROBLEMS IN HUMAN RESOURCES PLANNING

Though HRP is beneficial to the organisation, employees and trade unions, some problems crop up in the process of HRP. Important among them are:

- (i) **Resistance by Employers and Employees:** Many employers resist HRP as they think that it increases the cost of manpower as trade unions demand for employees based on the plan, more facilities and benefits including training

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and development. Further, employers feel that HRP is not necessary as candidates are/will be available as and when required in India due to the growing unemployment situation. Employers' versions may be true with unskilled and clerical staff but it is not true in the case of all other categories as there is shortage for certain categories of human resources.

Trade unions and employees also resist HRP as they view that it increases the workload of employees and prepares programmes for securing human resources mostly from outside. The other reason for their resistance is that HRP aims at controlling the employees through productivity maximisation etc.

- (ii) **Uncertainties:** Uncertainties are quite prominent in human resources practices in India due to absenteeism, seasonal employment, labour turnover etc. Further, the uncertainties in the industrial scene like technological change and marketing conditions also cause imperfections in human resources planning. The uncertainties make HRP less reliable.
- (iii) **Inadequacies of Information System:** Information system regarding human resources has not yet fully developed in Indian industries due to low status given to personnel department and less importance attached to HRP. Further, the reliable data and information about the economy, other industries, labour market, trends in human resources etc., are not available.

2.6 RECENT IMPLICATIONS IN HRP

Most of the organisations, before the 1990s employed human resources without human resources planning. This was more acute in the public sector whose objective was creation of employment opportunities. The absence of human resources planning before 1990s led to the following implications in Indian companies.

- (i) **Overstaffing:** Most of the organisations are found to be overstaffed compared to their counterparts in other countries.
- (ii) **VRS/Golden-handshake:** The absence of human resources planning led to overstaffing. Consequently, most of the organisations announced VRS/Golden-handshake programmes in order to reduce the consequences of overstaffing.
- (iii) **Delaying and Downsizing:** Most of the organisations delayed their organisations and announced down sizing programmes to rectify the consequences of overstaffing.

Now, we shall discuss the recent trends in HRP.

RECENT TRENDS IN HRP

- **Outsourcing:** Most of the organisations started to plan for outsourcing human resources rather than HRP in order to:
- Reduce the cost of human resources.
- Avoid the difficulties in human resources management and
- Reduce the negative implications of overstaffing.
- Many organisations outsourced the canteen, housekeeping, sales, bookkeeping, accounts receivables and employee welfare operations.
- **Contingency clause in HRP:** Most of the software companies have been implementing time bound projects. Similarly, fast delivery has been the vital strategy of many manufacturing companies. Hence, most of these companies

plan for contingency human resources in order to ensure that no project is delayed due to human factor.

2.7 STAFFING

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Staffing is an important function involved in building the human organisation. In staffing, the manager attempts to find the right person for each job. Staffing fixes a manager's responsibility to recruit and to make certain that there is enough manpower available to fill the various positions needed in the organisation. Staffing involves the selection and training of future managers and a suitable system of compensation. Staffing obviously cannot be done once and for all, since people are continually leaving, getting fired, retiring and dying. Often too, the changes in the organisation create new positions, and these must be filled.

In other words, Staffing is concerned with obtaining, utilizing and maintaining a satisfactory and satisfied workforce. Its purpose is to establish and maintain sound personnel relations at all levels in the organisation so as to make effective use of personnel to attain the objectives of the organisation and to provide personal and social satisfaction, which personnel want. Staffing consists of wide range of interrelated activities.

Staffing is a very important function of management. No organisation can be successful unless it can fill and keep filled the various positions with the right type of employees. Managers would be more competent and effective if they are carefully selected and trained. Staffing provides manpower, which is the key input of an organisation.

Staffing function has the following sub-functions. They are manpower planning, recruitment, selection, training and development, placement, compensation, promotion, appraisal etc.

Definition

"The managerial function of staffing involves manning the organisational structure through proper and effective selection, appraisal and development of personnel to fill the roles designed into the structure."

—Koontz and O'Donnell

"The process involved in identifying, assessing, placing, evaluating and directing individuals at work".

—S.Benjamin

Advantages of Staffing

1. It helps in discovering and obtaining competent personnel for various jobs.
2. It makes for higher performance by placing right persons on the right jobs.
3. It improves job satisfaction and morale of employees through objective assessment and fair compensation of their contributions.
4. It facilitates optimum utilisation of human resources and in minimising costs of manpower.
5. It ensures the continuity and growth of the organisation through the development of managers.
6. It enables an organisation to cope with the shortage of executive talent.

Increasing size of organisation

In a large organisation, there are several positions. Systematic programmes for the selection, training and appraisal of employees are required for efficient functioning of the enterprise. This has increased the significance of staffing.

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1. Advancement of technology. Significant improvements have taken place in technology. In order to make use of the latest technology, the appointment of right type of persons is necessary. Right personnel can be procured, developed and maintained for new jobs only if the management performs its staffing function effectively.

2. Long-range needs for manpower. In order to execute the long-term plans, management must determine the manpower requirements well in advance. It is also necessary to develop managers for succession in future. The need for staffing has increased due to shortage of good managerial talent and high rate of labour turnover.

3. High wage bill. Personnel cost accounts for a major portions of operating costs today. Efficient performance of the staffing function is essential to make the best use of personnel. For example, if right type of people are selected and trained, management can obtain optimum results form the expenses incurred on recruitment, selection and training.

4. Trade unionism. Efficient system for staffing has become necessary to negotiate effectively with organisations of executives. With the spread of education, executives have become increasingly aware of their prerogatives. Collective bargaining has brought about change in their attitudes. Separation of ownership from management requires a more professional approach towards the staffing function.

5. Human relations movement. Enlightened employers have come to recognize the dignity of labour-increasing awareness of the role of human factor in industry. Now managers can use the knowledge of behavioural sciences in molding the behaviour of employees in the right direction. At the executive level, there is greater need for non-financial motivation. By performing the staffing function well, management can show the significance it attaches to the human resources in the organisation.

Factors affecting staffing

Staffing is basically a dynamic process and is affected by a variety of factors both internal and external factors.

(A) External Factors

- (i) *Political Factors:* Political stability, political parties and their political gimmicks, formation of new political parties, splits in trade unions etc., these changes in trade unions complicate the task of staffing.
- (ii) *Economic Factors:* Number of economic factors affects staffing of an organisation by influencing system, national income, per capita income, distribution of income and wealth etc.
- (iii) *Social Factors:* Social environment consists of social roles, social values, caste structure, occupational structure, social forward and backward sections, religions, culture etc., these factors are also affect the staffing.
- (iv) *Legal Factors:* There are various provisions, which affect the staffing policy of an organisation. The act 1986, provide the restrictions of free recruitment of child labour. These factors also affect the staffing process of the organisation.
- (v) *Customers:* Any organisation depends upon customers for their survival and growth. Organisation's services are less qualitative in which customers may develop negative attitude towards the organisation.

(B) Internal Factors

- (i) *Size of the Organisation:* Staffing practices depends upon the size of the organisation. A small organisation cannot have the same staffing practices, which a large organisation may have.
- (ii) *Organisational Image:* The image of an organisation in human resource market depends on its staffing practices like facilities for training and development, compensation and incentives, and work culture. If all these factors are positive, an organisation may be in a better position to attract the candidates and customers.
- (iii) *Technological Factors:* In technological changes technical personnel, skilled workers and machine operators are increasingly required while the demand for other employees has reduced. The procurement of skilled employees and their increase in numbers to match the changing job requirements has become a complicated task.
- (iv) *Changes in Employee Roles:* Nowadays the relationship in which employees and management are partners in the organisation the management improves the staffing process by:
 - To provide various benefits to improve morale
 - To introduce negotiating machinery to reduce grievances
 - To encourage employee participation in decision-making.
- (v) *Education:* In recent years increased formal education led to the changes in attitude of employees. The well-educated employees always challenge and question the management's decision and want a voice in the company's affairs affecting their interest. Thus management of well-educated employees is a problem to the organisation though they make valuable contributions.

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2.8 RECRUITMENT

Meaning

Recruitment is the process of identifying the sources of potential employees and encouraging them to apply for jobs in the organisation. According to Dalton E. McFarland, "The term recruitment applies to the process of attracting potential employees to the company." The main purpose of recruitment is to create a pool of candidates from which personnel with required skills can be selected. Every organisation has to recruit personnel through the amount of recruitment may differ from organisation to organisation depending upon the size of the organisation, nature of job and the recruitment policy, etc.

Recruitment involves attracting and obtaining as many applications as possible from eligible job-selection

Sources of Recruitment

The sources of recruitment can be broadly classified into two categories: internal and external. Internal sources refer to the present working force of a company. Selecting individuals from amongst the existing employees of the company may fill vacancies other than at the lowest level. Recruitment sources are two types. They are internal and external sources.

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Internal Sources

- Present permanent employees
- Present temporary/casual employees
- Retired employees
- Dependents of deceased, disabled, retired and present employees.

Merits of Internal Sources

- Internal recruitment can be used as a technique of motivation.
- Morale of the employees can be improved.
- Employees economic needs for promotion, higher income can be satisfied.
- Trade unions can be satisfied.
- Employees become loyal to the enterprise.
- Industrial peace is ensured.
- People recruited from within the organisation do not need induction training.
- A better employee—employer relationship is established.

Demerits of Internal Sources

- It may encourage favouritism and nepotism.
- This method limits the choice of selection to the few candidates available within the enterprise.
- It may lead to inbreeding, resulting in promotion of people who have developed a respect for the tradition and who have no new ideas of their own. It is generally the new blood which brings in new ideas.

External Sources

- Re-employing former employees
- Friends and relatives of present employees
- Applicants at the gate
- College and technical institutions
- Employment exchanges
- Advertising agency
- Labour union

1. Re-employing Former Employees. Former employees who have been laid-off or have left for personal reasons may be re-employed. These people may require less initial training than that needed by total strangers to the enterprise.

2. Friends and Relatives of Present Employees. Some industries with a record of good personnel relations encourage their employees to recommend their friends and relatives for appointment in the concern where they are employed.

3. Applicants at the Gate. The factory representative interviews unemployed persons who call at the gates of the factories and those who are found suitable for the existing vacancies are selected. This is an important source in countries where there is a lot of unemployment.

4. College and Technical Institutions. Many big companies remain in touch with the colleges and technical institutions from where young and talented persons may be recruited. This type of source is more popular in advanced countries where there is a shortage of highly qualified technical people.

5. *Employment Exchanges.* Employment exchanges also serve as an important source of recruitment for a number of business concerns. They are considered a useful source for the recruitment of clerks, accountants, typists, etc.

6. *Advertising the Vacancy.* One more source that is tapped by the companies is advertising the vacancy in leading papers. This source may be used in case the company requires the services of persons possessing certain special skills or if there is an acute shortage of labour force.

7. *Labour Unions.* In companies with strong labour unions, persons are sometimes recommended for appointment by their labour unions. This may also be done in pursuance to an agreement between the union and the management.

2.9 SELECTION

Meaning

Selection is the process of carefully screening the candidates who offer themselves for appointment so as to choose the most suitable persons for the jobs that are to be filled. It is the process of matching the qualifications of candidates with the requirements of jobs to be filled.

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 Procedure

There can be no standard procedure to select different types of employees or to be adopted by all concerns. In practice, selection procedure differs from job to job and from organisation to organisation. In some cases, selection is a very simple and one-step process. But in many cases, it is quite complex and time-consuming.

The main steps in selection procedure may be as follows:

- Preliminary Interview
- Application blank
- Selection tests
- Employment interview
- Checking of references
- Group discussion
- Physical examination, and
- Final approval.

Preliminary Interview

The purpose of preliminary interview is to eliminate the totally unsuitable candidates. It is generally brief and may take place across the counter in the employment office of the company. It consists of a short exchange of information regarding the candidate's age, qualifications, experience and interests. It helps to determine whether it is worthwhile for the candidate to fill in an application form. It saves the expense of processing unsuitable candidates and saves the candidate from the trouble of passing through the long procedure. Preliminary interview provides basic information about candidates.

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Application Blank

Candidates who get through the preliminary interview are asked to fill up a blank application form specially designed to obtain the required information about the candidate. Different types of application forms are used by different organisations and for different jobs. As far as possible, the application blank should be brief and simple. It should elicit only such information, which is relevant for the job concerned. Generally, an application form contains information regarding (a) personal history—name, date of birth, sex, marital status, nationality, etc., of the candidate, (b) educational qualifications, (c) job experience, and (d) references, etc.

Selection Tests

Tests have become an important device in the process of selection. These are used to measure such skills and abilities, which are needed for efficient performance of the job. Several types of tests are used in practice for screening applicants. Written test may be descriptive or objective in nature.

Employment Interview

Personal interview is perhaps the most widely used method for selecting employees. It is a face-to-face talk between the employer and the candidate. It is more thorough and comprehensive than the preliminary interview. The main purpose of employment interview are: (a) to check the information obtained in earlier steps, (b) to seek more information about the candidate, (c) to test the qualities of the candidate, and (d) to inform the candidate about the job and the organisation. Personal and social traits like aptitude, interest, motivation, communicating skill, etc., can better be judged in an interview.

Checking of References

Candidates are usually required to provide some reference, i.e., names of persons to whom inquiries as to his educational background, experience, ability, character, etc., could be addressed. A reference can be a useful source of information in case he is sufficiently knowledgeable and truthful. He may be the previous employer or teacher of the candidate. Before making final selection, the enterprise may contact the references to seek information on the candidate's ability and integrity. A letter of recommendation may also be asked from the candidate. Checking the references may help to point out discrepancies regarding the candidate's previous employment, past salary and reasons for leaving the job.

Group Discussion

This method is being increasingly used for the selection of executives and civil servants. Under this method, several candidates are brought together and given a topic for discussion. Interviewers sit at the back and observe how each candidate participates in the discussions. This method reveals personality characteristics, communication skills, ability to argue logically, ability to get on with others, ability to appreciate others' ideas, etc.

Physical Examination

Physical or medical examination of a candidate is carried out to ascertain his physical fitness for the job. A proper medical examination will ensure high standards of health and physical fitness of the employees. It will reduce the rates of absenteeism, accidents and labour turnover. A thorough medical check of candidates fulfills three objectives:

- First, it helps to ascertain the applicant's physical capability to meet the requirement.

- Secondly, it helps to prevent communicable diseases entering the organisation.
- Thirdly, it protects the organisation against unwarranted claims under the Workmen's Compensation Act.

Final Approval

After screening the candidates a list of suitable candidates is prepared. The list is sent to the line manager who requisitioned the personnel. He gives the final approval. The candidates formally approved by the manager concerned are appointed by issuing appointment letters and concluding service agreements.

TYPES OF SOCIALISATION PROGRAMME

There are two types of socialisation programme. They are:

- Formal/Informal.
- Individual vs Collective Socialisation Programme

(i) **Formal/Informal Socialisation Programme:** New employees may be put directly into their jobs, with no effort made to differentiate them from those who have been doing the job for a considerable length of time. In such cases, informal socialisation takes place on the job and the new member gets little or no special attention. In contrast, socialisation can be formal. When the programme is more formal, the more the new employee is segregated from the ongoing work setting and differentiated in some way to make explicit his or her role, as a newcomer.

The more formal a socialisation programme is, it is more likely that management has participated in its design and execution and hence, the newly employed will learn what the management desires. In contrast, if the program is informal, success will depend more on the new employee's selection of the correct socialisation agent. If the new employee chooses a co-worker who is highly knowledgeable about the job and the system's values, and who is capable of transferring this knowledge, then socialisation will be more successful than if the agent is marginally knowledgeable, a poor teacher, or holds deviant organisational values. In most circumstances, laissez-faire socialisation will increase the influence of the immediate work group on the new member.

(ii) **Individual Vs Collective Socialisation Programme:** The socialising programme either can be individual specific or for a group of new entrants. The individual approach is likely to develop far less homogeneous views than collective socialisation. As in the informal structure, individual socialising is more likely to preserve individual differences and perspectives. But socialising each person individually is expensive and time-consuming. It also fails to allow the new entrants to share their anxieties and concerns with others who are in similar circumstances.

Making the new members socialise in collective groups allows them to form alliance with others who can empathize with their adjustment problems. The recruits have people with whom they can interact and share what they are learning. The group shares problems and usually forms a common perspective on the organisation among group members. Interestingly, because group socialisation develops this consensual character, it allows the recruits, as a group, to deviate more from the standards held out by the organisation than does the individual approach to socialisation. It is easier for people to maintain a deviant position when they have others to support them. The group, therefore, is more likely than the individual to resist or redefine the organisation's demands.

In practice, most large organisations find individual socialisation impractical. They tend to rely on group socialisation techniques because their objective is to develop uniformity among all the new recruits. Moreover, it is easy to implement and create a group cohesiveness that leads to team building activities. Small organisations, which

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have relatively less recruitment at a given point of time and fewer new entrants to socialize, frequently use the individual approach.

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2.10 TYPES OF TESTS

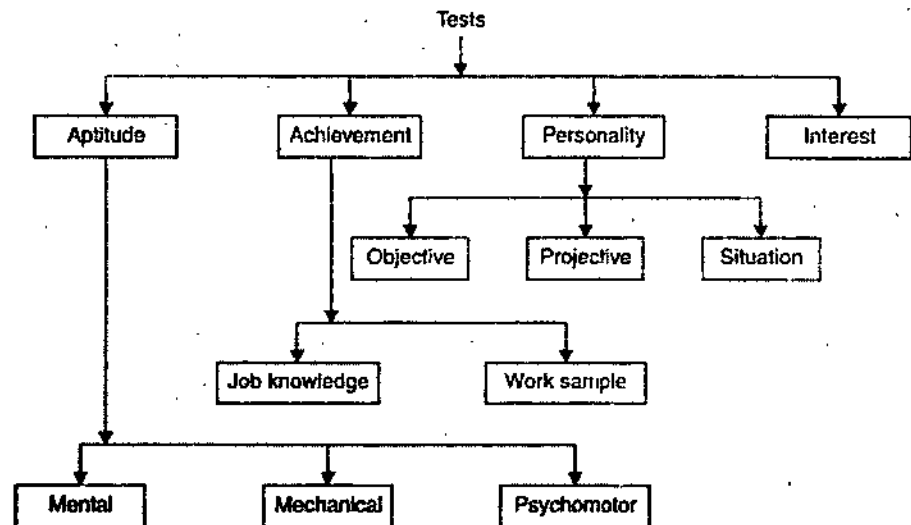
A test has been defined both in a broad and narrow manner. Broadly, it has been defined as a "systematic procedure for comparing the behaviour of two or more persons". In a narrow sense, "it is a sample of an aspect of an individual's behaviour, performance or attitude". We may define it as a systematic procedure for sampling human behaviour.

It must be noted that there is no one single and complete system of test classification actually there are a variety of ways in which they are classified. For example,

- (a) On the basis of human behaviour
- (b) On the basis of use of tests, or
- (c) Individual or group tests.

(A) CLASSIFICATION ON THE BASIS OF HUMAN BEHAVIOUR

On the basis of human behaviour, tests have been generally classified into four categories, as depicted in the following chart.



(i) **Aptitude or Potential Ability Tests:** Such tests are widely used to measure the latent ability of a candidate to learn new job or skill. They enable us to find out whether a candidate, if selected, would be suitable for a job which may be clerical or mechanical. These tests detect peculiarities or defects in a person's sensory or intellectual capacity. They focus attention on a particular type of talent, such as learning, reasoning or a mechanical bent of mind, some of them measure simply sensory activity, speed and dexterity in motor movements of various types. Aptitude tests for medicine, law, music, painting, clerical and number of other activities are also available, some of these tests are useful in selection of employees.

(a) **Mental or Intelligence Tests** measure the overall intellectual activity or the Intelligence Quotient (I.Q.) of a person and enable us to know whether he has the mental capacity to deal with new problems. They are

useful for selection purposes, and determine the future of an employee's word fluency, memory, inductive reasoning, speed of perception and spatial visualisation.

- (b) **Mechanical Aptitude Tests** measure the capacity of a person to learn a particular type of mechanical work—they measure a person's capacity for spatial visualisation perceptual speed, manual dexterity, visual-motor co-ordination or integration, visual insights, etc., they also measure specialised knowledge and information of techniques, arithmetical problem solving ability and technical vocabulary. Some of these functions are measured by apparatus, others by performance type of materials and still others by paper and pencil tests. They are useful when apprentices, machinists, mechanics, maintenance workers and mechanical technicians are selected.
- (c) **Psychomotor or Skills Tests** are those tests which measures a person's ability to do a specific job. They are administered to determine mental dexterity or motor ability and similar attributes involving muscular movement, control and co-ordination. They are of primary importance in the selection for workers who have to perform semi-skilled and repetitive jobs, such as bench assembly work, packing, testing and inspection and watch assemble.
- (ii) **Achievement Tests:** Known also as proficiency tests, they measure the skill or knowledge which is acquired as a result of a training programme and on-the-job experience. They determine the admission feasibility of a candidate and measure what he is capable of doing. Achievement tests are two kinds as:
- (a) **Tests for Measuring Job Knowledge**, which may be oral or written. These tests are administered to determine proficiency in shorthand and in operating calculators, adding machines, dictating and transcribing machines, and simple mechanical equipment.
- (b) **Work Sample Tests** demand the administration of the actual job as a test. A typing test provides the material to be typed and notes the time taken and the mistakes committed.
- (iii) **Personality Tests:** These tests aim at measuring those basic make-up or characteristics of an individual, which are non-intellectual in their nature. Personality tests have a wider use in industry because they provide a well-rounded picture of an applicant's personality, and because managers have to realise the importance superficial, easily faked and misleading. These tests are of three types.
- (a) **Objective Tests** which measure neurotic tendencies, self-sufficiency, dominance—submission, and self-confidence. These are scored objectively. They are paper and pencil tests or Personality Inventories.
- (b) **Projective Tests** are those in which a candidate is asked to project his own interpretation into certain standard stimulus situations. The way in which he responds to these stimuli depends on his own values, motives and personality. The most widely used tests of this type are the Rorschach Blot Test and the Thematic Appreciation test.
- (c) **Situation Tests** measures an applicant's reaction when he is placed in a peculiar situation; his ability to undergo stress and his demonstration of ingenuity under pressure. Such tests usually relate to leaderless group situation, in which some problem is posed to a group, and its members are asked to reach some conclusion without the help of a leader.

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- (iv) **Interest tests:** These tests aim at finding out the types of work in which a candidate is interested. They are inventories of the likes and dislikes of the people of some occupation, hobbies and recreational activities. They are useful in vocational guidance, and are assessed in the form of answers to a well-prepared questionnaire.

(B) CLASSIFICATION ON THE BASIS OF USE OF TESTS

On the basis of the use of which the tests are put, they may be classified in three broad categories: selection tests, classification tests, and placement tests.

Selection Tests: In making a selection, an organisation may decide to accept some candidate and reject others, for filling its various jobs. Hiring of an employee is a selection test.

Classification Tests: Under such tests, special considerations are given to determine on which of the several possible assignments a person will be able to do his best.

Placement Decision: It concerns with assigning a person to different levels of work, rather than distinctly different types of work. For example, choosing a candidate for officer's cadre from amongst the applicants is a placement decision.

(C) INDIVIDUAL AND GROUP TESTS

In individual Tests, a single individual is given a test at a time usually by a trained examiner who not only scores and interprets the results but also observes his behaviour carefully throughout the testing period.

Group Tests, on the other hand, are usually presented in a format which allows the individual to record his own responses and can be simultaneously given to a number of individuals, without any special need of observing their behaviour.

In sum, it may be noted that some tests have a very wide application and are used by firms, agencies and educational institutions. These have been standardised. Some firms have however developed tests to suit their own requirements; these are known as tailor-made tests, and are developed only when there is a continuing demand for a large number of new employees for a single job.

2.11 INTERVIEW AND ITS TYPES

According to Scott and others, "an interview is a purposeful exchange of ideas, the answering of questions and communication between two or more persons."

In other words, an interview is an attempt to secure maximum amount of information from the candidate concerning his suitability for the job under consideration.

In structured interview, the interviewer uses present standardised questions which are put to all applicants, while in the unstructured interview, rarely questions are put by the interviewers. Interviewee does most of the talking.

Generally, interviews fall in six categories:

- (i) Patterned or highly organised interviews;
- (ii) Non-directive, free or quite unorganised interviews;
- (iii) Depth or discussion interviews;
- (iv) Situational or problem-type interviews or leaderless group discussion interviews;

(v) Panel or board interview; and

(vi) Stress interview

(i) **Patterned or Highly Organised Interviews:** This is the most common method of interview. It is based on the assumption that, to be most effective, every pertinent detail bearing on what is to be accomplished, what kind of information is to be sought or given, how the interview is to be conducted, and how much time is to be allotted to it, must be worked out in advance. Questions would be asked in a particular order, with very little deviation. If an applicant wants to discuss something else, he is swiftly guided back to the prepared questions. Such interviews are also called standardised interviews for they are pre-planned to a high degree of accuracy and precision.

(ii) **Non-Directive, Free or Quite Unorganised Interviews:** It is unstructured and is relatively non-planned as to format. In such an interview, the applicant is asked some very general questions, and he may reply to these in any way he likes for a considerable length of time. In other words, the interview is not directed by questions or comments as to what the candidate should be asked. Generally, the candidate is encouraged to express himself on a variety of subjects, on his expectations and motivations, background and upbringing, interests, even political predilections, etc., the interviewers look for traits of character and nature of aspirations and his strengths and weaknesses, manifest or potential. The purpose of such interview is to determine what kind of person a candidate really is.

(iii) **Depth or Discussion Interviews:** It is semi-structured in nature and utilises questions in key areas which have been studied in advance by the interviewer. The typical subjects discussed at such interview include the candidate's home life, education, previous experience, aptitude, recreational interests, and hobbies.

(iv) **Group Discussion Interview:** In this type of interview groups rather than individuals are interviewed. The interviewees are given certain problem and are asked to reach a specific decision within a particular time limit. The applicants enter into group discussions, knowing that the interview is a test, but do not know which qualities are being measured or tested. In this type the emphasis is on the analysis of the interviewer's impressions from discussions rather than factual information.

(v) **Panel or Board Interview:** In this type of interview, a candidate is interviewed by a number of interviewers. Questions may be asked in turn or asked in random order as they arise on any topic.

(vi) **Stress Interview:** In this stress interview, the interviewer assumes a hostile role toward the applicant. He deliberately puts him on the defensive by trying to annoy, embarrass or frustrate him. Usually, the interviewer, in such circumstances, asks questions rapidly, criticises the interviewee's answers, interrupts him frequently, keeps the candidate waiting indefinitely and then subjects him to a barrage of interrogations questioning whatever he might state, or too many questions are asked at a time by many interviewers make derogatory remarks about the candidate or puts him in an awkward situation by dropping something on the floor and asking him to pick it up, accusing him that he is lying and so on. The purpose is to find out how a candidate behaves in a stress situation—whether he loses his temper, gets confused or frightened.

2.12 ORIENTATION

Orientation is a process of acquainting the new employees with the existing culture and practices of the new organisation. It includes the activities of introducing a new

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employee to the organisation and the work unit. The focus of orientation is to make the induction process smooth in breaking initial anxieties of the new recruits. This involves a gamut of activities like familiarising the new members with the organisation's objectives, history, philosophy, procedures, and rules, communicating to them relevant HRM policies such as work hours, pay procedures, overtime requirements, and company benefits, and at the same time reviewing the specific duties and responsibilities for the job as well as organisation's physical facilities offered to the employees. Introducing the employee to his or her manager and co-workers is also an important part of orientation.

During any orientation, it is important to convey that organisation believes in continuous learning and improvement. A well-planned programme, though requires sincere effort, expenditure and more time, it always pays substantially to the individual employee and the organisation in-terms of performance. The first encounter in job is essentially crucial in developing a good or bad experience. Hence, they should get all the support while passing through this transition phase. The way they are treated can help them in making a smooth transition to their new organisation, or can cause them unnecessary anxiety.

Orientation is a systematic and planned introduction of employees to their jobs, their co-workers and the organisation. It is also called **induction**.

Orientation Process

Orienting a person with the system, practices and culture of the organisation is the most difficult proposition, reason being you need to unlearn many past experience and mindset of the participants to prepare them to learn the new things. Orientation as a process has three stages:

- A general orientation
- A departmental orientation
- A specific job orientation

(i) *General orientation*: In this phase, the basic objective is to make the employee feel at ease and comfortable and to motivate him to go through the orientation process seriously for a better adaptability to the organisation. This part should include exposing them to the history of the organisation, business goals and processes of the organisation. They should be taken for a visit to the whole organisation to understand the business processes. The classroom input should be given for a month and after that they should be placed in each department as a trainee to understand the processes and also to appreciate that each activity is important in the organisation for the final outcome. This is normally being followed for the fresher and they work in each department for a substantial period. The duration of the whole orientation programme is different for individual companies and positions. This ranges from a week to a year depending on the above criteria. The following issues should be covered in the general orientation.

- It is essential to create team spirit among the newcomers by assigning different team based assignments. This will give opportunity to all the participants to interact with each other and to develop good interpersonal relationship among themselves.
- The new employee during the orientation should be treated with dignity and respect. They should not be treated as strangers to the organisations.

- Senior executives should be invited to address the newcomer to share their experiences and also to interact with them in formal as well as informal ways. This will help the newcomers to gain confidence and feel motivated.
- The views and comments of the participants should be addressed with patience and utmost priority is to be attached to the seriousness to the whole programme.
- It is essential to draw an alignment between the organisational goal and the individual goal. The organisation's goal should be clearly explained to the newcomers so that they can draw the relevance out of it for them.

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These initiatives will ensure an effective orientation programme for the new incumbents and will also reduce the initial apprehensions, which in turn would develop trust, cooperation and motivation.

(ii) *Orientation to a department:* In this stage, the individual is oriented to his department where he is going to work. The role, responsibility of the individual in the department and the departmental operating practices need to be told to the new incumbent. Initially, he should be exposed to each and every activity of the department for a couple of months to understand the activities involved and to develop an acquaintance with the superiors, peers and subordinates after which he will be assigned to a specific job.

(iii) *Orientation to a specific job:* A specific assignment with a job description may be given to the individual. The person needs to be oriented with the methodology to be adopted for a particular job. This means that the role involved in that particular job has to be clearly stated and also the role expectation of the significant others has to be communicated to the incumbent. The superior if required should adopt a hand holding approach to guide the person in the role.

2.13 PLACEMENT

After an employee has been hired and oriented, he or she must be placed in his/her right job. Placement is understood as the allocation of people to jobs. It is the assignment or re-assignment of an employee to a new or different job. Placement includes initial assignment of new employees and promotion, transfer, or demotion for present employees. In this section, placement of new employees is emphasised.

Assignment of a new employee to a job apparently seems to be a simple task. The employer advertises inviting applications from candidates for a specified post. The advertisement contains job description and job specification in detail. When a candidate has been selected, it is logical that he or she is placed in the position that was advertised earlier.

But the task is not as simple as it looks. Times are changing. Changes in the work ethics reflecting the demand for meaningful work:

- (i) increased government pressure to hire and promote women and the disadvantaged, and
- (ii) heightened awareness of the fact that organisations have many jobs but each individual has only one career. All of these factors are causing organisations to have many jobs but each individual has only one career.

All of these factors are causing organisations and individuals to examine the placement process more closely. We are entering an age when applicants must be considered for several jobs rather than one.

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If an individual fails to meet minimal requirements in one job, he or she will be considered for other available jobs and will probably be offered employment in one of them. From a managerial perspective, the task is to understand and capitalise on each person's individuality. Since human attributes vary along many relatively independent ability, interest, biographical sketch, and personality dimensions, a person's individuality is best viewed as his or her unique profile of scores on a variety of individual measures.

Once we establish this unique profile for each individual, people and jobs can be matched optimally within the constraints set by available people. If the number of individual is large in relation to the available jobs, only the best qualified persons can be selected and placed. On the other hand, when more jobs are available, optimal placement is possible. Thus, the number of people and the number of jobs determine the placement process in any organisation.

Placement refers to the allocation of people to jobs. It includes initial assignment of new employees, and promotion, transfer, or demotion of present employees.

2.14 TRAINING AND DEVELOPMENT

Training may be defined as a *planned programme designed to improve performance and to bring about measurable changes in knowledge, skills, attitude and social behaviour of employees for doing a particular job*. Nowadays, training has an additional purpose of facilitating change. And management training is basically equipping managers with such knowledge, skills and techniques as are relevant to managerial tasks and functions.

India, though a developing country, spends \$50 billion on training each year whereas wealthy USA spends nearly twice as much. Expenditures of such magnitude call for a periodic sharp look especially since organisations are expanding fast and there is a growing demand for finding benefits commensurate with the escalating costs of training.

What today's and tomorrow's training programmes must focus 'on, are soft-skills such as interpersonal communication, teamwork, innovation and leadership. Most importantly, the training has to be comprehensive, systematic, and continuous and should be closely linked to the strategy with which the company is planning to fight the competition. In the future, it is training that will act as catalyst between people, between strategy and systems, between customers and the organisation.

Irrespective of whether we are involved in employee training or employee development, the same result is required. Training for employee development is different in terms of approach than teaching. Training is basically the learning experience that brings a permanent change in an individual, thereby improving his ability to perform on the job. Learning is mostly the modification of behaviour in the light of past experience which is a continuous process to keep the employees competent and good performer.

The principles of learning are:

1. **Initial Motivation or Readiness.** The initial urge drives the individual to learn. Hence, a need, a wish or an ambition is required to motivate the individual to learn. Though learning has to be done by the learner, the initial motivation needs to be created by the organisation.

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2. **Multiple Response or Response by Trial-And-Error.** Learning may take place either in a single trial or through multiple trials. The length of the provisional trial-and-error period will depend on the content of the task, the maturity of the learner and the skill, understanding and experience, which he brings to the task. The basic objective of the training is to reduce the trial-and-error period and to help the learner to master the skills quickly and effectively.
3. **Selection of Responses Through Reinforcement (The Law of Effect).** The provisional trial period ends when the correct activity occurs. The right response reinforces thereby increasing the chances of their subsequent selection and repetition whereas on the other hand, the un-reinforced response drops out. This is the *law of effect*.
4. **Principle of Extinction.** The dropping out of un-reinforced responses or their reduction of occurrence is called extinction. Extinction bears somewhat the same relationship to reinforcement that forgetting does to frequent recall. Hence, reinforced learned skills, though temporarily forgotten, may reappear suddenly.
5. **Law of Exercise in Habit Formation.** Once the correct sequence of acts has been established as a result of reinforcement, the skills can be learnt through repetition or exercise. The quality of employees and their development through training and education are major factors in determining long-term profitability of a small business. If you hire and keep good employees, it is wise to invest in developing their skills, so they can increase their productivity. Training often is considered for new employees only, which is a mistake, because ongoing training for senior employees helps them to update themselves of the rapidly changing job requirements.

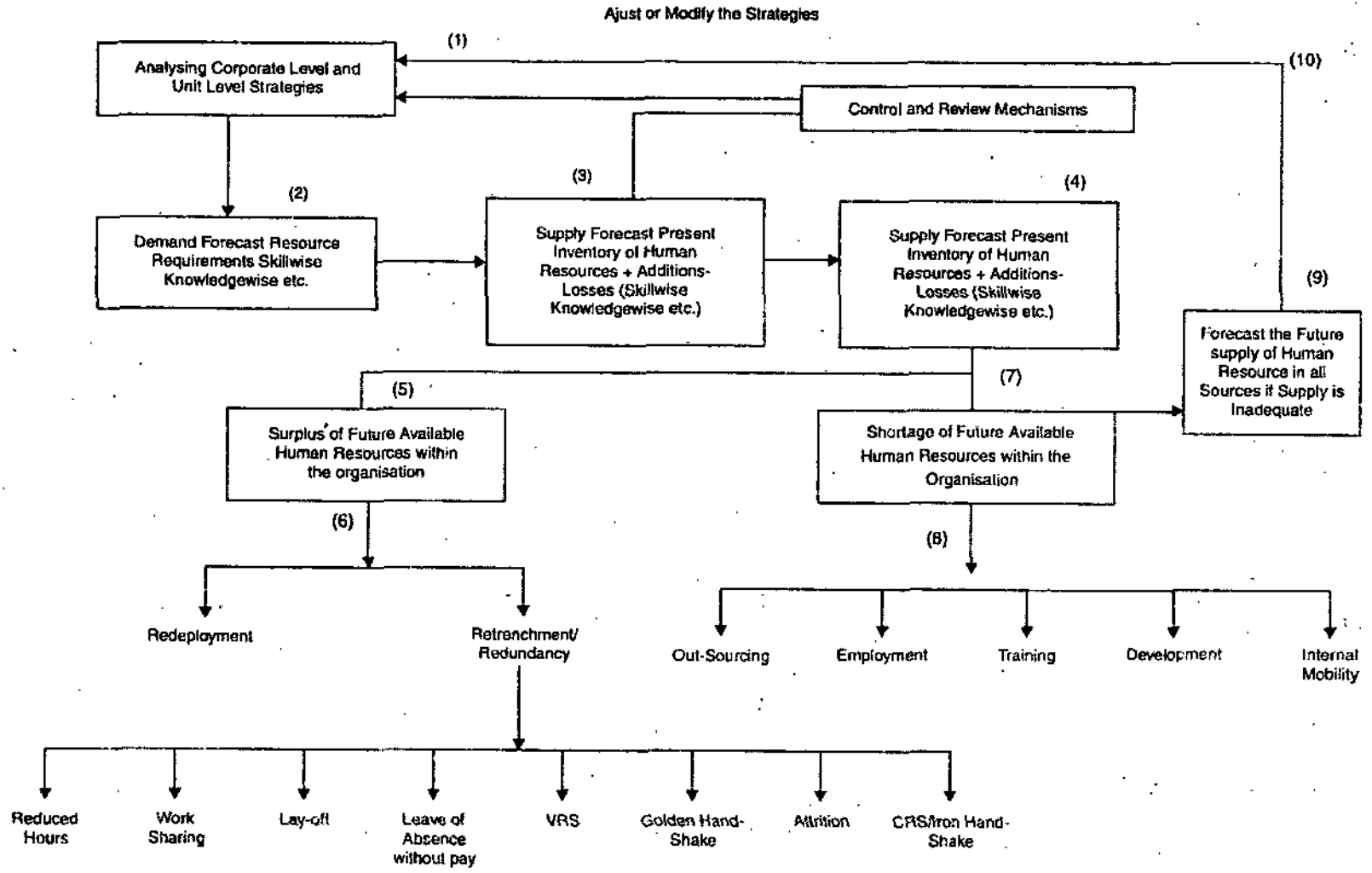
Purpose of Training and Development

The people development in the organisation has been emphasized because of the following advantages:

- Creating a pool of readily available and adequate replacements for personnel who may leave or move up in the organisation.
- Enhancing the company's ability to adopt 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 morale.
- Ensuring adequate human resources for expansion into new programmes.

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

Training and development offer competitive advantage to a firm by removing performance deficiencies; making employees stay long; minimising accidents, scrap and damage; and meeting future employee needs.



SUMMARY

Human Resource Planning (HRP) refers to the estimation of the number and the type of people needed during the ensuing period. HRP is significant as it helps determine future personnel needs; ensures protection to weaker section; acts as a basis for other personnel functions; helps overcome resistance to change; and so on.

HRP is influenced by several factors, such as the type and strategy of organisation; environmental uncertainties; time horizons; type and quality of information; and type of jobs being filled.

The HRP is a five step process. The steps are: defining organisational objectives and policies; forecasting needs; HR programming; HRP implementation, and control and evaluation of programmes.

Job analysis is the process of collecting job related data. The data, thus collected, will be useful for preparing job description and job specification. Job description lists job title, duties, machines and equipment involved, working conditions surrounding a job, and the like. Job specification lists the human qualities and qualifications necessary to do the job.

Recruitment is the process of searching for and obtaining applications so as to build a pool of job seekers from whom the right people for the right jobs may be selected. The purpose of recruitment is to build a pool of applicants. Recruitment represents the first contact a company makes with potential employees. Recruitment done well will result in better selection. Recruitment is a five step process. The steps are planning, strategy development, searching, screening and evaluation and control.

Selection refers to the process of picking the right candidates from the pool of applications. Selection is significant as it has its impact on work performance and employee cost. Selection is generally done by the HR department often in consultation with the line managers. Selection is an eight step process, commencing from preliminary interview and ending with evaluation and control.

Induction is the planned introduction of new employees to their jobs, their co-workers and the organisation. The main purpose of induction is to relieve the new employee from possible anxiety and make him or her feel at home on the job induction may be done informally or formally.

REVIEW QUESTIONS

1. What do you understand by HRP? What is its importance?
2. Explain the various steps in the HRP process.
3. Explain the barriers to HRP. Bring out the requisites for effective planning.
4. What do you mean by job analysis? Explain the process of the job analysis?
5. Define recruitment. Bring out its purpose and importance.
6. Bring out the internal and external sources of recruitment.
7. What is selection? What is its importance?
8. What is the relationship between selection, recruitment and job analysis?
9. Define orientation. What are its purpose and pitfalls?

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TRAINING AND DEVELOPMENT

STRUCTURE

- Training—Meaning
- Training—Definition
- Need for Training
- Advantages of Training
- Objectives of Training
- Importance of Training
- Types of Training
- Difference between Training and Development
- Difference between Training and Education
- Classification of Training Methods
- Executive Development
- Knowledge Management
- Summary
- Review Questions

3.1 TRAINING—MEANING

Training is an organised process for increasing the knowledge and skills of people for doing a particular job. It is a learning process involving the acquisition of skills and attitude. The main purpose of the training is to improve the current performance level of the employees in an organisation. It includes the learning of such techniques as are required for the better performance of definite tasks.

Training refers to the process of imparting specific skills.
Development refers to the learning opportunities designed to help employees grow.
Education is theoretical learning in classrooms.

3.2 TRAINING—DEFINITION

“Training is the act of increasing the knowledge and skills of an employee for doing a particular job”

—Edwin. B.Flippo

"Training is the organised procedure in which people learn knowledge and/or skills for definite purpose."

Training and
Development

—Dale S. Beach

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3.3 NEED FOR TRAINING

Need for training arises on account of the following reasons:

- New environment
- Lack of trained personnel
- Advancement in technology
- Faulty methods
- Prevention of accidents
- Career development

(a) **New Environment.** When a new employee comes to work he is unaware of the environment in the organisation. Therefore, he should be given some training to make him familiar with his job, his superiors and peers, company's rules and regulations, etc. Such training is known as *Induction or orientation*. It enables the new employee to gain self-confidence and to adjust himself in the new environment. Training makes the new employees efficient.

(b) **Lack of Trained Personnel.** It is always not possible to recruit and select trained employees. Majority of the newly employed persons do not know how to perform their jobs. When workers with little or no training are selected, they require training for efficient performance on the job.

Due to inadequate training facilities in the country, employers have to arrange for training of their employees. Some employees might possess theoretical knowledge, which has to be supplemented with training on the specific job. Such training is called *job training*.

(c) **Advancement in Technology.** Need for systematic training has increased due to rapid technological changes, which create new jobs requiring new skills. Training helps to provide mastery in new methods and machines. When improvements take place in the techniques of work, employees have to be trained to become proficient in latest methods of doing work. This learning of new methods and updating of knowledge is known as *refresher training*. It helps the employees to keep up with new methods and techniques and new machines of doing work. Training enables executives to face the changing environment of business.

(d) **Faulty Methods.** Some employees might have picked up defective ways of doing work, which may result in wastage and inefficiency. Training is required to remove these defects and to teach them correct methods and behaviour patterns. This type of training may be called *remedial training*.

(e) **Prevention of Accidents.** Training is needed to prevent industrial accidents. For this purpose safety consciousness must be created among workers so that they realize the significance of safe working. Moreover, they should be given instructions in the use of safety devices. Such training is called *safety training*.

(f) **Career Development.** When persons working at lower levels are promoted to higher positions, they require training in the higher job. This is necessary

not only to replace the outgoing executives but also to provide opportunity for advancement to the employees. Such training may be described as *promotional training*. It simplifies the problem of executive succession and helps to ensure the continuity of the organisation.

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3.4 ADVANTAGES OF TRAINING

The main benefits of training are given below:

- Increased productivity
 - Job satisfaction
 - Reduction in accidents
 - Better use of resources
 - Reduced supervision
 - Greater flexibility
 - Management by exception
 - Stability and growth
- (a) **Increased Productivity.** Training increases the knowledge, skills and attitude of employees. Therefore, well-trained employees give better performance on the job. Training results in higher quantity and quality of output.
- (b) **Job Satisfaction.** Training builds self-confidence in the employees and enables them to achieve the required level of performance. Their enthusiasm, pride and interest in the jobs and their morale goes up. Their attitude becomes more positive and co-operative. Turnover and absenteeism are reduced.
- (c) **Reduction in Accidents.** Generally, trained employees are less accident-prone than the untrained ones. Proper training develops safety attitudes and helps to reduce the accident rate.
- (d) **Better Use of Resources.** Well-trained employees make better use of machines and materials. As a result, the rate of spoilage or wastage of materials is reduced. There is less breakage of machinery and tools. The maintenance cost is reduced and life of machines is increased. Cost of production per unit is reduced.
- (e) **Reduced Supervision.** Trained employees need less guidance. Therefore, need for supervision is reduced. The span of supervision can be increased and the cost of supervision reduced.
- (f) **Greater Flexibility.** An organisation with trained personnel can introduce latest technology to reduce costs of production. Trained employees show less resistance to change. The enterprise can easily adjust to short-term variations in the volume of work.
- (g) **Management by Exception.** Trained employees are self-dependent and can perform routine work independently. Therefore, supervisors can easily delegate authority and reduce their workload. They can practice management by exception and devote their time and energy to more important policy matters.
- (h) **Stability and Growth.** An enterprise having a pool of trained personnel can maintain its effectiveness despite the loss of key personnel. It can more easily replace executives. It can also meet the personnel needs for growth.

and expansion. Training provides a second line of personnel, which helps to ensure long-term stability and growth of the organisation.

Training and development offer competitive advantage to a firm by removing performance deficiencies; making employees stay long; minimising accidents, scrap and damage; and meeting future employee needs.

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3.5 OBJECTIVES OF TRAINING

- To increase the knowledge of workers in doing specific job.
- To impart new skills among the workers systematically, so that they learn quickly.
- To bring out change in the attitude of the workers towards fellow workers, supervisor and the organisation.
- To improve the overall performance of the organisation.
- To make the workers handle materials, machines and equipment efficiently and thus to check wastage of time and resources.
- To reduce the number of accidents by providing safety training to workers.
- To prepare workers for higher jobs by developing advanced skills in them.
- To promote individual and collective morale, a sense of responsibility, cooperative attitudes and good relationships.
- To ensure smooth and efficient working of a department.
- To ensure economical output of required quality.
- To impart the new entrants the basic knowledge and skill they need for an intelligent performance of definite job.

3.6 IMPORTANCE OF TRAINING

The importance of training may be stated as follows:

- (a) **Improvement in Skill and Knowledge.** Training, certainly, results in improvement in the skill and knowledge of the employee. This helps the employee to perform his job much better. This benefits the enterprise as well.
- (b) **Higher Production and Productivity.** If an enterprise has a team of well-trained employees, it will be able to expand its production. There will be a rise not only in production in terms of number of units but also in productivity. Productivity is the input-output ratio.
- (c) **Job Satisfaction.** Well-trained employees are able to perform their jobs with a higher degree of skill. This increases their level of self-confidence and commitment to work. Such employees are bound to have a higher level of job satisfaction.
- (d) **Better Use of Resources.** Trained employees will be able to make better use of the materials and machines. This reduces the rate of wastage and spoilage of materials and also breakage of tools and machines. The maintenance cost too is bound to come down.

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- (e) **Reduction in Accidents.** Trained employees are aware of the safety precautions to be taken while at work. They are always alert and cautious. This is bound to bring down the number of accidents in the workplace.
- (f) **Reduced Supervision.** Well-trained employees do not need much supervision. They can do their work without having to approach their superiors often for guidance. This enables the superior to manage more employees. In other words, he can have a wider span. This reduces the cost of supervision.
- (g) **Reduction in Complaints.** Only bad workers blame the tools. An employee who has acquired the necessary skill and job knowledge would certainly love his job. Such an employee does not complain about anyone and anything.
- (h) **Adaptability.** Trained workers do not resist change. They have the capacity to adapt themselves to any kind of situation. They are good in crisis management too. This indeed is beneficial for the organisation.
- (i) **Scope for Management by Exception.** With trained workers working under them, it becomes easy for the managers to get things done by delegating authority. This enables the managers to concentrate more on for employees gives the managers the scope to practice the technique of Management by Exception.
- (j) **Stability.** If an organisation has a team of trained employees it can face future challenges easily. The employees of today are going to be managers an organisation if it has a team of trained, efficient and committed employees who are ever ready to take over management.

3.7 TYPES OF TRAINING

On the basis of purpose, several types of training programmes are offered to the employees. It should be noted that these programmes are not mutually exclusive. They invariably overlap and employ many common techniques. The important types of training programmes are as follows:

- Induction or orientation training
- Job training
- Apprenticeship training
- Internship training
- Refresher training or retraining
- Training for promotion

- (a) **Induction or Orientation Training.** Induction is concerned with inducting or orienting a new employee to the organisation and its procedures, rules and regulations. When a new employee reports for work, he must be helped to get acquainted with the work environment and fellow employees. It is better to give him a friendly welcome when he joins the organisation, get him introduced to the organisation and help him to get a general idea about the rules and regulations, working conditions, etc., of the organisation.

Employee orientation or induction training is nothing but introduction of the organisation to the newly employed person. The purpose is to give a 'bird's eye view' of the organisation where he has to work. It is a very short informative training given immediately after recruitment. It creates a feeling of involvement in the minds of newly appointed employees.

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- (b) **Job Training.** Job training relates to specific job which the worker has to handle. It gives information about machines, process of production, instructions to be followed, and methods to be used and so on. It develops skills and confidence among the workers and enables them to perform the job efficiently.

Job training is the most common of formal in-plant training programmes. It is necessary for the new employees to acquaint them with the jobs they are expected to perform. It helps in creating interest of the employees in their jobs.

- (c) **Apprenticeship Training.** Apprenticeship training programme tends more towards education than merely on the vocational training. Under this, both knowledge and skills in doing a job or a series of related jobs are involved. The governments of various countries have passed laws which make it obligatory on certain classes of employers to provide apprenticeship training to the young people. The usual apprenticeship programmes combine on the job training and experience with classroom instructions in particular subjects.

The trainees receive wages while learning and they acquire valuable skills which command a high wage in the labour market. In India, there are so many 'earn when you learn' schemes both in the private as well as public sector undertakings. This is also advantageous to the trainees. Some employers look upon apprentices as a source of cheap labour. Apprenticeship training is desirable in industries which require a constant flow of new employees expected to become all round craftsmen. It is very much prevalent in printing trades, building and construction, and crafts like mechanics, electricians, welders, etc.

- (d) **Internship Training.** Under this method, the educational or vocational institute enters into arrangement with an industrial enterprise for providing practical knowledge to its students. Internship training is usually meant for such vocation where advanced theoretical knowledge is to be backed up by practical experience on the job. For instance, engineering students are sent to big industrial enterprise for gaining practical work experience and medical students are sent to big hospitals to get practical knowledge. The period of such training varies from six months to two years. The trainees do not belong to the business enterprises, but they come from the vocational or professional institutions. It is quite usual that enterprise giving them training absorb them by offering suitable jobs.

- (e) **Refresher Training or Retraining.** As the name implies, the refresher training is meant for the old employees of the enterprise. The basic purpose of refresher training is to acquaint the existing workforce with the latest methods of performing their jobs and improve their efficiency further. In the words of Dale Yoder, "Retraining programmes are designed to avoid personnel obsolescence." The skills with the existing employees become obsolete because of technological changes and because of the tendency of human beings to forget.

Thus, refresher training is essential because of the following factors:

- The Workers require training to bring them up-to-date with the knowledge and skills and to relearn what they have forgotten.
- Rapid technological changes make even the qualified workers obsolete in course of time because new technology is associated with new work-methods and job requirement. The workers need to learn new work methods to use new techniques in doing their jobs.

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- Refresher training becomes necessary because many new jobs which are created due to changes in the demand for goods and services are to be handled by the existing employees.

(f) **Training for Promotion.** The talented employees may be given adequate training to make them eligible for promotion to higher jobs in the organisation. Promotion of an employee means a significant change in his responsibilities and duties. Therefore, it is essential that he is provided sufficient training to learn new skills to perform his new duties efficiently. The purpose of training for promotion is to develop the existing employees to make them fit for undertaking higher job responsibilities. This serves as a motivating force to the employees.

3.8 DIFFERENCE BETWEEN TRAINING AND DEVELOPMENT

Another component of training and development programme is development which is less skill oriented but stresses on knowledge. Knowledge about business environment, management principles and techniques, human relation, specific industry analysis and the like is useful for better management of a company.

S.No.	Training	Development
1	Training means learning skills and knowledge for doing a particular job. It increases job skills.	Development means the growth of an employee in all respects. It shapes attitude of the employees.
2	The term training is generally used to denote imparting specific skills among operative workers and employees.	The term development is associated with the overall growth of the executives.
3	It is concerned with maintaining and improving current job performance.	It seeks to develop competence and skills for future performance.
4	It has a short term perspective	It has long term perspective.
5	It is job-centered in nature.	It is career centered in nature.
6	The role of trainer or supervisor is very important in training.	All development is self-development. The executive has to be internally motivated for self-development.

3.9 DIFFERENCE BETWEEN TRAINING AND EDUCATION

The purpose of education is to teach theoretical concepts and develop a sense of reasoning and judgement. That any training and development programme must contain an element of education is well understood by specialists. Any such programme has university professors as resource persons to enlighten participants about theoretical knowledge of the topics proposed to be discussed in fact, organisations depute or encourage employees to do courses on a part time basis Chief Executive Officers (CEO) are known to attend refresher courses conducted by business schools. The late Manu Chabria, CMD, Shaw

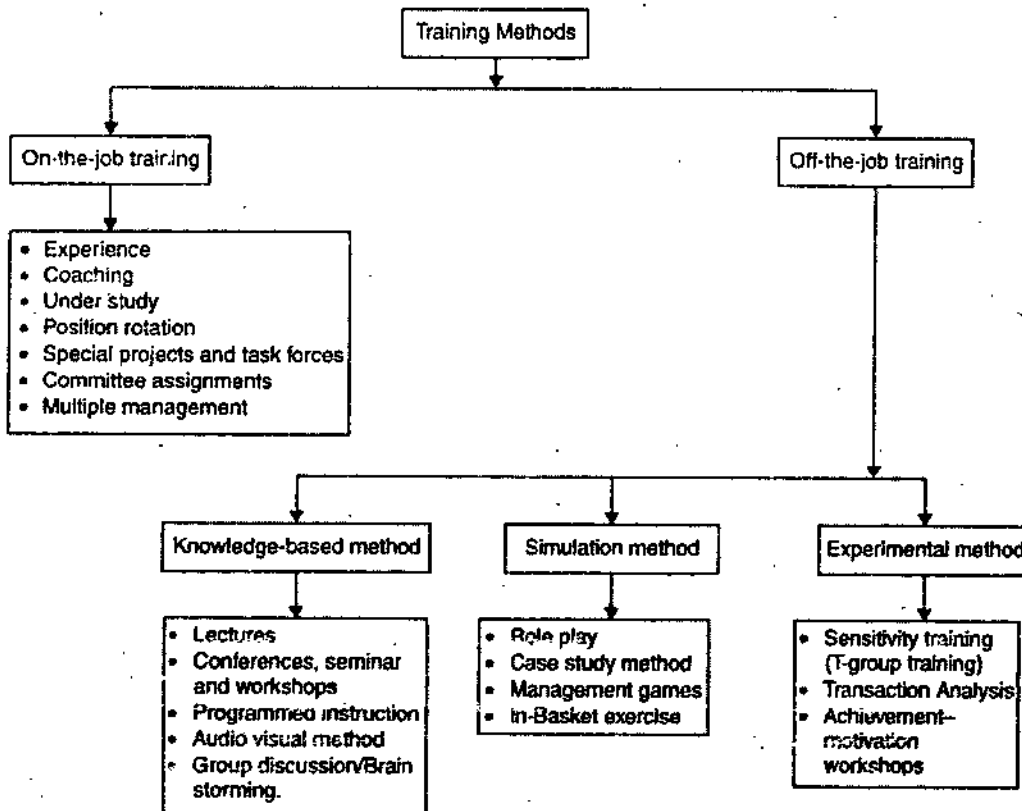
Wallace, attended such a two month programme at the Harvard Business School. Education is more important for managers and executives than for lower-cadre workers.

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S.No.	Training	Education
1	Training is concerned with imparting specific skills for particular job. The purpose of training is to bring about improvement in the performance of work. It includes the learning of such skills as are required to do a specific job in a better way.	Education is broader in scope and more general in purpose. It involves increasing general knowledge and understanding of total environment.
2	Training is vocational and is generally imparted at the workplace.	Formal education is given in a school, and college.
3	Training has a more immediate utilitarian purpose than education.	Education need is depends upon the organisation.

3.10 CLASSIFICATION OF TRAINING METHODS

There are two broad type of training such that *On the job and Off-the-job training methods*. Individual circumstances and who, what, and why of the training programme determine which method to use.



Classification of training methods

A On-The-Job Training

On the job training involves by doing. It is considered to be an effective approach for making managers more competent. The trainee is motivated to learn because the training takes place in the real job situation. Little additional space and equipment is needed for training. But neither the trainee nor the trainers are free from the daily pressure of job. The trainer has seldom the time and patience to impart effective training.

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On the job training is conducted at the work site and in the context of the job. It is, many times, informal. An experienced worker shows a trainee how to work on the job.

Following are on-the-job training methods:

- Experience
- Coaching and Counselling
- Under Study or Attachment Method
- Position Rotation
- Special Projects and Task Forces
- Committee Assignments
- Multiple Managements

- (i) *Experience*. This is one of the oldest methods of on-the-job training. It involves learning by doing. It is the most practical and effective method. But it is wasteful and inefficient.
- (ii) *Coaching and Counselling*. Under this method, the senior or superior plays the role of the guide and instructor of the management trainee. He provides personal instruction and guidance. He demonstrates the task operations and answers queries. The trainee observes the superior carefully to learn the necessary skills of the functional area. He mentally visualises and rehearses different facts of the job. Coaching is one of the oldest and the best methods of developing managers on the job. Training takes place in a realistic environment and the trainee is motivated to learn. The senior is in the best position to monitor and develop managerial qualities in the subordinate. But the stress and strain of the daily duties do not permit complete concentration on training. The senior seldom finds enough time and attention for providing training. He may not be properly trained and oriented himself.
- (iii) *Under study or Attachment Method*. When a person is promoted to higher level he is given training in the job to which he is to be appointed. He is chosen as the successor to the current incumbent who is going to retire or resign. The trainee is attached with the senior and is called an understudy assistant or apprentice. He is given adequate authority to take decision. He is not penalized for the mistakes committed during the course of learning.
- (iv) *Position Rotation*. Position rotation is the process of training executives by rotating them through a series of related jobs or positions. The trainee learns several different jobs within a work unit or department. He performs each job for a specified and limited period. Some companies follow the channel method under which a particular discipline is earmarked for progression of the junior manager.
- (v) *Special Project and Task Forces*. Under this method the trainee is assigned a project closely related to his job. For example, management trainees in accounts may be asked to develop a cost control system. The trainee learn by performing the special assignment not only work procedures but

organisational relationships too. Sometimes a task force is created consisting of executives from different functional areas. The trainee learns how to work with others.

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(vi) *Committee Assignments.* Under this method the trainee managers are appointed as members of a committee. The committee deliberates upon and discusses problem of enterprises. By participating in meetings and discussions, every member learns analytical thinking and decision-making skills managers keep abreast of current devilmets either respective areas of specialisation. Committees provide an opportunity to know what is happening in the rest of the organisation.

(vii) *Junior Boards or Multiple Management.* This technique was developed by Charles McCormick of Baltimore, USA under it a junior board of executives is constituted. In this board executives discuss real life problems debate different viewpoints and take decisions, the participants learn comprehension analysis and decision-making.

Merits of the on-the-job training method

- Training is provided to the employee in the workplace itself. He will, therefore, be under the direct control of his superior.
- The employee, in most cases, does his work while undergoing training. The enterprise work, therefore, does not get affected.
- As the employee learns by actually doing the work, progress during the period of training will become clearly visible.
- It also requires every organisation to equip itself with all the facilities needed for providing training to its employees. Once such facilities are established they become the permanent assets of the enterprise.
- As every trainee learns the work from a senior employee of the same organisation, the training will be more relevant to the specific organisational needs.

Demerits of the on-the-job training method

- The success of on-the-job training depends to a greater extent on the interest with which the senior employees of the organisation impart knowledge and skill. In most cases, the senior employees may not be prepared to sit with the trainees and teach them the work. They may briefly explain the work and expect the trainees to pick up things fast. This may not be of any help to the learner.
- The employee, in the case of on-the-job training, has dual tasks. He has not only to learn the work but also complete his target. As training and work go together many trainees may find it difficult to cope with a hectic schedule.
- The organisation should have all the infrastructural facilities needed for training its staff. This would call for heavy investment. Not every organisation would be in a position to create all the necessary facilities.
- Sometimes instructors may be appointed for the sake of training. This gives scope for conflicts between the line managers and the instructors particular if the trainee's performance is not to the expected level.

B Off-The-Job Training

This type of training is imparted off-the-job outside the work premises. These includes classroom activities like lectures, special study, films, teleconference or discussions, case studies, role playing, simulation, programmed instructions and laboratory training. The four most popular off-the-job training is sensitivity training, transactional analysis,

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lecture courses and simulation exercises. These methods are classified into three categories. They are:

- Knowledge-based method
- Simulation method
- Experimental method

(i) **Knowledge-based methods.** In this method of training, an effort is made to expose participants to concepts and theories, basic principles, and pure and applied knowledge in any subject area. Basically, it is aimed at creating an awareness of the knowledge of fundamentals. The focus is essentially on transmission of knowledge, which has to be imbibed by the participants. This knowledge is the base, the foundation, on which further understanding can be built. The methods are:

- Selected Readings
- Special Courses and Lectures
- Conferences, and Seminars
- Programmed Instruction
- Audio-visual Method
- Group Discussion/Brain Storming.

(a) *Selected Readings.* This is a self-improvement programme under which executives acquire knowledge by reading professional journals and advanced books on management. Many organisations maintain their own libraries of this purpose. Moreover, executives may become members of the professional associations to keep abreast of latest developments in management.

(b) *Special Courses and Lectures.* Special courses are designed by the company itself or by management schools. Companies sponsor their executives to attend these courses. The participants are given classroom instructions through lectures and audiovisual aids; they are imparted concepts, principles and techniques in various areas of managements. For example, General management, finance and accounts, marketing, production, personnel, and industrial relations.

(c) *Conferences and Seminars.* In a conference, participants are required to pool their ideas viewpoints and suggestions. The participants are normally drawn from different companies and sectors. Sometimes a conference is divided into small groups. These groups discuss thoroughly the problems of common interest and report their recommendations to the conference. Conferences provided a common platform for intensive group discussion and allow the participants to look at the problem from different angles.

(d) *Programmed Instruction.* It is a technique of instruction without the intervention of a human instructor. It is a learner-centered method wherein the subject-matter is presented to the trainees in small steps and they are asked to make frequent responses. They are given feedback on their responses the information is broken into meaningful units and rearranged into a proper machines sequence so as to form learning package manuals electronic teaching machines and computer systems are useful method for building knowledge and for retention of that knowledge.

(e) *Audio-Visual Methods.* Using television, video tapes and films are the most effective means of providing real world conditions and situations in

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a short period. One advantage is that the presentation remains the same no matters how many times it is played. This is not the case with lectures which can change as the speaker is changed or can be influenced by outside constraints. The major flaw with the audio—visual method is that it does not allow the audience to ask questions and interaction with the speaker, nor does it allow for the changes in the presentation for different audience.

- (f) *Group Discussion / Brain Storming.* Under this method a problem is put before a group of trainees and they are encouraged to offer ideas or suggestions. Criticism of any idea is not allowed so as to reduce inhibiting forces. Each trainee is allowed maximum possible participations later on all the ideas are critically examined the purpose is to maximise innovation and creativity on the part of executives.
- (ii) **Simulation Method.** Real life situations are simulated for imparting training. The methods falling in this category are as follows:
- Role Playing
 - Case Study Method
 - Management Games
 - In-Basket Exercise
- (a) *Role Playing.* Under this method two or more trainees spontaneously act out or play role in artificially created situations. They act out the given roles, as they would be playing in real life situations. They are informed of the roles, as they would be playing in real life situation. They are informed of the situation and the roles they are expected to play.
- (b) *Case study method.* A case is typically a record of an actual business issue, which has been faced by business executives together with surroundings facts, opinions and prejudices upon which executive decision had to depend. The case is presented to the trainee for discussion and analysis. The trainee are accepted to identify and diagnose the problem involved, generate alternative courses of an action analyze the pros and cons of each alternative and arrive at recommendation which the managements should adopt under the given circumstances.
- (c) *Management Games.* Under this method, an actual business situation is presented as a model. The participants compete with each other to analyse the problem and to take decisions; their decisions are processed in stages. A performance report is prepared periodically to measures the success of the participants. This method is useful in developing the ability of taking decisions with incomplete data and amid conditions of uncertainty. It improves power of anticipation and prediction of the competitor's action.
- (d) *In-Basket exercise.* The in-basket contains a number of correspondences, each of which poses a problem. The problem is of different kinds and resembles real life problems. The trainees study memos letters, reports, and other documents in the basket. They are required to solve each problem and to record their decisions within a specified time period. The participants learn logical thinking; inter relationship between problems and decision-making skills.
- (iii) **Experimental Method.** The focus in this category is on achieving through group processes and dynamics, a better understanding of oneself and others. To that extent this method is a here-and-now situation, where individual members talk about themselves and others, and by mutually supportive roles

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generate greater understanding and skills in interpersonal competence. It has been asserted that attitudinal training helps an individual to improve his comprehension of self, others, group behaviour and personal interaction. Such knowledge and understanding help an individual to understanding the problems of human relationships in a work situation, including at times his managerial style (a framework found in the managerial grid). Some of the methods are:

- Sensitivity training
- Transaction Analysis (TA)
- Achievement-motivation workshops

What is to be realised is that each method has some strength and weaknesses. Given the nature and purpose of a training programme, the background of the participants, the competence availability of trainers, the approximate method has to be chose to impart training.

(i) *Sensitivity Training*. This become quite popular during the 1950's as a method of changing behaviour through group processes. Often referred to as laboratory training, it influences the participants through unstructured group interaction. Members are brought together in a free and open environment in which participants discuss themselves and their interaction process is loosely facilitated by a professional behavioural scientist who then creates opportunity for the participants to express their ideas, beliefs, and attitudes. He/she does not accept, in fact, overtly rejects any leadership role.

The objectives of sensitivity training are to provide managers with increased awareness of their own behaviour and how others perceive them, greater sensitivity to the behaviours of others, and increased understanding of group processes. Specific result sought includes increased ability to empathise with others, improved listening skills, greater openness, increased tolerance for individual differences, and improved conflict resolution skills.

(ii) *Transactional Analysis (TA)*. When people interact with others, there is a transaction for which one Person responses to another. The study of these social transactions between people is called Tansactional Analysis (TA). It was popularised by Berne's book *Games people play* (1964) and Harris' book *I am OK. You are OK* (1976). According to Berne, two people interact with each other from one of the three psychological positions known as ego states. These three states are called parent, adult and child. People whose parent ego state is in control may be protective, controlling, nurturing, critical and instructive. They may dogmatically refer to the policies and standards. The adult ego state will appear as rational, calculative, factual and unemotional behaviour. It tries to upgrade decisions by seeking facts, processing data, estimating probabilities and holding factual discussions. The child ego state reflects the emotions developed in response to childhood experiences. It may be spontaneous, dependent, creative or rebellious. Like a child, this ego state desires approval from others and prefers immediate rewards. The objective of TA is to provide better understanding of how people relate to one another so that they may develop improved communication and human relations.

Merits of Off-The-Job Training Methods

- These methods are more suitable for training junior executives.
- The focus, in the case of off-the-job training, is mainly on personality development.

- As training is provided outside the organisation, the trainee is able to devote his full time and attention for learning.
- The organisation need not equip itself with the facilities for training as the trainees are to be sent only to the training centers.
- The trainees need not be at the mercy of the senior employees of the organisation. The instructors in the training centers know the needs of the trainees and will do their best.

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Demerits of Off-The-Job Training Methods

- These methods do not help the trainee much in enriching his job knowledge or skill. They focus mainly on developing such qualities of an individual as self-confidence, tolerance, emotional control and so on. They are not specific to the job needs of employees.
- Deputing the trainees to training centers may prove to be an expensive affair.
- The training institutes cannot design the training programme to suit the specific organisational needs of the trainees.
- Work gets affected during the period the employee undergoes training.

STRATEGY FOR DEVISING AN EFFICIENT TRAINING MECHANISM

An evaluation of organisation, its operation, and individuals will help in identifying the training requirements. Setting specific objectives of training programmes will then help in determining the form. And for information-rich, experience-poor employees, different types of experiential training such as games, case studies, simulations, behaviour modelling and outbound training will have to be included in the programme. The ultimate aim of any training programme has to be to teach people how to learn to develop the mindset that craves for a constant up gradation of knowledge and skills. A brief list of such techniques and their descriptions is given as follows:

Sl.No.	Techniques	Description
1	Audio visuals	Use of video films, and slides for greater impact.
2	Brainstorming	Discussions on developing innovative solutions.
3	Case study	Problem-solving discussions.
4	Computer-based training	Use of software to learn skills.
5	Communication games	To build bias-free listening and talking.
6	Creativity games	To evolve multitude of solutions to problems.
7	Delegation	Learning the importance of decentralisation.
8	Doubling	Bringing out ideas that are not often expressed.
9	Games	Structured tests of skills and aptitude.
10	Ice breakers	To get team members to know each other.
11	In basket exercises	Evaluating managers response to imaginary items.
12	Induction programme	Orientation programme for new recruits.
13	Leadership games	To teach different types of leadership styles.
14	Lectures	Presentation of introductory material.

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15	Mirroring	Training with an external perspective.
16	Monodrama	Insight into a given interaction.
17	Negotiation	Role play to develop bargaining skills.
18	On-the-job training	Training at work site under supervision.
19	Programmed instructions	Methodical breakdown of topic.
20	Role play	Adoption of roles other than their own.
21	Role reversal	To teach plurality of viewpoints.
22	Self-directed learning	Learning at one's own place.
23	Shadowing	Working under a senior to watch and learn.
24	Simulation	Recreation of actual working conditions.
25	Skill games	To develop analytical abilities.
26	Strategic planners	To test ability to plan ahead.
27	Stress Management	Techniques to contain work related stress.
28	Team building games	Exercises requiring collaborative efforts.

A. Induction Training: Induction training exposes the new recruit to the various business divisions, functional departments and work centers. The emphasis is more on assimilating the culture of the organisation and less on the actual business operations. This training is very important for a new recruit to find out where his interests and aptitudes would fit, in line with the goals of the organisation; particularly those recruits who have had no previous experience at all. It should be followed by a concrete plan for learning the requisite skills and techniques. For this, a detailed time bound programme with detailed checkpoints emphasising the need for self-learning and initiative should be worked out. Also in a company, which is heavily into providing turnkey services, it is important that each employee is made to work at the customer's site irrespective of his functional area to gain a correct perspective of the customer.

B. Identify Training and Development Requirements: In all on-the-job-training programmes, the primary objective is to train people to perform the job correctly. The first task of a training manager is to analyse the job to establish which skills and knowledge are necessary for job performance. This can be done by observation of a skilled incumbent. Discussion with the concerned line manager will also give valuable information about the job. In case the training requirements have already been determined, he may verify that all the known requirements are stated and are related to job performance. Time and money will be wasted unless the stated requirements are actually those over which the training is to be developed.

C. Develop Course Objective: Statement of objective for the development of a training course should express the performance expected of the trainees upon completion of the programme. The end of the course objectives is stated in terms of the observable behaviour or performance, and not what the trainees have learnt. A thorough analysis of the job is to be done to determine what behaviour is necessary for adequate performance. The analysis of training requirements acts as an input to the process of developing objectives. The objective definition should contain observable and measurable behaviour.

D. Develop Enabling Objective: Enabling objectives are related to, and often derived from the course objectives. They are usually expressed in more detailed form

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and are addressed to the instructional unit, rather than to the entire course. They enable the trainee to have the information and knowledge needed to perform the job. Enabling objectives are not usually tested at the end of the course, since they simply enable trainees to know as to what is to be learnt to perform the task defined by the course objectives.

E. Define Strategy: The strategy describes how one is going to approach the problem of presenting materials to the trainees so that they will develop the required skill and knowledge.

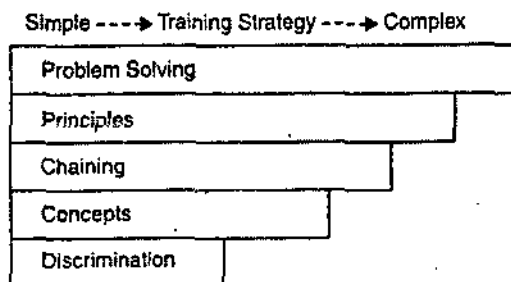
F. Establish Instructional Mode: Some criteria for the recommendation and selection of instructor-led versus self-administered instructional mode are as follows:

- (a) If the programme is to be instructor-led:
 - (i) Instructor expertise is required.
 - (ii) Interaction with the students is necessary.
 - (iii) A lock-up method is desired in which all students proceed together.
 - (iv) The instructions will be repeated a few times.
- (b) If the programme is self-administered:
 - (i) Student population will be homogeneous.
 - (ii) Subject-matter may be too personal for classroom applications.
 - (iii) Pre-course orientation is required.
 - (iv) Time and facility constraint do not permit instructor-led training.
 - (v) Availability of instructor is limited over an extended period of time.

The above criteria are offered for general guidance and should not be treated as a set of rules. Many other factors may influence selection of instructional mode, such as complexity of material and cost.

G. Determine Class Size: The size of class is also required to be decided based on trainee-instructor ratio. This ratio is dependent largely upon the mode of instruction, the nature of content, and the presentation media.

H. Identify Levels of Training Required: Several types of teaching are involved in skill training. In developing strategy, it is useful to categorise job tasks into different behaviour" and then classify them into groups. The major behaviours which should progress from simple to more complex are indicated in figure.



Major Behaviours Influencing Training Strategy

- (a) **Discrimination:** Discrimination tasks are those that require a response or several different responses. For example, one task of mail clerk is to discriminate between local, air and out of town mail. The training strategy for this type of behaviour should be to show prompt and solid responses.
- (b) **Concepts:** Concepts must be learnt for successful performance of many tasks. The strategy for teaching the Pin Code involves more than just its format.

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(c) **Chaining:** Many jobs require trainees to perform tasks in a fixed sequence or a set of sequence, using behaviour previously learnt and supplemented by the contents of position. Training of this type is called chaining, which employs the following progressive strategies:

- Present the trainees with an overview of the chain.
- Follow by instruction in units of chain which are not present in initial repertoire of the trainee.
- Teach the trainees to perform elements of the chain in required order; give them a thorough practice to ensure that the sequence becomes a part of their performance.

(d) **Principles:** Another level of training deals with principles, which are a chain of concepts. When there is a need of principles, there is prerequisite need of concepts. The strategy for the teaching principle is to explain to trainees, in specific terms, what results are expected from the instruction given to them.

(e) **Problem-solving:** Problem-solving is the application of previously learnt principles and concepts in a new way to solve a specified type of problem. The strategy for teaching the method of problem-solving is to present simple problems, and to progress to more difficult ones requiring the application of the concepts and principles at an increasingly complex level.

I. Determine Media: The term 'media' refers to audio-visual aids employed with some form of text to accomplish the objective of training programme. Visual material shown in an overhead projector is commonly used in training, which requires considerable efforts on the part of the instructor. Matter can also be transferred on to slides for projection through slide projector. Slide making is done through photographing text/graphics on positive film. Though not easy to make, they can be very effective specially for showing photographs of machines and events. The slides can also be prepared in PC using power point programme and can be projected on the screen through LCD projector directly from computer. Video films can also be used for driving home a point very effectively. The ultimate criterion for media selection should be that media provides best training within the existing constraints.

J. Establish Sequence: Instructional sequence is an important element because it has an impact on the response of the trainee to the presentation. The material should flow in a rational and systematic manner, with the logic apparent to the trainees. The general guidelines for sequencing the material to be taught are:

- (a) Isolate common elements
- (b) Follow inputs through the job one at a time
- (c) Proceed from general to specific
- (d) Proceed from simple to complex.

K. Identify Elements Requiring Emphasis: Material requiring emphasis in the course presentation may be important for the job performance, or it may be so difficult that it requires practice. Points which need to be emphasised must be identified. It is necessary to identify the impact of actions required in a job to other associated jobs.

3.11 EXECUTIVE DEVELOPMENT

All those persons who have authority over others and are responsible for their activities and for the operations of an enterprise are managers. In a business organisation, the

co-ordination and direction of the efforts of others is a major part of the management job.

The manager is the dynamic life giving element in a business. The calibre and performance of managers will largely determine the success of a business. A manager's task includes certain skills which can be improved, even perfected or nearly so. The major and more elusive task of management development is to mould and fashion the behaviour component into a virile and unmixed weapon of enterprise achievement.

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PURPOSE AND OBJECTIVE OF EXECUTIVE DEVELOPMENT

Executive development is an attempt at improving an individual's managerial effectiveness through a planned and deliberate process of learning. For an individual this means a change through a process of planned learning.

All development is self-development. It must be generated within the man himself. Development is highly individual. The development of an individual is due to his day to day experience on a job. Hence, emphasis should be on experiences from day-to-day work. Any activity to designed to improve the performance of existing managers and to provide for a planned growth of managers to meet future organisational needs is management development.

The various methods of training and developing executives may be classified as follows:

1. On-The-Job Methods

- Experience
- Coaching and Counselling
- Under study or Attachment Method
- Position Rotation
- Special Projects and Task Forces
- Committee assignments
- Junior Boards or Multiple Managements

2. Off-The-Job Methods

- Selected Readings
- Conferences and Seminars
- Special Courses
- Case Study
- Programmed Instruction
- Brain Storming
- In-Basket Exercise
- Role Playing
- Management Games
- Sensitivity Training

(a) **On-The-Job Training.** On-the-job training involves by doing. It is considered to be an effective approach for making managers more competent. The trainee is motivated to learn because the training takes place in the real job situation. Little additional space and equipment is needed for training. But neither the trainee nor the trainers are free from the daily pressure of job. The trainer has seldom the time and patience to impart effective training.

(i) **Experience.** This is one of the oldest methods of on-the-job training. It involves learning by doing. It is the most practical and effective method. But it is wasteful and inefficient.

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- (ii) *Coaching and Counselling.* Under this method, the senior or superior plays the role of the guide and instructor of the management trainee. He provides personal instruction and guidance. He demonstrates the task operations and answers queries. The trainee observes the superior carefully to learn the necessary skills of the functional area. He mentally visualises and rehearses different facts of the job. Coaching is one of the oldest and the best methods of developing managers on the job. Training takes place in a realistic environment and the trainee is motivated to learn. The senior is in the best position to monitor and develop managerial qualities in the subordinate. But the stress and strain of the daily duties do not permit complete concentration on training. The senior seldom finds enough time and attention for providing training. He may not be properly trained and oriented himself.
- (iii) *Under Study or Attachment Method.* When a person is promoted to higher level he is given training in the job to which he is to be appointed. He is chosen as the successor to the current incumbent who is going to retire or resign. The trainee is attached with the senior and is called an understudy assistant too apprentice. He is given adequate authority to take decision. He is not penalised for the mistakes committed during the course of learning.
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- (v) *Special Project and Task Forces.* Under this method the trainee is assigned a project closely related to his job. For example, management trainees in accounts may be asked to develop a cost control system. The trainee learn by performing the special assignment not only work procedures but organisational relationships too. Sometimes a task force is created consisting of executives from different functional areas. The trainee learns how to work with others.
- (vi) *Committee Assignments.* Under this methods the trainee managers are appointed as members of a committee. The committee deliberates upon and discusses problem of enterprises. By participating in meetings and discussions, every member learns analytical thinking and decision-making skills managers keep abreast of current devilmets either respective areas of specialization. Committees provide an opportunity to know what is happening in the rest of the organisation.
- (vii) *Junior Boards or Multiple Management.* This technique was developed by Charles Mc Cormick of Baltimore, USA under it a junior board of executives is constituted. In this board executives discuss real life problems debate different viewpoints and take decisions, the participants learn comprehension analysis and decision-making.
- (b) *Off-The-Job Training.* In recent years formal training and management development programmers have become very popular due to the limitations of on the job training does not provide adequate expertise environment and facilities. Secondly, on the job training is inadequate for developing improved behaviour patterns in managers. Thirdly, highly sophisticated tasks and techniques of management development are now available. Training has become a specialised job. Fourthly, effective training requires a great deal of

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participation and group discussion among participants from diverse disciplines and cultures. This is not always possible in case of on the job training. Fifthly, a behaviour modification of trainees requires a simulated and highly maneuvered atmosphere not found in on the job training. In on the job training, trainees are under the pressure and inhibitions of the daily work routine. Of the job training provides an uninhibited and relaxed environment. The main drawback in off the job training is the artificial work environment, which requires adjustment to the actual work situations after the training.

- (i) *Selected Readings.* This is a self-improvement programme under which executives acquire knowledge by reading professional journals and advanced books on management. Many organisations maintain their own libraries of this purpose. Moreover, executives may become members of the professional associations to keep abreast of latest developments in management.
- (ii) *Conferences and Seminars.* In a conference, participants are required to pool their ideas viewpoints and suggestions. The participants are normally drawn from different companies and sectors. Sometimes a conference is divided into small groups. These groups discuss thoroughly the problems of common interest and report their recommendations to the conference. Conferences provided a common platform for intensive group discussion and allow the participants to look at the problem from different angles.
- (iii) *Special Courses and Lectures.* Special courses are designed by the company itself or by management schools. Companies sponsor their executives to attend these courses. The participants are given classroom instructions through lectures and audiovisual aids; they are imparted concepts, principles and techniques in various areas of managements. For example, General management, finance and accounts, marketing, production, personnel, and industrial relations.
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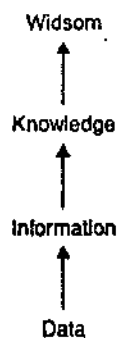
(x) *Sensitivity Training.* Under this method, a small group meets in an unstructured situation. There is no plan or schedule and no agenda or other inhibitions. The members of the groups are allowed to communicate with each other freely so that each can gain an insight of his behavior as others see. The trainees are encouraged to probe their feelings and abilities in building inters personal relationships.

3.12 KNOWLEDGE MANAGEMENT

Most of the software companies have been contributing to knowledge management. First, we discuss the meaning of knowledge and knowledge creation process before we study knowledge management.

What is Knowledge?

Knowledge is the power/capacity for effective action. The organised data are information. The processed information in the actionable form is referred to as knowledge. The knowledge becomes wisdom when it is used for a good cause of a large number of people.



However, it would be very difficult to make distinctions among data, information and knowledge as one person's data is another person's information. Further, it may be another person's knowledge.

Tactic Knowledge Vs. Explicit Knowledge

Explicit knowledge is formal knowledge which is available in books, reports, audio tapes, video tapes, CDs etc. Tactic knowledge is the potential of an individual and which needs to be mined or exploited by means of face-to-face discussions, interviews etc. Tactic knowledge can be shared and exchanged.

INDIVIDUAL KNOWLEDGE CONVERSION PROCESS

Individual knowledge conversion takes place between tactic knowledge and explicit knowledge. According to Nonaka and Takeuchi (1995) knowledge conversion is based on four modes:

Socialisation

Knowledge is converted from tactic to tactic through sharing and exchanging experiences and technical skills.

Externalisation

Tactic knowledge is converted into explicit concepts like analogies, models, generalisations etc.

Combination

Knowledge is converted from explicit to explicit by reconfiguration of existing information by infusing modifications, additions, deletions, sorting, combinations and categorisations. This effort results in the creation of new or improved knowledge.

Internalisation

Knowledge is converted from explicit to tactic. This is related learning by reading, listening and doing. This stage helps the individual to conceptualise the knowledge from his own perspective through the interaction of his own cognition. Thus, the individual internalizes the explicit knowledge and converts it into tactic knowledge.

ORGANISATIONAL KNOWLEDGE CREATION PROCESS

The modes discussed in the individual knowledge conversion interact with the another dimension *i.e.*, time and produce five phase of organisational knowledge creation. These five phases include:

- (i) **Sharing Tactic Knowledge:** Interaction among individual employees in the form of meetings, discussions and conflict over ideas provides for exchange and sharing of tactic knowledge. Thus, tactic knowledge held by most of the employees become the organisational knowledge.
- (ii) **Creating Concepts:** The cognitive process of each employee crystallises the shared tactic knowledge into models, concepts and words.
- (iii) **Justifying Concepts:** The new concepts generated by individuals need to be tested in practice and justified for further validity and practical implementation. This stage justifies whether the new concepts/ideas are worthwhile for the organisation and the society.
- (iv) **Building an Arch Type:** The tested concepts are converted into tangible or concepts (archetype) or prototype operating mechanism.
- (v) **Cross-Levelling Knowledge:** Knowledge created, developed and modelled is further cycled by another organisation or department. Other departments

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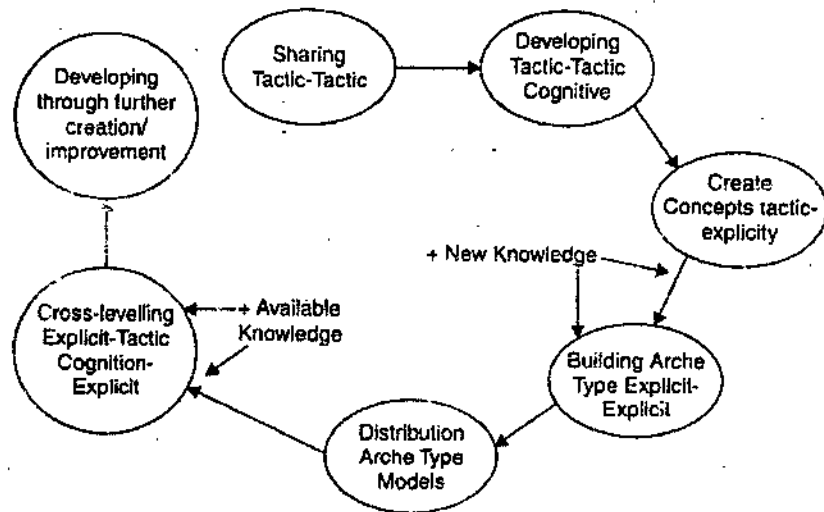
and organisations should have the autonomy to develop the knowledge further for the benefit of the organisation, society and humanity at large.

KNOWLEDGE CREATION PROCESS

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The knowledge conversion process, both individual and organisational can be Synchronised in the following stages:

- Sharing of the ideas/opinions through tacit to tacit conversion.
- Developing new knowledge by tacit-tactic and cognitive interaction of a team of employees.
- Creating concepts and justifying them by tacit-explicit conversion.
- Securing new and existing knowledge.
- Building an archetype.
- Distribution of archetype models.
- Combine available knowledge.
- Cross-levelling knowledge for further explicit-tactic-explicit conversion.



Knowledge Creation Process

What is Knowledge Management?

The term knowledge management is coined by Kael Wiig—a consultant. He coined this term in an International Labour Organisation sponsored conference in 1986. Knowledge management is, “a systematic, explicit and deliberate building, renewal and application of knowledge to maximise an enterprise knowledge-related effectiveness and returns from its knowledge assets.”

Thus, knowledge management is continuously creating and upgrading organisational knowledge in order to maximise the returns from its knowledge assets.

Knowledge management helps the organisation to:

- Improve organisational effectiveness;
- Improve the returns;
- Build competencies/competitive advantage/distinctive competencies
- Create greater value for core businesses
- See the opportunities and exploit them.

KNOWLEDGE MANAGEMENT PROCESS

Knowledge management process involves the continuous interaction among organisation's knowledge assets (organisation's human resources and information processing systems), intellectual capital and leadership. The four dimensions of intellectual capital is presented in below.

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Four Dimensions of Intellectual Capital

- **Human Capital:** It is the skills, knowledge, abilities, values, commitment, attitude and aptitude of organisation's people. It comprises of explicit conceptual knowledge as well as tacit knowledge.
- **Structural Capital:** It includes the explicit rules based knowledge embedded in the organisation's work processes and systems encoded in written policies, shared databases of best practices, patents and copyrights.
- **Social Capital:** It is reflected in the ability of groups to collaborate and work together. Social capital makes workers into colleagues; it is the stock of active connections among people, the trust, mutual understanding and shared values and behaviours that make cooperative action possible.
- **Customer Capital:** which captures all client relationships.

BECKMANS EIGHT STAGE KNOWLEDGE MANAGEMENT PROCESS

Beckmans has proposed an eight stage knowledge management process.

These stages include:

- **Identify Stage:** This stage includes identification of competencies necessary for organisational success.
- **Collect Stage:** This stage includes acquiring existing knowledge, skills, experience etc., to possess the competencies.
- **Select Stage:** This stage deals with the assessment of value of collected knowledge against the standard requirements for success.
- **Store Stage:** This stage takes the nuggets of knowledge, classifies them and includes them in the organisational existing knowledge.
- **Share Stage:** This stage makes the new and existing organisational knowledge accessible for employees.
- **Apply Stage:** This stage enables employees to apply knowledge in organisational activities/operations, decision-making, problem-solving, exploiting opportunities etc.
- **Customer Acceptance:** This stage involves obtaining customers' acceptance/clients approval for the products/services produced/developed based on the knowledge.
- **Create Stage:** This stage involves development of new knowledge through observation, feedback, brain storming, failures in the previous events etc.

BENEFITS OF KNOWLEDGE MANAGEMENT

Companies derive the benefits from knowledge management. These benefits include:

- Companies discover the opportunities provided by the environment and exploit them with the help of knowledge created and developed.
- Companies can reduce the threats created by the environment.
- Derive more value and competencies from the intellectual property.
- Increased productivity, profits etc.
- Learn continuously and retain competencies.

- Ability to change and to become change agent.
- Getting maximum from the people and information technology.

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SUMMARY

Training and development activities are designed, considerable costs notwithstanding, to impart specific skills, abilities and knowledge of employees. Distinction is often made between training and education, and between these two and development. Training refers to imparting specific skills. Education is the process of theoretical learning in classrooms. Development refers to learning opportunities designed to help employees grow and evolve a vision about the future. All the three form a part of training and development only target groups of employees differ.

Training is confined to shop-floor workers and development is meant for executives. Education, of course, is needed for all employees, irrespective of their hierarchy.

Skills, education, development, ethics, attitudinal changes and decision-making skills must go into any programme of training and development.

A programme of training and development is important as it lends stability and flexibility to an organisation, besides contribution to its capacity to grow. Accident, scrap, and damage to machinery and equipment can be avoided or minimised, thanks to the programme. Furthermore, future needs of employees will be taken care by training and development.

Training process involves several steps. (i) defining organisation objectives and strategies, (ii) assessment of training needs, (iii) establish training goals, (iv) devising the training programme, (v) implementation of the programme, and (vi) evaluation for the results.

Several barriers impede the effectiveness of training and there are ways of removing them.

REVIEW QUESTIONS

1. Define the term 'training and development'. Bring out the importance of training and development.
2. Explain the various inputs required for a training and development programme.
3. Bring out the steps in the training and development process.
4. How is a training and development programme designed?
5. Write short notes on:
 - (a) Programmed instruction
 - (b) Computer assisted instruction
 - (c) Case study
 - (d) Sensitivity training.
6. Bring out the need, criteria, and techniques of evaluation of training results.
7. Bring out the barriers to effective training. How do you overcome them?

4

TRADE UNIONS

NOTES

STRUCTURE

- Meaning
- Characteristics of Trade Unions
- Functions and Role of Trade Unions
- Union Structure
- Measures to Strengthen Trade Union Movement in India
- Wages and Salary Administration
- Objective of Wage and Salary Administration
- Wage Boards and Pay Commissions
- Wage Incentives
- Workers' Participation in Management and Quality Circles
- Quality Circles
- Industrial Democracy
- Socio-technical Systems
- Summary
- Review Questions

4.1 MEANING

The term trade union has been defined variously by different authors. Some view that there are only associations of employees or persons working in the industry and wage earners engaged in one or more professions, undertaking or business while others view that these also include employer's organisations and friendly societies.

Trade unions are voluntary organisations of employees or employers formed to promote and protect their interests through collective action. Though the terms employees and employers are used, when we say trade unions they generally refer to employees.

According to G.D.H. Cole, a trade union means "an association of workers in one or more professions an association carried on mainly for the purpose of protecting and advancing the members' economic interests in connection with their daily work."

Dale Yoder defined a trade union as "a continuing long-term association of employees, formed and maintained for the specific purpose of advancing and protecting the interest of the members in their working relationship."

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The functions of trade unions can be divided into four categories, viz.,

- (a) Militant protective or intra-mural functions,
 - (b) Fraternal or extra-mural functions,
 - (c) Social functions,
 - (d) Political functions and
 - (e) Ancillary functions.
- (a) **Militant Protective or Intra-Mural Functions:** These functions include protecting the workers' interests, i.e., hike in wages, providing more benefits, job security etc., through collective bargaining and direct action such as strikes, gheraos etc.
- (b) **Fraternal or Extra-Mural Functions:** These functions include providing financial and non-financial assistance to workers during the periods of strikes and lock-outs, extension of medical facilities during sickness and casualties, provision of education, recreation, recreational and housing facilities, provision of social and religious benefits etc.
- (c) **Social Functions:** These functions include carrying out social service activities, discharging social responsibilities through various sections of the society like educating the customers.
- (d) **Political Functions:** These functions include affiliating a union to a political party, helping the political party in enrolling members, collecting donations, canvassing during the election period, seeking the help of political parties during the strikes and lock-outs.
- (e) **Ancillary Functions:** Ancillary functions of trade unions include:
- (i) **Communication:** Trade Unions communicate its activities, programmes, decisions, achievements etc., to its members through publication of newsletters or magazines.
 - (ii) **Welfare Activities:** Trade Unions undertake welfare activities like acquiring of house sites, construction of houses, establishment of cooperative housing societies, cooperative credit societies, organising training activities etc.
 - (iii) **Education:** Trade Unions provide educational facilities to its members and their family members.
 - (iv) **Research:** Trade Unions arrange to conduct research programmes. They systematically collect and analyse data and information for collective bargaining, preparing of notes for union officials, for court cases etc. They also arrange to analyse macro data about the economy, industry and different sectors etc.

4.4 UNION STRUCTURE

The structure of trade unions in India varies from organisation to organisation. However, the structure can be classified into four types, (1) Craft Unions; (2) General Unions; (3) Industrial Unions and (4) Federation and Confederation.

1. **Craft Unions:** If the workers of the same craft or category of the job form into an union, that union is called Craft Union. These unions are called as horizontal unions. The basic logic behind the formation of such unions is that the workers belonging to the same craft do face similar problems mostly non-managerial personnel form such union in Indian Railways.

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2. **General Unions:** If the workers of any industry, any region and of any or occupation form into one union in order to protect the overall interests of the workers, such unions are called general unions.
3. **Industrial Unions:** If the workers of different categories form into a Union, that Union is called Industrial Union. These Unions are also called "vertical" unions. The logic behind the formation of these unions is that workers of the same industry have the common bend and they are governed by same rules and regulations and are administered by the same management. Moreover, the problems of all in the same industry are more or less common. The importance of these unions has been increasing in recent times.
4. **Federation and Confederation:** Industrial Unions, either of the same industry or of the different industry may form into an association in order to improve. Trade Union unity/strength. Such a Union of Unions are called Federations. During the critical situations, Unions/Federations in different industries may resort to concerted action without losing their individuality. In such situations, the federations form into an Association and such an association is called Confederation. For example, Federation of Indian Railways, P & T, Central Government Employees may form into a Confederation.

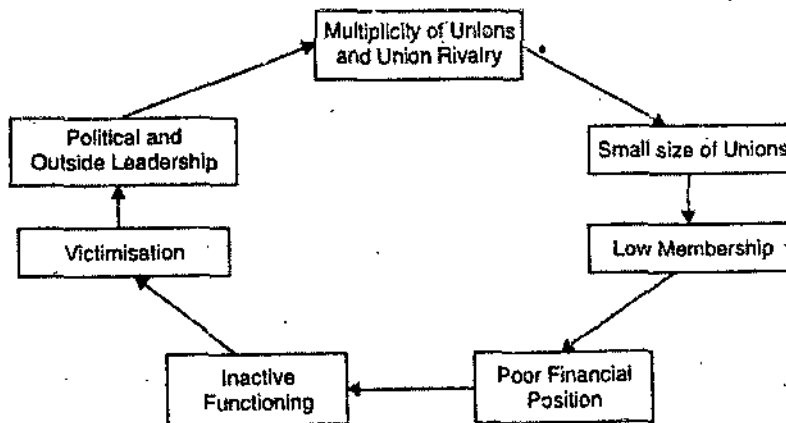
PROBLEMS OF TRADE UNIONS

Though Trade Unions developed in India, they face several problems. Infact, Indian Trade Unions face several problems.

Outside Political Leadership

The Leadership of most of the Trade Unions in India has been outside leadership mainly drawn from political parties. As the labour movement in India is deeply involved in the policies and politicians, most of the political leaders are also drawn from Trade Unions. For example, Lok Nayak Jayprakash Narain, former President of India, V.V. Giri, Former Governor of A.P., Khandubhai Desai, Former Union Minister, A.P. Sharma, George Fernandes, all worked as Trade Union Leaders.

Infact, political parties invented Trade Unions in India.

**Reasons for Outside Political Leadership**

Outside political leadership is prevalent in Unions due to the following reasons:

- (i) The rank and the file are largely illiterate as such they cannot effectively communicate with the management.

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(ii) Men in managerial positions are generally members of castes which are higher in hierarchy than those of the rank and file unionist. Therefore, in any dealings with the management, particularly of the face-to-face variety, the psychological advantage lies with the management;

(iii) The union's lack of formal power tends to put a premium on the charismatic types of the leader, usually a politician, who can play the role of the defender of the worker against his enemies;

(iv) For ensuring a measure of 'equation of power' in collective bargaining where the workers are generally uneducated and have a low status;

(v) For avoiding victimisation of worker-office-bearers of the trade unions and

(vi) At times for lack of financial resources to appoint whole time office-bearers.

The evil effects of the outside leadership analysed by National Commission on Labour are as follows:

1. Outside leadership undermined the purpose of Trade Union and weakened their authority. Personal benefits and prejudice sometimes weigh more than unions.
2. Outside leadership has been responsible for the slow growth of trade unions.
3. Internal leadership has not been developed fully.
4. Most of the leaders cannot understand the workers' problems as they do not live the life of a worker.

Measures to Minimise the Evil Effects of Outside Leadership

In view of the limitations of outside leadership, it is desirable to replace the outside leaders progressively by the internal leaders. The National Commission on Labour, 1969, also stated that outsiders in the Trade Unions should be made redundant by forces from within rather than by legal ban.

Both the management and Trade Unions should take steps in this direction. These steps may be:

1. Management should assure the workers that the victimisation will be at the zero level, even if the Trade Unions are led by the insiders;
2. Extensive training facilities in the areas of leadership skills, management techniques and programmes should be provided to the workers; and
3. Special leave should be provided to the workers.

The situation of multiple unionism is said to prevail when two or more unions in the same plant or industry try to assert rival claims over each other and function with overlapping jurisdiction. The multiple unions exist due to the existence of craft unions, formations of two or more unions in the industry. Multiple unionism is not a phenomenon unique to India. It existed even in advanced countries like UK and USA. Multiple Unionism also results in small size of the unions, poor finances etc.

Union Rivalry

The formal basis for Trade Union Organisation is provided by the India Trade Union Act, 1926. The relevant article reads as follows:

"Any seven or more members of the Trade Unions may be subscribing their names to the roles of the Trade Union and by otherwise complying with the provisions of the Act with respect to the registration, apply for registration of the Trade Union under this Act."

This provision in law has led to the formation of multiplicity of unions and resulted in Inter-union rivalry in different industries. But inter-union rivalry breaks the very purpose of Trade Unions by weakening the strength of collective bargaining.

On the other hand, the existence of a single, strong union not only protects the employee interests more effectively but also halts the various unproductive activities of the unions and forces the leaders to concentrate on the strategic issues. Further, it helps to bring about congenial industrial relations by bringing about system of orderliness in dealing with the employees and by facilitating expeditious settlement of disputes.

Union rivalry has been the result of:

1. The desire of political parties to have their basis among the industrial workers;
2. Personal-cum-factional politics of the local union leaders;
3. Domination of Union by outside leaders;
4. Attitude and policy of the management, i.e., divide and rule policy;
5. The legal framework of the Trade Unions and the nature of industry and workers.

Affects of Union Rivalry on Union Strength

Union rivalry affects the union strength in the following ways:

- (i) Because of the multiplication of trade unions at the plant level, each union commands only a negligible proportion of workers of an establishment and does not enjoy the confidence of most of the employees.
- (ii) These splinter unions have assumed only a limited range of functions. Instead of diverting members' energies to constructive and co-operative channels, they have encouraged strife, disloyalty and non-cooperation.
- (iii) Most of the trade unions have failed to realise the importance of mutual help and welfare activities. Catlin rightly observes, "the greater the number of phases of the workers' life which the unions serve, the more secure, presumably, will be its hold on his allegiance and the more effective its control of the trade."

Measures to Minimise Union Rivalry

In view of the evil effects of Inter-union rivalry and the problem of formation of one union in one industry, it may be necessary to consider the recommendations of National Commission on Labour (NCL) 1969. The recommendations of NCL to minimise union rivalry are:

1. Elimination of party politics and outsiders through building up internal leaders;
2. Promotion of collective bargaining through recognition of sole bargaining agents;
3. Improving the system of union recognition;
4. Encouraging union security; and
5. Empowering labour courts to settle inter-union disputes if they are not settled within the organisation.

Small Size of Union Membership

Size of membership of trade unions determines their strength and financial soundness which in turn determines the activities undertaken by them and their ability to protect employees' interest. The size of membership and successful functioning of trade unions are interrelated and interdependent. The size of membership of trade unions in India over the years has been declining and consequently the unions face the problems of small size. The small size of the unions is due to the following causes:

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- (i) The fact that any seven workers can form a union under the Trade Union Act of 1926, and get it registered, as a result large number of small unions have grown.
- (ii) The structure of the trade union organisation 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 organised, a new union is formed.
- (iii) Unionisation 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.
- (iv) Rivalry among the leaders and central organisations has resulted in multiplicity of unions, thereby reducing the average membership.

Financial Position

Sound financial position is an essential ingredient for the effective functioning of trade unions, because in the process of rendering services or fulfilling their goals, trade unions have to perform a variety of functions and organise programmes which require enormous financial commitments. Hence, it is imperative on the part of a trade union to strengthen its financial solvency.

Most of the trade unions in India suffer excess of expenditure over income. This unsound financial position is mostly due to low membership and low rate of membership fee. Trade Union Act, 1962, prescribed the membership fee at 25 paise per member per month. But the National Commission on Labour recommended for the increase of rate of membership subscription from 25 paise to Re.1/- in the year 1980. But the Government did not accept this recommendation.

Reasons for the Financial Weakness of Trade Unions

Some of the reasons for the financial weakness of trade unions are:

- (i) One reason for this state of affairs may be that the workers are apathetic towards the trade unions and do not want to contribute out of their hard earned money. The National Commission on Labour observed that, "union organisers generally do not claim anything higher nor do workers feel like contributing more because the services rendered by the unions do not deserve a higher fee."
- (ii) The members instead of making regular payment to the union, make ad hoc payment if a dispute arises which shows "a lack of commitment to the union."
- (iii) Under conditions of multiplicity of union, a union interested in increasing its membership figures, usually keeps the subscription rate unduly low and does not collect even that subscription regularly.

Measures to Improve the Financial Position: The financial position of trade unions can be improved through:

- (i) Increase in rate of membership subscription;
- (ii) Rise in size of membership;
- (iii) Regular collection of subscriptions and
- (iv) Collection of donations.

Category-wise Unions

Certain categories of employees particularly the skilled, view that their interests are not protected by the industrial unions. They argue that increasing complexity of the modern industry makes category-wise unions essential to protect their interests. Hence,

many categories of employees formed category-wise unions like Drivers' Association in Indian Railways. But category-wise unions narrow down the trade union functions and weaken the bargaining power by disrupting the unity. Hence, National Commission on Labour recommended that the formation of Centre-cum-industry Unions and industry-wise national unions should be encouraged and tripartite; they should be developed into national federation.

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Unions employ several tactics to deal with managements. Unionising, strike, invoking political, patronage, and blackmailing are the most common tactics used by unions.

4.5 MEASURES TO STRENGTHEN TRADE UNION MOVEMENT IN INDIA

The Trade Union movement in India has been facing several problems as discussed earlier. Moreover, the problems of trade unions are like a vicious circle. It is not possible to put an end to all their problems, nor mitigate them to a reasonable level. Hence, Management, Trade Unions and political parties should take steps to reduce the effect of these problems. The following are some of the measures to minimise trade union problems and to strengthen the Trade Union Movement in India.

1. Development of United Labour Front. Developing a united labour front with one policy, objective, programme and method can eradicate most of the present day's trade union problems.
2. Development of efficient leadership. Outside political leadership has been developed due to the absence of internal leadership. Outside leadership is the main cause for the multiple problems of the Trade Unions. These problems can be eradicated through the development of leadership talents from within. Management should encourage internal workers to lead their own movement. Management and trade unions should provide educational and training facilities for the development of internal leadership.
3. The membership fee should be raised as the amount of wages of the workers increased significantly, compared to the situation in 1926 when the Trade Union Act provided for the collection of 25 paise per member per month as subscription fee.
4. Trade Unions should extend welfare measures to the members and actively render social responsibilities.
5. The Trade Union Act, 1956, should be amended and the number of members required to form a trade union should be increased from 7% to 50% of the employees of an organisation. Similarly, the scope for the outside leadership should be reduced from 50% to 10%. The membership subscription should be enhanced from 25 paise to 1% of the monthly wages of the worker.
6. The Trade Union Act should be amended in order to avoid dual membership.
7. There should be legal provision for the recognition of the representative union.
8. Trade Unions should not unnecessarily interfere in the management decision, where their interference reduces the organisational effectiveness.
9. Trade Unions should form a labour party and trade unions in the country should be affiliated to it. It gives adequate strength to the trade unions both in the industry and in the Parliament.

4.6 WAGES AND SALARY ADMINISTRATION

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Definitions and Concepts

What is wage and salary administration? Wage salary administration is essentially the application of a systematic approach to the problem of ensuring that employees are paid in a logical, equitable and fair manner.

Wage

Wage and salary are often discussed in loose sense, as they are used interchangeably. But Indian Labour Organisation (ILO) defined the term wage as "*the remuneration paid by the employer for the services of hourly, daily, weekly and fortnightly employees.*" It also means that remuneration paid to production and maintenance or blue collar employees.

Salary

The term salary is defined as the remuneration paid to the clerical and managerial personnel employed on monthly or annual basis. This distinction between wage and salary does not seem to be valid in these days of human resources approach where all employees are treated as human resources and are viewed at par. Hence, these two terms can be used interchangeably. As such, the term wage and/or salary can be defined as the direct remuneration paid to an employee compensating his services to an organisation. Salary is also known as basic pay.

Earnings

Earnings are the total amount of remuneration received by an employee during a given period. These include salary (pay), dearness allowance, house rent allowance, city compensatory allowance, other allowances, overtime payment etc.

Nominal Wage

It is the wage paid or received in monetary terms. It is also known as money wage.

Real Wage

Real wage is the amount of wage arrived after discounting nominal wage by the living cost. It represents the purchasing power of money wage.

Take Home Salary

It is the amount of salary left to the employee after making authorised deductions like contribution to the provident fund, life insurance premium, income tax and other charges.

Minimum Wage

It is the amount of remuneration which could meet the "normal needs of the average employee regarded as a human being living in a civilised society." It is defined as the amount or remuneration "which may be sufficient to enable a worker to live in reasonable comfort, having regard to all obligations to which an average worker would ordinarily be subjected to."

Minimum wage provides for sustenance of life plus for preservation of the efficiency of worker.

Statutory Minimum Wage

It is the amount of remuneration fixed according to the provisions of the Minimum Wages Act 1948.

The Need-based Minimum Wage

It is the amount of remuneration fixed on the basis of norms accepted at the 15th session of the Indian Labour Conference held at New Delhi in July, 1957.

The conference recommended that minimum wages should ensure the minimum human needs of industrial workers. The norms laid down by it are: (i) in calculating the minimum wage, the standard working class family should be taken to comprise three consumption units for one earner, the earnings of women, children and adolescents beings disregarded; (ii) minimum food requirements should be calculated on the basis of a set in take of calories as recommended by Dr. Aykroyd for an average Indian adult of moderate activity; (iii) clothing requirements should be estimated on the basis of per capita consumption of 18 yards per annum which would give for the average worker's family of four a total of 72 yards; (iv) in respect of housing, the rent corresponding to the minimum area provided for under Government Industrial Housing Scheme should be taken into consideration in fixing the minimum wage; (v) fuel, lighting and other miscellaneous items of expenditure should constitute 20 per cent of total minimum wage.

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The Living Wage: According to the committee on fair wages, the living wage is the highest amount of remuneration and naturally it would include the amenities which a citizen living in a modern civilised society is entitled to expect, when the economy of the country is sufficiently advanced and the employer is able to meet the expanding aspirations of his workers.

Living wage: Higher than fair wage. Provides for bare essential plus frugal comforts

The Fair Wages

Fair wages are equal to that received by workers performing work of equal skill, difficulty or unpleasantness.

Fair wage equals to the rate prevailing in the same trade and in the neighbourhood, or equal to the predominant rate for similar work throughout the country.

Incentive Wage

This is the amount of remuneration paid to a worker over and above the normal wage as an incentive for employee's contribution to the increased production or saving in time or material.

Wage Rate

It is the amount of remuneration for a unit of time excluding incentives, overtime pay, etc.

Standard Wage Rate

It is the amount of wage fixed for a unit of time fixed on the basis of job evaluation standards.

Need for Sound Salary Administration

Management has to formulate and administer the salary policies on sound lines as: (i) most of the employees' satisfaction and work performance are based on pay; (ii) internal inequalities in pay are more serious to certain employees; (iii) employees compare their pay with that of others; (iv) employees act only to gross external inequities; (v) employee comparisons of pay are uninfluenced by levels of aspiration and pay history

and (vi) employees compare the pay of different employees with their skill, knowledge, performance, etc.

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4.7 OBJECTIVE OF WAGE AND SALARY ADMINISTRATION

The objectives of wage and salary administration are numerous and sometimes conflict with each other. The important among them are:

To Acquire Qualified Competent Personnel

Candidates decide upon their career in a particular organisation mostly on the basis of the amount of remuneration the organisation offers. Qualified and competent people join the best-paid organisations. As such, the organisations should aim at payment of salaries at the level, where they can attract competent and qualified people.

Objectives of Salary at Model Xerox

The objectives of salary at model Xerox are as follows:

- To support skills needed by the organisation
- To pay for contribution and not time
- To reward for behaviour built on organisation values and leadership attributes
- To provide flexibility for individuals
- To mix between fixed and variable pay
- To recognise individuals and teams
- To attract and retain talent

To Retain the Present Employees

If the salary level does not compare favourably with that of other similar organisations, employees quit the present one and join other organisations. The organisation must keep the wage levels at the competitive level, in order to prevent such quits.

To Secure Internal and External Equity

Internal equity does mean payment of similar wages for similar jobs within the organisation. External equity implies payment of similar wages to similar jobs in comparable organisations.

To Ensure Desired Behaviour

Good rewards reinforce desired behaviour like performance, loyalty, accepting new responsibilities and change etc.

To Keep Labour and Administrative Costs

In line with the ability of the organisation to pay.

To Protect in Public as Progressive Employers

And to comply with the wage legislations.

- To Pay According to the Content and difficulty of the job and in tune with the effort and merit of the employees.
- To Facilitate Pay Roll – administration of budgeting and wage and salary control.

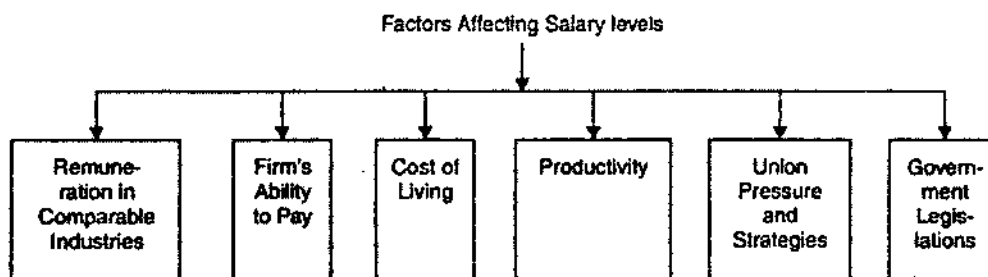
- To Simplify Collective Bargaining -- Procedures and negotiations.
- To Promote Organisation – feasibility

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Objectives of Salary Administration of Various Companies	
Lucent Technologies	Establish compensation tracks to reward technical expertise as well as management development.
AT&T CCS	Compensation Linked to Non-Financial Goals
Federal Express	Offer compensation which links employees' pay to the performance of their co-workers.
Xerox	Allocate a percentage of corporate payroll to on-the-spot reward and recognition efforts.
Starbucks	Maximize the impact of stock options by offering them to part and full-time employees
PM Company	Conduct benchmarking research to determine appropriate compensation for employees.
AmEx, Xerox, AT&T, Motorola	Tie compensation to customer satisfaction
GE, Novartis, Motorola	Integrate compensation structure with skill development programs
FedEx, Novartis, Motorola	Tie measurement to incentive compensation
FedEx, Hewlett-Packard, Starbucks	Enable managers to reward employees creatively
GE, Novartis, Johnson & Johnson	Design a compensation plan to enhance employee's perception of corporate ownership

FACTORS AFFECTING WAGE/SALARY LEVELS

Generally, a large number of factors influence the salary levels in an organisation. Significant among them are: (i) Remuneration in Comparable Industries; (ii) Firm's Ability to Pay; (iii) Cost of Living; (iv) Productivity; (v) Union Pressure and Strategies; and (vi) Government Legislations.



- (i) **Remuneration in Comparable Industries:** Prevailing rates of remuneration in comparable industries constituted an important factor in determining salary levels. The organisation, in the long-run, must pay at least equal to the going rate for similar jobs in similar organisations. Further, the salary rate for the similar jobs in the firms located in the same geographical region also influence the wage rate in the organisation. The organisation has to pay the wage equal to that paid for similar jobs in comparable industries in order to secure and retain the competent employees, to follow the directive of Courts of Law, to meet the trade unions demands, to satisfy the employee's need for same social status as that of same categories of employees in comparable organisations. Comparable industries constitute

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the organisations engaged in the same or similar activities, of the same size, in the similar type of management, i.e., public sector or under the management of same owners, organisations located in the same geographical region etc.

- (ii) **Firm's Ability to Pay:** One of the principal considerations that weighs with the management in fixing the salary levels is its ability to pay. But in the short-run, the influence of ability to pay may be practically nil. However, in the long-run, it is quite an influential factor. In examining the paying capacity of an organisation, apart from profitability, various expenses that the industry has to bear, certain trends in prices of products/services that are to be charged by the industry should also be taken into account. In addition, total cost of employees (salaries, allowances, cost of fringe benefits etc.) should be taken into consideration in determining the ability to pay. Trade Unions demand higher wages when the company's financial position is in doldrums. Hence, the management has to take decisions judiciously. Further, certain incentives are linked to the profitability. Thus, whatever the influence of other factors may be, the organisation cannot pay more than its ability to pay in the long-run.
- (iii) **Relating to Price Index:** The cost of living is another important factor that influences the quantum of salary. The employees expect that their purchasing power be maintained at least at the same level, if not increased by adjusting wages to changes in cost of living. In fact, in recent years, in advanced countries, "a number of labour agreements have 'escalator' clauses, providing for automatic wage and salary increase as cost of living index raises." Dearness allowance is an allowance granted to the employees with a view to combating onslaughts of soaring prices.
- (iv) **Productivity:** An interesting development in wage determination has been productivity standard. This is based on the fact that productivity increase is also the result of employees satisfaction and contribution to the organisation. But wage productivity linkage does not appear to be so easy since many problems crop up in respect of the concept and measurement of productivity. But, although the wages are not linked directly to the productivity in an organisation, changes in productivity have their impact on remuneration. This criteria received consideration of wage boards, "not only because it constituted a factor in the fixation of 'fair wage' but also because it was directly related to such questions as desirability of extending the system of payment by result."
- (v) **Union Pressure and Strategies:** The wages are also often influenced by the strength of Unions, their bargaining capacity and their strategies. Arthur M. Ross concluded that "real hourly earnings have advanced more sharply in highly organised industries than in less unionised industries." Unions pressurise management through their collective bargaining strategies, political tactics and by organising strikes etc. Trade unions influence may be on the grounds of wage in comparable industries, firm's financial position, rising living cost, government regulations etc. It may be noted here that the Unions may have the wage raised particularly in those industries where the wage level is below that of other comparable industries."
- (vi) **Government Legislations:** Government legislations influence wage determination. The two important legislations which affect wage fixation are: the Payment of Wages Act, 1936 and the Minimum Wages Act, 1948. The important provisions of the Payment of Wages Act, 1936 are: ensuring proper payment of wages and avoiding all malpractices like non-payment,

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under payment, delayed and irregular payment, payment in kind and under-measurement of work. The Act covers all employees drawing the wage up to Rs.1, 000 per month. The Act stipulates that the organisations with less than hundred workers should pay the wage by the seventh and the organisations with more than 100 employees should pay by the tenth of next month.

The Act also stipulates time for payment of dues to the discharged employees. Under the Act, fines can be levied but after due notice to the employees and the fine, deductions are restricted to $1/32^{\text{nd}}$ of the wage.

The important provisions of the Minimum Wages Act, 1948 are: The Act seeks to protect the workers from under-payment of wages for their efforts. It presented the guidelines for the fixation of minimum wages which is just sufficient to meet the basic needs of workers and to keep a man's body and soul together.

Statutory minimum wage is determined according to the procedure prescribed by the relevant provisions of the Act. The Act provides for fixing of (i) Minimum wage in certain employments; (ii) Minimum time rate; (iii) Minimum piece rate; (iv) Guaranteed time rate; (v) Overtime rate; and (vi) Basic pay and D.A. The Act also provides for revisions of minimum wage at fixed intervals.

4.8 WAGE BOARDS AND PAY COMMISSIONS

Wage policies are formulated by the following institutions in India. They are: (i) Collective Bargaining and Adjudication; (ii) Wage Boards and (iii) Pay Commissions.

(i) **Collective Bargaining and Adjudication:** Collective bargaining is a procedure in which compromise is reached through balancing of opposed strengths. It is a means through which employee problems relating to various issues including wages are settled. If these problems are not settled through collective bargaining, they may be settled through voluntary arbitration or adjudication. The awards given or reached by or through the arbitrator or adjudicator or collective bargaining agreements form the basis for fixing wages in various organisations.

(ii) **Wage Boards:** This is one of the important institutions set up by the Government of India for fixation and revision of wages. Separate wage boards are set up for separate industries. Government of India started instituting Wage Boards in accordance with the recommendations of the Second Five Year Plan, which were reiterated by the Third Five Year Plan. Wage Boards are not governed by any legislation but are appointed on adhoc basis by the Government.

Each wage Board consists of one neutral chairman, two independent members and two or three representatives of workers and management each. The Wage Boards have to study various factors before making its recommendations. The recommendations of the Wage Board are first referred to the Government for its acceptance. The Government may accept with or without modification or reject the recommendations of the Wage Board. The recommendations accepted by the Government are enforceable by the parties concerned.

The Wage Boards take the following factors into consideration for fixing or revising the wages in various industries:

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1. Job evaluation
2. Wage rates for similar jobs in comparable industries.
3. Employee's productivity
4. Firm's ability to pay.
5. Various wage legislations
6. Existing level of wage differentials and their desirability.
7. Government's objectives regarding social justice, social equality, economic justice and economic quality.
8. Place of industry in the economy and society of the country and the region.
9. Need for incentives, improvement in productivity etc.

The Wage Boards fix and revise various components of wages like basic pay, dearness allowance, incentive earnings, overtime pay, house rent allowance and all other allowances.

(iii) **Pay Commissions:** This is another institution which fixes and revises the wages and allowances to the employees working in government departments. Pay Commissions are separately constituted by Central and State Governments. Central Governments so far have appointed four Pay Commissions.

The First Pay Commission: This Commission was appointed by the Central Government in the year 1946 with Varadachariar as Chairman. This commission stated that the state must now take some steps to implement the living wage principle. The Commissioner recommended the minimum wage at Rs. 30/- for the lowest grade of Class VI employee in the Central Government. The Commission felt that the hardships of the lowest paid employees should be relieved. It allowed 100% neutralisation in the cost of living index.

The Second Pay Commission: The Central Government appointed the Second Pay Commission in August 1957 (chairman Justice B. Jagannath Das) with a view to recommending revised pay scales for different classes of employees of the Central Government. The commission revised the pay scales by merging 50% of the dearness allowance with the basic pay and it recommended Rs.80 (Rs.70 as basic pay plus Rs.10 as dearness allowance) as the minimum remuneration payable to a Central Government employee.

The Third Pay Commission (1970-73): Due to the continuous demand by the employees of Central Government and their organisations, the Government appointed the Third Pay Commission in April 1970 under the chairmanship of Reghubir Dayal, a retired Judge of the Supreme Court of India with a view to examining the principles which would give the structure of remuneration and conditions of service of Central Government employees and to consider and recommend the desirable feasible changes in the structure of remuneration and conditions of service of Central Government employees. The Commission, in its report (April 1973), observed the tests of 'inclusiveness', 'comprehensibility' and 'adequacy'.

Keeping in view various principles recommended for devising the pay structure, the Commission brought down the number of scales to only 80. But the main demand of the employees since 1957 had been for a need-based minimum wage according to the norms of the 15th Indian Labour Conference. After making some modifications to the norms of the conference, the

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Commission has evolved its own concept of the need-based wage which is, inter alia, based on the Indian Council of Medical Research Vegetarian diet and three adult consumption units. Though the cost of need-based wage, according to the Commission's concept came to Rs.196 per mensem, the Commission, recommended a minimum remuneration of Rs.185 per month, for a whole time employee at the start of his career. The Commission has also recommended that the system of special pay should be used as sparingly as possible. It has recommended continuance of the existing rates of Special Pay.

The Fourth Pay Commission: The Central Government appointed the Fourth Pay Commission in July, 1983, in response to the demands made by the trade unions for the revisions of pay scales. The Commission was asked to examine the pay structure, conditions of service of Central Government employees, taking into consideration the economic conditions in the country, resources of the Government; pay scales of the Public Sector and State Government employees. The Pay Commission has taken into consideration the following factors.

1. Incidence of poverty in the country.
2. Earnings of employees in the state government, private sector, unorganised and agricultural sectors.
3. Enforcement of the Minimum Wages Act.
4. Plan Allocations.
5. Cost of Living Index.
6. Share of Government Employee's earnings in the National Income.

The important recommendations of the Pay Commission are:

1. Reduction of Pay Scales from 156 to 36.
2. Minimum Pay to the lowest paid Central Government Employee is Rs. 750.
3. Rationalisation and liberalisation of Dearness Allowance Formula.
4. Substantial enhancement of House Rent Allowance.
5. Reimbursement of Medical Expenses.

Government has modified these recommendations favourably and accepted them. Some of the trade unions were satisfied with the recommendations. But certain other trade unions criticised the Fourth Pay Commission's recommendations on the following grounds:

- (a) Pay is not just fair and equal for work and responsibilities.
- (b) Pay commission created feelings of conflict among employees.
- (c) A number of anomalies cropped up with the implementation of pay scales based on the recommendations of the Fourth Pay Commission.

The important component of employee's earning, besides salary is bonus.

4.9 WAGE INCENTIVES

The term wage incentives has been used both in the restricted sense of participation and in the widest sense of financial motivation. It has been defined differently by different authors. We give below a few of these definitions.

Incentives are variable rewards granted to employees according to variations in their performance. The other name for incentives is 'payment by results'. But the word 'incentive' is most appropriate because of its motivational content.

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"It is a term which refers to objectives in the external situation whose function is to increase or maintain some already initiated activities, either in duration or in intensity." According to **Hummel** and **Nickerson**: *"It refers to all the plans that provide extra pay for extra performance in addition to regular wages for a job."* **Florence** observes: *"It refers to increased willingness as distinguished from capacity. Incentives do not create but only aim to increase the national momentum towards productivity."*

In the words of **Scott**, *"it is any formal and announced programme under which the income of an individual, a small group, a plant workforce or all the employees of a firm are partially or wholly related to some measure of productivity output."*

According to the **National Commission on Labour**, *"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 of targeted results."*

Objectives of Wage Incentive Schemes

Wage incentive schemes aim at the fulfillment of one or more of the following objectives:

- To improve the profit of a firm through a reduction in the unit costs of labour and materials or both;
- To avoid or minimise additional capital investment for the expansion of production capacity;
- To increase a worker's earnings without dragging the firm into a higher wage rate structure regardless of productivity; and
- To use wage incentives as a useful tool for securing a better utilisation of manpower, better production scheduling and performance control, and a more effective personnel policy.

Merits of Wage Incentive Scheme

Such schemes are regarded as beneficial of both employers and workers. They are accepted as a sound technique for the achievement of greater production on the ground that workers would work at their best if they are offered monetary rewards for good performance. For employers, the need for a vigorous supervision is reduced, and consequently there is a cut in the expenditure on supervision. The position of the supervisors changes from that of being "watch dogs" to that of managers of "machines and materials." On the other hand, workers have the advantage of working in a relatively calm atmosphere to the extent to which supervision over their activities is relaxed. Moreover, incentives may be regarded as a step in the direction of linking a worker's compensation with his productivity—an important prerequisite of economic development.

The experience gained in India and elsewhere indicates that wage incentives have resulted in gains in productivity. "In a majority of cases, the existence of payment by results was related to increased output, higher earnings and lower costs." In India, in a survey conducted by it, the **National Productivity Council (NPC)** pointed out that about 70 per cent of the reporting companies had wage incentive plans. On an average, the schemes seemed to have achieved increase in output which ranged between 30 per cent and 50 per cent and increase in earnings which were between 25 per cent and 45 per cent. The increase in productivity has also been reported in other cases too; for

example, in the National Coal Development Corporation, the group productivity index improved from 30 per cent to 50 per cent in the pre-incentive period to 60 per cent to 75 per cent in the post-incentive period. Because of this scheme, the Corporation was able to achieve 80 per cent rated capacity. According to Suri, "in majority of the jobs investigated, wage incentive schemes succeeded in raising productivity, increasing earnings and reducing direct labour costs." The National Commission on Labour has reached the conclusion that, "under our conditions, wage incentive is the cheapest, quickest and surest means of increasing productivity." In support of this, its Report indicates that productivity has been progressively increasing and costs falling in the Chittaranjan Locomotive Works, where incentive schemes have been in operation since 1954.

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Demerits of Incentive Schemes

Despite this rosy picture, the experience with the working of incentives in the highly industrialised countries of the West is not quite happy. Some studies on the subject show that incentive schemes have a dubious value for increase in output. Even where an incentive scheme yields an increased output, it may generate tensions among the different parts of an organisation. Such tensions often create difficult managerial problems and may eventually affect output. A sound and effective administration of incentive schemes would depend upon an understanding of the problems of human relations as well as those of engineering.

Incentive payments make the employees indulge in conspicuous consumption.

Need for Wage Incentives in India

The need for wage incentive schemes in India is felt due to the following reasons:

- (i) The efficiency of the Indian workers is very low, and needs to be raised. Wage incentives can play an important part improving his efficiency.
- (ii) The average Indian worker is financially very poor. Financial incentives therefore are likely to tempt him to work better.
- (iii) India is at a low level of technology, and wage incentives can help in promoting the use of electronic devices.
- (iv) A proper application of wage incentive schemes can so affect the prices that the community would be benefited.
- (v) In the national interest, it is felt that wage incentive schemes should be applied to all economic activities.

Some Important Wage Incentive Plans

The chief incentive plans are:

- (i) Halsey Premium Plan
- (ii) Halsey-Weir Premium Plan
- (iii) Rowan Premium Plan
- (iv) The 100 Per cent Premium Plan
- (v) The Bedaux Point Plan
- (vi) Taylor's Differential Piece Rate Plan
- (vii) Merrick's Multiple Piece Rate Plan
- (viii) The Gantt Task and Bonus Plan
- (ix) Emerson Efficiency Plan

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(x) Co-partnership System

(xi) Accelerating Premium Systems

(i) **Halsey Premium Plan:** This is a time-saving bonus plan which is ordinarily used when accurate performance standards have not been established. Under this plan, it is optional for a workman to work on the premium plan or not. His day's wage is assured to him whether he earns a premium or not, provided that he is not so incompetent as to be useless. A standard output within a standard time is fixed on the basis of previous experience. The bonus is based on the amount of time saved by the worker. He is entitled to a bonus calculating on the basis of $33\frac{1}{3}$ per cent of the time saved. He thus gets wages on the time rate basis. If he does not complete the standard output within the stipulated time, he is paid on the basis of a time wage. The plan is a combination of the day wage and the piece wage in a modified form.

In Halsey Plan, bonus paid to a worker is equal to 50 per cent of time saved multiplied by rate per hour.

Example: Suppose the standard time is 20 hours, the number of units to be completed is 10, and the hourly rate is 25 paise. Then, the working of the scheme will be,

Time taken hours	14
Number of hours saved	6
Amount of wages record	Rs. 3.50
Amount of bonus	Rs. 0.75
Total earnings	Rs. 4.25

Example: If 8 hours is the standard time of a job, and Rs.0.50 is the guaranteed wage per hour, the worker, if he takes 8 hours to perform the work, receives Rs.4.00. If the person completes the task in less than 8 hours, he receives an extra premium on the time saved (i.e., for 2 hours).

Formula:
$$\text{Bonus} = \frac{1}{2} \text{ of } \frac{\text{Time saved}}{\text{Time taken}} \times \text{daily wage}$$

Merits: The merit of this plan are:

- (a) It guarantees a fixed time wage to slow workers and at the same time, offers extra pay to efficient workers.
- (b) The cost of labour is reduced because of the percentage premium system, the piece rate of pay gradually decreases with increased production.

	Premium (Half of the Time Saved)	Total Wages Rs.
If the work is completed	In 6 hours 0.66	4.66
If the work is completed	In 4 hours 2.00	6.00
If the work is completed	In 2 hours 6.00	10.00
If the work is completed	In 1 hour 14.00	18.00

- (c) The plan is simple in design and easy to introduce.
- (d) As the wages are guaranteed, it does not create any heartburning among such workers as are unable to reach the standard.

Demerits

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- (a) It depends upon past performance instead of making standards.
 - (b) The workers can beat the game by spurring on certain jobs to capture a premium and soldiering on other jobs to rest under the protection of guarantee of day wages.
 - (c) From the point of view of the administration, the policy is one of drift, for in this plan, the worker is left alone to decide whether or not to produce more after the standard has been reached.
- (ii) **Halsey-Weir Premium Plan:** This plan is similar to the Halsey Premium Plan except that 50 per cent of the time saved is given as premium to the worker.

$$\text{Bonus} = \frac{1}{2} \times \text{Time Saved} \times \text{Hourly Rate}$$

- (iii) **Rowan Premium Plan:** This plan differs from the Halsey Plan only in regard to the determination of the bonus. In all other respects, the two are the same. In the Rowan Plan, the time saved is expressed as a percentage of the time allowed and the hourly rate of pay is increased by that percentage so that total earnings of the worker are the total number of hours multiplied by the increased hourly wages. The plan aims at ensuring the permanence of the premium rate, which is often cut by the employer when the worker's efficiency increases beyond a certain limit. The premium is calculated on the basis of the proportion which the time saved bears to standard time.

In Rowan plan, bonus paid to the employee is equal to the proportion of the time saved to the standard time.

Example: If 8 hours are the standard time for doing a job and Rs.4.00 per day wage, the premium and total wages would be as follows:

		Premium (Rs.)	Total Wages (Rs.)
In the job is completed	In 5 hours	1.00	5.00
In the job is completed	In 4 hours	2.00	6.00
In the job is completed	In 3 hours	3.00	7.00
In the job is completed	In 1 hour	3.50	7.50

$$\text{Formula: Bonus} = \frac{\text{Time saved}}{\text{Time allowed}} \times \text{Time taken} \times \text{Hourly Rate}$$

The Rowan Plan has all the merits and demerits of the Halsey Plan except that because of the limitation on earnings, it does not provide an incentive for maximum productivity. Moreover, the complex method of premium calculation is generally unintelligible to the worker. He cannot, therefore, be expected to take much interest in the plan.

These premium plans may be classified as differential piece work systems and have been evolved with a view to giving the benefit to both parties. They are based on the fundamental principle that a worker's earning should increase when his production rises above a pre-determined target. As his extra earning should increase when his production cost per piece falls when the output increases. The bonus paid and the total earnings under each of these schemes are given in table.

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Plan	Bonus(B)	Total Earnings (E)
Halsey	$B = 1/3(H_s - H_a)RH$	$E = H_a. Rh + 1/3 (H_s - H_a). Rh$ $= 1/3 (H_s + 2 H_a) Rh$
Halsey-Weir	$B = 1/2 (H_s - H_a) Rh$	$E = H_a. Rh + 1/2 (H_s - H_a). Rh$ $= 1/2 (H_s + H_a) Rh.$
Rowan	$B = \frac{(H_s - H_a)}{H_s} \times H_a. Rh$	$E = H_a.Rh + \frac{(H_s - H_a)}{H_s} H_a.Rh$ $= \frac{(H_s - H_a)}{H_s} (2 H_s H_a) Rh$

H_s = the hour allowed or standard time.

H_a = the actual time taken on a job

Rh = the work rate per hour.

It will be seen that, for a little time saving, the Rowan Plan gives more bonus than the Halsey or the Halsey-Weir or the Rowan Plan is equal; but above 50 per cent of the time saved, the Rowan Plan pays more than the Halsey Plan. However, under the Rowan Plan, a worker gets his maximum bonus when he completes the task in half the standard time allowed. If he saves more than 50 per cent of the time, the bonus he earns decreases, and his increase in wage is at a diminishing rate. But under the Halsey and Halsey-Weir Plan, it is progressively higher.

(iv) **The 100 Per cent Premium Plan:** Under this plan, task standards are set by time study or work sampling, and rates are expressed in time rates rather than in money (e.g., 0.20 hour per piece). A definite hourly rate is paid for each task-hour of work performed. The plan is identical with the straight piece-rate plan except for its higher guaranteed hourly rate and the use of task time as a unit of payment instead of a price per piece. The worker is paid the full value of the time saved. If he completes the tasks of 10 hours in 8 hours and if the hourly rate is Re. 0.50, his total earnings will be Rs. $8 \times 0.50 + (10 - 8) \times 0.50 = \text{Rs. } 4.00 + 1.00 = \text{Rs. } 5.00$

(v) **The Bedaux Point Plan:** This plan is used when careful assessed performance standards have been established. It differs from the 100 per cent plan in that the basic unit of the time is the minute termed as B. Every job is expressed in terms of Bs (after Bedeaux), which means that a job should be completed in so many minutes. If a particular work is rated at 60 Bs (or one B hour), the worker is allowed one hour for its completion and receives a bonus of 75 per cent for the number of Bs. i.e., time saved. Suppose a worker earns 600 Bs in a day; if the rate per point is Re. 0.01, his total earnings would be:

$$\begin{aligned} & \text{Rs. } 4.80 \times 0.01 + \frac{75}{100} (600 - 480) \times 0.01 \\ & = \text{Rs. } 4.80 + \text{Re. } 0.90 = \text{Rs. } 5.70 \end{aligned}$$

The chief advantage of this plan is that it can be applied to any kind of a job. It is particularly suitable for plants in which workers are assigned diverse kinds of jobs, shifted from one job or department to another. All the points which a worker earns in a day are recorded and the bonus is calculated on that basis.

Under the Bedaux scheme, standard time for a job is fixed. Each minute of the standard time is called a point or B. Each job has a standard number of Bs. The worker receives bonus which is equal to 75% of the number of points earned, in excess of 60 per hour, multiplied by one-sixtieth of the worker's hourly rate.

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(vi) **Taylor's Differential Piece Rate Plan:** This system was introduced by Taylor with two objects: first, to give sufficient incentive to workmen to induce them to produce up to their full capacity; and second, to remove the fear of wage cut. There is one rate for those who reach the standard; they are given a higher rate to enable them to get the bonus. The other is the lower rate for those who are below the standard, so that the hope of receiving a higher rate (that is, a bonus) may serve as an incentive to come up to the standard. Workers are expected to do certain units of work within a certain period of time. This standard is determined on the basis of time and motion studies. Such scientific determination ensures that the standard fixed is not unduly high and is within the easy reach of workers. On a proper determination of the standard depends the success of the scheme.

This system is designed to encourage the especially efficient worker with a higher rate of payment and to penalise the inefficient by a lower rate of payment.

In the Taylor's differential piece rate system, an efficient worker (whose output exceeds standard output) is paid 120 per cent of the piece rate. An inefficient worker (whose output falls short of standard) is paid only 80 per cent of the piece rate.

Example: Let the standard time for the completion of 10 pieces of a job be 8 hours and the piece rate be Re.1.00, then the basic hourly rate comes to 12.5 paise. The one who completes the work within the allotted time is paid wages at a rate which is 320 per cent higher than the basic one.

					(Amount in Rs.)
Worker	No. of Units Completed in Allotted Time	% of Efficiency	Total Amount Received	Basic Price Rate	Effective Price Rate
A	10	100	1.20	0.1	0.12
B	9	90	0.90	0.1	0.10
C	8	80	0.80	0.1	0.10
D	11	110	1.32	0.1	0.12
E	12	120	1.44	0.1	0.12

It is evident that workers A, B and C are better off, and for them, the system is good; but for D and E, who are more than 100 per cent efficient, the effective price rate remains the same when compared with that of A, who is just 100 per cent efficient.

(vii) **Merrick Multiple Piece Rate Plan:** This system too is based on the principle of a low piece rate for a slow worker and a higher piece rate for higher production; but the plan differs from Taylor's Plan, in that it offers three graded piece rates instead of two: (i) Up to, say 83% of standard output a piece-rate + 10% of time rate as bonus; (ii) Above 83% and up to 100% of standard output-same piece rate + 20% of time rate and (iii) Above 100% of standard output-same piece rate but no bonus.

Such a scheme is usually introduced in an organisation where the performance level is already high and management is aiming at 100% efficiency. Management has some discretion in distributing the 20% of time rate over 17% of production above 83%.

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Under the Merrick differential piece rate, straight piece rate is paid to the worker up to 83 per cent of the standard output, at which a bonus of 10 per cent of the time rate is payable, with a further 10 per cent bonus on reaching the standard output.

(viii) **The Gantt Task and Bonus Plan:** This plan has been devised by H.L. Gantt and is the only one that pays a bonus percentage multiplied by the value of standard time. Under this system, fixed time rates are guaranteed. Output standards and time standards are established for the performance of each job. Workers completing the job within the standard time or in less time receive wages for the standard time plus a bonus which ranges from 20 per cent to 50 per cent of the time allowed and not time saved. When a worker fails to turn out the required quantity of a product, he simply gets his time rate without any bonus.

Under this plan, there are also three stages of payment: (i) below the standard performance, only the minimum guaranteed wage is to be paid; (ii) at the standard performance, this wage + 20% of time rate will be paid as a bonus and (iii) when the standard is exceeded, a higher piece rate is paid but there is no bonus.

Example: If the standard task for a day is 8 units and the day wage is Rs. 4, the bonus at 50 per cent, the total wages would be:

Units of Work	Task Wages (Rs.)	Bonus (Rs.)	Total Wages (Rs.)
If 6 units are completed in a day	4.00	Nil	4.00
If 8 units are completed	4.00	2.00	6.00
If 10 units are completed	4.00	2.50	7.50
If 12 units are completed	4.00	3.00	9.00

This system is most profitable for workers whose efficiency is very high. The basic wages rise proportionately as under ordinary piece wage system, and the bonus is allowed on the increased wage. In addition to this, workers with lower efficiency are not penalised as they are in Taylor's Differential Piece Rate.

(ix) **Emerson Efficiency Plan:** Under this system, a standard time is established for a standard task. The day wage is assured. There is no sudden rise in wage on achieving the standard of performance. The remuneration based on efficiency rises gradually. Efficiency is determined by the ratio between the standard time fixed for a performance and the time actually taken by a worker. Thus, if the period of 8 hours is the standard time for a task and if a workers performs it in 16 hours, his efficiency is 50 per cent. He who finishes the task in 8 hours has 100 per cent efficiency. No bonus is paid to a worker unless he attains 66 2/3 per cent efficiency, at which stage he receives a nominal bonus. This bonus goes on increasing till the time he achieves 100 per cent efficiency, the bonus comes to 20 per cent of the guaranteed wage. At 120 per cent efficiency, a worker receives a bonus of 40 per cent and at 140 per cent efficiency the bonus is 60 per cent of the day wage.

(x) **Co-partnership System:** This system tries to eliminate friction between capital and labour. Under this system, not only does a worker share in the profits of the undertaking but he also takes part in its control and, therefore,

shares responsibilities. There are different degrees of this partnership and control allowed to the operatives in different cases; but in a complete co-partnership system, the following factors are present.

- (a) The payment of the existing standard wages of labour.
- (b) The payment of a fixed rate of interest on capital.
- (c) The division of the surplus profit between capital and labour in an agreed proportion.
- (d) The payment for a part of the worker's labour by the allotment of a share in the capital.
- (e) The sharing in the control of the business by the representatives of labour.

The system arouses and sustains the interests of the workers in their work. By giving them a voice in the management of the factory, it raises their status as well. As they have become partners in the business, they try to make it a very profitable enterprise.

- (xi) **Accelerating Premium Systems:** There are the systems which provide for a guaranteed minimum wage for output below standard.

For low and average increases in output above the standard, small increment in earnings are allowed. Increasingly, large earnings are conceded for above average output, the increment being different for each 1% increase in output. Very significant increases in earnings are given for really high output.

In this system, the production is pushed up higher and higher by discouraging low output and rewarding at an increasingly effective rate of higher outputs.

Such schemes are generally adopted when much higher outputs than what are currently obtained are to be achieved.

Long-term Wage Incentive Plans

Under such plans, each member of the group receives a 'bonus' based on the output of the group as a whole. There are several reasons for adopting such a plan. Sometimes (as on assembly lines) several jobs are inter-related. Here one worker's performance reflects not only his own effort but that of his co-workers too. In such cases, group incentive plans are advantageous. Secondly, such plans also encourage co-operation among group members. There tends to be less bickering among group members as to who has "tight" production standards and who has "loose" ones. Thirdly, the groups can bring pressure to bear on their members (through badgering, ostracism, etc.) and help keep shirkers in line. This, in turn, can help eliminate some of the needs for close supervision. Fourthly, group production levels tend to be more stable than individual ones, and group incentive payments vary less than individual ones. Finally, group incentive plans also facilitate on-the-job training, since each member of the group has a vested interest in getting a new group member trained as well as quickly as possible.

The chief disadvantages of the group plans are: (i) each worker's rewards are no longer based solely or directly on his own efforts. To the extent that the person does not see his effort leading to the desired reward, a group plan is probably not as effective as an individual plan. (ii) there is unevenness of performance of different members of the group and this may have resentment of active members against mere 'passengers'. (iii) ill-feeling may be generated among the groups themselves where the technology is such that one group's earnings depends on the performance of another group.

Group incentive plans are usually applied to small work groups, for example, 5 or 6 people who must assemble a component together. The incentives usually take three forms.

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- (e) **Individual Basis:** A worker receives a proportion of the profit which may have been earned by a business through the efforts of that particular worker. This aims at bringing about a direct and most intimate relationship between individual effort and reward. In practice, it is impossible to determine such profits.

SCANLON PLAN

The Scanlon Plan

This plan was developed in 1937 by Joseph Scanlon a Lecturer at the Massachusetts Institute of Technology and a trade union leader in a steel mill. The plan was designed to involve the workers in making suggestions for reducing the cost of operation and improving working methods and sharing in the gains of increased productivity.

The plan has two basic features

One, financial incentives aimed at cutting cost and thereby increasing efficiency are installed. Two, a network of departmental and plant screening committees are set up to evaluate employee and management cost-cutting suggestions. The plan is essentially a suggestion system and assumes that efficiency requires companywise/plantwise co-operation.

Usually all employees in the plant participate in the plan. Workers, supervisors, and managers make cost-cutting suggestions that are screened and evaluated by the various screening committees. If a suggestion is implemented and successful, all employees usually share in 75% of the savings, and the rest 20% is set aside for the months in which labour costs exceed the standard.

The Scanlon plan has been successful where adopted. It tends to encourage a sense of partnership and sharing among workers, less overtime, and employee insistence on efficient management.

Certain condition need be fulfilled to make the plan successful

- (i) They are more effective where there is a relatively small number of participants, generally less than 1,000.
- (ii) It is more successful where there are stable product lines and costs.
- (iii) There should be good supervision and healthy labour relations.
- (iv) There should be a strong commitment to plan on the part of management—particularly during the confusing phase in period.

BONUS

Starting as an ad hoc and ex-gratia payment, bonus was claimed as dearness allowance during the World War II. In the course of labour history, it has taken the shape of something in the nature of just claim. Subsequently, under the Payment of Bonus Act, 1965, it secured the character of a legal right.

Concept of Bonus

The dictionary meaning of 'bonus' is an extra payment to the workers beyond the normal wage. It is argued that bonus is deferred wage which aims at bridging the gap between actual wage and the need-based wage. It is also argued that bonus is a share of the workers in the prosperity of an organisation. The third argument is that bonus is primarily a share in the surplus. But it is only incidentally treated as a source for bridging the gap between the actual wage and the need-based wage.

Bonus: A Legal Right

Employees demanded the payment of bonus with a view to bridging the gap between money wages and real wages, the gap between the actual wage and need-based wage.

Some employees were paying the bonus voluntarily out of their increased profits. The Government appointed the Bonus Commission in December, 1961, with M.R. Mehar as its Chairman, because of the persisting demands made by the employees and their trade unions. The Bonus Commission submitted its report in the year 1964 recommending for payment of bonus to the workers.

The important recommendations of the commission included:

1. Bonus is a right of the worker as the worker has a share in the prosperity of the company.
2. Bonus should be paid unit-wise, with a view to creating a sense of belongingness among the workers.
3. Bonus should be paid from the available surplus.
Available surplus = Gross Profit – (Depreciation according to Income Tax Act + Actual Return Preference Capital + 7% return on Equity Capital + 4% Reserves and Surplus).
4. Allocation of surplus for the payment of bonus should be 60% of the available surplus. Minimum bonus payable to a worker is 4% of the basic + DA or Rs.400 whichever is higher. If the minimum bonus is more than 60% of the surplus, the industry has to pay Minimum bonus-Maximum bonus is 20% of the basic.
5. The bonus should be paid to employees whose salary is up to Rs.1,600. In case of employees whose salary is beyond Rs.700, this salary would be taken as Rs.700 for the purpose of calculations of bonus.
6. Employees in public sector competing with the private sector to the tune of 20% eligible to get the bonus.
7. Employees working in the factories under the Factories Act, 1948, except the employees of General Insurance Companies, Universities, Colleges, Schools, Hospitals, Government Departments and departments run by Public Sectors, Undertakings are eligible to receive bonus.

The Government accepted the recommendations in September, 1964 with the following modifications:

1. All direct taxes should be treated as prior charges.
2. Tax concessions provided for development should be treated as prior charges.
3. Return on capital should be allowed up to 8.5%.
4. Bonus beyond certain limit should be paid in the form of securities.

Payment of Bonus Act, 1965

The Government enacted the Payment of Bonus Act in September, 1965. The important provisions of the Act are:

1. 65% of the surplus (67% in the case of Foreign Companies) should be allocated for the payment of bonus.
2. Salary for the purpose of bonus means Pay + DA.
3. Employees drawing up to Rs. 1,600 are eligible for bonus. If the amount of salary is beyond Rs. 700 and up to Rs. 1,600 it would be take as Rs. 700 for the purpose of bonus payment.
4. Employees dismissed for fraud, theft etc., are disqualified for bonus.
5. Minimum bonus payable is 4% of the salary or Rs. 40, whichever is higher.
6. If an employee is below 15 years of age, the bonus payable is 4% of the salary of Rs. 25, whichever is higher.

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7. If the available surplus is not adequate to pay the minimum bonus, it can be 'set off' up to a maximum period of 4 years.

8. If the available surplus is more than 20% of the bonus, it can be 'set on' up to a maximum period of 4 years.

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The employees and trade unions were not satisfied with the 4% of minimum bonus and demanded 8.33% minimum bonus. Consequently, the Government appointed a review committee with B.K.Nadan as Chairman in April, 1972. There was no consensus about increase in the minimum bonus among the representatives of the trade unions, employers and independent members and Chairman. Hence, they submitted three separate reports to the Government. The Government rejected the recommendation regarding the extension of the Act to the organised sector and departmentally run public sector undertakings. The government amended the Act, in 1972. According to this amendment, payment of minimum bonus is made compulsory, irrespective of profit or loss. The minimum bonus was increased to 8.33% of the salary or Rs.80 whichever is higher. The bonus payable to the employees of less than 15 years of age was also increased to 8.33% of the salary or Rs.50 whichever is higher. Employees of non-competing public sector undertakings are also eligible to get the statutory bonus, without any restrictions.

The Government amended the Act in 1975. According to this amendment, the bonus is to be paid on the basis of profits or productivity of the organisation. The minimum bonus payable to the employees was reduced to 4% of the salary or Rs.100 whichever is higher in case of employees below 15 years of age. Maximum bonus was 20% of the salary. Ex-gratia had to be paid to the employees, in lieu of bonus, in Banks, Life Insurance Corporations, General Insurance Corporations, Ports and Docks and non-competing Public Sector Undertakings.

The Government amended the Act again in 1977. The important provisions of this amendment are:

1. The industrial undertaking covered by the Act to pay the minimum bonus of 8.33%, irrespective of profit or loss from the year 1976.
2. Investment allowance should be taken as prior charge.
3. Banking companies and Industrial Reconstruction of Bank of India are covered by the Act.

The Act was again amended in the year 1980. According to this amendment, all the industrial units covered by the Act have to pay the minimum bonus of 8.33% of salary, irrespective of allocable surplus in that financial year. The maximum bonus is 20% of the salary.

The Act was amended in the year 1985. According to this amendment, the employees whose salary is up to Rs. 2,500 are eligible for bonus. If the salary of an employee is beyond Rs. 1,600, it will be taken as Rs. 1,600 for the purpose of calculation bonus.

The latest amendment on payment of Bonus act issued by the Ministry of Labour and Employment on 27th October, 2007 the President has promulgated the Payment of Bonus (Amendment) ordinance, 2007 containing the following amendments:

- (i) Amendment to clause (13) of Section 2 of the Payment of Bonus Act, 1965 to raise the eligibility limit for payment of bonus from the salary or wage of Rs. 3,500/- per month to Rs. 10,000/- per month;
- (ii) Amendment to section 12 of the Payment of Bonus Act, 1965 to raise the ceiling for calculation purpose from the salary or wage of Rs. 2,500/- per month to Rs. 3,500/- per month;

(iii) Deletion of clause (vi) of section 32 of the Payment of Bonus Act, 1965 so as to cover the employees employed through contractors on building operations.

Trade Unions

Thus the employees, including those employed through contractors on building operations will be entitled to receive bonus as per the revised ceilings, for the year 2006-07 and onwards.

The Ordinance shall be deemed to have come into force on 1st April, 2006.

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Managerial Compensation

There is a feeling among the trade union circles that executives get a very high salary including perks. Hence, they view that the level of executive compensation should be contained in view of the objectives of the socialistic pattern of society. However, the existing provisions of managerial compensation would provide a clear picture. Section 198 of the Companies Act, 1956 says that the total managerial remuneration payable by a public limited company to its directors, secretaries and treasurers and managers in a financial year shall not exceed 11% of the net profits of the company. Section 198(4) of the Companies Act provides that in the absence or inadequacy of profits, a maximum of Rs. 50,000 may be paid to Managing Director and all directors. In exceptional cases, the Government may permit payment of higher salary. Section 309(4) of the Act stipulates certain ceilings on the remuneration payable.

The government issued guidelines in November, 1978. According to these guidelines, the overall salary was restricted to Rs. 72,000 per annum and perks were restricted to Rs. 60,000 per annum. Managers and organisations were highly critical about these guidelines. They felt that they discourage initiative and hamper the skill of managers. Peter F. Drucker, who was in India during November and December, 1978, thought that such ceiling should cause migration of talent from India. He suggested that Indian managers should not accept lower salaries and they should demand tax-free perks as is the custom in Sweden. Ratio between the lowest and highest salary of managers in Sweden is 1:5. But the tax free benefits are enormously granted to the executives.

Managerial Remuneration Raise

The Department of Company Affairs (DCA) has issued a notification enhancing the managerial remuneration in the corporate sector from the existing Rs. 75,000 to Rs. 1.50 lakh per month for companies with effective capital of less than Rs. 1 crore or more from the existing Rs. 2 lakh per month. According to an official release, the managerial remuneration, which has been doubled, will be Rs. 2 lakh for companies, whose effective capital is over Rs. 1 crore but less than Rs. 5 crore; between Rs. 5 crore and Rs. 25 crore, the maximum remuneration per month will be Rs. 3 lakh and between Rs. 25 crore and Rs. 50 crore, it will be Rs. 3.50 lakh per month. The last revision was made in March 2000. The enhanced managerial remuneration will be subject to approval by a resolution of the Remuneration Committee of a company provided the company has not defaulted in repayment of any of its debts including public deposits or debentures or interest payable thereon for a continuous period of 30 days in the preceding financial year before the date of appointment of such a managerial person. Besides, the company should mention disclosures regarding managerial remuneration in the board of directors' report under the heading "Corporate Governance" attached to the annual report, adds the release.

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In view of the criticism, the Government announced some liberalisations to the guidelines. Overall ceiling is as it was at Rs. 60,000 but it is increased to Rs. 62,700 in case of Mumbai. Rates of house rent allowance to salary are raised to 45% in case of Mumbai, 40% in case of Delhi, 35% in case of Kolkata and 30% in case of other places. An allowance of 105 is allowed for cooking gas, electricity, gas etc. Expenditure on pensionary benefits is increased up to 25% of the salary. Medical expenses allowance equal to three months salary is allowed.

However, the Gujarat High Court in May, 1980 and the Delhi High Court in August, 1980, struck down the guidelines of November 1979 as violative of Section 637-A of the Companies Act, 1956.

The Government in U.K. accepted fair remuneration for executives in the public sector with a view to attracting talent whereas the Government in India reduced the managerial compensation in the private sector with a view to equalising them with those of the public sector. Thus, the Government wishes to control its burden at the cost of talent and skill.

4.10 WORKERS' PARTICIPATION IN MANAGEMENT AND QUALITY CIRCLES

The concept of Workers' Participation in Management (WPM) is considered as a mechanism where workers have a say in the decision-making process of an enterprise formally. The concept of quality circles (QC) provides informal involvement of employees in the decision-making and implementation process.

When subordinates are involved in decision-making at all levels, the resultant concept is **participative management**.

Definition

The concept of workers' participation in management crystallises the concept of Industrial Democracy, and indicates an attempt on the part of an employer to build his employees into a team which work towards the realisation of a common objective.

According to Davis, "It is a mental and emotional involvement of a person in a group situation which encourages him to contribute to goals and share responsibilities in them."

Within the orbit of this definition, a continuum of man management relationship can be conceived:

Workers' Control – Joint Management – Joint Consultation

Work Place Consultation – Management Supremacy

Objectives of Workers' Participation in Management

The main objectives of Workers' Participation in Management include.

- (i) To promote increased productivity for the advantage of the organisation, workers and society at large.
- (ii) To provide a better understanding to employees about their role and place in the process of attainment of organisational goals;
- (iii) To satisfy the workers' social and esteem needs;
- (iv) To strengthen labour management co-operation and thus maintaining industrial peace and harmony.

- (v) To develop social education for effective solidarity among the working community and for tapping latent human resources.
- (vi) An ideological point of view to develop self-management in industry.
- (vii) An instrument for improving efficiency of the company and establishing harmonious industrial relations.
- (viii) To build the most dynamic human resources and
- (ix) To build the nation through entrepreneurship and economic development.

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Forms of WPM

The forms of workers' participation in management vary from industry to industry and from country to country. The important forms are: Labour-Management Consultation and Co-operation, Joint Consultation and Model of Participation (U.K.), Union-Management Co-operation (USA), Codetermination Scheme (West Germany), Joint Management Plan, Joint Decision-Making Model, Workers' Control Model and Self-Management or Auto Management Scheme.

Forms of Workers' Participation in Management are:

- (i) Works Committee;
- (ii) Joint Council and
- (iii) Shop Councils.

(i) **Work Committees:** The Industrial Disputes Act, 1949, provides for the setting up of work committees as a scheme of workers' participation in management which consist of representatives of employers and employees. The Act provides for these bodies in every undertaking employing 100 or more workmen. The aim of setting up of these bodies is to promote measures for maintaining harmonious relations in the work place and to sort out differences of opinion in respect of matters of common interest to employers and employees. The Bombay Industrial Relations Act, 1946, also provides for these bodies, but under the provisions of this Act, they can be set up only in units which have a recognised union and they are called joint committees. The workers directly elect their representatives where there is no union.

Functions

These work committees/joint committees are consultative bodies. Their functions include discussion of conditions of work like lighting, ventilation, temperature, sanitation etc., amenities like water supply for drinking purposes, provision of canteens, medical services, safe working conditions, administration of welfare funds, educational and recreational activities and encouragement of thrift and savings. It shall be the duty of the work committees to promote measures for securing and preserving amity and good relations between the employers and workmen and to comment upon matters of their common interest or concern and endeavour to reconcile and material difference of opinion in respect of such matters.

Structure

The work committees have, as office bearers, a President, a Vice-President, a Secretary and a Joint Secretary. The President is a nominee of the employer and the vice-president is the workers' representative. The tenure of these bodies is two years. The total strength of these bodies should not exceed 20. The employees' representatives have to be chosen by the employees.

These committees functioned actively in some organisations like, Tata Iron and Steel Company, Indian Aluminium Works at Belur and Hindustan Lever. In all these, the managements have evolved joint committees independently of the statutory requirements.

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(ii) **Joint Management Councils (JMCs):** The Second Five Year Plan recommended the setting up of joint councils of management consisting of representatives of workers and the management. The Government of India deputed a study group (1957) to study the schemes of worker's participation in management in countries like U.K., France, Belgium and Yugoslavia. The report of the study group was considered by the Indian Labour Conference (ILC) in its 15th session in 1957 and it made certain recommendations.

1. That workers' participation in management schemes should be set up in selected undertakings on a voluntary basis.
2. A sub-committee consisting of representatives of employers, workers and government should be set up for considering the details of workers' participation in management schemes would be introduced in the first stage on an experimental basis.

Objectives

The objectives of Joint Management Councils are as follows:

- To increase the association of employers and employee thereby promoting cordial industrial relations
- To improve the operational efficiency of the workers
- To provide welfare facilities to them;
- To educate workers so that they are well equipped to participate in these schemes and
- To satisfy the psychological needs of workers.

Workers' Participation in Management Scheme of 1975

Government of India on 30th October, 1975, announced a scheme of workers' participation in management which consisted of establishment of Joint Councils and Shop Council as part of its 20 point economic programme. The scheme envisages for the establishment of joint councils and shop councils in manufacturing and mining industries employing 500 or more employees in public, private and co-operative sectors.

(iii) **Joint Councils:** The joint councils are for the whole unit and its membership remains confined to those who are actually engaged in the organisation. The tenure of the joint councils is for two years. The Chief Executive of the unit becomes its chairman. Workers' members of the council nominate the Vice Chairman. The joint council appoints the Secretary who is responsible for discharging the functions of the council.

The joint councils will meet once in four months, but the periodicity of the meeting varies from unit to unit, it may be once in a month, quarter etc. The decisions taken at the joint council meetings are by the process of consensus and the management shall implement the decisions within one month. The scheme was implemented by the major units of the Central and State governments. The government enlarged the functions of the councils in 1976.

(iv) **Shop Councils:** The shop council represents each department or a shop in a unit. Each shop council will consist of an equal number of representatives of employers and workers. The employers' representatives will be nominated by the management and must consist of persons from within the unit concerned. The workers' representative will be from among the workers of the department or shop concerned. The number of members of each council may be determined by the employers in consultation with the recognised union. The total number of members, however, may not generally exceed twelve.

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The decisions of the shop council are to be taken on the basis of consensus but not by voting. Management has to implement the decisions within one month. The tenure of the shop council is for a period of two years. Members of the shop councils meet at least once in a month. Management nominates the Chairman at least once in a month. Management nominates the Chairman of the shop council whereas workers' members of the council elect the Vice-chairman of the council.

The number of shop councils to be established in an organisation are determined by the employer in consultation with the recognised trade unions/workers of the organisation. The decisions of a shop council which have a bearing on another shop will be referred to the joint council for consideration and approval.

Performance Evaluation of the Scheme of Workers' Participation in Management

Number of public sector units implemented or initiated action of implementing the Joint Councils increased from 472 in 1976 to 545 in 1978. A committee on workers' participation in management and equity was appointed by the Government in September, 1977, to study all the issues relating to participative management. The committee after its indepth study suggested the outline of a comprehensive scheme and came to conclusions on matters like the nature, structure, levels of participation and their function which may form part of a scheme of participative management.

Though this theme was lauded with great fanfare, it has not been effective in its working owing to the same malady from which the Joint Management Councils have been suffering, i.e., absence of commitment of both employer and employees. Further, employees feel that this scheme is mostly oriented to maximisation of production/ Productivity, optimum utilisation of capacity, better utilisation of raw materials etc., without concerning much about the mean of the unit/plant.

Reasons for the Limited Success of Workers' Participation in Management

Despite the positive attitudes of both the parties about the conceptual framework of participative management, the arrangements of the participative management in public sector units have so far failed to deliver the goods. It is felt the existing system is not conducive to inherent constraints due to:

- (i) The inherent conflicts between employees and management.
- (ii) The general belief that the workers are inferior to management.
- (iii) The fact that the system is management dominated and due to and
- (iv) The view that managers are averse to share responsibility.

Suggestions for the Success of Workers' Participation in Management

The following are the prerequisites for the successful functioning of the schemes of workers' participation in management. Managements, trade unions and the workers should be concerned with these prerequisites:

1. There should be mutual trust and faith among all the parties concerned.
2. There should be progressive management in the enterprise and should recognise its obligations and responsibilities towards workers and trade unions.
3. There should be strong, democratic and representative unions which should represent the cause of workers without neglecting the management's interest.
4. There should be closely and mutually formulated objectives for participation by trade unions and the management.
5. All parties concerned towards participative management should feel that they should participate at all levels.

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6. There should be effective communication between workers and management and effective consultation of the workers by the management.
7. Both the parties should develop a favourable attitude towards the schemes of participative management.
8. Management and Government should provide training to all the parties concerned to prepare them for participative management.
9. Both the parties of anticipative management should be conscious of the benefits of the schemes.

4.11 QUALITY CIRCLES

Meaning

It is small group of employees in the same work area or doing similar types of work who voluntarily meet regularly for about an hour every week to identify, analyse and resolve work related problems not only to improve quality, productivity and the total performance of the organisation, but also to enrich the quality of work life of employees. There is a misconception that quality circles and task force are one and the same. But the quality circle is not a task force and the former is broader than the latter.

A task force is a group of most skilled employees selected and appointed by the management, engaged in various functions with an orientation to problem-solving. The quality circles are voluntary associations of workers of the same work place. Quality circles involve people in solving problems and tap their brain power effectively.

Objectives

The important objectives of Quality circles are:

- To develop, enhance and utilise human resources effectively;
- To improve quality of products/services, productivity and reduce cost of production per unit of output;
- To satisfy the workers' psychological needs for self-urge, participation, recognition etc., with a view to motivating them. Accomplishment of this objective will ensure enhancement of employee morale and commitment;
- To improve various supervisory skills like leadership, problem solving, interpersonal and conflict resolution; and
- To utilise individual imaginative, creative and innovative skills through participation, creating and developing work interest, including problem solving techniques etc. Achievement of these objectives effectively requires the use of certain techniques.

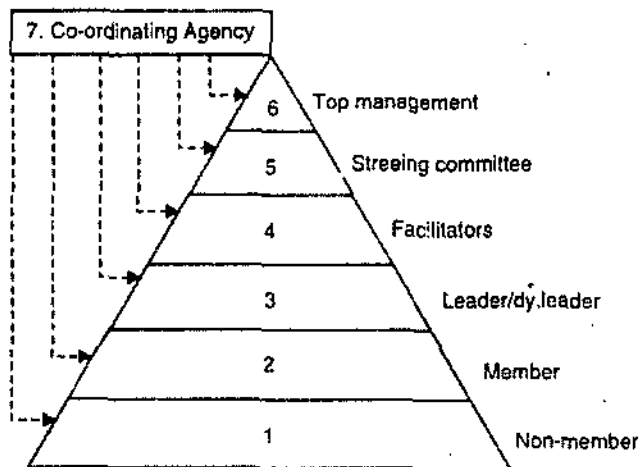
Organisational Structure of Quality Circles

One of the factors for the success of any organisation is its structure and the functional rapport between the different elements. For the successful operation of Quality Circles, a well-structured approach is therefore, absolutely necessary. The model of the structure is indigenous. It is found that it is successful in our country.

The organisational structure of Quality Circle consists of several levels as shown in figure.

1. **Non-members:** Non-members play an important role in the Quality Circle activities. These are the persons who have to help in implementing the recommendations made by the Quality Circle members. Even the non-members would become part of the structure in the process of quality circle

activities. Infact, this would produce a catalytic effect on them and enthuse them either to become members of the existing circle or form new circles.



Organisational Structure of Quality Circle

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2. **Members:** The basic element of a Quality Circle, of course, is the members themselves. Hence, the members are the heart of the programme, and proper use of their untapped brain power is the key to its success. The concept of Quality Circle is introduced to the members by the management with the help of audio-visual equipment and meetings. Those who are interested in the concept will form a Quality Circle. The members in a circle should be from the same work place as the members from the same work place are familiar with the work and it will be useful for them in meetings. The activities of the members include: attending meetings without fail, participating actively in the meetings and contributing ideas/views in the problem identification and problem solving discussions and developing useful solutions to the problems.
3. **Leader/Deputy Leader:** The Quality Circle leader is elected by the circle members. He is responsible for the operation of his circle and is therefore responsible for the circle activities. Generally the line manager acts as the leader of the quality circle. The main functions of quality circle leader are – (a) conducting meetings regularly, (b) generating enthusiasm for circle activities, (c) acting as link between members and facilitator, (d) keeping the meetings on right track and (e) training members in problem solving techniques. The leader must have skills in discussion, initiation and promotion of active participation. He should be trained in group dynamics, human behaviour and participative leadership styles.
4. **Facilitator:** Facilitator is an important link between the Quality Circle leader and the steering committee. The main duties of a facilitator are: (a) serving as a Quality circle co-ordinator, (b) training members, leaders and management, (c) initiating the setting up of Quality Circles by persuading the supervisors by teaching and training. (d) providing feedback to the steering committee about the proceedings and results of the Quality Circle, (e) helping the Quality Circle in preparing the presentations, visual aids etc., (f) acting as an evaluator and reviewer of Quality Circle operations and programmes.

The facilitator has to maintain sound inter-personal relations in order to function as a social leader. He should prove himself successful in acting as a

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co-ordinator, coach, promoter, teacher and innovator. He is expected to be an excellent resource person for training the managers at the higher level.

5. Steering Committee: It is an apex body at the highest level of the plant which would be responsible for formulating the objectives and for supplying the resources for the Quality Circle activities. It advises guides and directs the quality circles in their operation. The structure of the committee is made up of the departmental heads from every major function like production, finance, material management, engineering, other service areas headed by the Chief Executive of the plant.

The main functions of the Steering Committee are:

- (i) Providing training to Quality Circle leaders.
- (ii) Arrangement of meeting halls and associates in the meetings.
- (iii) Providing budget for Quality Circle activities.
- (iv) Making Quality Circle activities as part of the organisational goals.

The steering committee would take part in the top management presentation given by the Quality Circles and respond to Circles' recommendations expeditiously. They may also participate in annual social get-together.

6. Top-Management: The top management in the Quality structure consists of Chairman and Managing Director, Directors, Chief Executives, General Managers and other top executives. Without the faith and commitment, support and encouragement from this top level, the activities of the Quality Circles cannot be deemed to have complete support for the programme.

7. Co-ordinating Agency: Although the Quality Circle structure does not envisage a separate department to look after its activities, a great deal of co-ordination is called for convening Steering Committee meetings, arranging management presentations, formulating budgets and disseminating relevant information on circles to the parties concerned etc. The main functions of the co-ordinating committee are:

- (i) Preparing agenda and convening meetings of the Steering Committee.
- (ii) Presenting the report of the Quality Circle activities to the Steering Committee.
- (iii) Maintaining statistics of the operation of the Quality Circles and
- (iv) Co-ordinating training programmes and arranging seminars, workshops, conventions and top management presentations once in two months.

Benefits of Quality Circles

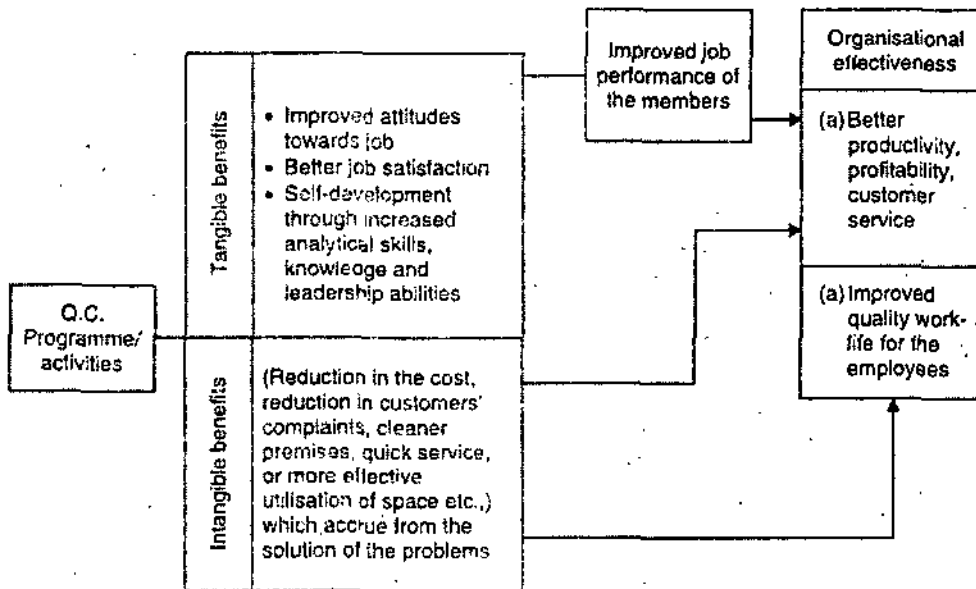
Quality Circles benefit both the members and the organisation. Benefits for members include. (i) Satisfaction of self-esteem and esteem from others, (ii) improved job satisfaction, (iii) self-development in terms of skills, knowledge, sensitivity skills etc. (iv) satisfaction of social and psychological needs. Benefits to the organisation include. (i) improvement in the job performance of members, (ii) development of solutions to the identified areas, (iii) improvement in two way communication among members and the management, (iv) promotion of participative management culture and team work, (v) generation of pride among the members in doing a meaningful job, (vi) increased managerial effectiveness, (vii) development of problem solving—ethics in the organisation, (viii) development of harmony and mutual trust between members and the management.

Ultimately, the effective functioning of the Quality Circle results in organisational effectiveness. Figure shows the benefits from Quality Circles and their relationship to organisational effectiveness.

Problems of Quality Circles

However, there are certain problems in Quality Circles regarding fitting them effectively in the existing cultural environment in the industry, rewarding, awarding and motivating the Quality Circle members and facilitators. These problems can be solved if the top management takes proper care and interest. This participative scheme will contribute to the organisation's effectiveness and to enhance job satisfaction and sound human relations in an organisation and quality of the work life of employees.

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Benefits from QCs and their Relationship to Organisational Effectiveness

CO-DETERMINATION

Introduction

Employees at the helm of affairs have better knowledge regarding the various work related issues. Managers at the top or middle level are well-equipped with the decision-making skills. Managers have to get the information from the lower levels to make the decisions. Further, practical problem in implementation of the decision can be better predicted by the employees at the helm of affairs. Therefore, wise managements prefer the decision to be taken by both the employees at the helm of affairs and the managers.

Meaning

Co-determination means taking the decisions relating to various organisational issues jointly both by the managers and the workers at the helm of affairs. Co-determination requires both the managers and the employees to involve extensively in the entire process of decision-making and implementation. Co-determination is a type of workers' participation in management.

Co-determination was started in Germany in 1945, as a method of reconstructing the war devastated economy. The methods of co-determination include:

- (i) Works councils and
- (ii) Workers' Representatives on the Supervisory Boards of Companies.
- (iii) Labour Director on the Management Board.
- (i) **Works Councils:** These are established in every unit of the company with five or more workers. These consist of only workers' representatives. Works

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councils have right to get information relating to health and safety, working conditions, hiring of executives etc. They can also offer suggestions to the management.

- (ii) **Workers' Representatives on the Supervisory Board:** Workers' representatives are elected to represent on the supervisory Board of the company with 500 or more employees. These boards make policy decisions.
- (iii) **The Management Board:** This is a full time body. This body makes policy decisions. Workers' representatives are elected to represent these boards.

Objectives of Co-determination

Objectives of co-determination include:

- Prevention of workers' exploitation either by owners or top managers.
- Growth of the economy through democratic process.
- To resolve the conflict between workers and management though democratic regulation.
- To place the management institutionally under obligation to use its authority as a trustee and not to abuse it, and
- Sharing financial and other information about the enterprise for the purpose of collective bargaining.

AUTONOMOUS WORK GROUPS

Meaning

Autonomous work groups are the group of workers working in a department or unit having complete authority and responsibility to carry out the activities assigned. The group is also accountable to the management.

Features

The features of the autonomous work group are:

- (i) They work independently and manage all their activities.
- (ii) Each work group plans, organises, directs and controls its activities on its own.
- (iii) Each work group formulates its objectives and goals, keeping the organisational goals in mind.
- (iv) The members of the group elect or nominate the leader.
- (v) Each group decides its work schedules, targets etc.

Purposes of Autonomous Work Groups

The purposes of autonomous work groups are to:

- (i) Provide the facility of decision making to the members.
- (ii) Make use of the skill and knowledge of the members.
- (iii) Set goals/priorities.
- (iv) Analyse/allocate the way work is to be performed.
- (v) Build strong relationship among the members.
- (vi) Serve the customers better without the loss of time.
- (vii) Allow the team to take and implement decisions relating to all areas/needs of the customers.
- (viii) Maximise productivity by minimising wastage.

4.12 INDUSTRIAL DEMOCRACY

It is said that, in democracy, the Government is by the people, of the people and for the people. Similarly, industrial democracy means management in industrial units is by the people, of the people and for the people. But here we limit the scope to the people to management representatives and employees. Thus, the concept of industrial democracy gives birth to the concept of workers' participation in management.

The objectives of industrial democracy are:

- (i) To create a sense of belongingness of workers to the organisation;
- (ii) To improve a sense of commitment to the organisational objectives, plans and activities among employees;
- (iii) To satisfy the psychological needs of the employees; and
- (iv) To respect the human dignity of employees

The requirements of industrial democracy include:

- (a) All employees should be treated as human beings and as equal partners. There should not be any discrimination based on caste, colour, sex, religious, ethnic groups etc.
- (b) Freedom should be provided to all employees in their daily life and in their contributions.
- (c) The members should have the freedom to select their leader.

The advantages of industrial democracy are:

- (i) There would be full co-operation of employees for the implementation of decisions as they participate in decision-making
- (ii) Industrial harmony can be maintained as the employees feel the sense of belongingness and
- (iii) Productivity can be increased.

Extension of Democracy to Industry

The idea of extension of the principle of democracy to the industry is that labour should be associated in managerial decisions. The important means to associate the worker are:

- (i) Establishment of various schemes of workers' participation in management like shop councils, joint councils, joint management councils, works committees etc.
- (ii) Recognition of human rights in industry. The days of treating the worker as a commodity have gone. Humanitarian approach to labour and human relations approach have come to stay. Hence, managements of various organisations should maintain human relations by recognising human dignity and values.
- (iii) Creation of an environment which is materially, socially and psychologically conducive.

Workers' participation in management has come to stay in both developed and developing countries. Its efficiency as a system is no more in question but its content and structure are put to debate in terms of the 'best fit'. Participative management is not a specific technique but rather a concept of management that advocates employees having a voice in the decision-making process. The concept is an extension of the political

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system to the workplace. In a democracy, participation of the people in the political process is essential. Similarly, workers' participation in management is an extension of the political process at work place relations.

The structure, content and forms of workers' participation in management depend on the political ideology and systems adopted by a particular society. Socialist ideologies advocated direct participation at every level of management, whereas the capitalist societies left it unstructured.

Thus, the range of their participation in management in terms of forms, levels and content ranged from Self-Management in West Germany and Collective Bargaining in the Anglo-American countries to Joint Management Councils and Works Committees in India.

Principles of Industrial Democracy

According to Clegg, the three basic principles of industrial democracy are:

- (i) Trade unions must be independent both of the state and management.
- (ii) Only the unions can represent the industrial interest of the workers.
- (iii) Ownership of the industry is irrelevant to sound industrial relations.

The leaders of the trade union should be accountable not only to the trade union members but also to the top management for their acts.

Trade union leaders under this method enjoy more authority and power compared to that of the schemes of workers participation in management. This method can't be introduced in total. Further, the concept of privatisation and globalisation reduced the scope and magnitude of industrial democracy and the formal schemes of workers' participation in management. However, managements are encouraging employee empowerment and participation whenever necessary without the institutional arrangement.

4.13 SOCIO-TECHNICAL SYSTEMS

There are different systems of organisation design viz., social system, technical system, systems approach and socio-technical system. Social system deals with designing an organisation based on social principles whereas technical system deals with the engineering approach to organisation and job design. Socio-technical system deals with the intertwining the technical and social factors in organisation and job design.

Under socio-technical approach, the technical, engineering requirements of the organisation and the social needs of the employees are blended with due consideration to satisfy the employees and organisational operations. The researchers found that the productivity is high in the socio-technical systems compared to the purely technical system. Further, the absenteeism, labour turnover and employee fatigue are less in the socio-technical systems.

Socio-technical approach to organisational design has a systems theoretical base. This approach is concerned with the interface and harmony between personal, social and technological functioning. This approach leads to redesign of technological work process and the formation of autonomous self-regulating work groups and teams.

Socio-technical system deals with introduction of new technology into a work system efficiently. It uses the principles of job enrichment, work teams and motivation.

Advantages of socio-technical Systems

Advantages of socio-technical system include:

- (i) Employees can satisfy their personal and social needs at work place.
- (ii) Organisation's, engineering and technical requirements are fully met.
- (iii) Fatigue, boredom etc., at work place are kept at the lowest level.
- (iv) Absenteeism and labour turnover are minimised.
- (v) Employee performance and organizational productivity are maximized.
- (vi) This approach gives rise to job enrichment and self-managed work teams.

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SUGGESTION SCHEME

The employees at the helm of affairs or the rank and file level employees work under different practical conditions and different work environments. Further, ground realities vary from one situation to another situation. Employees by working at different situations gain knowledge and skills. Further, employees understand various possible problems, have knowledge or suggestions to solve the present and future problems.

Managers at the different levels understand the truism that they have decision-making skills. But they do not have accurate information. The accurate information would be available with the workers at the helm of affairs to make the decisions. Further, employees at the helm of affairs may also have innovative/creative ideas not only to solve the present problems but also to improve the organisational performance.

Managers, therefore, introduce suggestion schemes in order to invite the employees at the helm of affairs to offer their suggestions. Employees offer their suggestions regarding the present organisational problems. They also offer their views and creative ideas to improve the organisational performance. Further, employees may voluntarily offer their suggestions regarding innovations and organisational improvements.

Areas of Suggestions

Employees offer suggestions regarding various areas like operations, goals, objectives; strategies, quality of the work, customer service, safety, working conditions, work environment, utilisation of tools, elimination of wastage, breakdowns, materials management, alternative materials, alternative uses of the finished product, market intermediaries, pricing, present technology, future technology, new methods of work etc.

Advantages

Advantages of suggestion scheme are immense. The important among them are:

- (i) Getting the accurate and variable information from the primary source.
- (ii) Getting innovative ideas for solving the present and further problems.
- (iii) Getting the creative ideas for organisational improvement.
- (iv) It enables the employees to use their human resources more efficiently.
- (v) Employees belonging needs and esteem needs are satisfied.
- (vi) Organisational problems can be solved efficiently.

SUMMARY

Trade unions are voluntary organisations of employees or employers formed to promote and protect their interests through collective action. Contrary to popular perception,

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unions are not meant only to organise strikes. Their presence is felt in all HR activities of an organisation. Unions have political affiliations.

Employees join unions because of job dissatisfaction and they perceive that the unions can be remove such dissatisfaction. Unions use at least three tactics to manage the managers. They are (i) organising campaign, (ii) strike and (iii) political support. The trade union movement in out country was started during the first quarter of the 20th century.

Six significant trends can be observed in the trade union movement. They are (i) changing attitude of employees towards government, economy, industry and management; (ii) unions are gradually disassociating themselves from political parties (iii) unions are now formed on the basis of religion and caste (iv) consolidation instead of fragmentation of unions (v) no more outside leadership and (vi) decreasing popularity of all India union bodies.

Most managers prefer their plants to remain union free. To this end, they adopt strategies and techniques. The Trade Union Act, 1926 has 33 sections and they contain provisions starting from registration of unions to penalties for non-compliance of nay clause. The government proposes to bring about amendments to the act.

Employee remuneration has different connotations for different people. For an employee, it means status and standard of living; for the employer it adds to the cost; and to the HRM administration for remuneration is an important activity.

The common practice followed for wage and salary determination is to fix the rate per unit of time (per day, per month or per annum) and calculate the total wages by multiplying the number of units of time with the rate per unit of time. The wage policy in out country is governed by several legislative provisions and constitutional requirements.

REVIEW QUESTIONS

1. Define a trade union. Why do employees join unions?
2. Bring out the tactics adopted by unions to influence the management.
3. Explain the strategies and techniques adopted by the management to keep their plants union-free.
4. Bring out the provision of the Trade Unions Act, 1926.
5. What do you understand by employee remuneration?
6. Bring out the components of employee remuneration.
7. Bring out the procedure for fixing salary for employees.

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PERFORMANCE EVALUATION**STRUCTURE**

- Performance Appraisal
- Promotions
- Transfer
- Demotions
- Separation
- Grievance Procedure
- Summary
- Review Questions

5.1 PERFORMANCE APPRAISAL**Meaning**

Performance appraisal or merit rating is one of the oldest and most universal practices of managements. It refers to all the formal procedures used in working organisations to evaluate the personalities and contributions and potential of group members.

Performance appraisal is an objective assessment of an individual's performance against well-defined benchmarks.

Criteria for Performance Appraisal

There are a number of performance criteria, which may be used to measure the proficiency of an employee. These criteria may be classified into two main categories: objective criteria and subjective criteria. Amount of quality of production, work sample tests, length of service, amount of training necessary, absenteeism, accidents etc., are all examples of objective criteria ratings of employees job proficiency by their superiors, peers and subordinates, extent of upward communication of ideas, degree of knowledge about corporate goals, contribution to socio-cultural values etc., are examples of subjective criteria. Since all subjective criteria depend upon human judgement and opinion, they are subject to certain kinds of errors likely to be found in rating process.

Methods of Performance Appraisal

The various methods of performance appraisal may broadly be classified into two categories:

- (i) Trait-based appraisal, and (ii) Appraisal by results.

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(i) **Trait-based methods of appraisal:** Traditionally, managers have been evaluated against standards of personal traits and work characteristics. The traits (qualities) generally considered are as follows:

- (a) Job knowledge,
- (b) Ability to get along with people,
- (c) Analytical competence,
- (d) Leadership,
- (e) Judgement, and
- (f) Initiative

The main methods of performance appraisal based on the traits of employees are given below:

1. Ranking Method. Under this method an employee is compared with all other employees in the group and placed in a simple rank order. In this way all individuals are rated from the best to the worst. This method is very simple and natural. It is the oldest method. But it suffers from several limitations. First, the method is highly subjective. Secondly, it does not evaluate individual traits and only the personality of the whole man is evaluated. Thirdly, degree of difference in ability between ranks is not measured. Fourthly, in a large group the rater finds it very difficult to compare several people simultaneously. This method is useful if the number of employee is very small.

2. Paired Comparison Method. This is a variation of the ranking method. In this method, the rater compares each individual in the group with every other individual. The final ranking of each worker is determined by the number of times he was judged better than the others. The number of pairs (comparisons) to be made can be determined by the following formula:

$$\text{Number of pairs} = N(N - 1)/2$$

Where N stands for the number of person to be rated. This is an improvement over the ranking method. One limitation of this approach is that the number of comparisons becomes very large. For example, in a group of 50 workers, there would be 1,225 comparisons.

3. Graphic Rating Scales. A graphic scale is a chart that presents the list of qualities and the range of degree for each quality. Numerical values are assigned to each quality on the scale. The scales used are generally of two types viz., discrete scales and continuous scales.

(a) **Discrete Scales:** In which two or more categories representing discrete degrees of ability are given. For example, the trait 'job knowledge' may be divided into five categories, as shown below:

Poor	Below Average	Average	Above average	Outstanding
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(b) **Continuous Scales:** Wherein an uninterrupted lines is given and the rater can tick at any point along its length as shown below:

1,2	3	4, 5	6, 7	8, 9, 10
Poor	Below Average	Average	Above Average	Exceptionally Good

The basic idea behind this type of scale is to provide the rater with a continuum representing varying degrees of a particular trait.

Graphic rating scales are widely used for rating employees. These scales provide information on the size of differences in ratings and help to overcome the problem of a larger number of ratings. It is easy to construct and administer the scales. But there is a tendency on the part of the raters to pile up the ratings either at the middle or at the higher end of the scale. There may be differences in interpretation among different raters and as a result the ratings by different raters might not be comparable. Statements describing the actual behaviour of people e.g., 'unfamiliar with work', 'fairly familiar with work' and 'thoroughly familiar with work' convey a better meaning than adjectives like 'poor', 'below average', etc.

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4. Forced Distribution Method. Under this method certain categories (grades) of ability are established and certain percentages of marks are assigned for each grade. The rater is forced to distribute the ratings fairly among different grades. Example, poor 10% Below average 20%, Average 40% Above average 20% and Outstanding 10%. The employee is assigned the grade which best represents his calibre. This method overcomes the limitation of piling up of rating on one side of the scale. It minimises the bias of the rater. But employees are rated for overall performance and not for individual traits.

5. Forced Choice Description. In this method, a number of statements describing the employees are prepared and the rater is forced to choose among the descriptive statements. The statements may be both favourable and unfavourable. The rater ticks two statements, one most characteristic and the other least characteristic of the person being rated. For example, a forced choice block may be as follows:

- (i) He is hard working
- (ii) He is not dependable
- (iii) He gives clear instructions
- (iv) He shows favouritism towards some employees.

6. Checklist Method. A checklist is a list of statements that describe the worker and his behaviour. Each statement is assigned a weight or value depending upon its importance. The rater writes 'yes' or 'no' against each statement depending upon whether it is applicable to the worker being rated or not. An individual's rating is determined by adding together the weights of statements applicable to the individual. A specimen checklist is given below:

- | | |
|---|--------|
| (i) He is punctual | Yes/No |
| (ii) He has thorough knowledge of the job | Yes/No |
| (iii) He can easily locate faults | Yes/No |
| (iv) He does not discriminate among employees | Yes/No |

7. Critical Incidents Method. Under this method certain key factors that make the difference between success and failure are identified. These critical incidents are converted into scales. The superior then observes and records instances and events of on-the-job behaviour falling under any of the identified factors. In this way a concrete performance record based on actual happenings is obtained. For example, the critical incidents in the career of an employee may be as follows:

- (i) Suggested improvement in work method,
- (ii) Refused to obey orders

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(iii) Violated the established rule, and

(iv) Averted a serious accident.

(ii) **Appraisal by Results:** Trait-based appraisal is simple and economical. But it is not very reliable because of the subjectivity and bias on the part of raters. Executives dislike being evaluated by traits rather than on their accomplishments. Managers feel that performance is in itself the most reliable indicator of quality and potential. This feeling has led to the growth of appraisal by results. The method under plays traits and other characteristics, focusing on performance results. The process of result-oriented appraisal consists of the following steps:

1. The superior and each of his subordinates jointly establish the subordinate's tasks and responsibilities.
2. The subordinate prepares a plan for a specified period, e.g., six months or one year.
3. Through mutual consultation, the final target to be achieved by the subordinate and superior's supporting role are fixed.
4. At the end of the specified period, the superior makes an appraisal of the subordinate on the basis of mutually agreed criteria.
5. Superior discusses the results and his evaluation with the subordinate. Corrective actions, if necessary, are suggested and mutually agreed upon targets are fixed for future.

Performance appraisal offers competitive advantage to a firm by improving performance, helping make correct decisions, ensuring legal compliance, minimising job dissatisfaction and employee turnover and ensuring consistency between organisational strategy and behaviour.

5.2 PROMOTIONS

When there are vacancies in an organisation, they can be filled up by internal or external candidates. Though the organisation prefers to fill up the vacancies by the external candidates through the selection procedure, the internal candidates may also apply for the post and may be tested and selected for a higher level job in the organizational hierarchy at par with external candidates. In such upward movement of an employee a promotion? Or is it purely selection? It is purely a 'selection'. If the organisation prefers to fill a vacancy only by the internal candidates, it assigns that higher level job to the selected employee from within through promotional tests. Such upward movement to be said as 'promotion'.

Promotion results in an improvement in pay, prestige, designation, and responsibilities of an employee within his or her organisation. Where change in designation and rise in pay do not add to promotion it is dry promotion.

Meaning

According to Paul Pigors and Charles A. Myers, "Promotion is advancement of an employee to a better job better in terms of greater responsibility, more prestige or status,

greater skill and especially increased rate of pay or salary." Arun Monappa and Mirza S. Saiyadain defined promotion as "the upward reassignment of an individual in an organisation's hierarchy, accompanied by increased responsibilities, enhanced status and usually with increased income though not always so." Promotion is the reassignment of a higher level job to an internal employee (which is supposed to be assigned exclusively to internal employees) with delegation of responsibilities and authority required to perform that higher level job and normally with higher pay.

Thus, the main conditions of promotion are: (i) Reassignment of higher level job to an employee than what he is presently performing. (ii) The employee will naturally be delegated with greater responsibility and authority than what he has had earlier. (iii) Promotion normally accompanies higher pay. It means that in some cases, the employees perform higher level job and receive the salary related to the lower level job. For example, if a University Professor is promoted to the next higher level of the faculty position, i.e., Dean of the faculty, he will not receive any increase in salary. Such promotion is called dry promotion. Promotions may be temporary or permanent depending upon the organisational needs and employee performance.

Types of Promotion

As discussed earlier, promotion is of three types viz. Vertical Promotion, Upgradation and Dry Promotion.

- (i) **Vertical Promotion:** Under this type of promotion, employee is moved to the next higher level, in the organisational hierarchy with greater responsibility, authority, pay and status.
- (ii) **Upgradation:** Under this type of promotion, the job is upgraded in the organisational hierarchy. Consequently, the employee gets more salary, higher authority and responsibility. For example, the job of medical officer in Railways which was in Group C is upgraded as Group B position.
- (iii) **Dry Promotion:** Under this promotion, the employee is moved to the next higher level in the organisational hierarchy with greater responsibility, authority and status without any increase in salary.

Purposes of Promotion

Organisations promote the employees with a view to achieve the following purposes:

- (i) To utilize the employee's skill, knowledge at the appropriate level in the organisational hierarchy resulting in organisational effectiveness and employee satisfaction.
- (ii) To develop competitive spirit and inculcate the zeal in the employees to acquire the skill, knowledge etc., required by higher level jobs.
- (iii) To develop competent internal source of employees ready to take up jobs at higher levels in the changing environment.
- (iv) To promote employee's self-development and make them await their turn of promotions. It reduces labour turnover.
- (v) To promote a feeling of content with the existing conditions of the company and a sense of belongingness.
- (vi) To promote interest in training, development programmes and in team development areas.
- (vii) To build loyalty and to boost morale.
- (viii) To reward committed and loyal employees.
- (ix) To get rid of the problems created by the leaders of workers' unions by promoting them to the officers' levels where they are less effective in creating problems.

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Bases of Promotion

Organisations adopt different bases of promotion depending upon their nature, size, management etc. Generally, they may combine two or more basis of promotion. The well-established bases of promotion are seniority and merit. The other basis of promotion which is well-practiced in all types of organisations under different shades is 'favouritism'. Organisations should have the idea of effectiveness of each in promoting the right man to the job.

Merit as a Basis of Promotion

Merit is taken to denote an individual employee's skill, knowledge, ability, efficiency and aptitude as measured from educational, training and past employment record. The merits of merit system of promotion are: (i) The resources of higher order of an employee can be better utilized at higher level. It results in maximum utilization of human resources in an organisation, (ii) Competent employees are motivated to exert all their resources and contribute them to the organisational efficiently and effectiveness, (iii) It works as golden hand-cuffs regarding employee turnover, (iv) further it continuously encourages the employees to acquire new skills, knowledge etc., for all-round development.

Despite these advantages, the merit system suffers from some demerits. They are:

- (i) Measurement or judging of merit is highly difficult.
- (ii) Many people, particularly trade union leaders, distrust the management's integrity in judging merit.
- (iii) The techniques of merit measurement are subjective.
- (iv) Merit denotes mostly the past achievement, efficiency but not the future success. Hence, the purpose of promotion may not be served if merit is taken as the sole criteria for promotion.

Seniority as a Basis of Promotion

Seniority refers to relative length of service in the same job and in the same organisation. The logic behind considering the seniority as a basis of promotion is that there is a positive correlation between the length of service in the same job and the amount of knowledge and the level of skill acquired by an employee in an organisation. This system is also based on the custom that the first in should be given first chance in all benefits and privileges.

The advantages of seniority as a basis of promotion are:

- (i) It is relatively easy to measure the length of service and judge the seniority.
- (ii) There would be full support of the trade unions to this system.
- (iii) Every party trust the management's action as there is no scope for favouritism and discrimination and judgement.
- (iv) It gives a sense of certainty of getting promotion to every employee and of their turn of promotion.
- (v) Senior employees will have a sense of satisfaction to this system as the older employees are respected and their inefficiency cannot be pointed out.
- (vi) It minimizes the scope for grievances and conflicts regarding promotion.
- (vii) This system seems to serve the purpose in the sense that employees may learn more with increase in the length of service.

In spite of these merits, this system also suffers from certain limitations. They are:

- (i) The assumption that the employees learn more relatively with length of service is not valid as this assumption has reverse effect. In other words, employees learn up to a certain age and beyond that stage, the learning ability that is the cognitive process diminishes.
- (ii) It demotivates the young and more competent employees and results in employee turnover particularly among the dynamic force.
- (iii) It kills the zeal and interest to develop as everybody will be promoted with or without improvement.
- (iv) Organisational effectiveness may be diminished through the deceleration of the human resources effectiveness as the human resources consist of mostly undynamic and old blood.
- (v) Judging the seniority though it seems to be easy in the theoretical sense, it is highly difficult in practice as the problems like job senior, company seniority, zonal/regional seniority, service in different organisations, experience as apprentice trainee, trainee, researcher, length of service not only by days but also by hours and minutes will crop up.

Thus, the two main basis of promotion enjoy certain advantages and at the same time suffer from certain limitations. Hence, a combination of both of them may be regarded as an effective basis of promotion.

Seniority-Cum-Merit

Managements mostly prefer merit as the basis of promotion as they are interested in enriching its human resources. But trade unions favour seniority as the sole basis for promotion with a view to satisfy the interests of majority of their members.

Hence, a combination of both seniority and merit can be considered as the basis for promotion satisfying the management for organisational effectiveness and the employees and trade unions for respecting the length of service. A balance between seniority and merit should be struck and a new basis developed. There are several ways in striking the balance between these two basis:

- (i) *Minimum Length of Service and Merit*: Under this method, all those employees who complete the minimum service, say five years, are made eligible for promotion and then merit is taken as the sole criteria for selecting the employee for promotion from the eligible candidates. Most of the commercial banks in India have been following this method for promoting the employees from clerk's position to officer's position.
- (ii) *Measurements of Seniority and Merit through a Common Factor*.
- (iii) *Minimum Merit and Seniority*: In Contrast to the earlier methods, minimum score of merit which is necessary for the acceptable performance on future job is determined and all the candidates who secure minimum scores are declared as eligible candidates. Candidates are selected for promotion based on their seniority only from the eligible candidates.

Benefits of Promotion

Promotion of employees from lower ranks to higher positions benefits the organisation as well as employees:

- (i) Promotion places the employees in a position where an employee's skills and knowledge can be better utilized;
- (ii) It creates and increases the interest of other employees in the company as they believe that they will also get their turn;

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- (iii) It creates among employees a feeling of content with the existing conditions of work and employment;
- (iv) It increases interest in acquiring higher qualifications, in training and in self-development with a view to meet the requirements of promotion;
- (v) Promotion improve employee morale and job satisfaction;
- (vi) Ultimately it improves organisational health.

Problems with Promotion

Though promotion benefits the employee and the organisation, it creates certain problems. They are disappointment of the candidates, refusal of promotions etc.

Promotion Disappoints some Employees

Some employees who are not promoted will be disappointed when their colleagues with similar qualifications and experience are promoted either due to favouritism or due to the lack of systematic promotion policy. Employees may develop negative attitude and reduce their contributions to the organisation and prevent organisational and individual advancement.

Some Employees Refuse Promotion

There is a general tendency that an employee accepts promotion. But there are several incidents where employees refuse promotions. These incidents include promotion together with transfer to an unwanted place, promotion to that level where the employee feels that he will be quite incompetent to carry out the job, delegation of unwanted responsibilities and when trade union leaders feel that promotion causes damage to their position in the trade union.

The other problems associated with promotion are: Some superiors will not relieve their subordinates who are promoted because of their indispensability in the present job and inequality in promotional opportunities in different departments, regions and categories of jobs.

Promotion problems can be minimised through career counselling by the superiors and by formulating systematic promotion principles.

Promotion Principles

Every organisation has to specify clearly its policy regarding promotion based on its corporate policy. The basic characteristics of a systematic promotion policy are:

- (i) It should be consistent in the sense that policy should be applied uniformly to all employees irrespective of the background of the persons,
- (ii) It should be fair and impartial. In other words, it should not give room for nepotism, favouritism etc.,
- (iii) Systematic line of promotion channel should be incorporated,
- (iv) It should provide equal opportunities for promotion in all categories of jobs, departments and regions of an organisation,
- (v) It should ensure open policy in the sense that every eligible employee should be considered for promotion rather than a closed system which considers only a class of employee,
- (vi) It should contain clear cut norms and criteria for judging merit, length of service, potentiality etc.
- (vii) Appropriate authority should be entrusted with the task of making a final decision,
- (viii) Favouritism should not be taken as a basis for promotion,

- (ix) It should contain promotional counselling, encouragement, guidance and follow-up regarding promotional opportunities, job requirements and acquiring the required skills, knowledge etc. It should also contain reinforcing the future chances in the minds of rejected candidates and a provision for challenging the management's decision and action by the employee or union within the limits of promotion policy.

5.3 TRANSFER

Organisations resort to another type of mobility of employees in order to place the right employee in the right job. This type of mobility which is restricted to movement of an employee from one job to another in the same level of organisational hierarchy is termed 'transfer'.

Transfer involves a change in the job (along with it change in the place of the job) without change in position, pay or responsibilities. Transfers are frequent but not promotions.

Meaning

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

Transfer is also defined as "the moving of an employee from one job to another. It may involve a promotion, demotion or no change in job status other than moving from one job to another." However, transfer is viewed as change in assignment in which the employee moves from one job to another in the same level of hierarchy requiring similar skills involving approximately same level of responsibility, same status and the same level of pay. Thus, promotion is upward reassignment of a job; demotion is a downward job reassignment whereas transfer is a lateral or horizontal job reassignment.

Reasons of Transfer

Organisations resort to transfers with a view to attain the following purposes:

- (i) *To meet the Organisational Requirements:* Organisational may have to resort to transfer of employees due to changes in technology, change in volume of production, production schedule, product line, quality of products, change in the job pattern caused by change in organisational structure, fluctuations in the market conditions like demand fluctuations, introduction of new lines and/or dropping of existing lines. All these changes demand the shift in job assignments with a view to place the right man in the right job;
- (ii) *To Satisfy the Employees' Needs:* Employees do need transfer in order to satisfy their desire to work under a friendly superior, in a department/region where opportunities for advancement are bright, in or near their native place or place of interest, doing a job where the work itself is challenging etc.;
- (iii) To utilize employee's skill, knowledge etc., where they are more suitable or badly needed;
- (iv) To improve employee's background by placing him in different jobs of various departments, units, regions etc. This develops the employee and enables him to accept any job without any hesitation;
- (v) To correct inter-personal conflicts;

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- (vi) To adjust the workforce of one section/plant in other section/plant during lay-off, closure or adverse business conditions or technological change;
- (vii) To give relief to the employees who are overburdened or doing complicated or risky work for a long period;
- (viii) To punish the employees who violate the disciplinary rules;
- (ix) To help the employees whose working hours or place of work is inconvenient to them;
- (x) To minimise fraud, bribe etc., which result due to permanent stay and contact of an employee with customers, dealers, suppliers etc.

Types of Transfers

Transfers can be classified into the following types:

- (i) *Production Transfer*: Transfers caused due to changes in production.
- (ii) *Replacement Transfer*: Transfer caused due to initiation or replacement of a long standing employee in the same job.
- (iii) *Rotation Transfer*: Transfer initiated to increase the versatility of employees.
- (iv) *Shift Transfer*: Transfer of an employee from one shift to another.
- (v) *Remedial Transfer*: Transfer initiated to correct the wrong placements.
- (vi) *Penal Transfer*: Transfer initiated as a punishment for in disciplinary action of employees.

Reasons for Transfer

Transfers are basically of three categories, viz. employee-initiated transfer, company initiated transfer and public initiated transfers.

Employee Initiated Transfer

These transfers are also known as personal transfers. These transfers are primarily in the interest of the employee and according to his convenience and desire. Further, these transfers can be classified into temporary and permanent transfers.

- (a) **Temporary Transfers**: The reasons for employee initiated temporary transfers are:
 - (i) Due to ill health or involvement of employees in accidents.
 - (ii) Due to family problems like taking care of old parents and
 - (iii) Due to other adhoc problems like pursuing higher education.
- (b) **Permanent Transfers**: There are several reasons for employee initiated permanent transfers. Employees prefer transfers:
 - (i) Due to chronic ill health or permanent disablement caused by accident,
 - (ii) Due to family problems like taking care of domestic affairs in his native place,
 - (iii) With a view to correct his wrong placement. Employee may not be interested with the work, working conditions or environment of his present job and hence may require a transfer,
 - (iv) In order to relieve himself from the monotony or boredom caused due to doing the same job for years together,
 - (v) To avoid conflicts with his superiors, If most of the employees working under the same superior request for a transfer, the situation should be corrected by other means like developing that superior in inter-personal skills etc., rather than transferring the subordinates,

- (vi) With a view to search for challenging and creative jobs, and
- (vii) With a view to search for a job with opportunities for advancement to a higher level job, opportunities for financial gains etc.

Company Initiated Transfers

Transfers are also at the initiative of the company. They can be classified into temporary and permanent.

- (a) **Temporary Transfers:** Reasons for the company initiated temporary transfers are:
 - (i) Due to temporary absenteeism of employees,
 - (ii) Due to fluctuations in quality of production and thereby in work load,
 - (iii) Due to short vacations.
- (b) **Permanent Transfers:** Reasons for the company initiated permanent transfers are:
 - (i) Change in the quality of production, lines of activity, technology, organisational structure as discussed earlier,
 - (ii) To improve the versatility of employees,
 - (iii) To improve the employee's job satisfaction,
 - (iv) To minimise bribe or corruption.

Public Initiated Transfers

Public initiate the transfers generally through the politicians/government for the following reasons:

- (i) If an employee's behaviour in the society is against the social norms or if he indulges in any social evils.
- (ii) If the functioning of an employee is against the public interest.

The major drawback of public initiated transfers is the politicalisation of the issue. Some employees may be transferred frequently because of political victimisation and company initiated transfers of some employees may be stopped due to political favouritism. This drawback is more severe in government departments and public sector units.

Benefits of Transfer

Transfers benefit both the employees and the organisation. Transfers reduce employees' monotony, boredom etc., and increase employees' job satisfaction. Further, they improve employees' skills, knowledge etc. They correct erroneous placement and inter-personal conflicts. Thus, they improve employees' morale. Further, they prepare the employee to meet organisational exigencies including fluctuations in business and organisational requirements. Thus, they enhance human resources contribution to organisational effectiveness.

Problems of Transfer

Despite these benefits, some problems are associated with transfers. They are:

- (i) Adjustment problems to the employee to the new job, place, environment, superiors and colleagues,
- (ii) Transfers from one place to another cause much inconvenience and cost to the employee and his family members relating to housing, education of children etc.,
- (iii) Transfer from one place to another result in loss of many days,

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- (iv) Company initiated transfers result in reduction in employee contribution,
- (v) Discriminatory transfers affect employee morale, job satisfaction, commitment and contribution. However, these problems can be minimised through formulating systematic transfer principles.

Transfer Principles

Organisations should clearly specify their policy regarding transfers. Otherwise, superiors may transfer their subordinates arbitrarily if they do not like them. It causes frustration among employees. Similarly, subordinates may also request for transfer even for petty issues. Most of the people may ask for transfer to risk less and easy jobs and places. As such, an organisation may find it difficult to manage the transfer policy. Systematic transfer policy should contain the following items:

- (i) Specification of circumstances under which an employee will be transferred in the case of company initiated transfer.
- (ii) Specification of a superior who is authorised and responsible to initiate a transfer.
- (iii) Jobs from and to which transfers will be made based on the job specification, description and classification etc.
- (iv) The region or unit of the organisation within which transfers will be administered.
- (v) Reasons which will be considered for personal transfers, their order of priority etc.
- (vi) Reasons for mutual transfer of employees.
- (vii) Norms to decide priority when two or more employees request for transfer like priority of reason, seniority.
- (viii) Specification of basis for transfer like job analysis, merit and length of service.
- (ix) Specification of pay, allowances, benefits etc., that are to be allowed to the employee in the new job.
- (x) Other facilities to be extended to the transferee like special leave during the period of transfer; special allowance for packaging luggage, transportation etc.

Generally, line managers administer the transfers and personnel managers assist the line managers in this respect.

5.4 DEMOTIONS

The remaining type of internal mobility is 'demotion'. It is the opposite of promotion. Demotion is the reassignment of a lower level job to an employee with delegation of responsibilities and authority required to perform that lower level job and normally with lower level pay. Organisations use demotions less frequently as it affects the employee's career prospects and morale.

Reasons for Demotions

Demotions are necessary for the following reasons:

- (i) *Unsuitability of the Employee to Higher Level Jobs:* Employees are promoted based on seniority and past performance. But some of the employees promoted on these two bases may not meet the job requirements of the higher level job. In most cases, employees are promoted to the level of their incompetence.

Some employees selected for higher level jobs may prove to be incompetent in doing that job. Such employees may be demoted to the lower level jobs where their skills, knowledge and aptitude suit the job requirements.

- (ii) **Adverse Business Conditions:** Generally adverse business conditions force the organisation to reduce quality of production, withdrawal of some lines of products, closure of certain departments or plants. In addition, organisations resort to economy drives. Consequently, organisations minimize the number of employees. Junior employees will be retrenched and senior employees will be demoted under such conditions.
- (iii) New technology and new methods of operation demand new and higher level skills. If the existing employees do not develop themselves to meet these new requirements, organisations demote them to the lower level jobs where they are suitable. For example, teachers handling 10th class were demoted to the level of 8th class teachers when the syllabus was revised and the teachers were found inefficient even after training in one school in Andhra Pradesh.
- (iv) Employees are demoted on disciplinary grounds. This is one of the extreme steps and as such organisations rarely use this measure.

Though the demotion seems to be simple, it adversely effects the employee's morale, job satisfaction etc., as it reduces employee status not only in the organisation but also in the society in addition to reduction in responsibility, authority and pay. Hence, there should be systematic demotion principles.

Demotion Principles

Organisations should clearly specify the demotion policy. Otherwise, the superiors demote the employees according to their whims and fancies. A systematic demotion policy should contain following items:

- (i) Specification of circumstances under which an employee will be demoted like reduction in operations, in disciplinary cases.
- (ii) Specification of a superior who is authorised and responsible to initiate a demotion.
- (iii) Jobs from and to which demotions will be made and specifications of lines or ladders of demotion.
- (iv) Specification of basis for demotion like length of service, merit or both.
- (v) It should provide for an open policy rather than a closed policy.
- (vi) It should contain clear cut norms for judging merit and length of service.
- (vii) Specification of provisions regarding placing the demoted employees in their original places if the normal conditions are restored.
- (viii) Specification of nature of demotion, i.e., whether it is permanent or temporary if it is as a disciplinary action. It should also specify the guidelines for determining the seniority of such demoted employees.

5.5 SEPARATION

Meaning

Separation means cessation of service with the organisation for one or other reason. The employee may be separated from the pay roll of a company as a result of:

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- Resignation;
- Discharge and dismissal;
- Suspension and retrenchment; and
- Lay-off

1. Resignation: Resignations may be put in voluntarily by the employees on grounds of health physical disability, better opportunities elsewhere, or maladjustment with company policy and officers, or for reasons of marriage; or they may be compulsory when an employee is asked to put in his resignation if he wants to avoid termination of his services on the ground of gross negligence of duty on his part, or some serious charge against him.

2. Discharge: A discharge involves permanent separation of an employee from the pay-roll for violation of company rules or for inadequate performance.

A discharge becomes necessary:

1. When the volume of business does not justify the continuing employment of the persons involved;
2. When a person fails to work according to the requirements of the job either because of incapacity or because he has deliberately slowed down on work, or because there is no suitable place where he can be transferred;
3. When an individual forfeits his rights to a job because of his violation of a basic policy often involves the safety of others, the morale and discipline of a group.

Causes of Discharge

A discharge seldom arises from a single impulsive act. Many causes may account for it. Some of these are:

- (a) **Frequent causes:** Inefficiency, dishonesty, drunkenness, carelessness or indifference, violation of rules.
- (b) **Infrequent causes:** accidents, insubordination, personal conduct, uncleanliness, infraction of rules, destructive negligence, wastefulness, and physical unfitness.
- (c) **Other causes:** Carelessness, lack of co-operation, laziness, tardiness in starting work, frequent absences without leave, dishonesty, lack of specific skill, preventing promotion, adverse attitude towards the organisation.

Dismissal

A dismissal is the termination of the services of an employee by way of punishment for some misconduct, or for unauthorised and prolonged absence from duty.

Before his services are terminated, an employee is given an opportunity to explain his conduct and to show cause why he should not be dismissed. The general rule is that in this process, there should be no violation of what is known as the principle of natural justice, which ensures that punishment is not out of all proportion to the offence.

3. Suspension. This is a serious punishment, and is generally awarded only after a proper enquiry has been conducted. For reasons of discipline, a workman may be suspended without prejudice during the course of an enquiry. During suspension, the employee receives a subsistence allowance.

Retrenchment

It means a permanent termination of the services of an employee for economic reasons in a going concern. The Industrial Disputes Act, 1947, defines retrenchment as the 'termination by the employer of the services of workmen for any reason'.

It must be noted that termination of services as a punishment given by way of disciplinary action, or retirement either voluntarily or on reaching the age of superannuation, or continued ill-health, or on the closure and winding up of a business, does not constitute retrenchment. The term is applied to continuing operations where a part of the work force is found to be superfluous.

A worker can be retrenched if the following conditions are satisfied:

- (a) He has been given three months notice in writing, indicating the reasons for retrenchment, and the period of notice has expired; or he has been paid wages in lieu of such notice for the period of the notice;
- (b) The worker has been paid, at the time of retrenchment, compensation which is equivalent to 15 days average pay for every completed year of continuous service or any part thereof in excess of 6 months;
- (c) Notice has been served on the appropriate government authority and the permission of such authority has been obtained if required.

On retrenchment, an employee is entitled to both retrenchment compensation and gratuity. The former is intended to give a worker some relief and to soften the hardship which retrenchment inevitably causes.

When vacancies arise after retrenchment, the employer gives an opportunity to the retrenched workers to offer themselves for re-employment; and they are given preference. Such vacancies are generally notified at least ten days before they are filled up.

4. Lay-off: A lay-off refers to an indefinite separation of employee from the pay-roll due to factors beyond the control of the employer; the employee is expected to be called back in the foreseeable future. It involves a temporary or permanent removal from the pay-roll of persons with surplus skills. The purpose of a lay-off is to reduce the financial burden on an organisation when human resources cannot be utilised profitably.

According to section 2 (kkk) of the Industrial Disputes Act, a lay-off has been defined as the failure, refusal or inability of an employer, on account of shortage of coal, power or raw materials, on the accumulations of stocks or breakdown of machinery for any reason, to give employment to a workman whose name is borne on the master roll of his individual establishment and who has not been retrenched.

A laid-off worker is paid 50% of his basic wages and D.A. for every working day on which he reports for work. If there is a previous agreement between the worker and management to this effect, lay-off compensation need not be paid for more than 45 days during any period of 12 months.

A lay-off is a temporary separation of an employee from the employment. Lay-off is caused by shortage of raw materials, power shut down, or machinery breakdown. The employee is recalled once the normalcy is restored.

5.6 GRIEVANCE PROCEDURE

Meaning/Definitions

The concept 'grievance' has been defined in several ways by different authorities. Some of the definitions are as follows:

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

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management", whereas Flipppo indicates the grievance as "a type of discontent which must always be expressed. A grievance is usually more formal in character than a complaint. It can be valid or ridiculous, and must grow out of something connected with company operations or policy. It must involve an interpretation or application of the provisions of the labour contract."

Need for a Grievance Procedure

Grievance procedure is necessary for any organisation due to the following reasons:

- (i) Most grievances seriously disturb the employees. This may affect their morale, productivity and their willingness to cooperate with the organisation. If an explosive situation develops, this can be promptly attended to if a grievance handling procedure is already in existence.
- (ii) It is not possible that all the complaints of the employees would be settled by first-time supervisors, for these supervisors may not have had a proper training for the purpose, and they may lack authority. Moreover, there may be personality conflicts and other causes as well.
- (iii) It serves as a check on the arbitrary actions of the management because supervisors know that employees are likely to see to it that their protest does reach the higher management.
- (iv) It serves as an outlet for employee gripes, discontent and frustrations. It acts like a pressure valve on a steam boiler. The employees are entitled to legislative, executive and judicial protection and they get this protection from the grievance redressal procedure, which also acts as a means of upward communication.

The Causes of Grievances

The causes of employee grievances include:

- Demands for individual wage adjustments;
- Complaints about the incentive system;
- Complaints about the job classifications;
- Complaints against a particular foreman;
- Complaints concerning disciplinary measures and procedures;
- Objections to the general methods of supervision;
- Loose calculation and interpretation of seniority rules and unsatisfactory interpretation of agreements;
- Promotions;
- Disciplinary discharge or lay-off;
- Transfer for another department or another shift;
- Inadequacy of safety and health services/devices;
- Non-availability of materials in time;
- Violation of contracts relating to collective bargaining;
- Improper job assignment;
- Undesirable or unsatisfactory conditions of work;
- Victimisation and
- Fines.

Pre-requisites of a Grievance Procedure

The efficiency of a grievance procedure depends upon the fulfilment of certain pre-requisites. These are as follows:

Conformity with Prevailing Legislation

While designing the grievance procedure, due consideration must be given to the existing statutory provision. In other words, the existing grievance machinery as provided by law may be made use of.

Clarity

There should be clarity regarding each and every aspect of the grievance procedure. An aggrieved employee must be informed about the person to whom a representation can be made, the form of submission (written or oral), the time limit for the redressal of grievance etc. Similarly, the redressing authority should be very clear about what is expected from him, what measures he can take, the limits within which he should resort to an action etc.

Simplicity

The grievance procedure should be simple. Every employee must understand different stages of the procedure, the forms to be filled up, and the witnesses required etc. If there are too many stages in the procedure, too many forms to be filled up, too much going around etc., the very purpose of the procedure is defeated. Instead of resorting to the formal procedure, an employee may ignore it.

Promptness

The promptness with which a grievance is processed adds further to the success of the grievance procedure. Since justice delayed is justice denied, the procedure should aim at rapid disposal of the grievances.

Training

The success of the procedure also depends upon imparting training to the supervisors and union representatives in handling grievances.

Follow-up

The successful working of a grievance procedure depends upon a proper follow-up by the personnel department. The department should periodically review the procedure and introduce the essential structural changes making it more effective.

Grievance Procedure

The Model Grievance Procedure suggested by the National Commission on Labour has provided for the successive time bound steps each leading to the next in case of lack of satisfaction.

At the outset, an aggrieved worker shall approach the foreman, inform his grievance orally and seek the redressal of his grievance. If it is not redressed to his satisfaction, he approaches the supervisor who has to give a decision to the complaint of the worker within 48 hours. If the decision (answer) is not acceptable to the worker or if the superior does not give an answer, the worker can go to the next step. At the third stage, the worker can, either in person or accompanied by his departmental representative, approach the head of the department who has to give an answer before the expiry of three days. If the department head fails to do so or if the decision given by him is not acceptable to the worker, then the worker can resort to the Grievance Committee which comprises of the representatives of employers and employees. This Committee shall communicate its recommendations to the manager within seven days

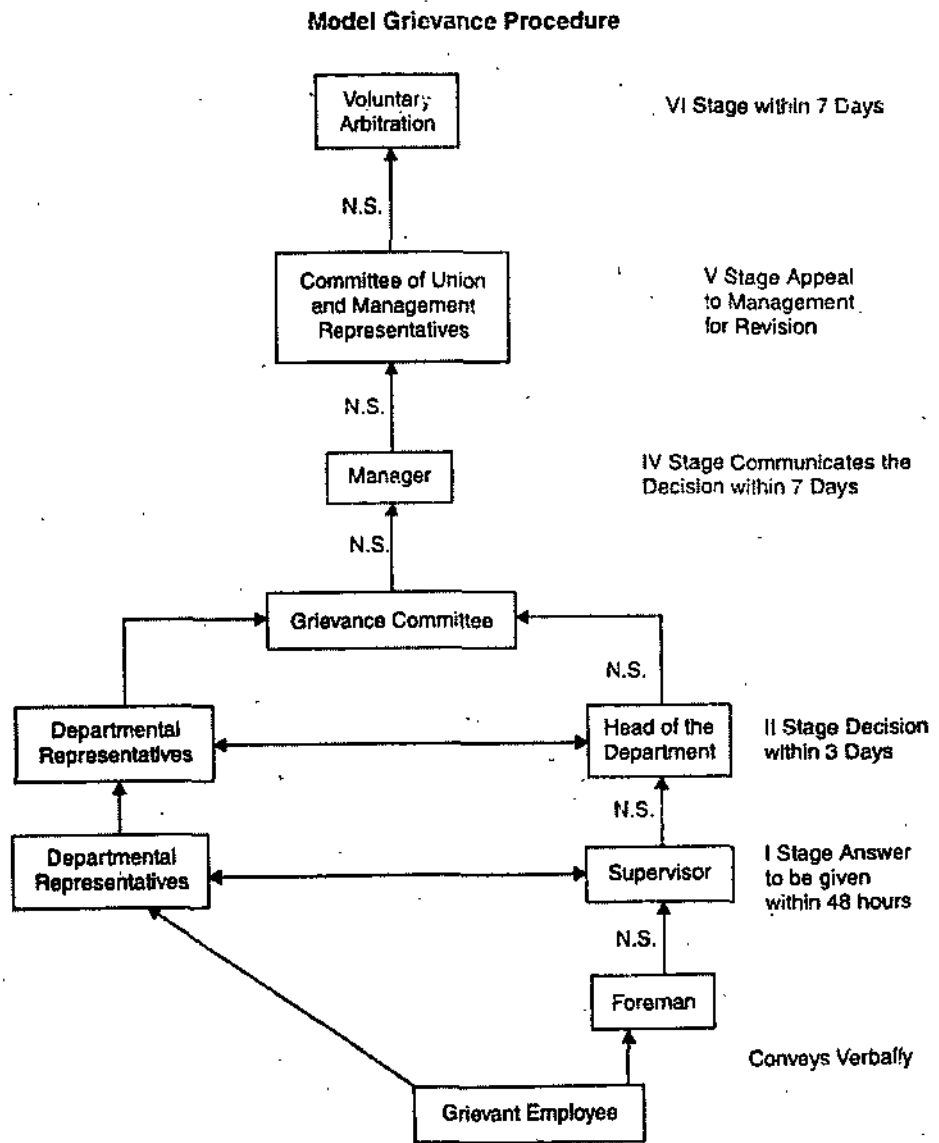
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of the grievance reaching it. If there are unanimous decisions, these shall be implemented by the Committee shall be recorded and all the relevant records shall be placed before the manager for decision. The manager shall communicate his decision within three days. The worker has got a right to appeal against the manager's decision. These appeals shall be decided within the week. If the aggrieved desires, he can take along with him a union official for discussion with the authority. In case a decision has not been arrived at, at this stage, the union and management may refer the grievance to voluntary arbitration within a week of receipt of the management's decision by the worker.

All the above-mentioned steps may not be resorted to by a worker. In case the grievance arises on account of dismissal or discharge of the worker, he can resort to the second step. In the latter stage he can make an appeal to the dismissing authority designated by the management within a week from the date of dismissal or discharge.

Thus, there is voluntariness in so far as the implementation of the Model Grievance Procedure is concerned. But there is a great need for providing a statutory backing to the grievance machinery since voluntariness failed to get the desired result



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in a number of cases. Further, there is a need to introduce suggestion schemes which are helpful in overcoming the barriers in upward channels of communication. In the Western countries, suggestion schemes have helped a lot in harmonising the relations between labour and management. In India also, suggestion schemes have been a success in some organisations due to monetary rewards, establishment of suggestion committees and dissemination of full information about the suggestions received. Hence, the importance of suggestion schemes should be recognized and measures should be initiated for the introduction of such schemes.

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SUMMARY

Performance appraisal refers to the assessment of an employee's actual performance, behaviour on jobs, and his or her potential for future performance. Appraisal has several objectives but the main purposes are to assess training needs, to effect promotions, and to give pay increases.

Appraisal of performance proceeds in a set pattern. The steps involved are defining appraisal objectives, establishing job expectations, designing the appraisal programme, conducting performance interview, and using appraisal data for different HR activities.

Promotion results in improvement in pay, prestige, position and responsibilities. Promotion must be based on well-established principles. Horizontal promotion, dry promotion and vertical promotion are the three types of promotion.

Transfer results in the change of a job without being accompanied by change in the responsibilities or in remuneration. Like promotion, transfer also must be based on principles. Five types of transfers are distinguished: (i) production transfers, (ii) replacement transfers (iii) versatility transfers (iv) shift transfers and (v) remedial transfers.

Lay-off, resignation, retrenchment, dismissal, voluntary retirement schemes are manifestation of employee separation.

REVIEW QUESTIONS

1. What is performance appraisal? What are its objectives?
2. Bring out the methods of appraisal.
3. How do the results of performance appraisal affect other HR activities?
4. What is promotion? Explain the principles and purposes of promotion.
5. Give the nature and purpose of transfers. What are the types of transfers?
6. Compare and contrast the various types of separation.

"Promotion is a double edged weapon" – Give your viewpoint.