GBA S3 01

Human Resource Management

SEMESTER - III

BACHELOR IN BUSINESS ADMINISTRATION

BLOCK - 1

KRISHNA KANTA HANDIQUI STATE OPEN UNIVERSITY

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BACHELOR IN BUSINESS ADMINISTRATION

HUMAN RESOURCE MANAGEMENT

BLOCK - 1

DETAILED SYLLABUS

UNIT 1. **Introduction to HRM** **Pages : 7-17**

Human Resource Management (H.R.M.), Evolution of H.R.M, Functions of H.R.M,Difference between Personal Management and H.R.M, Challenges of Human Resource Management and Human Resource Development and Organisation Development.

UNIT 2. **Personal Management and policies** **Pages : 18-33**

Meaning of personnel Management,Characteristics of Personnel management,Functions of Personnel Management,Difference between Human resource management and Personnel management,
Meaning of Personnel Policy,Objectives of personnel policy and types of Personnel policies

UNIT 3. **Human Resource Planning** **Pages : 34-48**

Nature and importance of human resource planning, Factors affecting human resource planning, planning process and requisite for successful human resource planning.

UNIT 4. **Recruitment and Selection** **Pages : 49-62**

The concept of Meaning of recruitment, Forces influencing recruitment, Sources of recruitment, Recruitment Process, Meaning of Selection, Importance of Selection, Difference between Recruitment and Selection and Selection Procedure

UNIT 5. **Training and Development** **Pages : 63-79**

Meaning of training, Training objectives,
Importance of training and development,Career Development and Methods of training

UNIT 6. **Performance Appraisal** **Pages : 80-103**

Meaning of Performance Appraisal, Benefits of appraisal, Conflict and confrontation, Process of performance appraisal and methods of performance appraisal

UNIT 7. **Wage and Salary Adminstration and Compensation Management**

Pages : 104-119

Concept of Wages and Compensation, Wage determination process,Concept of Compensation Management,Types of Compensation and Executive Remuneration Compensation Plan

COURSE INTRODUCTION:

This course “Human Resources Management” of B.B.A. 3rd semester will focus on the different aspects of human resources in an organisation. With the increasing complexities in business environment, the management of people have become more complex. The business organisations need to manage people more efficiently at least cost, so that they can get maximum utilisation of human resources.

Therefore, it is very important for the learners of a management programme to be well versed with human resource management, so that they can be able to manage people in efficent manner in the organisation.The course consists of 14 units and the course is divided into two blocks :

Block 1 deals with the concepts of HRM,Personal Management and Policies,Human Resource Planning, Recruitment and Selection,Training and Development,Performance Appraisal,Wage and Salary Adminstration and Compensation Management

Block 2 concentrates on some of the most important concepts of Human Resopurce Management like Job Analysis, Industrial Relations, Industrial Dispute, International HRM and e-HRM, Startegic HRM,Future Challanges in HRM and Case Study

Each unit of these blocks includes some along-side boxes to help you know some of the difficult, unseen terms. Some “EXERCISES” have been included to help you apply your own thoughts. You may find some boxes marked with: “LET US KNOW”. These boxes will provide you with some additional interesting and relevant information. Again, you will get “CHECK YOUR PROGRESS” questions. These have been designed to self-check your progress of study. It will be helpful for you if you solve the problems put in these boxes immediately after you go through the sections of the units and then match your answers with “ANSWERS TO CHECK YOUR PROGRESS” given at the end of each unit in making your learning more active and efficient. And, at the end of each section, you will get “CHECK YOUR PROGRESS” questions. These have been designed to self-check your progress of study. It will be better if you solve the problems put in these boxes immediately after you go through the sections of the units and then match your answers with “ANSWERS TO CHECK YOUR PROGRESS” given at the end of each unit.

BLOCK INTRODUCTION:

This is the *First Block* of the course '***Human Resource Management***'. After completing this block, which consists of seven units, you will be able to get a fair idea on the different essential concepts in Human Resource Management.

This block comprises the following seven units :

The first unit introduces us to the concept of Human Resource Management (H.R.M.), Evolution of H.R.M, Functions of H.R.M,Difference between Personal Management and H.R.M, Challenges of Human Resource Management and Human Resource Development and Organisation Development.

The second unit gives us a broad overview of the Meaning of Personnel Management,Characteristics of Personnel management,Functions of Personnel Management,Difference between Human resource management and Personnel management, Meaning of Personnel Policy,Objectives of personnel policy and types of Personnel policies

The third unit gives us an idea on nature and importance of human resource planning, Factors affecting human resource planning, planning process and requisite for successful human resource planning.

The fourth unit will help us in understanding the concept of Meaning of recruitment, Forces influencing recruitment, Sources of recruitment, Recruitment Process, Meaning of Selection, Importance of Selection, Difference between Recruitment and Selection and Selection Procedure

The fifth unit gives us a broad overview of Training and Development and methods of training.

The sixth unit explains that Meaning of Performance Appraisal, Benefits of appraisal, Conflict and confrontation, Process of performance appraisal and methods of performance appraisal

The seventh and the last unit of the first block is about the concept of Wages and Compensation, Wage determination process,Concept of Compensation Management,Types of Compensation and Executive Remuneration Compensation Plan

The structure of Block 1 is as follows :

UNIT 1 : Introduction to Human Resource Management

UNIT 2 : Personal Management and policies

UNIT 3 : Human Resource Planning

UNIT 4 : Recruitment and Selection

UNIT 5 : Training and Development

UNIT 6 : Performance Appraisal

UNIT 7 : Wage and Salary Adminstration and Compensation Management

UNIT 1: INTRODUCTION TO HUMAN RESOURCE MANAGEMENT

UNIT STRUCTURE

1.1 Learning Objectives

1.2 Introduction

1.3 Concept of Human Resource Management

1.4 Evolution of Human Resource Management

1.5 Functions of Human Resource Management

1.6 Challenges of Human Resource Management

1.7 Human Resource Development

1.8 Let Us Sum Up

1.9 Further Reading

1.10 Answers to check your progress

1.11 Model Questions

1.1 LEARNING OBJECTIVES

After going through this unit, you will be able to:

- describe the concept of human resource management
- discuss the role of human factor in management process
- describe the major activities under human resource management
- outline the evolution of human resource management from personal management

1.2 INTRODUCTION

Human resource management is a management function involving procurement of suitable Human resources, train and develop their competencies, motivate them, reward them effectively and create an urge in them to be part of the management team whose aim should be rendered, dedicated, committed service for the success and growth of the organization. In this unit, we will discuss about the importance of Human resource for an organization as well as the evolution of Human resource management. First

we will discuss the fundamental concept of personnel management and its differences. Then we will discuss the challenges faced by human resource management. At the end of the unit, we will discuss about human resource development and organizational development.

1.3 CONCEPT OF HUMAN RESOURCE MANAGEMENT

People are the vital elements in any organization. They are known as human resources, which mean an asset or wealth that can be drawn upon for aid as and when required. Human resources are the source of strength, ability, competence, skill, creativity, knowledge, attitude, values, beliefs, talent, efficiency, decision-making powers, enthusiasm etc. These qualities of human resources should be developed so that they can be effectively utilized for accomplishment of organizational, individual, societal and national objectives.

Human resource management means managing people and thus includes human resource planning, job analysis, job design, acquisition, training and development, compensation, benefits and rewards, safety and health, motivation, employee participation in management, organization development, performance appraisal, job evaluation, human relation, employee counseling, personnel research and human resource information system (HRIS) etc.

Right placement of people in the right job is essential for effective human resource management as it views people as vital social capital. Moreover, human resource management emphasizes the development and maintenance of the employee of an organization as well as provides ample opportunities for their career advancement along with their timely counseling.

1.4 EVOLUTION OF HUMAN RESOURCE MANAGEMENT

Management is considered as a distinct process of planning, organizing, actuating and controlling. This process involves working with human beings. Manager's job is to win the confidence of the people and obtain their co-operation for accomplishing organization's goals. These goals are achieved with the help of potentials of the people at work.

The latest technologies have revolutionized manufacturing, products, services, and marketing. The knowledge to use these technologies is possessed by the people who are known as professionals, specialists and technicians. Organizations improve productivity and quality of their products with the help of these human resources.

To increase productivity the people need to be equipped with proper machines and materials and are to be motivated to accept and implement change. This is possible if people are loaded with knowledge. People at work must be given an access to learning. They are to be trained and developed. Knowledge possessed by the people is vital for survival of the organization. Now, the organizations are focusing their attention on creating the atmosphere for learning and learning oriented culture in the organization. Being realized the importance of human resource, now the steps are taken by the management to build a formidable human resource base for achievement of organization objectives.

Human Resource Management involves procedure and practices through which human resources are managed (i.e. organized and directed) towards the attainment of the individual, social and organizational goals.
Edward Flippo states: "Human Resource Management is the planning, organizing, directing and controlling of the procurement, development ,compensation, integration, maintenance and separation of human resources to the end that individual, organizational and social objectives are accomplished".

It is a comprehensive definition and covers both the management and the operative functions. The purpose of all these functions is to assist in the accomplishment of basic objectives.

1.5 FUNCTIONS OF HUMAN RESOURCE MANAGEMENT

On the basis of the various functions which the personnel management generally undertakes, the functional areas of personnel management may be set forth as below:

i. Organizational planning, Development and task specialization: "Organizational planning" which is a vital point for the achievement of pre-determined goal is concerned with the division of all the tasks to be performed into manageable and efficient units (department, division or positions) and with providing for their integration. The human resource manager should perform the planning, development and designing of an organizational structure through the fixing of the responsibility and authority of the employees for achieving organizational goals.Developing inter-personal relationship through a division of positions, jobs and task is also one of the function of H.R. manager.

ii. Staffing and Employment: The staffing process is a flow of events which results in a continuous manning of organizational position at all levels- from top management to the operative level .

This process includes manpower planning, authorization for planning, developing sources of applicants, evaluation of applicants, employment decisions (selection), offers (placement), induction and orientation, transfer ,demotions, promotions and separations (retirement, lay-off, discharge, resignation ,disability and death) etc.

iii. Training and Development: It is a complex process concerned with increasing the capabilities of individuals and groups so that they may contribute effectively to the attainment of organizational goals.

Under this area, the training needs of the company are identified, suitable training programs are developed, operatives and executives are identified for training, motivation is provided for joining training programs etc. Moreover developmental activities like employee counseling, programs for managerial, professional and employee development, self-initiated developmental activities during off-hours, reading and participation in the activities of the community etc are also undertaken.

iv. Compensation, Wage and Salary Administration: It is concerned with the process of compensation directed towards remunerating employees for services rendered and motivating them to attain the desired levels of performance. The components of this process are:-

(i) Job evaluation through which the relative worth of a job is

determined.

(ii) Developing and operating a suitable wage and salary program taking into consideration certain facts such as the ability of the organization to pay, the cost of living ,the supply and demand of labour, the wage and salary levels in other firms etc.

(iii) Non-monetary incentive compensation plan have to be developed for encouraging the efficiency of the employee.

(iv) Evaluating employee performance at work through a system of performance appraisal with a view to developing a sound system of rewards and punishment and identifying employees eligible for promotion.

(v) Motivating employees by creating condition in which they may get social and psychological satisfaction.

v. Employee services and benefits: These are concerned with the process of sustaining and maintaining the workforce in an organization. They include:

(i) Policies, techniques and procedures for the safety and health of the employees are developed inside the workshop.

(ii) Employee counseling is the process through which the councellor solves the work problems and personal problems associated with the employees.

(iii) The medical services include the provision of curative and preventive medical and health improvement facilities for the employees.

(iv) Suitable policies and programs are framed and efforts are made to administer the recreational and welfare facilities which include entertainment services like film shows, sports, housing, educational, transport and canteen facilities etc.

(v) Fringe benefits and supplementary items are made available to the employees.

VI. Employee Records: In Employee Records complete and up-to-date information is maintained about employees, so that these records may be utilized, if needed at the time of making transfer or promotion ,giving merit

pay, sanctioning leave, termination of services etc.

VII. Labour or Industrial Relation: It means the maintenance of healthy and peaceful labour- management relations for smooth running of an organization and it covers the following areas:

(i) Grievance handling policy and procedures

(ii) Rules and regulations for maintenance of discipline and a proper system of reward and punishment in the organization.

(iii) To acquire knowledge and to observe and comply with the labour laws of the country. Collective bargaining, negotiation and administering agreements relating to wages, leave, working conditions and Employee-Employer relationship falls in this area.

a. Personnel research and personnel audit: This area is concerned with:

(i) A systematic inquiry into any aspect of the broad question of how to make more effective an organization's personnel programs - recruitment, selection, development, utilization of human resources etc;

(ii) Procedure, policies and findings submitted to the top executive;

(iii) Data relating to quality, wages, productivity, grievances, absenteeism ,labour turnover, strikes, lock-outs, accidents etc. which are collected and supplied to the top management so that it may review, alter or improve existing personnel policies, programs and procedures;

(iv) Morale and attitude surveys;



CHECK YOUR PROGRESS

Q 1: Define Human Resource Management.

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Q 2: State any two functions of Human Resource Management.

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1.6 CHALLENGES OF HUMAN RESOURCE MANAGEMENT

A potentially large number of activities are involved in human resource management but the number varies according to the size and needs of the organization. The human resource management activities are themselves affected by the external environment such as government policies, labour market, economic environment, business environment, competition, population etc.

The major challenges of human resource management are as follows:-

1. Integrating organizational planning with human resources requirement:- Organizational planning must be closely integrated with human resources requirements of the organization. Attention to be given in human resources requirement and their development. The kind, number and quality of human resources has to be considered and decisions are accordingly taken. The method of their procurement, salary structure, other benefits, rewards, health and safety provisions are to be planned and decided while planning for the organization.

2. Human Resources Planning:- Human Resources Planning enables the management to make forecast for Human Resources and to design the policies for their procurement in the broader interests of the organisation. Job analysis, Job description and job specification are the part of Human Resources Planning. It helps the organization to decide on training and development of the present staff, their salary structure, other benefits, promotional channel etc.

3. Acquisition of human resources:- It is to be done very carefully because everything depends on the people. Quality of the product and prestige of the organization depends on them. Human Resources recruitment plan should be tailored in such a fashion that it suits to the organizational objectives. For example managers having functional expertise must be recruited who can integrate with the attitude and culture of the organization.

4. Managing performance:- Organization has to make clear a way for career advancement for talented as well as hard working people. Fear of any kind from the minds of the employees should be removed so that they give the best to the organization. Communication network should be designed in such a way that it allows free flow of information.

5. Motivation:- Human Resources should be treated with utmost care. For better returns the motivation of employees become essential. Stimulating people to work hard is the most important phenomenon. Innovative and creative instinct has to be recognized.

6. Compensation and benefits:- It is an activity that determines salary and wage structures, other rewards and benefits to be paid to the staff of an organization. The suitable rewards and benefits system increases the morale of the employee and ultimately improve their performance.

Non-financial rewards such as recognition of the work performance, praise, the privileges and rights also play dominant role in improving performance of the employees. Monetary incentives are the direct booster of performance. These incentives are based on performance of the employees. Along with incentives, the disincentives also should be introduced for non-performance.

7. Health and safety provision:- Making adequate provisions for health and safety of the employees, build a strong workforce. The employees must be protected from the physical danger and health hazards by providing for their safety at the workplace and health care centre for them and their families. The activity also includes the protection of the surrounding community from pollution and other toxic substances emitted from the factories.

8. HRD and Organizational development:- Human resource development is regarded as the process of increasing knowledge, competence, capacities, intelligence, and talents of the members of the organization in particular and all of the society in general. Moreover it builds the confidence among the members of the organization to face challenges of modernization. In over all Human resource development facilitates organization development. Again, O.D. is an activity that determines the strategies of the organization to improve the performance of the employees and their satisfaction and

make the organization effective by creating an environment favourable for introducing change. The objective is to increase the performance of individuals and groups, increase the level of cooperation and teamwork in the organization.

9. Encouraging participation in management:- Organizations encourage employees participation in decision-making which increases the performance of employees as well as the productivity of the organizations. Management has to develop the skills of participation among employees. Effective participation is not easy. Information should be shared with the employees to make them fit to take decision and participate in management.

1.7 HUMAN RESOURCE DEVELOPMENT

Human resource development is regarded as the process of increasing knowledge, competence, capacities, intelligence, and talents of the members of the organization in particular and all of the society in general. Moreover it builds the confidence among the members of the organization to face challenges of modernization. In over all Human resource development facilitates organization development.

In every organization big or small there is a Human Resource department headed by a manager. In large organizations more specialists are employed while in small organizations one person has to perform many specialized jobs.

All these managers are delegated to perform the activities assigned to them by the human resource manager. The Human Resource department has to be in continuous touch with the other departments for smooth running of all the functions of an organization.



CHECK YOUR PROGRESS

Q 3: What is meant by Human Resource Development?

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Q 4: State any two challenges faced by Human Resource Management

.....

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1.8 LET US SUM UP

In this unit we had discussed about the basic concept of human resource management. Human resources are the vital elements in any organization which means an asset or wealth that can be drawn upon for aid as and when required. Thus human resource management gives emphasis on the development and maintenance of the employee of an organization. To that extent, HRM is concerned with functions like recruitment, training and development, planning, motivation etc. The human resource manager can set goals for HRD and can facilitate organizational development. The external environment has an affect on HRM activities like Human Resources Planning, Acquisition of human resources, Managing performance, Motivation, Training and Development etc. Again we have discussed about Human resource development, which is regarded as the process of increasing knowledge, competence, capacities, intelligence, and talents of the members of the organization in particular and all of the society in general.



1.9 FURTHER READING

1. K Aswathappa (2017);*Human Resource Management: Text and Cases*, McGraw Hill Education; Seventh edition
2. Gary Dessler(2011); *Human Resource Management;* 12 Edition Pearson Education; Twelfth edition
3. C.B.Gupta (2017); *Human Resource Management- Text and Cases*; Sultan Chand & Sons, Wiley; Eleventh edition

1.10 ANSWERS TO CHECK YOUR PROGRESS

Ans to Q No 1: Edward Flippo states :"Human Resource Management is the planning, organizing, directing and controlling of the procurement, development ,compensation, integration, maintenance and separation of human resources to the end that individual, organizational and social objectives are accomplished".

Ans to Q No 2: (i) Organizational planning, Development and task specialization.

(ii) Staffing and Employment

Ans to Q No 3: Human Resource Development is a process of increasing knowledge, Competence, Capacities, intelligence and talents of the members of the organization and the society in general.

Ans to Q No 4: (i) Integrating organizational planning with human resources requirement.

(ii) HRD and Organizational development



1.11 MODEL QUESTIONS

Q 1: What do you mean by Human Resource Management?

Q 2: Discuss the role of human factor in management process.

Q 3: What are the major challenges under human resource management?

Q 4: What is human resource development?

Q 5: Briefly discuss the different functions of Human Resource Management.

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UNIT 2: PERSONNEL MANAGEMENT AND POLICIES

UNIT STRUCTURE:

2.1 Learning Objectives

2.2 Introduction

2.3 Meaning of Personnel Management

2.4 Characteristics of Personnel Management

2.5 Functions of Personnel Management

2.6 Difference between Human resource management and Personnel Management

2.7 Meaning of Personnel Policy

2.8 Objectives of Personnel Policy

2.9 Types of Personnel policies

2.10 Let us sum up

2.11 Further reading

2.12 Answers to check your progress

2.13 Model Questions

2.1 LEARNING OBJECTIVES

After going through this unit, you will be able to –

- know the meaning and functions of personnel management
- discuss the meaning of personnel policies
- outline the difference between human resource management and personnel policies
- explain the objectives and types of personnel policies

2.2 INTRODUCTION

In the earlier unit i.e. in unit 1, we learned the concept of “Human Resource Management”. Now, in this unit we are going discuss the concept personnel management and about personnel policies.

We are going to discuss the meaning, characteristics and functions of personnel management. We will come to know about the difference between personnel management and human resource management.

And at the end of the unit, we will be discussing the meaning of personnel policies, its objectives and the types of policies.

2.3 MEANING OF PERSONNEL MANAGEMENT

Personnel Management involves procedure and practices through which human resources are managed (i.e. organized and directed) towards the attainment of the individual, social and organizational goals.

Edward Flippo states :"Personnel Management is the planning, organizing, directing and controlling of the procurement ,development ,compensation, integration, maintenance and separation of human resources to the end that individual, organizational and social objectives are accomplished".

It is a comprehensive definition and covers both the management and the operative functions. The purpose of all these functions is to assist in the accomplishment of basic objectives.

According to French," Personnel Management is the recruitment, selection, development, utilization of and accommodation to human resources by Organizations. The human resources of an organization consist of all individuals regardless of their role, who are engaged in any of the Organization's activities".

This definition states that Personnel Management is the planning, coordinating and controlling of a network of sub-processes and facilitating systems pertaining to the recruitment, selection, utilization, development of and accommodation of human resources. The sub-processes comprise the most vital aspects of Personnel Management – Leadership, justice, determination, task specialization, staffing, performance appraisal, training and development, compensation, collective bargaining and organization development. According to French," Personnel Management is a major component of the broader managerial function and has roots and branches

extending throughout and beyond each organization. It is a major sub-system of all organizations.

The institute of Personnel Management, London, formulated an official definition of Personnel Management after Second World War and modified it in 1965 to incorporate progressive trends and professional developments in the U.K.

"Personnel Management is that part of Management function which is primarily concerned with the human relationship within an organization. Its objective is the maintenance of those relationships on a basis which ,by consideration of the well-being of the individual ,enables all those engaged in the undertaking to make their maximum personal contribution to the effective working of that undertaking".(1945)

"Personnel Management is that part of Management concerned with people at work and with their relationship within an organization. Its aim is to bring together and develop into an effective organization the men and women who make up an enterprise and having regard for the well-being of the individual and of working groups, to enable them to make their best contribution to its success".(1965)

The essence of the definitions is that Personnel Management is concerned with man at work; and with their group relationship, with a view to achieve the objectives of the organization through their maximum personal contribution towards the work-goal achievement. The new definition emphasizes the 'group aspect'. In this definition three objectives are explicit :(a) to maintain good relationships within an organization, (b) to enable each person to make his maximum personal contribution to the organization as a member of the working group, (c) to achieve these things through respect for human personality and the well-being of the individual.

The Indian institute of Personnel Management (now national institute of Personnel Management) observes that a personnel Management, Labour Management or Staff Management means quite simply the task of dealing with human relationships within an organization. Academically the three aspects of Personnel Management are: (i) the welfare aspect concerned with working conditions and amenties such as canteens, crèches, housing,

personal problems of workers,schools and recreation; (ii) the labour or Personnel aspect concerned with recruitment, placement of employees, remuneration, promotion, incentives, productivity etc. (iii) the industrial relations aspects concerned with trade union negotiation, settlement of industrial disputes, joint consultation and collective bargaining. All these aspects are concerned with human element in industry as distinct from the mechanical.

2.4 CHARACTERISTICS OF PERSONNEL MANAGEMENT

The various characteristics of Personnel Management can sated as follows:

- First, Personnel Management deals with all levels of Personnel, including blue-collared employees (craftsmen, foremen, operatives and labourers) and white-collared employees (professional, technical and kindred workers, managers, officials and proprietors, clerical workers and sales workers). However the shape and form of Personnel administrative activity may differ greatly from company to company; and should be designed to fit the individual needs of each organization.
- Second, it is concerned with employees, both as individual as well as a group, the aim being to get better results with their collaboration and active involvement in the organization's activities.
- Third, Personnel Management tries to help the employees in developing their potentialities and capacities to the maximum possible extent, so that they may derive great satisfaction from their job. This task takes into consideration four basic elements namely the capacities, interests, opportunities and personality of the employees;

Since the employee is both a social and economic entity, possessing different characteristics in various work situation; there can be a perfect

adjustment of the worker in his work unit if the worker possesses the exact *capacities* required for the work. The work similarly affords the *opportunity* for exercising these *capacities*, and the worker's *interests* are generally satisfied in the *performance* of his job. However a happy combination of the four elements are seldom achieved in actual practice; and a lack of balance forms one of the major causes of waste in production .The best or ideal Personnel Management, therefore recognizes the individual differences involving these elements and tries to eliminate or reduce them.

- Fourth, since recruitment, selection development and utilization of, and accommodation to people are an integral part of any organized effort, Personnel Management is inherent in all organizations. It is not confined to industry alone rather it is the central pervasive system of all organization.

  Pigors and Myers in these words," Personnel administration permeates all type of functional Management, such as production management, financial management, sales management and research management. It applies in non-industrial organizations, government, non-profit institutions and armed services. Unless these managers themselves expect to perform all the duties for which they are responsible, they have to secure the co-operation of other people within their part of the total organization.In short, every member of the management group,from top to bottom,must be an effective 'Personnel administrator' because he depends on the co-operative efforts of his subordinates".

  As a field of discipline, Personnel Management is faced with many challenging problems centering around social responsibility,work design, staffing, style of leadership and supervision, compensation and appraisal, collective bargaining, organizational development and organizational climate.

- Fifth, Personnel Management is a continuous process. According to George R. Terry: "It cannot be turned on and off like water from a faucet; it cannot be practised only one hour each day or one day a

week. Personnel Management requires a constant alertness and awareness of human relations and their importance in everyday operations".

- Finally , Personnel Management attempts at getting the willing co-operation of the people for the attainment of the desired goals.

Taking the above characteristics into consideration, it may be observed that Personnel Management is an approach; a point of view; a new technique of thinking and a philosophy of Management, which is concerned not only with managing people, but also with solving the human

Problems of an organization intelligently and equitably, and in a manner which ensures that employee's potential is probably developed, that maximum satisfaction is derived by them for their work, that the objectives of the organization are achieved and that good human relations are maintained within the organization.

Personnel Management can be of full value to an organization only when it is consistently thought out and applied at all levels and to all

Management functions; in corporate policies, in the system, procedures and in employment practices etc. This integrative aspect of Personnel Management is therefore is, of vital importance.



CHECK YOUR PROGRESS

Q 1: Define Personnel Management.

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Q.2: Write any three characteristics of Personnel Management.

(i) .....

(ii) .....

(iii) .....

2.5 FUNCTIONS OF PERSONAL MANAGEMENT

On the basis of the various functions which the personnel management generally undertakes, the functional areas of personnel management may be set forth as below:

i. **Organizational planning, Development and task specialization:** "Organizational planning" which is a vital point for the achievement of pre-determined goals that is concerned with the division of all the tasks to be performed into manageable and efficient units (department, division or positions) and with providing for their integration.

   a. A determination of the needs of an organization in terms of a company's short and long-term objectives, utilization of technology for production, deciding the nature of product to be manufactured, keeping in view the external environment and public policy.

   b. The planning, development and designing of an organizational structure through the fixing of the responsibility and authority of the employees for achieving organizational goals.

   c. Developing inter-personal relationship through a division of positions, jobs and tasks.

ii. **Staffing and Employment:** The staffing process is a flow of events which results in a continuous manning of organizational position at all levels- from top management to the operative level .

   This process includes manpower planning, authorization for planning, developing sources of applicants, evaluation of applicants, employment decisions (selection), offers (placement), induction and orientation, transfer ,demotions, promotions and separations (retirement, lay-off, discharge, resignation ,disability and death) etc.

iii. **Training and Development:** It is complex process concerned with increasing the capabilities of individuals and groups so that they may contribute effectively to the attainment of organizational goals.

   Under this area, the training needs of the company are identified, suitable training programs are developed, operatives and executives are identified for training, motivation is provided for joining training programs etc. Moreover developmental activities like employee counseling, programs for managerial, professional and employee development, self-initiated developmental activities during off-hours, reading and participation in the activities of the community etc are also undertaken.

iv. Compensation, Wage and Salary Administration: It is concerned with the process of compensation directed towards remunerating employees for services rendered and motivating them to attain the desired levels of performance. The components of this process are:-

(i) Job evaluation through which the relative worth of a job is determined.

(ii) Developing and operating a suitable wage and salary program taking into consideration certain facts such as the ability of the organization to pay, the cost of living ,the supply and demand of labour, the wage and salary levels in other firms etc.

(iii) Non-monetary incentive compensation plan have to be developed for encouraging the efficiency of the employee.

(iv) Evaluating employee performance at work through a system of performance appraisal with a view to developing a sound system of rewards and punishment and identifying employees eligible for promotion.

(v) Motivating employees by creating condition in which they may get social and psychological satisfaction.

v. Employee services and benefits: These are concerned with the process of sustaining and maintaining the workforce in an organization. They include:

(i) Policies, techniques and procedures for the safety and health of the employees are developed inside the workshop.

(ii) Employee counseling is the process through which employees are given counsel in solving their work problems and their personal problem.

(iii) The medical services include the provision of curative and preventive medical and health improvement facilities for the employees.

(iv) Suitable policies and programs are framed and efforts are made to administer the recreational and welfare facilities which include entertainment services like film shows, sports, housing, educational, transport and canteen facilities etc.

(v) Fringe benefits and supplementary items are made available to the employees.

vi. **Employee Records:** In Employee Records complete and up-to-date information is maintained about employees, so that these records may be utilized, if need be, at the time of making transfer or promotion, giving merit pay, sanctioning leave, termination of services etc.

vii. **Labour or Industrial Relation:** It means the maintenance of healthy and peaceful labour- management relations for smooth running of an organization and it covers the following areas:

(i) Grievance handling policy and procedures

(ii) Rules and regulations for maintenance of discipline and a proper system of reward and punishment in the organization.

(iii) To acquire knowledge and to observe and comply with the labour laws of the country. Collective bargaining, negotiation and administering agreements relating to wages, leave, working conditions and Employee-Employer relationship falls in this area.

viii. **Personnel research and personnel audit:** This area is concerned with:

(i) A systematic inquiry into any aspect of the broad question of how to make more effective an organization's personnel programs – recruitment, selection, development, utilization of and accommodation to human resources;

(ii) Procedure and policies and findings submitted to the top executive;

(iii) Data relating to quality, wages, productivity, grievances, absenteeism ,labour turnover, strikes, lock-outs, accidents etc. which are collected and supplied to the top management so that it may review, alter or improve existing personnel policies, programs and procedures;

(iv) Morale and attitude surveys;



CHECK YOUR PROGRESS

Q 3: What is staffing process?

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Q.4: Define Organizational Planning.

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2.6 DIFFERENCE BETWEEN HUMAN RESOURCE MANAGEMENT AND PERSONNEL MANAGEMENT

We come to know that both human resource management (HRM) and personnel management focus on people management. But there are some differences between the both; this can be stated as below:

Personnel Management	Human Resource Management
1. Personnel management focuses more on individualistic where individual interest is more than group interest.	**1.** HRM focuses more on Unitarist where the word "uni" refers to one and together.
2. The distribution of power in personnel management is centralized, where the top management has full power and authority in decision-making.	**2.** In, HRM the power is decentralized, where the power between top management is shared with middle and lower management groups and the decisions are taken by all levels of management.
3. Personnel management emphasizes on transactional Leadership style.	**3.** HRM believes in transformational leaders.

4. In personnel management, employee's contract of employment is clearly written and employees must observe strictly the agreed employment contract.	**4.** HRM does not focus on one-time life-long contract where working hours and other terms and conditions of employment are seen as less rigid.
5. Pay policies in personnel management is based on skills and knowledge required for the perspective jobs only.	**5.** HRM encourages organizations to look beyond pay for functional duties. Here, the pay is designed to encourage continuous job performance.

2.7 MEANING OF PERSONNEL POLICY

In general, the meaning of policy is a "plan of action" and the plan is the policy. A policy is a plan of action adopted by an individual or social group. A policy can be defined as the statement, where the general guidelines are written related to employees, and which provide guidance to the members of the organisation in respect of any course of action.

Let us discuss the meaning of personnel policy with some of the definition which is as follows:

In the words of Edwin B. Flippo, "A policy is man made rule or predetermined course of action that is established to guide the performance of work towards the organisation. It is a type of standing plan that serves to guide subordinates in the execution of their task"

According to Richard P. Calhoon, "Personnel policies constitute guide to action. They furnish the general standards or basis on which decisions are reached. Their genesis lies in the organization's values philosophy, concept and principles."

2.8 OBJECTIVES OF PERSONNEL POLICY

The following are some of the objectives of personnel policy:

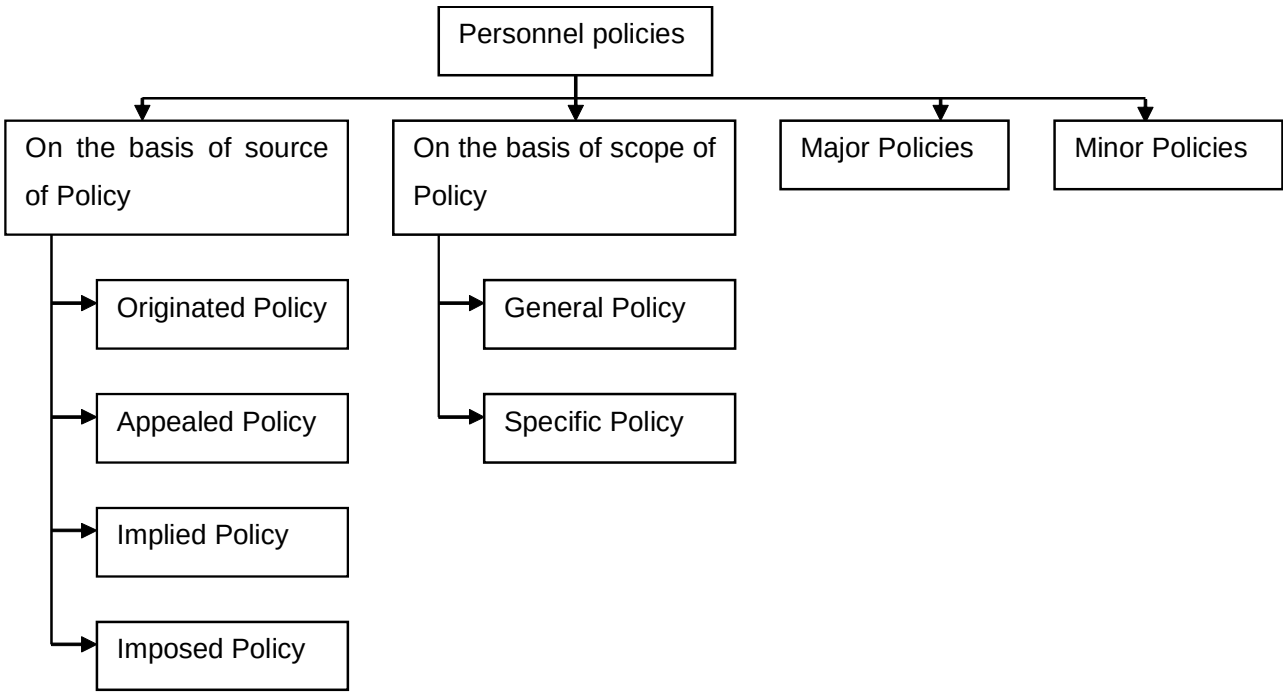
1. **To Achieve the objectives of the organisation:** Polices are guide to action towards the objectives of the organisation so they must be known

to ever concerned person in order to concentrate their efforts towards the objectives.

2. **Maximum use of resource:** One of the objectives of personnel policy is the maximum utilization of resource. Man(human resource) in the organisation are the only factor of production that operates other factors of production.
3. **Better industrial relation:** Personnel policies are made to create good personnel or human relation. Personnel policies help in maintaining good and better industrial relation.
4. **Maximum individual development:** Again, personal policies helps the employees in the organization in development of their carrer through various individual developmental programmes.
5. **Uniformity in decisions:** Personnel polices furnish the general standard or basis on which decisions are reached. Decisions in one organisation are taken by the various line authorities keeping in view the personnel polices and thus uniformity of action is maintained similar cases. There is the least possibility of workers' exploitation through base decisions.

2.9 TYPES OF PERSONNEL POLICIES

The following are the types of personnel policies:



Personnel policies can be classified as:

1. **On the basis of source of Policy:** under the source of policy, the following are the various types of policies:
   - **a. Originated Policy:** This type of policy is made formally by the top level management for their subordinate's action.
   - **b. Appealed Policy:** This policy is developed by the appeal made by the subordinates to its superiors for deciding on some important issue or problem. This kind of policy is originated because the particular issue or problem was not covered in the earlier policy.
   - **c. Implied Policy:** This policy is not formally stated.
   - **d. Imposed Policy:** This policy arises out of some outside forces like government or trade unions etc.
2. **On the basis of scope of policy:** The different types of policies are:
   - **a. General policy:** General policies are formulated at the top level management. This policy is called the general policy because the issues related are not specific in particular.
   - **b. Specific policy:** Specific policy is related to specific issues. There are separate policies for each department, for e.g. separate policies for compensation, collective bargaining etc.
3. **Major Policy:** This policy is generally formulated by the top level mangers or the board of directors. This policy is concerned to the overall objectives and procedure of an organisation. This policy covers every phase of an organisation may it finance, marketing or personnel.
4. **Minor policy:** Minor policy deal with a particular segment of an organisation.



CHECK YOUR PROGRESS

Q 5: State any four objectives of personal policy.

(i) .....

(ii) .....

(iii).....

(iv) .....

Q.6: Outline any two difference between human resource management and Personal Management.

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2.10 LET US SUM UP

- Personnel Management involves procedure and practices through which human resources are managed (i.e. organized and directed) towards the attainment of the individual, social and organizational goals.
- The function of personnel management are:
  - (i) Organizational planning, Development and task specialization
  - (ii) Staffing and Employment
  - (iii) Training and Development
  - (iv) Compensation, Wage and Salary Administration
  - (v) Employee services and benefits
  - (vi) Employee Records
  - (vii) Labour or Industrial Relation
  - (viii) Personnel research and personnel audit
- Personnel policies constitute guide to action.
- We also discussed the difference between personnel management and human resource management.
- Objectives of personnel policy
  - (i) To Achieve the objectives of the organisation
  - (ii) Maximum use of resource
  - (iii) Better industrial relation
  - (iv) Maximum individual development
  - (v) Uniformity in decisions
- Types of personnel policies

(i) On the basis of source of Policy
   a. Originated Policy
   b. Appealed Policy
   c. Implied Policy
   d. Imposed Policy

(ii) On the basis of scope of policy
   a. General policy
   b. Specific policy

(iii) Major Policy

(iv) Minor policy



2.11 FURTHER READING

1. K Aswathappa (2017);*Human Resource Management: Text and Cases*, McGraw Hill Education; Seventh edition
2. Gary Dessler(2011); *Human Resource Management;* 12 Edition Pearson Education; Twelfth edition
3. C.B.Gupta (2017); *Human Resource Management- Text and Cases*; Sultan Chand & Sons, Wiley; Eleventh edition

2.12 ANSWERS TO CHECK YOUR PROGRESS

Ans. to Q.1: Personal Management involves procedure and practices through which human resource are managed attainment of goals.

Ans. to Q.2: (i) Personal Management deals with all levels of personnels.
(ii) Helps in development of the employees.
(iii) It is a continous process.

Ans. to Q.3: Staffing process is the flow of events which results in a continous manning of organizational position at all levels of management.

Ans. to Q.4: Organizational planning is a point for the achievement of predetermined goals that is concerned with decision of all the tasks to be performed into manageable and efficient units.

Ans. to Q.5: (i) Maximum use of resource.

(ii) Uniformity in decisions.

(iii) Better industrial relation.

(iv) Individual Development.

Ans. to Q.6: Human Resource Development is a process of increasing knowledge, Competence, Capacities, intelligence and talents of the members of the organization and the society in general.



2.13 MODEL QUESTIONS

Q.1: What do you mean by Personnel Management

Q.2: Point out the difference between personnel management and human resource management.

Q.3: What are the characteristics and functions of personnel management?

Q.4: Define personnel policy and state its objectives.

Q.5: What are the various types of personnel policies.

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UNIT 3: HUMAN RESOURCE PLANNING

UNIT STRUCTURE

3.1 Learning Objectives

3.2 Introduction

3.3 Nature and importance of Human Resource Planning

- 3.3.1 Definition of Human Resource Planning
- 3.3.2 Application of Human Resource Planning
- 3.3.3 Planning of Human Resource Functions

3.4 Factors affecting Human Resource Planning

3.5 Planning process

3.6 Requisite for successful Human Resource Planning

3.7 Let Us Sum Up

3.8 Further Reading

3.9 Answers to Check Your Progress

3.10 Model Questions

3.1 LEARNING OBJECTIVES

After going through this unit, you will be able to –

- discuss the importance of Human Resource Planning
- outline the factors associated with Human Resource Planning
- describe Planning Process
- discuss the requisite for successful Human Resource Planning

3.2 INTRODUCTION

In this unit, we are going to discuss importance of human resource planning for an organization. The items of HR management are suggested to be planned under human resource planning. We will also come to know about the planning process and its five steps along with the requisites to make the manpower planning an effective one.

3.3 NATURE AND IMPORTANCE OF HUMAN RESOURCE PLANNING

Human resource management is a broad concept. Activities like human resource planning, recruitment, selection, orientation, training, performance appraisal, compensation, and safety etc come under the spectrum of Human Resource Management. Only through a proper human resource planning can ensure the right placing of right people at the right job. Thus it is helpful to achieve the organizational objectives effectively by placing the right people who are competent enough to perform their duties well at the right job.

"Manpower planning" and "human resource planning" is synonymous. Previously the phrase "manpower planning" was widely used. But now it is replaced by the term "human resource planning" which has a broader base than that of manpower planning. Human resource planning determines how an organization should move from its current to the desired position of manpower. In this unit, both the terms have been used synonymously. Planning of human resource is essential for the management of an organization because through it only management can have the right number and the right kind of people for the right job at the right time. Thus human resource planning is a way to achieve both the organizational and individual long-range benefit to the maximum extent.

3.3.1 Definition of Human Resource Planning

There are many definitions about HR planning cited by different management experts. For the purpose of understanding, we shall take the following two definitions:

"Rigorous HR planning links people management to the organization's mission, vision, goals and objectives, as well as its strategic plan and budgetary resources. A key goal of HR planning is to get the right number of people with the right skills, experience and competencies in the right jobs at the right time at the right cost."

The first sentence of this definition indicates the linkage

among human resource, strategic and business planning while the last sentence emphasizes the matter of arrangement and alignment of staff and employees as the goals of human resource planning.

Another simpler definition of human resource planning is:

"The processes by which management ensures that it has the right personnel, who are capable of completing those tasks that help the organization, reach its objectives"

3.3.2 Application of Human Resource Planning

Most of the organisations want to have the particular type of HRP system that is:

- responsive to changes
- easily modifiable and flexible according to the needs
- able to recognise the organisational fluidity around skills
- simple to understand and use
- not too time demanding.

To operate such a system, the organisation needs:

- an appropriate demand forecasting model to find out future manpower needs
- the adequate action plan and strict monitoring of the system
- a comprehensive data of the current employees as well as the external labour market
- an idea about the functioning of the resources of an organisation.

A manager may overlook the promising techniques of HRP, but it will result in an inappropriate decision that is harmful for the organization. Therefore it is advised to the decision makers to step cautiously to make the HRP successful.

3.3.3 Planning of Human Resource Functions

Functions of human resource or how human resource management will be executed are tried to be forecast under human

resource planning programme. Usually, the HR management includes the following items those are suggested to be planned:

(i) recruiting, (ii) selecting, (iii) hiring, (iv) orienting (v) training and retraining, (vi) motivating, (vii) coaching, (viii) mentoring (ix) counseling (x) recognizing achievements (xi) empowering (xii) communicating (xiii) evaluating (xiv) promoting (xv) laying off and (xvi) dismissing.

Thus the HR planning tries to cover the developmental plans executed in these or similar areas.



ACTIVITY 3.1

Visit an organisation of your choice and identify the key human resource function carried out in that organisation.

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3.4 FACTORS AFFECTING HUMAN RESOURCE PLANNING

The three main factors that affect the human resources planning are summarized as follows:-

1. Existing stock of manpower:- The starting point of a human resources planning is to take the account of existing stock of manpower. Thus under this point a detail study is done about the position of total manpower stock by dividing them into certain groups on the basis of criteria like function, occupation, level of skill or qualification etc. Then again after dividing the total manpower into some groups, a detailed statement is be prepared about them considering some more factors like their age, qualification, date of retirement and chances for promotion etc.

In this way, a proper analysis on the existing stock of manpower is done at this point.

2. Wastage:- The next motto of manpower planning is to prevent the wastage. A plan is known as good if it can prevent the possible wastage of manpower

caused by any foreseeable changes in the organization by making an appropriate adjustment in their existing stock. It is necessary to analyze the pattern of work and its related matter properly to find out the causes of manpower wastage, rate of labour turnover and the period of active management. Expansion and modernization of plant, retirement, promotion, transfer and training of workers etc may be the other reasons of manpower wastage. Therefore these factors should be taken into consideration while preparing the human resources planning so that necessary adjustments can be made in it as per the needs.

3. Future manpower requirement:- Having evaluated and analyzed the existing stock of manpower and the reasons for their wastage that may occur due to any foreseeable change in the organization respectively, it becomes easy for one to assess the future requirements of manpower in an industry by taking the account of following factors:-

- future plans of the company,
- governmental plans and programmes,
- employment policy,
- future demand and supply of manpower,
- productivity of labour,
- factors of production and
- replacement needs.

Moreover, one should also consider the changes that may occur in the techniques and methods of production in the near future of time.



CHECK YOUR PROGRESS

Q 1: What is the main goal of HR planning?

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Q 2: State two application of HR planning.

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Q 3: What are the three main factors that affect human resources planning ?

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3.5 PLANNING PROCESS

Human resource planning is considered as one of the most crucial managerial function and has to be executed continuously by the management of an organization. That means human resources planning is a never ending process. According to the Tata Electrical Locomotive Company, HRP embraces organization development, management development, career planning and the succession planning. HRP is a multi-step process and these steps are as follows:-

(A) Deciding goals or objectives;

(B) Estimating future organizational structure and manpower requirements;

(C) Auditing human resource;

(D) Planning job requirements and job description;

(E) Developing a human resource plan;

(A) Objectives of human resources planning:- Human resource planning is taken up to fulfill the goals of an individual, organization and the national goals too. Practically it is found that the main purpose of HRP is to correlate an employee's ability with the requirements of an enterprise by emphasizing more on future needs instead of present arrangements.

The objectives may be of short-term or long-term basis. Objectives to start a new industry, to expand the market, to produce a new product, or to have minority group members eventually in position of middle and upper management cadres are known as long-term objectives.

(B) Estimating future organizational structure and manpower requirements:- The managements must sketch the structure of an organization at a given point of time so that it is possible to estimate the actual number and type of employees needed for the organization. Many

environmental factors like forecast of business, expansion and growth, design and structural changes, management philosophy, government policy, product and human skills mix and competition etc usually affect this process of estimating the number and type of employees required.

Forecasting is the basis of manpower planning. It is necessary for various reasons, such as:-

(i) To predict the eventualities and contingencies of general economic business cycle (such as inflation, wages, prices, costs and raw materials supplies) because these have an influence on the short-range and long-run plans of all organization.

(ii) To do human resources planning in advance to cope with the conditions that may evolve due to the expansion and growth of a business.

(iii) To cope with the changes in management philosophies and leadership styles.

(iv) To bring changes in the skills of workers, as well as in their numbers too due to the introduction of modern technology (such as the introduction of automatic controls, or the mechanization of materials handling functions) in the organization.

(v) To adjust the organizational structure in response to the changes made in the quantity or quality of products or services.

The step that follows the procedure of estimating the future organizational structure is to draw up the manpower requirement for both the existing departments and the new vacancies in the organization. That means, the forecast is done basically to estimate the nature and size of the labour force of an organization and then to collect its requisitions from the different departments like what type and how many numbers of manpower will be required for the particular functional level.

The general rule is that if any vacancy occurs in a department, then it should be informed in writing by the departmental head to the personnel administration department of the organization along with clearly stating the following points:-

- number of vacancies to be filled,
- requirement of personnel according to the nature of job or category
- desired technical qualifications and experience, and

- reasons for acquisition (i.e whether for replacement or addition);
- about the duties, types of jobs, pay scales, age and previous experience etc.

The manager should consider the expected losses that occur through labour turnover by either quits, retirement, death, transfers, promotions, demotions, dismissals, disability, resignations or lay-offs etc while determining the requirements of human resources in the organization.

The quality in a human is developed either through the experience he gains during his job period or through the training he has got. The demand for human resources is influenced by the inclusion of new lines of production and new projects in the organization. The human resources of an organization are not static rather they keep on changing in terms of their present and future sizes. The way to acquire the additional human resources for the organization is to go for new recruitment of personnel, promotions, transfers and demotions. But personnel are also lost through voluntary quits, death, dismissals, terminations and retirements.

Underestimation of the quality and number of employees required will lead to shortfalls in performance, while on the contrary overestimation of it will result in an extra cost to the organization. So, the main dimensions that need to be taken into consideration for manpower planning are as follows:-

(i) The total number of personnel available:- Here a list is prepared about the number of employee on the basis of certain factors such as manual workers (i.e daily-rated, weekly-rated or monthly- rated); clerical employees, managers and other executives; specialists and skilled and unskilled workers; sex-wise distribution etc. These records are kept properly in the personnel administration department of the organization.

(ii) The job description:- Here the detailed description of a job for each position is tried to be provided.

(iii) Job specification:- here the qualities (knowledge, skills, education, experience, and abilities) required for a particular job is given in detail.

(C) Auditing Human Resource:- Once the estimation of future human resource requirement is over, the next step is to determine the present supply

of manpower that can be done with the help following methods:

[i] Skill Inventory: A skills inventory is a compilation of the skills, education and experiences of current employees.

[ii] Organization Chart: An organizational chart is a diagram that shows the structure of an organization as well as the relationships and relative ranks of its positions.

[iii] Manning Table: A manning table is a listing of the positions or number of workers to be used in the operation of a particular machine or process.

[iv] Replacement chart: Replacement charts are a human resource forecasting technique that describes a firm's organization structure in terms of individuals who occupy various managerial and professional positions.

After collecting the facts regarding an employee these are then either kept in a hard file or fed into a computer. These data can also be compiled with the performance ratings and the superior's evaluation about the employee. A format of employee information card is shown below:-

EMPLOYEE INFORMATION CARD
Employee No ..... Address ..... Town .....
Department .....Code ..... Position .....
Date
Employee status ..... Regular/ Part-time
Shift 1/2/3
Marital Status ..... Married/Single/Widowed/Separated/ Divorced
No. of dependent children 1/2/3/4/5
Relatives in company .....Yes/ No.....Who?
Union membership {which one}.....
Experience of skill ..... Clerical/ Mechanical/ Sales/ Supervisory/ Others
Special Training .....Departmental/ On-the-job/ Vestibule
Accidents ..... Loss time {min} ..... Hospitalisation ..... {Yes/ No}
Members of the Credit Union ..... Yes/ No
Absenteeism ..... Days
Date..... Operator .....

It is possible to determine how many people, at what level, in which position and with what kind of experience and training are required to meet the organizational objectives effectively from an "Organization Chart". From both the Organization Charts and Skills Inventories we can determine and evaluate the quantity and quality of present human resources of an organization. They also give us the hints about the following two points by taking the account of an employee's capability, qualifications, experience, skill, knowledge and promotional potentiality:-

- current manpower stock, and
- what is needed to be added to that stock to meet future needs.

In place of these two types of record, an organization may maintain either a "Manning Table" which lists out all the jobs in the unit and the number of workers holding each job or a "Replacement chart", that reflects the present performance of each position holder and the promotional potentiality of possible replacements.

The personnel department can estimate the possible changes that are likely to occur in the present labour force in the next few years, say, 5 years only after determining the position of present manpower.

(D) Job analysis:- Job analysis is a step in which details of training, skills, qualification, abilities, experience and responsibilities etc. needed for a job are recorded. Job descriptions and job specifications are the subsets of Job analysis discussed in details later).

(E) Developing a human resource plan:- The aim of this step is to develop and implement the human resource plan successfully by taking the consideration of sources of labour supply as well as its effective use. Therefore first a decision has to be taken on the recruitment policy of the organization whether the personnel should be promoted through the channels of promotion [in-house] or should be obtained from an outside source. In practice it is found that the best policy is to fill up the higher vacancies through promotion and the lower level positions by recruiting the personnel from labour market.

LET US KNOW



A labour market denotes a geographical area where the activity like recruitment of work force by the employers and seeking of employment by the labour goes on continuously. Here occurs an interaction between the forces of demand and supply. A labour market generally possesses the following characteristics:-

(a) A majority of workers who constitute the labour market are illiterate and ignorant of the available job opportunities. These things have made the labour market highly unstructured and unorganized one.

(b) There you will find a variation in the procedures by which companies recruit workers and the methods by which workers go about getting jobs in the labour market.

(c) There exist a variation in the range of wage rates paid for the same occupation in the labour market due to the prevailing differences in the attitude of management towards wage levels, the employer's ability to pay and the productivity of labour etc.

(d) Labours are usually immobile in nature because of their incomplete or inaccurate knowledge of the job opportunities and the available wages or the lack of job security.

(e) The supply of labour fluctuates as well as influenced under certain conditions of labour market for example the total population of labour market, attractiveness of a job (benefits, services, wage rates, the reputation of a company), extent of unemployment, and the particular skills that are in demand etc.

(f) Now the place of unskilled manual labour is taken by the skilled labour who possesses the scientific knowledge, technical acumen and professional training.

3.6 REQUISITE FOR SUCCESSFUL HUMAN RESOURCE PLANNING

Some of the suggestions for making manpower planning effective are as given below:-

1. Integration with organizational plans:- Human resource planning must be integrated with the organizational plans and objectives to be successful. Moreover there should also a good channel of communication between the organizational planners and the human resource planners to get a successful human resource planning.

2. Period of manpower planning:- The period of planning should have a resemblance with the needs and circumstances of the enterprise. The size and structure of an enterprise as well as the anticipated changes must be taken into consideration while going for manpower planning.

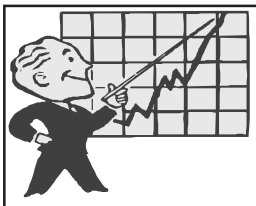
3. Proper organization:- It is necessary to organize the planning function properly in order to make it effective/successful. It is advisable to have a separate cell or constitute a committee within the human resource department in order to provide adequate focus and to coordinate the planning work at various levels.

4. Support of top management:- The top management should give full support and cooperation to make the manpower planning effective. The support of top management facilitates the process of getting necessary resources, cooperation and other things as per requirement to make the planning successful.

5. Involvement of operating executives:- Human resource planning is not a function of manpower planners only but also of the operating executives too. An effective manpower planning highly solicits the active participation and coordination of the operating executives. Such participation is seek to make the process of manpower planning understable to everyone so that chances of resistance can be rooted out in time.

6. Efficient and reliable information system:- An adequate data base must be developed for the human resources of an organization to facilitate the process of human resource planning.

7. Balanced approach:- Both the quantitative and qualitative aspects of manpower should be given equal weightage by the human resource experts. Emphasis should be more on filling the future vacancies with right people rather than matching the existing jobs. The matters of promotions, career planning and development, skill levels, morale etc. should also be given due importance by the planners.



CHECK YOUR PROGRESS

Q4: State true or false for the following statements–

(i) Job description is the qualities required for ajob.

(ii) Organisational chart is a diagram which shows the structure of an organisation.

(iii) Job specification is the detailed description of a job.

(iv) Involvement of operating executive is one of the requisite for successful human resource planning.



3.7 LET US SUM UP

In this unit, we have discussed the following :

Proper HR planning ensures the right number of people with the right skills, experience and competencies in the right jobs at the right time at the right cost.

Human resource planning techniques can be applied to solve the following four key problems.

- Determining the numbers to be employed at a new location
- Retaining the highly skilled staff
- Managing an effective downsizing programme

Aspects that need to be corrected while planning for human resources:

- Recruiting, selecting, hiring, orienting, training and retraining, motivating, coaching, mentoring, counseling, recognizing achievements, empowering, communicating, evaluating, promoting, laying off, dismissing etc.

The multi-step human resource planning process includes :

- Deciding goals or objectives;
- Estimating future organizational structure and manpower requirements;
- Auditing human resource;
- Planning job requirements and job description;
- Developing a human resources plan;



3.8 FURTHER READING

1. K Aswathappa (2017);*Human Resource Management: Text and Cases*, McGraw Hill Education; Seventh edition
2. Gary Dessler(2011); *Human Resource Management;* 12 Edition Pearson Education; Twelfth edition
3. C.B.Gupta (2017); *Human Resource Management- Text and Cases*; Sultan Chand & Sons, Wiley; Eleventh edition



3.9 ANSWERS TO CHECK YOUR PROGRESS

Ans to Q No 1: The goal of HR planning is to get the right number of people with the right skills in the right jobs at the right time and right cost.

Ans to Q No 2: (i) Responsive to change, (ii) Easy to understand and use.

Ans to Q No 3: Existing stock of manpower; 2. Wastage; 3. Future manpower requirement.

Ans to Q No 4: (i) False, (ii) True (iii) False (iv) True

3.10 MODEL QUESTIONS

Q 1: Define human resource planning. Why is it necessary? Discuss the various steps involved in it.

Q 2: Discuss the factors affecting human resource planning.

Q 3: Explain the human resource planning process.

Q 4: What is employee information card? Explain.

Q 5: State the requisites for successful human resource planning.

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UNIT 4: RECRUITMENT AND SELECTION

UNIT STRUCTURE

4.1 Learning Objectives

4.2 Introduction

4.3 Meaning of Recruitment

4.4 Forces influencing Recruitment

4.5 Sources of Recruitment

4.6 Recruitment Process

4.7 Meaning of Selection

4.8 Importance of Selection

4.9 Difference between Recruitment and Selection

4.10 Selection Procedure

4.11 Let Us Sum Up

4.12 Further Reading

4.13 Answers to Check Your Progress

4.14 Model Questions

4.1 LEARNING OBJECTIVES

After going through this unit, you will be able to:

- explain the meaning and nature of recruitment
- outline the forces influencing recruitment
- describe the sources of recruitment and recruitment process
- discuss the meaning and nature of selection
- describe the selection procedure and methods of selection

4.2 INTRODUCTION

In this unit we are going to discuss about recruitment and selection. We know that, any organisation cannot run by its own without any Human Resource. The work of any organisation cannot be done by machines. In fact the machines are run by the humans. So, human resources are the most important resource than any other resources. Other resources need

human resource to run and use them.

There are so many works to be done in an organisation and the organisation should know what skills are needed in an employee to do a certain job. So, there should right person in the right job for the smooth running of the organization. Acquisition of human resource takes place through recruitment and selection. Recruitment is a prior step before selection.

Let's discuss in detail the concepts of recruitment and selection in the following sections.

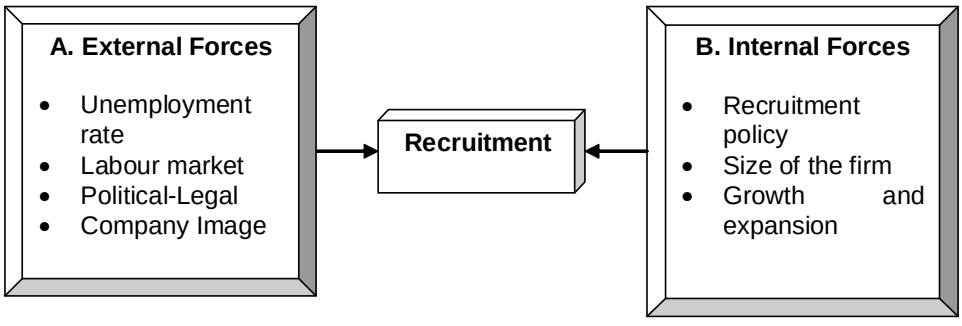
4.3 MEANING OF RECRUITMENT

Recruitment is the first step towards the process of procuring human resource for the organisation. According to Edwin B. Flippo, "Recruitment is the process of searching for prospective employees and stimulating them to apply jobs in the organisation".

So, recruitment is the discovery of efficient and qualified potential employees who may be interested to apply for the organizational vacancies. In simple terms, recruitment is the process of searching and obtaining application for jobs and from whom the potential and right people can be selected.

4.4 FORCES INFLUENCING RECRUITMENT

Recruitment is subject to influence of several factors. There are two sets of factors namely: Internal forces and External forces. They can be discussed as follows:



A. External Forces: The following are some of the external forces that influences recruitment

- **Unemployment Rate:** Recruitment can be influenced by unemployment rate. If the unemployment rate is high, the company's recruitment process becomes simpler. The number of unasked applicants is greater and the company gets better opportunities for attracting qualified applicants.
- **Labour market:** For the recruitment of middle-level management positions, supervisory positions or for non-managerial positions the labour market conditions in the local area are of primary importance.
- **Political - Legal:** Political - legal is one of the main factor that influence recruitment. The reservations of jobs for ST, SC, other backward class (OBC) etc are the political decisions. Preferences are given to the applicants coming from less-advantages section of the society.
- **Company's Image:** Another factor to influence recruitment is the company's image. If a company is a ***'Blue chip'*** company, it will attract a large number of applicants.



Blue chip:
Extremely valuable

B. Internal Forces: The following are some of the internal forces that influences recruitment

- **Recruitment Policy:** One of the important internal forces of recruitment process is the recruitment policy. A firm can recruit internally or externally. Internal recruit means recruitment from own employees and external recruitment is the recruitment from outside the organization. Generally, an organization goes for internal recruitment, because the employees know the company well and is well adjusted to the company's culture. External recruitment helps in bringing new culture to the organization.
- **Size of the firm:** Size is again a factor that influences the recruitment process. The firm with more numbers of employees find it less troublesome to recruit than the firm with a fewer number of employees.

- **Growth and Expansion:** The firm showing growth and expansion will have more recruitments than the firm which are in its diminishing stage.



CHECK YOUR PROGRESS

Q 1: Define Recruitment

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Q 2: Fill in the blanks.

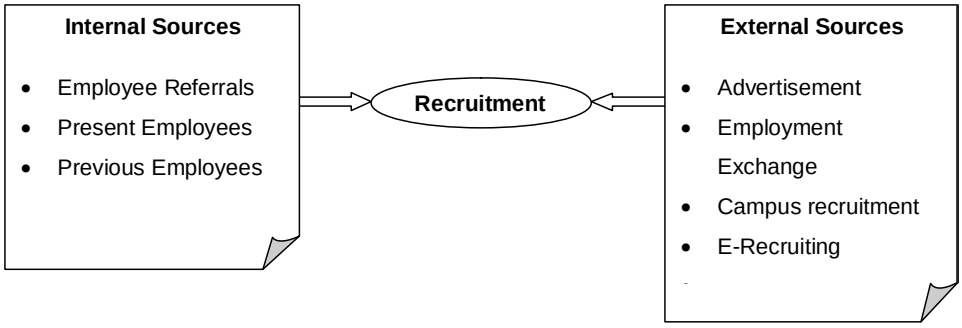
(a) Recruitment is the process of ..... and obtaining application for job.

(b) Unemployment rate and labour market are the ..... forces that influences recruitment.

4.5 SOURCES OF RECRUITMENT

The sources of recruitment can be categorized as:

1. Internal Sources
2. External Sources



A. Internal sources: Internal sources of recruitment helps searching the applications for the vacant position from those who are already working in the organization. Internal sources include employee referrals, present employees, and previous employees.

a. Employee Referrals: Employee referral is one of the sources of internal recruitment. Here, the employees give reference of their friends or relatives who are eligible for the required post of

the company. When the employees give successful referrals, they are paid with monetary incentives which are called "finders fees".

b. **Present Employees:** Present employees are another internal source of recruitment. Promotion and transfer are two good source of recruitment. Promotion means shifting of employees to a higher level of position carrying higher responsibilities, facilities, salaries etc. Transfer is the change in job assignment. It may be a promotion or demotion or no change in terms of status, responsibilities, etc.

c. **Previous Employees:** By previous employees we mean the retired employees or the employees who left jobs for some reason etc. Some retired employees willing to come back and want to work on part time basis in the companies. The employees, who left the company for other job, might come back for higher salary package or compensations.

B. **External sources:** External sources of recruitment are the recruitment of potential applicants from outside the organization. The different types of external sources that we are going to discuss are advertisement, employment exchange, campus recruitment, consultants and e-recruiting.

a. **Advertisement:** Advertisement in the newspapers and other periodical magazines is one of the most important external sources of recruitment. The companies who are in search of employees, advertises in the newspaper about the job, job description, salary, qualification, etc.

b. **Employment exchange:** There is government as well as private employment exchange that provide jobs to the desiring candidates. The main function of the exchange is to notify the vacancies before they are filled. The employment seeker get registered themselves with the employment exchanges.

c. **Campus recruitment:** Campus recruitment is the recruitment of the prospective employees by the companies. Companies

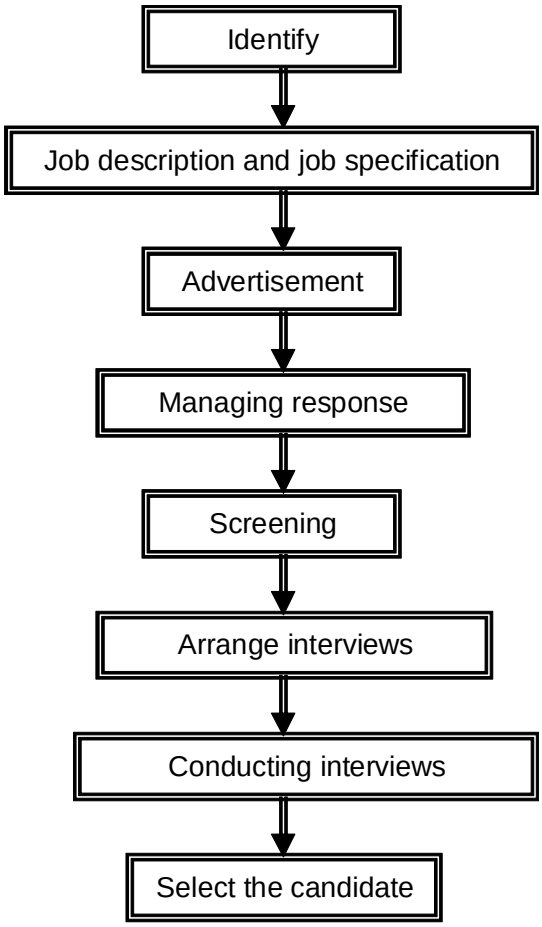
have been using a variety of methods to employ and select personnel to work for them and campus recruitment is one of the newest methods used by most companies today. In campus recruitment, companies / corporate visit some of the most important technical and professional institutes, universities, colleges to hire young intelligent and smart students at source. In campus recruitment process, instead of the job seekers approaching employers, the employers come to the most suitable prospective candidate with a job offer.

d. E-recruiting: e-recruitment is also known as online recruitment. For e.g. Cisco Systems recruits employees only through e-recruiting. E-recruitment has many benefits like the candidate can apply online, reduced cost for traveling distances, administrative workload decreases etc.

4.6 RECRUITMENT PROCESS

Recruitment process is the main and the first step towards creating the competitive strength and the strategic advantage for the organizations. Recruitment process involves a systematic procedure from sourcing the candidates to arranging and conducting the interviews and requires many resources and time. The following is the process of recruitment:

1. Identify vacancy
2. Prepare job description and person specification
3. Advertising the vacancy
4. Managing the response
5. Short-listing
6. Arrange interviews
7. Conducting interview and decision making



1. Identifying the vacancy: The recruitment process begins with the human resource department receiving requisitions for recruitment from any department of the company. These contain:

- Posts to be filled
- Number of persons
- Duties to be performed
- Qualifications required

2. Preparing the job description and job specification: In this step of recruitment process, the preparation of job description is done and then the person specification is detected.

Job description is a written statement that defines the duties and responsibilities relationships and results expected of anyone in the job. It is an overall view of what is to be done in the job. It is an overall view of what is to be done in the job.

Job Specification is an analysis of the kind of person it takes to do

the job, that is to say, it lists the qualifications. Normally, this would include is an analysis of the kind of person it takes to do the job, that is to say, it lists the qualifications. Typically this would include

- Educational Qualification
- Desirable amount of previous experience in similar work
- Specific Skills required

3. Advertising: Locating and developing the sources of required number and type of employees. This can be done through advertising.

4. Arranging the interviews with the selected candidates.

5. Conducting the interview and decision making

6. Short-listing and identifying the prospective employee with required characteristics.

The recruitment process is immediately followed by the selection process i.e. the final interviews and the decision making.



CHECK YOUR PROGRESS

Q 3: What do you mean by e-recruitment.

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Q 4: Fill in the blanks.

(a) Recruitment is a prior step before .....

(b) The two factors that influence recuitment are ..... factor and ..... factor.

(c) Employee referrals and ..... are the two internal succes of recuitment.

(d) ..... is a written statement that defines the duties and responsibilites in the job.

(c) e-recruitment is also known as ..... recuitment.

4.7 MEANING OF SELECTION

From the above sections, we get a fair idea on the concept of recruitment. Selection is a process that comes into action immediate after

So, by recruitment we mean the process of attracting the deserving candidates for a vacant post and by selection we mean choosing the right candidate from the prospective candidates who applied for that vacant post.

Selection is the process of selecting the eligible applicants out of the large number of applicants through different tests. Selection involves rejection of the unsuitable candidates.

The following are some of the definitions of selection:

According to Weihrich and Koontz, "Selecting a manger is choosing from among the candidates who best meets the position requirements".

In the words of Dale Yoder, "Selection is the process in which candidates for employment are divided into two classes -those who are to be offered employment and those who are not.

4.8 IMPORTANCE OF SELECTION

Selection of suitable candidate is very important for the proper functioning of an organization. This can be understood with the help of the following:

1. **Procurement of deserved and qualified candidate:** A proper selection facilitates procurement of qualified and deserved candidate.
2. **Increase in the efficiency:** Selection of qualified and deserved candidate shows higher rate o efficiency.
3. **Job satisfaction:** If the candidate's get jobs of their own choice, this will lead to job satisfaction.
4. **Reduced cost of training and development:** when the qualified and well deserved candidates are selected, they need less training because they have better grasping power.
5. **Suitable work force:** A proper and good selection of candidates leads to a suitable work force, which leads to better working conditions with less turnover and absenteeism.

4.9 DIFFERENCE BETWEEN RECRUITMENT AND SELECTION

The following are the difference between recruitment and selection:

Recruitment	Selection
1. It is the process of searching prospective candidates and motivating them to apply for the job.	1. It is the process of selecting right type of candidate for the job
2. It is a positive process, as it attracts candidates to apply for the post.	2. It is negative process, as it rejects the unsuitable candidates
3. It is relatively a simple process	3. It is a complex process
4. Recruitment is done as an when there are opening or vacancy in an organisation	4. Selection is followed by recruitment.

4.10 SELECTION PROCEDURE

From the above, we got an idea on the meaning and concept of selection. Selection process has two aspects i.e. those who are offered with the job and those who will be rejected. Selection is the process of choosing the qualified and deserved candidate to fill specific jobs in the organisation. It needs to be go through a procedure so that right personnel can be selected. So, now we will be discussing the selection procedure.

The main steps in selection procedure are as follows:

1. Receipt of Application
2. Preliminary interview or screening
3. Application Blank or Application Form
4. Employment test
5. Interviewing
6. Reference Check
7. Medical examination
8. Selection

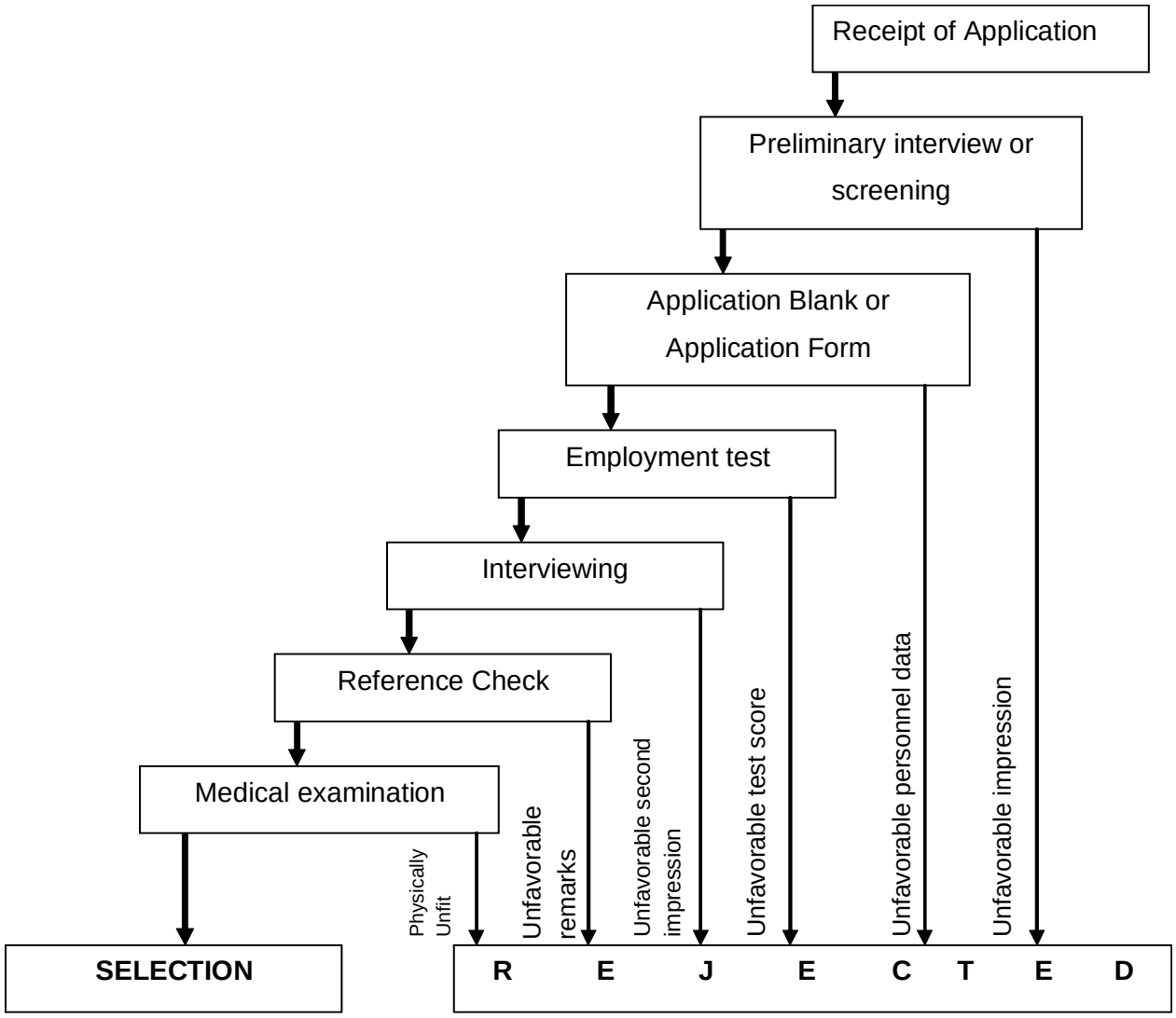


Fig 4.1: Selection Procedure Flow Chart

1. **Receipt of Applications:** in this step the applications are received from the candidates fro the vacant post.
2. **Preliminary interview or screening:** In many organisations, preliminary interview is done in order to choose right candidates. The preliminary interview is generally brief and its main aim is to eliminate the unsuitable candidates.
3. **Application Blank or Application Form:** The candidates who are chosen in the preliminary interview are given with an application blank or form where the data of the candidate is recorded. The application blank is a written record which contains the following information:

a. Identifying information such as name, age, sex, marital status, family background etc

b. Educational information which includes academic career, division obtained in various school and degree level examination etc

c. Information regarding experience such as details of previous job, job responsibilities, designations, salaries etc.

d. Information regarding extracurricular activities, hobbies etc.

4. Employment test: The employment test is used to measure the qualities and abilities of the prospective candidates. This test is used to draw conclusions about the future behaviour or performance of the candidate. The following are some of the employment tests which are used as a selection tool:

a. Intelligence test

b. Personality test

c. Aptitude test

5. Interviewing: After clearing the employment test, the candidates now have to face the next step in selection procedure. For selection of deserved candidate, interview is very important. The main objective of interviewing is

i) to measure the applicant against the specific requirement of the job

ii) to find out the suitability of the candidate

iii) to seek more information about the candidate.

6. Reference Check: Before the final selection, reference check is done of the prospective candidate. The candidate is asked to give the name and address of the former employer and also of two or three persons known to the candidate but not related to him.

7. Medical examination: After clearing the above step, the candidate is asked to go for medical examination. Medical examination is very important because a person with an ill health cannot do his responsibilities efficiently and the money invested by the company on him will go waste. So, the medical examination is very important.

8. Selection: when a candidate overcomes all the above steps of selection procedure, he is then declared selected. The candidate is given with an appointment letter mentioning the terns of employment, salary, incentives, designation etc.



CHECK YOUR PROGRESS

Q 5: Define Selection.

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Q 6: What are the main steps in slection proceduces

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4.11 LET US SUM UP

In this unit we discuss the following :

Recruitment and Selection are very important for proper functioning of an organization. Recruitment is a step before selection. Recruitment helps in attracting candidates. Selection involves selecting the right candidates and rejecting the unfavorable candidates. Recruitment and selection must be conducted through a well defined and well documented procedure. In this unit we have discussed those procedures; in addition we have discussed the various forces that affect the discussion regarding recruitment and selection.



4.12 FURTHER READING

1. P Durai (2016); *Human Resource Management*; Pearson Education India; Second edition

2. C B Mamoria, S V Gankar (2009);*Personnel Management : Text & Case*; Himalaya Publishing House
3. S. Sanghi (2014); *Personnel Management : Text & Case*; Vikas Publishing House

4.13 ANSWERS TO CHECK YOUR PROGRESS

Ans to Q No 1: Recritment is the process of searching for prospective employees and strimulating them to apply for jobs in the organisation.

Ans to Q No 2: (a) searching (b) external

Ans to Q No 3: E-recruitment is the process of personnel recruitment using electronic resources such as the internet.

Ans to Q No 4: (a) selection (b) internal, external (c) present employees (d) job description (e) online recruitment.

Ans to Q No 5: Selection is the process of selecting the eligible applicants out of the large number of applicants through different tests.

Ans to Q No 6: (a) Reciept of Application (b) Screeing (c) Application form (d) Employment test (e) Intervieweing (f) Reference check (g) Medical examination (h) Selection.



4.14 MODEL QUESTIONS

Q 1: What do you mean by recruitment?

Q 2: State the factoes influencing recruitment?

Q 3: Write down the different sources of recuitment and also discuss the recruitment process.

Q 4: Explaing the meaning of selection and its importance.

Q 5: State the difference between selection and recruitment.

Q 6: Explain the selection procedure.

*** ***** ***

UNIT 5: TRAINING AND DEVELOPMENT

UNIT STRUCTURE

5.1 Learning Objectives

5.2 Introduction

5.3 Introduction to Training and Development

- 5.3.1 Meaning of Training
- 5.3.2 Training objectives
- 5.3.3 Importance of Training and Development
- 5.3.4 Career Development

5.4 Methods of training

5.5 Let Us Sum Up

5.6 Further Reading

5.7 Answers to Check Your Progress

5.8 Model Questions

5.1 LEARNING OBJECTIVES

After going through this unit, we will be able to –

- explain meaning and objectives of training
- discuss the importance of training and development in an organization.
- explain methods of training
- discuss the need of aligning employees growth with organizational growth.
- describe Career development.

5.2 INTRODUCTION

In this unit we have discussed the importance of training and development in an organization. Here we will also discuss various aspects related for training and development. Only proper training and development can generate competent people who are essential/valuable to keep an organization ahead of the others that means they can better ensure the

survival of an organization. Thus training and development are started to be considered as an important function of human resource management.

It has become necessary to get the commitment of employees along with the growth in quality movement (concepts of human resource management) in order to achieve the organizational goals successfully. Therefore it has become the duty of the management team of an organization to try hard to make the training programme effective. Training encompasses a multitude of courses through which the skills of employees are tried to be developed. Moreover it is also an important tool to control the attrition rate as it helps in motivating employees, achieving their professional and personal goals, increasing the level of job satisfaction etc.

5.3 INTRODUCTION TO TRAINING AND DEVELOPMENT

The prime focus of all the aspects of human resource development is to create the most superior workforce for the organization who can confer the utmost service to the customers along with accomplishing their own goals side by side. Thus the purpose of human resource development is to help the employees to develop their skills, knowledge and abilities through proper training.

Every organization should try to retain people with the right skills and talent. This is possible only when the organization is ready to invest in employee's future growth and able to show them the path to fulfill their dreams.

Different people may have different views about the career development programme - like for typical employee it is a path of upward mobility, for manager it is a retention and motivational tool while the top management views it as a tool for succession planning. Ultimately it can be concluded with the fact that these efforts bring the high potential candidates into focus who can be groomed for greater responsibility in future.

In nutshell, this unit has included the various aspects of training and development programmes meant for the employees of an organization. These developmental programmes bring up an improvement in the

knowledge, skills and attitudes of employees who then become more valuable for the organization to thrive in this competitive world. To make the employee competent, the organization conduct training programmes for them by using different methods of training that are described in the subsequent part. Now a day, organizations are also giving interest on the career development aspect of the employees.

5.3.1 Meaning of Training

Training is a learning process that encompasses the development of skilled behaviour in the individual. Through this process of training a person is able to acquire knowledge, sharpen his skill, concepts and rules etc along with brining changes in his attitudes and behaviours in order to enhance his performance.

Training is a device to reflect an employee's present position besides comparing this with his future after some point of time. It builds up the confidence of employees about their ability to handle the responsibilities competently.

In general, training helps the employees in following ways:-

- It makes them aware about the ways to reach their destiny.
- It accustoms them the procedures of achieving their desired goals.
- It gives them the knowledge essential to execute their job responsibilities.
- It enables them to develop their skills.
- It helps them to develop the right type of attitudes.

However, to be utmost effective, the training program should be always motivational and engaging in nature.

5.3.2 Training objectives

The first and foremost step needed for making a training programme successful is to set the training objectives effectively. It is possible to develop the clear guidelines for an effective training

programme only when training objectives are based on needs. Training objectives specify the expected result of the training programme and have the great significance to a number of stakeholders, these are:

(i) Trainer

(ii) Trainee

(iii) Designer

(iv) Evaluator

(i) Trainer:- Training objectives are valuable for the trainer as because these are the basis to measure the progress of trainees and make the required adjustments accordingly. Besides it, the trainer is also able to correlate these objectives with the particular segments of training.

(ii) Trainee:- Training objectives sketch an image of the training programme in the mind of trainees that helps in reducing their anxiety to some extent along with increasing their attention for it. It can be commented that training objectives increase the chance/probability of successful completion of the training programme.

(iii) Designer:- Training objectives specify why and how the training programme has to be designed and what is to be achieved in the end of it. The training designer then look for the training methods, training equipment and training content to achieve those objectives and accordingly execute the training.

(iv) Evaluator:- It is known to us that training objectives clear out the expected performances of trainees which in turn help an evaluator to measure the progress and judge the performance of trainees in due course of time.

5.3.3 Importance of Training and Development

The importance of training can be understood with the help of following points:

- **Development of human resources:-** It provides the

opportunity for developing both the technical and behavioural skills in the employees of an organization.

- **Development of skills of employee:-** Besides enhancing the job knowledge and skills of employees at each level, training and development again helps the development of overall personality of employees.
- **Productivity:-** Productivity of employee can be increased by improving the effectiveness of employees with efficient usage of resources.
- **Team spirit:-** Training and development builds up the sense of team work, team spirit and inter-team collaborations among the employees.
- **Organization culture:-** Training and development tries to create a learning environment that facilitates the development and improvement of the organizational health and culture.
- **Organization climate:-** It brings up such a climate in the organization that develops the positive perception and feeling about the organization among the employees. These feelings may be passed to the employees from their leaders, subordinates or peers etc.
- **Quality:-** It is the continuous effort of training and development programme to improve upon the quality of work and work-life.
- **Healthy work-environment:-** Training and development always tries to build up a healthy working environment in the organization where there is a good employee-work relationship. In such an environment it becomes easy to align both the individual and organizational goals effectively.
- **Health and safety:-** Training and development tries to prevent the accident and other situations that may affect the health of employees through their awareness about the health and safety measures adopted by the organization.
- **Morale:-** Morale of the work force can be improved through the process of training and development.

- **Image:-** A better corporate image can be portrayed through the process of training and development.
- **Profitability:-** Training and development tries to build up the positive attitudes of employees towards the profit objective of the organization.

5.3.4 Career Development

The ultimate goal of an employee's growth is his career development. Career of an employee of an organization refers to the specific job that he performs along with the associated responsibilities and activities with the job.

Career planning specifies the guide-line for career development. Thus it is important to have the proper career planning in an organization in order to design an effective career development process for it. Generally career planning is a process whereby an individual sets career goals and identifies the means to achieve them and when the organization intervenes in this planning, it is known as organizational career planning. It means the designing of planned succession of jobs by a firm in order to develop its employees in the right way.

5.4 METHODS OF TRAINING

Basically there are two methods of training:-

(A) Cognitive method, and

(B) Behavioral method.

The aim of both the methods is same, that is, to bring the changes in the attitudes of trainees. It is important for the trainers to understand the pros and cons of each method along with its impact on trainees so that they can design the proper training method for them by considering their background and skills in mind. Besides the two methods there is also another method known as "Management development". The method is more future oriented and more concerned with the education of employees.

(A) COGNITIVE METHOD:- The basic concept of the method is to give theoretical training to the trainees. Through the various methods of cognitive approach, it is tried to present the rules of doing something, written or verbal information and demonstration correlating the different concepts, etc in front of trainees. The methods under cognitive approach intend to bring the changes in knowledge and attitude of trainees by stimulating learning. The various methods that come under Cognitive approach are as follows:

1. LECTURES
2. DEMONSTRATIONS
3. DISCUSSIONS
4. COMPUTER BASED TRAINING (CBT)

1. LECTURES:- Lecture is one of the oldest methods of training and it means telling someone about something. In fact training is incomplete without a lecture session. This method is used with the intention to create understanding about a topic or to influence the behavior and attitudes of trainees.

Main Features of Lecture Method

Some of the main features of lecture method are:

- The lecture method is unable to identify and correct the misunderstandings of trainees
- Less expensive
- A large number of people can be addressed at the same time by using this lecture method
- Knowledge building exercise
- Less effective because lectures keep/make the trainee inactive for long periods of time.

2. DEMONSTRATIONS:- It is a method of visual display that explains/shows how something works or how to do something. Here the trainer shows the trainees the methods of performing or doing the tasks of a job. To make it more effective, the demonstration method should always be accompanied with a session of discussion or lecture.

3. DISCUSSIONS:- The method basically focuses the interactions both among the trainees and between the trainer and trainees though it includes

a session of lecturer to provide the learners a rough idea about training programme. In one sense, we can say that this method is an improved version of lecture method as it facilitates the interaction and communication among the participants.

4. COMPUTER BASED TRAINING (CBT):- The demand of knowledgeable and skilled employees is increasing day by day due to world-wide expansion of companies and changing technologies that in turn has put the pressure on HR department to provide training at lower costs. In view of that many organizations have implemented CBT as an alternative to classroom based training.

Some of the benefits of Computer-Based Training are shown in the diagram:



Though internet is not a method of training, yet a recent survey has revealed that most of the organizations are delivering training to the employees through either internet or intranet. CBT is a gift of advanced electronic technology that does not entail the face-to-face interaction between the trainer and trainees.

(B) BEHAVIORAL METHODS:- The Behavioral approach emphasizes more on giving practical training to the trainees and accordingly the methods under it are designed to give the trainee a chance to behave as they do in the job itself. These methods are best to develop the skills of employees.

The methods that come under Behavioral approach are as follows:

(a) GAMES AND SIMULATIONS

1. BEHAVIOR-MODELING

2. BUSINESS GAMES
3. CASE STUDIES
4. EQUIPMENT STIMULATORS
5. IN-BASKET TECHNIQUE
6. ROLE PLAYS

[A] GAMES AND SIMULATIONS:

Games and simulations are the training methods designed with an intention to reproduce or simulate events, circumstances, processes that may actually take place in the job situation of trainee.

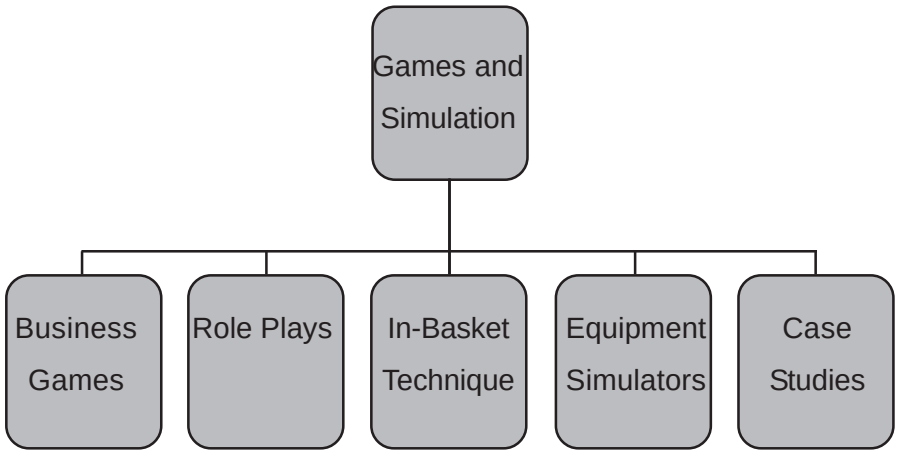
A training Game is a spirited activity or exercise that involves the active participation of trainees through which they compete with each other according to the defined set of rules.

Simulation means the imitation or idea or the opinion about an event that might occur in a real situation. It can entail intricate numerical modeling, role playing without the support of technology or combinations.

Training games and simulations are emerging as an effective tool for training because of its following key components that are quite essential for learning:

- Challenge
- Rules
- Interactivity

Some of the examples of this technique are:



Therefore it is possible to develop knowledge, skills, and attitudes of employees or to find out the concepts that may be useful in improving their

performance through the methods of Games and Simulations because these methods give the trainees an experience of the events, processes or games in a controlled setting.

Procedure of Behavior Modeling Technique

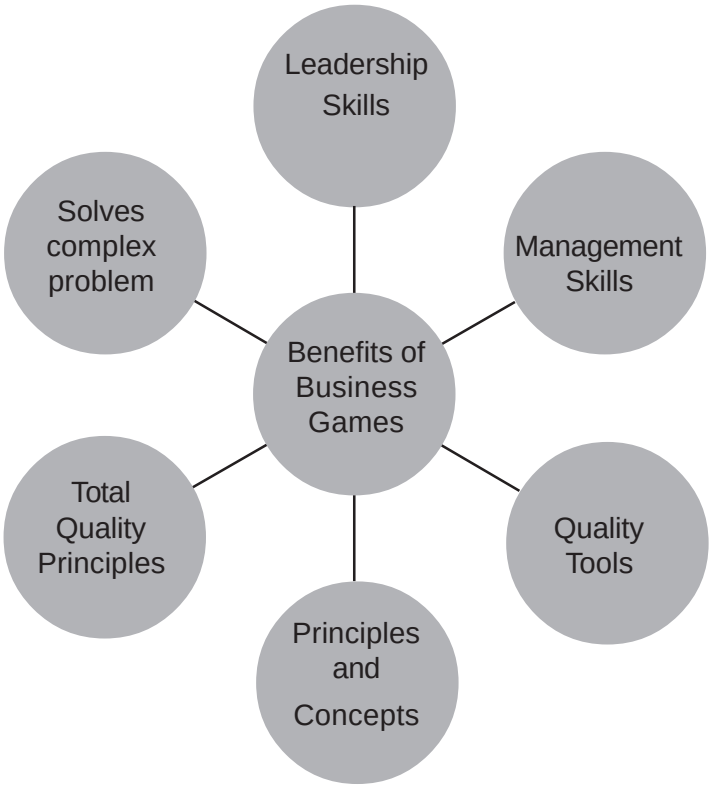
In this method, trainees are shown the videotape of some processes or behaviors that are incorporated along with the games and simulation section because once the trainees see the videotape, they practice the behavior through role plays or other kind of simulation techniques. Behavior modeling that focuses mainly the development of behavioral and interpersonal skills can be used successfully in

- Sales training
- Interviewee training
- Interviewer training
- Safety training
- Interpersonal skills training

2. Business games: The business game method also tries to present the way of functioning of an industry, company, organization, consultancy, or subunit of a company in front of the trainees. Here in this method, trainees are first provided with some information about a particular situation and then they are asked to make decisions that they feel best in the favour of the company. A feedback is then provided to the trainees explaining the impact of their decisions. The same process is repeated again and again until some meaningful results came out.

Some of the benefits of the business games are:

- Development of leadership skills
- Improved application of total quality principles
- It develops skills in using quality tools
- Strengthening of management skills
- Proper demonstration of principles and concepts
- Effective exploration and solution of complex problem



3. Case studies: It is a method that tries to simulate and reflect the decision-making situation in the classroom that the trainees may find in reality being the managers, staff, HR or CEO at their work place. The aim of case study method is to acquaint the trainees with a particular problem rather than finding out the solution for it. Understanding of advantages and disadvantages of such problems is more important than finding out their solutions. Thus it has become the objective of case study method to make the trainees capable of applying known concepts and ideologies and ascertain new ones at the time of handling the work related problems.

Case Study method focuses on:

- Building up of decision making skills
- Assessing and developing Knowledge, Skills and Attitudes (KSAs)
- Development of communication, interpersonal and management skills
- Development of procedural and strategic knowledge

4. Equipment simulation:- Here in this method, some mechanical devices are used that are known as equipment simulators.

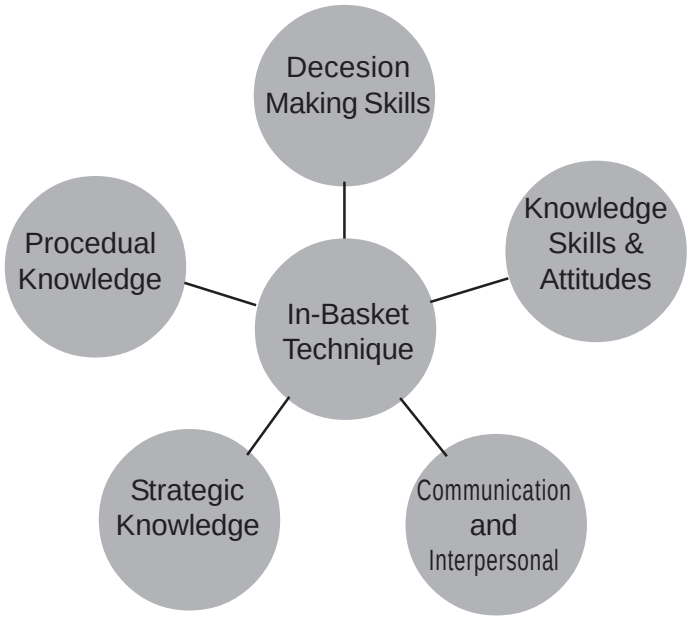
Equipment simulators can be used in giving training to:

- Air Traffic Controllers

- Taxi Drivers
- Telephone Operators
- Ship Navigators
- Maintenance Workers
- Product Development Engineers
- Airline Pilots
- Military Officers

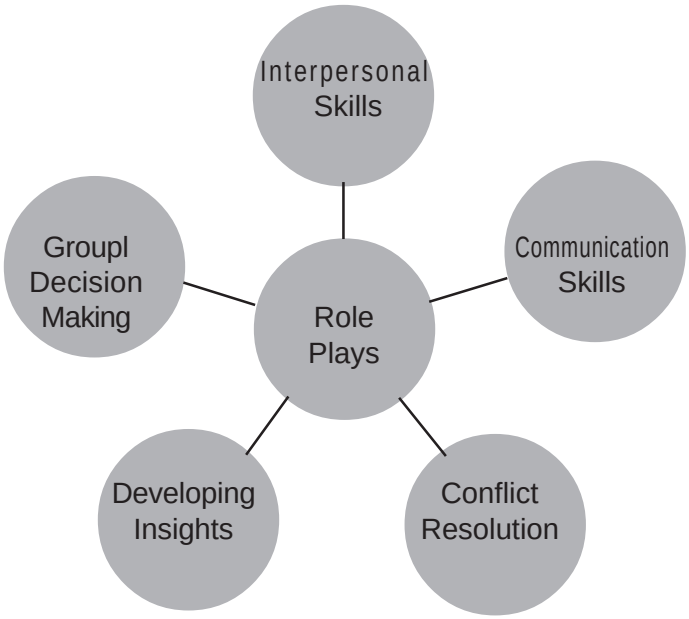
5. In-basket technique: In this method, trainees are provided with a log of written text or information and requests, such as memos, messages, and reports etc to handle so that it helps them in the following ways: -

- Builds up decision making skills
- Assess and develops Knowledge, Skills and Attitudes (KSAs)
- Develops communication and interpersonal skills
- Develops procedural and strategic knowledge



6. Role play training method: In this method of Role play training, each participant is given a role to play that acts as a simulation for him or her. Before playing the role the trainees are provided with some information about it for example description of the role and the concerns, objectives, responsibilities, emotions etc associated with the role. Being familiar with their role, next the participants act out their roles respectively by interacting with each other. Role Playing method is important for

- Improving interpersonal and communication skills
- Resolution of conflict
- Taking decision in group
- Developing insight into one's own behavior and its impact on others



There are various types of role plays, such as:

[i] Multiple Role Play

[ii] Single Role.

[iii] Role Rotation

[iv] Spontaneous Role Play



CHECK YOUR PROGRESS

Q 1: What is training ?

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Q 2: What are the two methods of training?

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.....

Q 3: State any two points indicating importance of training and developments.

.....

.....

MANAGEMENT DEVELOPMENT METHOD- Besides the cognitive and behavioural method, there is another method which is known as management development method. The method emphasizes more on making the employees a better performer by educating them through the process of training.

Management development method is further divided into two parts:

(a) On the job training: The method is based on the fact that it is possible to develop the abilities of an employee in its job place itself. The four techniques for on-the job development are:

1. COACHING
2. MENTORING
3. JOB ROTATION
4. JOB INSTRUCTION TECHNIQUE (JIT)

1. Coaching: In this method gives the employee an opportunity to receive feedback from an expert that helps in identifying their weaknesses and accordingly the way to rectify these.

2. Mentoring: In contrast of Coaching, Mentoring means an ongoing informal relationship that usually develops between a senior and junior employee. That means here the senior performs the role of a guide to his junior employees.

3. Job rotation: Job rotation means the intentional changing of job position of employees within a department, division or organization etc.

4. Job instruction technique (jit): Job Instruction Technique (JIT) uses a strategy with a focus on the development of knowledge (factual and procedural), skills and attitudes of trainees.

(b) OFF THE JOB TRAINING : There are many management development techniques that an employee can take in off the job. The few popular methods are:

1. SENSITIVITY TRAINING
2. TRANSACTIONAL ANALYSIS
3. LECTURES
4. SIMULATION EXERCISES

1. Sensitivity training: In this method it is tried to develop the social

sensitivity and behavioral flexibility in the people so that in return they are able to understand themselves and others reasonably.

2. Transactional analysis: Transactional Analysis provides trainees with a realistic and useful method for analyzing and understanding the behavior of others. Learning from psychology are used in this method by trained experts in order to help the trainees to understand themselves better.

3. Lectures: In this method, the trainer speaks to a group of people about a topic without involving any kind of interaction between him and the trainees.



CHECK YOUR PROGRESS

Q 4: Match the following contents of left side with the right options given in the opposite side.

1. Sensitivity training	(a) off the job training
2. Lectures	
3. Job instruction technique (jit)	
4. Mentoring	
5. Simulation exercises	(b) on the job training
6. Coaching	
7. Job rotation	
8. Transactional analysis	



5.5 LET US SUM UP

In this unit we have discussed training and development of human resources. Training objectives provides the clear guidelines for developing/ designing an effective training programme in the organization as because these objectives are based on needs.

Training and development perform the various functions in an organization like optimum utilization of human resources, increase productivity, build up team spirit and organizational culture etc. There are a

number of training methods available. Each one of them has their own advantage and disadvantage.

Alignment of employee's personal goals with the organizational goals and strategies is a must to create a win-win situation. The absence of alignment and congruence of both the two factors results a haphazard situation that leads to the loss of productivity. Career development is the ultimate goal of growth of an employee which is associated with career and career planning.



5.6 FURTHER READING

1. P Durai (2016); *Human Resource Management*; Pearson Education India; Second edition
2. C B Mamoria, S V Gankar (2009);*Personnel Management : Text & Case*; Himalaya Publishing House
3. S. Sanghi (2014); *Personnel Management : Text & Case*; Vikas Publishing House

5.7 ANSWER TO CHECK YOUR PROGRESS

Ans to Q No 1: Training is a process that helps in improving behaviour.

Ans to Q No 2: Cognitive method and hehavioural method.

Ans to Q No 3: Improvement in quality and productivity.

Ans to Q No 4: (a) off the job training -

1. sensitivity training
8. transactional analysis
2. straight lectures/ lectures
5. simulation exercises

(b) on the job training -

6. coaching

4. mentoring

7. job rotation

3. job instruction technique (jit)



5.8 MODEL QUESTIONS

Q 1: Define the term training and development. Bring out the importance of training and development in an organization.

Q 2: Explain the various methods of training.

Q 3: Define the term career, career planning and career development.

Q 4: Write short notes on

(a) Job rotation, (b) Lecture method of training, (c) On the job training.

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UNIT 6: PERFORMANCE APPRAISAL

UNIT STRUCTURE

6.1 Learning Objectives

6.2 Introduction

6.3 Meaning of Performance Appraisal

6.4 Benefits of Appraisal

6.5 Conflict and Confrontation

6.6 Process of Performance Appraisal

6.7 Methods of Performance Appraisal

6.7.1 Traditional Methods of Performance Appraisal

6.7.2 Modern Methods of Performance Appraisal

6.8 Let Us Sum Up

6.9 Further Reading

6.10 Answers To Check Your Progress

6.11 Model Questions

6.1 LEARNING OBJECTIVES

After going through this unit, you will be able to :

- explain the meaning of Performance Appraisal
- discuss the benefits of Performance Appraisal
- outline the conflict and confrontation related with Performance Appraisal
- describe the process of Performance Appraisal
- discuss methods of Performance Appraisal

6.2 INTRODUCTION

In this unit, we will discuss about the concept of Performace Appraisal and benefits of appraisal, conflict and confrontation related with performance appraisal as well as the common mistakes made in it. You will also come to know about the bias effect of performance appraisal. In the later part, we will go in details through the five steps

of performance appraisal process and the traditional as well as the modern method of performance appraisal.

6.3 MEANING OF PERFORMANCE APPRAISAL

Performance appraisal is a part of career development. Performance appraisal is a process of examining and evaluating an employee's job performance (generally in terms of quality, quantity, cost and time) by comparing it with the preset standards. It then provides feedback to the employee from the results of comparison and points out where improvements are needed and why. Performance appraisal Identifies employee's training and developmental needs and forms a basis for personnel decisions like salary increases, promotions, training, disciplinary actions, etc.

The practice of appraisal is a very ancient art. In the scale of history, performance appraisal may be claimed to be the world's second oldest profession. The history of performance appraisal has its roots in the early 20th century and can be traced back to Taylor's pioneering Time and Motion studies. It is used as a distinct and formal management procedure for evaluating the work performance of an employee. The practice of appraisal really dates from the time of the Second World War - not more than 60 years ago.

6.4 BENEFITS OF APPRAISAL

In the rush and bustle of daily working life, probably the most significant benefit of appraisal is that it urges a supervisor and his subordinate to have a discussion on the important work issues that might not otherwise be addressed. When performance appraisal is conducted properly, it ensures both beneficial and positive experiences to the supervisors and subordinates

Appraisal system is very much valuable to an organization. It offers an opportunity to focus on work activities and goals as well as to identify and correct existing problems. Thus it enhances the performance

of the whole organization and encourages better future performance. The important benefits are explained below:

(a) Motivation and Satisfaction: The profound effect of performance appraisal on employee motivation and satisfaction may be either good or bad. Performance appraisal offers a chance to employees to be recognized for their work efforts.

The genuineness of an organization's interest in its employee's performance and development is reflected through the existence of an appraisal program in there. An individual's sense of worth, commitment and belongingness can be positively influenced only by applying proper performance appraisal system.Performance appraisal considers the strength and prevalence of the natural human desire for individual recognition.

(b) Training and Development: Probably through performance appraisal, both the supervisor and the subordinate gets an excellent opportunity to recognize and agree upon individual training and development needs. It shows the presence or absence of work skills in an employee's work performance

As training and development has a relevant linkage with performance outcomes and future career aspirations, their importance becomes very obvious.

From the organizational point of view as a whole, the consolidated appraisal data depicts a clear picture of the overall demand for training. This data may be analyzed based on different variables such as sex, department, etc.

(c) Recruitment and Induction; The fruitfulness of an organization's recruitment and induction practices can be analyzed form the appraisal data. For example, how well are the employees performing who were hired in the past two years?

Appraisal data can be used to evaluate the effectiveness of changes in recruitment strategies. It is also possible to assess the progress in terms of general quality of the workforce, (whether it

is improving, staying steady, or declining) by comparing the yearly appraisal data.

(d) Employee Evaluation: Evaluation is a legitimate and major objective of performance appraisal even though it is understated or denied very often. Performance appraisal is the process of examining and evaluating the performance of an individual at its most basic level. However, there is a frequent clash for the evaluative and developmental priorities, so, there prevails an ongoing source of tension for this. It is said that appraisal cannot serve the needs of evaluation and development at the same time. But there may be an acceptable and balanced middle ground, where it is possible to serve the needs of evaluation and development at the same time.

6.5 CONFLICT AND CONFRONTATION

Being an appraiser, it is your responsibility to give accurate feedback to the appraisee rather than flattering feedback. The feedback delivering session is always critical. It needs skill and sensitivity to handle the matter.

Everything is good and well if the appraisee accepts the negative feedback without any objection and resolves to improve himself. But the situation may be a reverse one when the negative feedback results in an angry or hurt employee. Then the process of correction fails and the performance of an employee is unlikely to improve and may even deteriorate further.

(a) Self-Auditing: Self-Auditing means self accessing. The term is related with the poor performers of an organization. The aim of this technique is to prove or emerge the evidence of poor performance “naturally” during the course of appraisal interview. This has to be done by asking open-ended question because it provides no limit to the employee in expressing their views. Thus, it encourages the employee to identify their own performance problems.

For example, consider the case of an employee who was absent for too many days. The appraiser may ask the employee the reason of his absence.

An appraiser can feel that he has won half the battle when an employee voluntarily admits his fault. The self-auditing technique was described by Krein[1990] according to whom appraiser should not confront employees directly with criticism. Rather the employee should be encouraged to confront themselves with their own work and performance issues.



Adversarial —

Involving opposition.

Confrontation techniques rely on “charge and counter-charge” process and promote adversarialism and thus subsequently lead to denial and resentment. On the contrary, self-auditing technique is more likely to promote discussion and agreement on the need for change.

(b) Ownership of Problem: The most powerful aspect of the self-auditing process has been noted as the employee’s voluntary admission of their own poor performance. It also facilitates the employee’s willingness to accept personal “ownership” of problems that have been self-identified. This sense of ownership stimulates the pace of change and development in them.

But there are some individuals who refuse to admit a thing that reflects poorly on them. They do not co-operate with the process of self-auditing due to ego. Instead , they resist it very strongly. In such cases, appraisers are left with no other option but to confront the poor performer directly and firmly with the evidence they have.

Sometimes the direct confrontation makes the employees to be shocked and they feel ashamed of their doings. So, they admit the need to make improvements. On the contrary, the problem worsens when the employees disagree to their faults.

In providing any feedback - especially negative feedback - appraisers must be careful about the sentiment of the employee. They must try to support their opinions with specific and clear examples. Use of vague generalized example should be avoided.

The focus should be on job-related behaviours and attitudes. It is better to exclude personal matter or any specific observation that cannot be

supported by clear evidence. Appraisers must carefully scrutinize their own perceptions, motives and prejudices because all these have an impact in the appraisal process.

6.6 PROCESS OF PERFORMANCE APPRAISAL

1. **ESTABLISHING PERFORMANCE STANDARDS**: In this step, first the standards are set up which must be clear, easily understandable and in measurable terms. Then considering the standards as the base, the actual performance of the employees is compared. Here the criteria are set to judge the performance of the employees as successful or unsuccessful and their degrees of contribution to the organizational goals and objectives.
2. **COMMUNICATING THE STANDARDS:** Once the standards are set, it is the responsibility of the management to inform and explain the standards clearly to all the employees of the organization. Then only employees can understand their roles and know what exactly is expected from them. The standards should also be communicated to the appraisers or the evaluators. And at this stage itself, the standards can be modified on demand, according to the relevant feedback from the employees or the evaluators.
3. **MEASURING THE ACTUAL PERFORMANCE**: Probably this is the most difficult part of the Performance appraisal process. Measuring the actual performance of the employees means the work done by the employees during the specified period of time. It is a continuous process which involves monitoring of employee performance throughout the year. The appropriate techniques of measurement should be selected very carefully so that personal bias does not affect the outcome of the process. It should provide assistance rather than interfering in an employee's work.
4. **COMPARING THE ACTUAL WITH THE DESIRED PERFORMANCE**: In this stage, the actual performance is compared with the desired or the standard performance. The comparison tells the deviations in the performance of the employees from the standards set. The

result will show whether the actual performance is more than the desired performance or just opposite of it which depicts a negative deviation in the organizational performance. It includes recalling, evaluating and analysis of data related to the employee's performance.

5. **DISCUSSING RESULTS**: Then the result of the appraisal is communicated and discussed with the employees on one-to-one basis with the aim of problem solving and reaching consensus. The focus of this discussion is on the problems and its possible solutions. The feedback should be given with a positive attitude because this usually has an influence on the employee's future performance. One of the purpose of the meeting is to motivate the employees to perform better.
6. **DECISION MAKING**: In this last step, decisions are taken which may be either to improve the performance of the employees or to adopt the required corrective actions. Decision is also taken on the HR related issues like rewards,training, promotions, demotions, transfers etc.



CHECK YOUR PROGRESS

Q1: Write the steps of Performance Appraisal in sequential order

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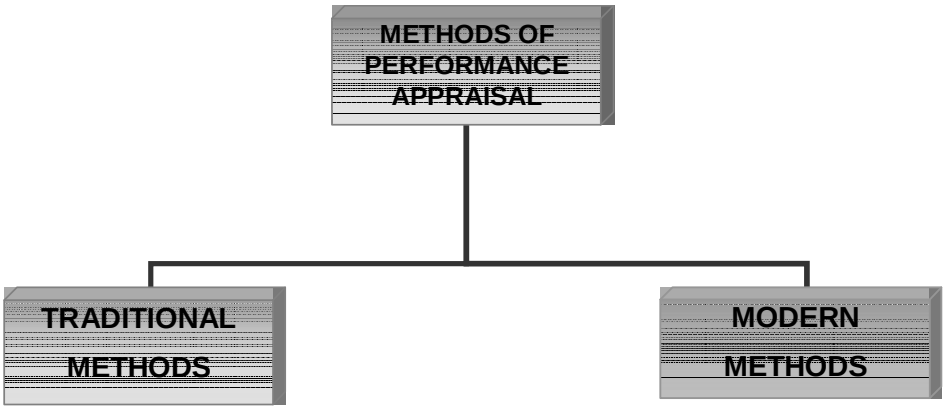
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6.7 METHODS OF PERFORMANCE APPRAISAL

The methods and techniques used for evaluating employee performance can be classified into two broad categories as shown in the following:



6.7.1 Traditional Methods of Performance Appraisal

a. **Confidential Report:** it is a practice followed in most of the government departments and public enterprises where performance appraisal is done through annual confidential reports .The confidential report is based on the performance, ability and character of the employee for a unit of one year. The report is subjective. The credibility of this appraisal method is very low as no feedback is provided to the employee being appraised. The method focuses on evaluation rather than development of the employee. The employee who is appraised never knows his weaknesses and the opportunities available for overcoming these.

b. **Graphic Rating Scale:** in this method, an employee's quality and quantity of work is assessed in a graphical scale. There are different degrees of a particular trait. Here both the personal characteristics and the characteristics related to the on-the-job performance of the employees are taken into consideration. For example a trait like Job Knowledge may be judged on the range of average, above average, outstanding or unsatisfactory. Rating scales are of two types viz. continuous and discontinuous. In continuous scale the degree of a trait are measured in numbers ranging from 0 to 5 whereas in a discrete or discontinuous scale, appropriate boxes or squares are used.

c. **Straight Ranking Method**: it is one of the oldest and simplest techniques of performance appraisal . Here the appraiser ranks the employees from the best to the poorest on the basis of their overall performance. A list is then prepared for ranking the workers in order of their performance on the job, keeping the excellent employee at the top while the poor one at the bottom. It is quite useful for a comparative evaluation. It compares all the employees in any single rating group regardless of the types of work they do. Though the method is suitable in a small organization with less number of employees, yet it is difficult to compare the persons having different qualities, attitudes etc as a whole. This method only tells us the standing of various persons like 1,2,3,4..... and so on, but not the actual difference among them ,that means, how much the person at number 1 is better than that at number 2.

d. **Paired Comparison**: in this method, each employee is compared trait-wise with all others in the group, one at a time. Here, the number of times one person is compared with others is tallied on a piece of paper .These numbers help in yielding rank orders of employees .For example, if there are five persons to be compared, A's performance is first compared with that of B to find out who has better performance, then A is compared with C,D and E respectively and performance is recorded .Then B is compared to C,D and E, since he has already been compared with A. In turn C is compared with D and E and so on. Then, the results of these comparisons are tabulated and a rank is assigned to each employee. This method is suitable in a small organization where number of employee is less.

e. **Grading System:** On the basis of certain features like analytical ability, cooperativeness, dependability, job-knowledge

etc. are selected for evaluation in this system. The employees are given grades according to the judgment of the rater. For example, the grades may be such as:

A= Outstanding

B= Very Good

C= Satisfactory

D= Average

E= Below average

The actual performance of every employee is rated with various grades in mind.

f. Forced Distribution: forced distribution method is used to eliminate the element of bias from the rater's ratings. Here, the evaluator uses to distribute the employees in some fixed categories of ratings like on a normal distribution curve. The rater places these categories on the appropriate fits based on his own discretion. Though the employees are placed in a certain category yet they are not ranked within a category. The assumption of this method that all groups of employees have the same distribution of good and poor performance is not exempted from the question. There is no explanation for placing an employee in a particular category .Moreover no specific job related criteria is used for ratings. Forced distribution of rankings is feasible for a large group of employees.

g. Checklist Method: the rater is given a checklist which contains a list of statements, based on which the rater describes the job performance of the employees. The statements in the checklist describe the behaviour of the employees on job. Then each statement is checked by the rater to indicate whether the behaviour of an employee is positive or negative. Ultimately, the performance of the employee is rated based on the numbers of positive checks. There are three types of check lists that can be used:

(1) Simple checklist

(2) Weighted checklist

(3) Forced choice checklist

(1) Simple Checklist:- Under this method, only double barrel questions are put in the checklist and so the supervisor has to answer it either as yes or no. After filling these questions the checklists are sent to personnel department where final rating is done. The questions in the form may be weighed equally or certain questions may be given more weightage than others.In this method, there may also be the supervisory bias because he can distinguish between positive and negative questions. Moreover it is impossible to put all the necessary questions in the check list considering its length.

(2) Weighted Checklist:- This method is also used to avoid personal prejudices. In this method, depending on the relative importance, weights are assigned to different statements in the checklist which is as follows:-

Traits	Weights	Performance Scale Ratings(1-5)
1. Regularity	0.5	
2. Dependability	1.0	
3. Loyalty	2.0	
4. Leadership potential	1.5	

This method is a very lengthy, time consuming and relatively costly affair.

(3) Forced Choice Checklist:- In this checklist, five statements are given for each trait. Out of these statements, two are the most descriptive type while the other two are the least descriptive statements with one neutral statement. The aim is to minimize the rater's personal bias. A specimen of forced checklist is as follows:

For example, Statement no.(5) Regularity of the employee.

Options are (i) Always regular.

(ii) Informs in advance for absence or delay.

(iii) Never regular.

(iv) Remains absent without prior notice.

(v) Neither regular nor irregular.

The method is expensive, lengthy and time consuming. But it has greater objectivity than the other methods. The supervisor get no chance to discuss the rating with subordinates because these items are scored by the personnel department.

h. Critical Incidents Methods: In this method of performance appraisal, the evaluator rates the employee on the basis of their behaviour at the time of critical events that occur during the course of work. The assumption made in this method is that the performance of the employee on the happening of critical incidents determines his failure or success. Examples of critical events are:-

(a) Refused to accept instructions even when these were clear.

(b) Increased his efficiency despite resentment from other workers.

Critical incident method has both negative and positive point. It provides an objective basis to discuss an employee's performance. Here the evaluation is based on employee's actual job behaviour. Finally, this method is considered to improve the employee performance because they learn precisely what is expected of them.

i. Free Essay Appraisal Method ("free Form method"): This is a traditional, non-quantitative form of appraisal and involves a description of the performance of an employee by his superior. The description is an evaluation of the performance of an individual and often based on the facts, examples and evidences that support the information. The supervisor should have a continuous watch on the subordinates and write his assessment in the report .While preparing an essay on the employee, the rater generally considers the following factors:

(I) Job knowledge of the employee

(ii) Employee's relation with co-workers and supervisors
(iii) Employee's traits and attitudes
(iv) Employee's understanding of the company's programmes, policies, objectives etc.
(v) Development needs for future etc.

The essay method not only suffer from personal bias but also from human bias because here comes the liking or disliking of a subordinate by the supervisor. The another drawback is that an appraiser may be unable to express his judgment in appropriate words limiting the utility of appraisal report. Moreover, a busy appraiser may be too hurry to write the essay .So, the actual performance of employee may not be reflected properly. The appraiser may take lots of time in preparing the essay. So, the method becomes uneconomical from the time factor point of view.

j. Group Appraisal: under the group appraisal method, employees are rated by a group of people known as appraisal group. The appraisal group consists of a supervisor and three or four other persons who have some knowledge on the employee performance .The supervisor explain the nature of his subordinate's duties to the group members. Then the group discusses the standard performance for that job and compares it with the actual performance of the employee and offers suggestions for future improvements, if required. This method is devoid of personal bias because appraisal result is given taking the consents of multiple judges. Moreover, it is a very thorough and simple method. The only drawback is that this method is very time consuming.

k. Field Review: in this method, there is a session of discussions and interviews between a senior member of the HR department or a training officer and the line supervisors to evaluate and rate their respective subordinates. The interviewer questions the supervisor about the requirement of each job in his unit and enquires whether the performance

of each man in his job is satisfactory or not. Thus, the expert gathers all the important information on each employee from the supervisor and takes notes in his note book .There is no rating form with factors or degree, but overall ratings are obtained. Here the performance of employees is usually categorised as outstanding, satisfactory and unsatisfactory.

The success of this method depends upon the competence of the interviewer. When this method is used, the supervisors get rid of the tedious writing work of filling in appraisals forms as here questions are asked and answered verbally. Personal bias of supervisor is likely to minimise in this method because the process is largely controlled by the personnel department.

This method requires lots of time and keeps two managerial personnel busy with the appraisal system

l. **Nominations:** In this method, appraisers are asked to identify the exceptionally good and exceptionally poor performers and they are then singled out for special treatment.

k. **Work Sample Test:** In this method, from time to time, employees are given some work related tests to work out which are then evaluated to judge them.



CHECK YOUR PROGRESS

Q2: Define Simple Checklist Method of performance appraisal.

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Q3: What is critical Incident method of performance appraisal.

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6.7.2 Modern Methods of Performance Appraisals



Akin —

Similar or relatedin quality or character

i. **Assessment Centres:** In this method, the competency of an employee is assessed to take higher responsibilities in the future. Generally, employees are given an assignment akin to the job they are expected to perform, if promoted. Then their performance on the assigned jobs are observed and evaluated by a team of trained evaluators limiting the rater's personal bias.

Interpersonal skills, intellectual capability, planning and organizing capabilities, motivation, career orientation etc are the major competencies of an employee that are judged in assessment centre method. This method also determines the training and development needs of the targeted employees as well as provides the necessary data for human resource planning.

Drawback of this method is that the candidates may feel demoralized on receiving a negative report from the evaluators. There creates an environment of strong and unhealthy competition among the employees due to the assessment centre method. It is impossible to conduct the tests frequently and there is a possibility of over emphasizing the test performance.

Effectiveness of this method can be increased by –

[a] stating the goals clearly,

[b] obtaining the top management support,

[c] conducting job analysis,

[d] imparting proper training to the evaluators; and

[e] periodically evaluating and revising the assessment programme.

ii. **Management By Objectives**: The concept of 'Management by Objectives' (MBO) was first given by Peter Drucker in 1954. It is a process where the subordinates and their

superiors come together to identify and set the common goals to be achieved and the standards to be taken as the criteria for measurement of their performance and contribution as well as to decide the course of action to be followed.

Participative goal setting, choosing course of actions and decision making are the essence of MBO. In MBO process, employee's actual performance is measured and compared with the set standards. There is found more eagerness to fulfill their responsibilities when the employees themselves have been involved with the goal setting and choosing of the course of action process to be followed by them.

Unique Features and advantages of Mob : The principle behind Management by Objectives (MBO) is to create empowered employees who have a clear knowledge of their roles and responsibilities and understand the objectives to be achieved. Thus this method helps in achieving the organizational as well as personal goals. Some of the important features and advantages of MBO are:

Clarity of goals – With MBO, came the concept of **SMART** goals i.e. goals that are:

- **Specific**
- **Measurable**
- **Achievable**
- **Realistic, and**
- **Time bound**

The goals thus set are clear, motivating and have a linkage with the performance targets of the employees. Here the future is focused rather than the past. Goals and standards are set to measure the performance in future with periodic reviews and feedback. Employees are tried to be motivated so that they give their full co-operation in the whole process of goal setting. Increasing employee empowerment dedicates to the employee

job satisfaction and commitment. There is a better communication and coordination with frequent reviews and interactions between superiors and subordinates in MBO which maintains a harmonious relationship within the enterprise and solve many problems faced during the period.

However the term, MBO almost always refers to a comprehensive, organization wise goal setting and appraisal programme that consists of the following steps:

(a) Set the organization's goal: Here an organization wise plan is established for next year and thus goals are set to make the plan successful.

(b) Set departmental goals: In this step, departmental heads and their superiors jointly set their departmental goals.

(c) Discuss departmental goals: Departmental heads discuss the departmental goals with all the subordinates in the department and ask them to develop their own individual goals. In other words, every employee is involved in deciding his contribution to the department's in attaining its goals.

(d) Define expected results (set individual goals): In this step, department heads and their subordinates set short term performance targets.

(e) Performance reviews: In this step, results are measured. Department heads compare the performance of each employee with the expected result.

(f) Provide feed back: Department heads hold periodic performance review meetings with subordinates to discuss and evaluate the progress of them in achieving the expected results.

This approach is considerably superior to the traditional approach of performance appraisal. It is a self appraising as well as problem solving approach and emphasizes the training and development needs of individuals.

Some of the limitations of MBO method is as follows:

(a) This method is unsuitable where the subordinates can not set their own goals. This problem is usually happens with the blue collar workers because they often unable to do so.

(b) The method is appropriate for the appraisal of executives and supervisory personnel who have a good command over goal setting and so, they can understand it in a better way.

(c) MBO programme requires a considerable time, energy and expenditure for its success.

(d) There may arise some conflicts while setting the objectives because when management pushes for higher quotes, then subordinates push for lower ones.

(e) Rating of every employee is based on the specific target sets for each of them. So, it makes the ratings difficult to compare with.

iii. Human Resource Accounting Method: It is known to everyone that human resources are the most valuable assets for every organization. So, in this method, it is tried to find the relative worth of these assets in the terms of money. Here, the performance of employees is judged by comparing the cost (like their compensation, recruitment and selection costs, induction and training costs etc) incurred on them and the contribution that the employees made in terms of the total value added (in monetary terms). In simple language, this method tries to reflect the value of a firm's internal human resources and its external customer goodwill in terms of money value. The difference between the cost and the contribution tells us about the performance of employees. It is an ideal situation when the contribution of the employees is greater than the cost incurred on them.

This method is still in infancy stage and is therefore, not very popular at present.

iv. **Behaviorally Anchored Rating Scales (BARS):** Behaviorally Anchored Rating Scales (BARS) is a relatively new technique. It combines both the graphic rating scale and critical incidents method. It consists of predetermined critical areas of job performance or sets of behavioral statements which are developed from critical incidents and describe important job performance qualities as good or bad (for eg. the qualities like inter-personal relationships, adaptability and reliability, job knowledge etc). In this method, an employee's actual job behaviour is measured with the desired behaviour by comparing the behaviour with BARS.

BARS typically requires five steps:-

(a) Generate critical incidents:- Persons who know the job being appraised (i.e job holder and/or supervisors) are asked to describe specific illustrations (critical incidents) of effective and ineffective performance.

(b) Develop performance dimension:- These people then cluster the incidents into a smaller set of performance dimensions (say 5 or 10).Each cluster (dimension) such as 'conscientiousness' is thus defined.

(c) Reallocate incidents:- Another group of people who also know the job then reallocate the original critical incidents. They are given the cluster's definitions and the critical incidents and are asked to reassign each incident to the cluster they think it fits best.

(d) Scale the incidents:- The second group is generally asked to rate the behaviour described in the incident as to how effectively or ineffectively it represents performance on the appropriate dimension (seven or nine point scales are typical)

(e) Develop final instrument:- A subset of the incidents (usually six or seven per cluster) is used as behavioural anchors for each dimension.

v. 360 degree performance appraisals: 360 degree feedback, also known as 'multi-rater feedback', is the most comprehensive appraisal method where the feedback about the employee's performance comes from all the sources ,that means, his/her peers, managers (i.e. superior), subordinates, team members, customers, suppliers/ vendors - anyone who come in contact with him on his job and can provide valuable insights and information or feedback regarding the "on-the-job" performance of the employee. But these respondents should assess the performance of the employee without bias.

360 degree appraisal has four integral components:

1. Self appraisal
2. Superior's appraisal
3. Subordinate's appraisal
4. Peer appraisal

Self assessment is an indispensable part of 360 degree appraisals. This method has a high degree of employee involvement and also has the strongest impact on their behavior and performance. This appraisal method is effective in identifying and measuring certain skills of an employee like interpersonal skills, customer satisfaction and team building skills etc. This credible method provides a "360-degree review" of the employee's performance. Moreover, an employee gets a chance to look at his/her strengths and weaknesses, his achievements, and can judge his own performance through self appraisal.

There is a traditional part in 360 degree appraisal method in the form of superior's appraisal where the employee's responsibilities and actual performance is rated by the superior.

Certain parameters of the employee like communication and motivating abilities, ability to delegate the work, leadership qualities etc. can be judged from the subordinates' appraisal. If the correct

feedbacks are provided by peers [also known as internal customers], then it can help in measuring the employee's abilities to work in a team, co-operation and sensitivity towards others.

360 degree appraisal is also a powerful developmental tool. When conducted at regular intervals (say yearly), it helps to keep a record of the changing perceptions of other's about the employee's performance. The method is more suitable for the managers as it helps them to assess their leadership quality and managing style by knowing other's perceptions about them. This technique is being effectively used in some of the organizations like Wipro, Infosys, and Reliance Industries etc for performance appraisals. This method also has some limitation. Receiving feed back on performance from multiple sources may be an intimidating situation. Further, the organization has to devote a long time in selecting the rater, designing questionnaires and analyzing the data which is not justifiable in this busy working environment. In addition, multiple raters are less likely to provide a balanced and objective feed back than the supervisors who are sought to be replaced. Personal differences and biases may also be the limiting factors in this method.



CHECK YOUR PROGRESS

Q.4: Define Management by Objectives.

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6.8 LET US SUM UP

After going through this unit, we have learnt the meaning of performance appraisal. Then we have learnt the benefits, conflict and confrontations

associated with performance appraisal. The methods of performance appraisal includes –

(a) Traditional Methods

(I) Confidential Report

(II) Graphic Scales

(III) Straight Ranking

(IV) Paired Comparisons

(V) Grading System

(VI) Forced Distribution

(VII) Check List Method

(VIII) Critical Incident Method

(IX) Free Essay Method

(X) Group Appraisal

(XI) Field Review

(XII)Nominations

(XIII) Work Sample Tests

(b) Modern Methods

(I) Assessment Centre

(II) Management By Objectives

(III) Human Resource Accounting

(IV) Behaviourally Anchored Rating Scales

(V) 360 Degree Performance Appraisal



6.9 FURTHER READING

1. C B Mamoria, S V Gankar (2009);*Personnel Management : Text & Case*; Himalaya Publishing House
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6.10 ANSWERS TO CHECK YOUR PROGRESS

Ans. to Q.1:

a. Establishing Performance Standards

b. Communicating the Standards

c. Measuring the Actual Performance

d. Comparing the Actual with the Desired Performance

e. Discussing Results

f. Decision Making

Ans. to Q.2: The Checklist method is a behaviorally based approach to performance appraisal that requires retues to observe ratus behavior and record performance related judgements about these behaviors.

Ans. to Q.3: In this method, the evaluater rates the employee on the basis of their behaviour at the time of critical events that occur during the course of work.

Ans. to Q.4: MBO is a process where the subordinates and their supereors come together to identify and set the common goals to be achieved and the standards to be taken as the criteria for measurement of their performamnce and contribution.

6.11 MODEL QUESTIONS

Q.1: Explain the importance of Performance Appraisal in human resource management.

Q.2: Briefly discuss the various methods of Performance Appraisal.

Q.3: Discuss the problems in Performance Appraisal. How can performance appraisals be made more effective?

Q.4: Write short note on :

(i) Graphic rating scale

(ii) Check list method

(iii) Management by Objectives

(iv) 360 degree performance appraisal

(v) Self Auditing

(vi) Human Resource Accounting



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UNIT 7: WAGES AND SALARY ADMINISTRATION AND COMPENSATION MANAGEMENT

UNIT STRUCTURE

7.1 Learning Objectives

7.2 Introduction

7.3 Concept of Wages and Compensation

7.4 Wage determination process

7.5 Concept of Compensation Management

7.6 Types of Compensation

- 7.6.1 Direct Compensation
- 7.6.2 Indirect Compensation

7.7 Executive Remuneration Compensation Plan

- 7.7.1 Special Features of Executive Remuneration
- 7.7.2 Components of Executive Remuneration
- 7.7.3 Executive Remuneration in Indian Industries

7.8 Let Us Sum Up

7.9 Further Reading

7.10 Answers to Check Your Progress

7.11 Model Questions

7.1 LEARNING OBJECTIVES

After going through this unit, you will be able to:

- know the concept of wages
- describe the wage determination process
- know wage payment procedure
- discuss the types of wages
- discuss the concept of Compensation Management
- describe the types of Compensation
- discuss the executive Remuneration Compensation Plan

7.2 INTRODUCTION

This unit starts with the discussion on the concepts of wages, then the different theories of wage payments and wage determination process are described elaborately.

At the end of this unit you will get to know about what the compensation management is and why it has got immense important in the era of globalization. Here, you will come to know about two types of Compensation --- Direct and Indirect Compensation

We will also go through the contents of executive remuneration and compensation plan; it also reveals the executive remuneration scenario in Indian Industries.

7.3 CONCEPT OF WAGES AND COMPENSATION

'Wage and Salary Administration' refers to the establishment and implementation of sound policies and practices of employee compensation. The basic purpose of wage and salary administration is to establish and maintain an equitable wage and salary structure. Wages and salaries are often one of the largest components of cost of production and such have serious implications for growth and profitability of the company. On the other hand, they are the only source of workers' income.

After independence and particularly after 1948, some new terms relating to wages began to be used mainly for introduction of new legislations. Some of these terms are:

1. Statutory Minimum Wages
2. Basic Minimum Wages
3. Minimum Wages
4. Fair Wages
5. Living Wages
6. Need Bases Wages

1. Statutory Minimum Wages: By statutory minimum wages, we mean that minimum amount of wages which should essentially be given to the workers as per provisions of the Minimum Wages Act, 1948.

2. **Basic Minimum Wages:** This minimum wage is fixed through judicial pronouncement, awards, industrial tribunals and labour. The employers are essentially to give this minimum wage to the workers.

3. **Minimum Wages:** The concept of minimum wages has developed due to different standards in different countries. In Indiac reference, minimum wage means the minimum amount which an employer thinks necessary for the ***sustenance*** of life and preservation of the efficiency of the worker. According to Fair Wage Committee, the minimum wages must also provide for some measures of education- medical requirements and amenities.



Sustenance : The financial means whereby one lives

4. **Fair Wages:** In order to bring about improved relations between labour and management an effort has been made in modern times that the labour gets a fair deal at the hands of owners and managers of industries. Various proposals were undertaken at the Industries Conference in 1947 and a resolution known as the Industrial Truce Resolution was passed. It provided for the payment of fair wages to labour. The Government of India appointed a Fair Wages committee in 1948 to determine the principles on which fair wages should be based and to suggest the lines on which those principles should be applied. According to the report oh this Committee, Fair Wages is that wages which the labourer gets for his work just near to minimum wages and living wages. Generally, the current rate of wages being paid in the enterprise are known as fair wages.

5. **Living Wages:** According to Fair Wage Committee Report, "The living wage should enable the male earner to provide for himself and his family not merely the bare essentials of food, clothing and shelter, but also a measure of ***frugal*** comfort including education for children, protection against ill health, requirements of essential social needs and a measure of insurance against the more important misfortunes including old age." According to the Committee on Fair Wages, the living wages represent the highest level of the wages and include all amenities which a citizen living in a modern civilized society is to expect when the economy of the country is sufficiently advanced and the



Frugal: Avoiding waste

employer is able to meet the expanding aspirations of his workers. The Living Wage should be fixed keeping in view the National income and the capacity of the industry to pay.

6. Need Based Wages: The Indian Labour Conference at its 15th session held at New Delhi in July, 1957 suggested that minimum wage fixation should be need based. Following were the important points of the Resolution of the Conference.

a) The standard working class family should include three consumption units for the one earner.

b) Calculation of minimum food requirements should be made on the basis of the recommendation of Dr. Aykoroyed i.e. 27000 calories for an average Indian adult.

c) Calculation of cloth should be made @ 18 yards annually for one member. As such, a family consisting of four members will require 72 yards of cloth.

d) The workers of cloth get minimum rent as per guidelines fixed by the government in the industrial housing policy.

e) Expenses for fuel, light and so on should be equal to 20% of the entire minimum wages.



CHECK YOUR PROGRESS

Q 1: What do you understand by wage

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Q. 2: Fill in the blanks.

a. The statutory minimum wages in the ..... amount of wage given to the workers.

b. The govt of India appointed 'Fair wage committee in .....

c. Living wage represents the ..... level of wages.

d. The living wage in fined on the basis of ..... & capacity of the industry to pay.

7.4 WAGE DETERMINATION PROCESS

Wage determination is a complex process. However, wage determination process consists of the following steps:

1. Job Analysis: A job analysis describes the duties, responsibilities, working conditions and inter-relationships between the job as it is and the other jobs with which it is associated. It attempts to record and analyse details concerning the training, skills, required efforts, qualifications, abilities, experience, and responsibilities expected of an employee. After determining the job specifications, the actual process of grading, rating or evaluating the job specifications, the actual process of grading, rating or evaluating the job occurs. A job is rated in order to determine its value relative to all the other jobs in the organization which are subject to evaluation. The next step is that of providing the job with a price. This involves converting the relative job values into specific monetary values or translating the job classes into rate ranges.

2. Wage Survey: In determining the wages for a specific job it is very necessary to work as to what wages are being given for the same job in other enterprises. If, on the basis of utility, the wages for a specific job are determined below the wages for the same job on other enterprises, following will be its disadvantages:

1. Good persons and persons of merit will not be available.
2. If such people are at all obtained for employment, they will shift to another enterprise after some time.

It is, therefore, necessary to keep in mind following things in wage-survey:

i) Term of survey, (weekly or monthly)

ii) The whole wage-payment-knowledge of daily working hours or monthly payment.

iii) Definition of jobs.

iv) Appropriate questionnaire for collecting information.

v) Scientific technique of collecting the data.

3. Group similar jobs into pay grades: After the results of job analysis

and salary surveys have been received, the committee can turn to the task of assigning pay rates to each job, but it will usually want to first group jobs into pay grades. A pay grade is comprised of jobs of approximately equal difficulty or importance as determined by job evaluation. Pay grading is essential for pay purposes because instead of having to deal with hundreds of pay rates, the committee might only have to focus on a few.

4. Price each pay grade: The next step is to assign pay rates to pay grades. Assigning pay rates to each pay grade is usually accomplished with a wage curve. The wage curve depicts graphically the pay rates currently being paid for jobs in each pay grade, relative to the points or ranking assigned to each job or grade by the job evaluation. The purpose of wage curve is to show the relationship between (i) the value of the job as determined by one of the job evaluation methods and (ii) the current average pay rates for the grades.

5. Fine-tune pay rates: Fine tuning involves correcting out of line rates and developing rate ranges.

(i) *Correcting out of line rates:* The average current pay for a job may be too high or too low, relative to other jobs in the firm. If a rate falls well below the line, a pay rise for that job may be required. If the rate falls well above the wage line, pay cuts or a pay freeze may be required.

(ii) *Developing rate ranges:* Most employers do not pay just one rate for all jobs in a particular pay grade. Instead, they develop rate ranges for each grade so that there might be different levels and corresponding pay rates within each pay grade. The rate is usually built around the wage line or curve. One alternate is to arbitrarily decide on a maximum and minimum rate for each grade. As an alternative, some employers allow the rate for each grade to become wider for the higher pay ranges reflecting the greater demands and performance variability inherent in these more complex jobs.

6. Wage Administration Rules: The development of rules of wage administration has to be done in the next step. It is considered advisable in

the interests of the concern and the employees that the information about average salaries and ranges in the salaries of group should be made known to the employees concerned; for secrecy in this matter may create dissatisfaction and it may also vitiate the potential motivating effects of disclosure. Finally, the employee is appraised and the wage fixed for the grade he is found fit.



CHECK YOUR PROGRESS

Q 3: State True or False

(a) Job analysis describes the duties and responsibilities of the job. (True/False)

(b) Pay grading is not essential for pay purposes. (True/False)

(c) The wages curve depicts graphically the pay rates. (True/False)

(d) Fine tuning involves correcting out the line rates. (True/False)

7.5 CONCEPT OF COMPENSATION MANAGEMENT

Human resource is the most vital resource of an organization as it handles all the physical resources therein and takes the responsibility of decision making, work done and achievement of results etc. So, to carry on these heavy responsibilities, employees should be motivated by providing the best remuneration and compensation package as per the industry standards. Lucrative compensation is a means of attracting and retaining the best talents in an organization.

Compensation is an integral part of human resource management. It is the remuneration received by an employee in return to his/her contribution for the organization. A good compensation system evolves a balanced work-employee relationship by providing monetary and non-monetary benefits to the employees. In this way, it acts as a motivating factor to the employees and increases the organizational effectiveness.

7.6 TYPES OF COMPENSATION

A compensation package constitutes all the rewards and allowances

provided to the employees including their salary [only a part of the compensation system] in return of their contribution to the organization. However, these benefits are provided in the form of either monetary or non-monetary value to the employees. Thus it is seen that there are two types of compensation provided to the employees in the organization and these are:-

a. Direct compensation
b. Indirect compensation

7.6.1 Direct Compensation

Direct compensation means all the monetary benefits offered and provided to employees at a regular interval at a definite time. It is of following types:-

(a) Basic Salary: Salary is the monetary value received by an employee in lieu of the work done by him for the organization .It may be calculated on the basis of a day, a week or a month, etc.

(b) House Rent Allowance: Some organizations have the provision of quarters to accommodation their employees while the others confer housing rent allowances to them. This provides social security to the employees and builds up a sense of co-operation among them.

(c) Conveyance: Some organizations usually manage the cab facilities to their employees while the few ones provide vehicles and petrol allowances to their employees.

(d) Leave Travel Allowance: This allowance is provided to the employees when they wish to visit any place with their families. However this is scaled as per the position of employees in the organization.

(e) Medical Reimbursement: Organizations must look after the health of their employees. So, the organizations provide facilities like medi-claims, reimbursements of the medical bills to the employees and their family members.

(f) Bonus: Bonus is usually paid to the employees during festive seasons to confer them the social security. The bonus is basically amount to the monthly salary of the employee.

(g) Special Allowance: Special allowances such as overtime, mobile bill allowances, meals, commissions, travel expenses, reduced interest loans; insurance, club memberships, etc are provided to employees to provide them social security and motivation to improve the organizational productivity.

7.6.2 Indirect Compensation

Indirect compensation in the form of non-monetary benefits is offered and provided to the employees for the services they rendered to the organization is as followings:-

(a) Leave Policy: It is the right of an employee to avail the adequate numbers of leave such as, casual leaves, medical leaves (sick leave), and maternity leaves, statutory pay, etc while working with an organization.

(b) Overtime Policy: The organization should have the provision of giving some extra benefits like transport facilities, overtime pay etc to the employees if they have to do overtime duty.

(c) Hospitalization: The employers can arrange regular health check-up camps for the employees and their dependents to arouse a sense of emotional and social security among them.

(d) Insurance: Organizations should have the provision of accidental insurance and life insurance for their employees which gives them the emotional security. Moreover it also instigates them to feel that they are much valued for the organization.

(e) Leave Travel: To get a stress free environment, the employees would like to have a holiday with their families which can be fulfilled either by arranging a tour for them from the organization or by providing them with the leaves and travel allowances for it.

(f) Retirement Benefits: Pension plans and other benefits are provided to the employees by the organizations which they can avail after their retirement from the job at the prescribed age.

(g) Holiday Homes: Some organizations have the provision of holiday home and guest house for their employees at different locations

specially in the hill station and other most wanted holiday spots to feel them safe and secure during their holiday stay.

(h) Flexible Timings: Management should consider the valid reasons of an employee for being absent in the normal shifts of his duty. So, there should be a provision of flexible timings for such cases in the organizations.



CHECK YOUR PROGRESS

Q 4: What do you mean by compensation and what are the types of compensation.

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Q 5: Fill in the blanks:

a. Bonus are paid to the employees during ..... seasons.

b. Over time pay & transport facilities are included ..... policy.

c. When any organisation give cab facelities to its employees then it is called ..... compensation.

d. ..... benefets are provided to employees after their retirement from the job.

7.7 EXECUTIVE REMUNERATION COMPENSATION PLAN

Executive remuneration is gaining immense importance in recent years because organizations have started offering skyrocketing compensation packages to the executives in this competitive environment to retain the best talent with them. This spurt in the salary structure is a result of liberalization and globalization of the economy. But government regulated industries (banks, insurance, railways etc.) have to pay relatively less than those that are more free to carry on their business i.e private firms, MNCs etc.

In spite of the above fact, the salary package of higher management is basically determined by considering the size of a company, performance of the company, the specific industry and the contribution of the executive in the process of decision making.

7.7.1 Special features of Executive Remuneration

Executive remuneration has certain unique features:-

1. Executive remuneration is not same as the wage and salary schemes meant for other employees in the organization. Numerous factors and variables are associated with the executive remuneration. So, simple comparisons and ratings are not possible to apply in it.
2. Executives usually do not like to form unions. But they too benefit if the workers who resort to strikes, slogan shouting etc succeed in their efforts.
3. No executives in the private sector, in the same grade, receive the same pay. So, the organizations feel it necessary to maintain secrecy in respect of executive remuneration. However executive's remuneration are based on such factors as competence, length of service and loyalty to the founders.
4. It is true fact that an executive's own performance is directly reflected via the measures of unit or corporate performance. Thereby, executives are paid the remuneration on the basis of unit or organizational performance rather than their own performance measures.
5. Executive remuneration is subject to statutory ceilings. These ceilings are however, do not apply to private limited companies.

7.7.2 Components of Executive Remunerration

Executive remuneration generally comprises four elements:

(i) Salary and allowance

(ii) Bonus

(iii) Incentives

(iv) Perquisites

(i) Salary and allowance: Salary that is the basis for other types of benefits, is considered as the first component of executive remuneration and supposed to be determined through job evaluation. Generally managers are paid an amount of salary depending upon the value of their work to the organization and their sincerity in discharging their responsibilities. The recent trend in the organizations is that they are boosting the importance of incentives than that of base salary because as a component of total remuneration, salary is not significant and subjected to deduction at source and capped by government regulations.

(ii) Bonus: Bonus is an extra amount of money paid to workers annually besides their salary with an aim of increasing their short term performances. These short term bonuses usually result a plus or minus adjustment in the total pay as opposed to salaries which rarely decline with reduced performance.

(iii) Long term Incentives: Long term Incentives are paid with an aim to motivate and reward managers for achieving the firm's long term growth and prosperity. This long term Incentives can also be used as a tool to lengthen the staying of executives in the same company by offering them the opportunity to accumulate capital (e.g company stock) that can be cashed in after a number or years.

(iv) Perquisites: Perquisites constitute a major source of income for the executives besides the normally allowed perks like provident fund, gratuity and the same to them. The perquisite benefits include the followings:

(a) Medical care

(b) Legal, tax and financial counseling

© Facilities for entertaining customers and for dining out.

(d) Company recreational area.

(e) The cost of the education and training of executives, scholarships for their children and allowances for business magazines and books.

(f) Free well furnished accommodation, conveyance and servants

(g) Vacation travels

(h) Membership in clubs etc.

These kinds of perks take care of all the possible needs of executives by rarely giving them a chance to spend money from their pockets.

7.7.3 Executive Remuneration in Indian Industries

Theoretically, job descriptions, job evaluations, salary grades with ranges of pay in such grade and salary surveys are the basis to fix the executive's remuneration. But in practice, these norms are found to be thrown to winds and executives are getting exorbitant remuneration for their job. In India, executive remuneration can be fixed through certain board generalizations

1. Usually an executive is paid on the basis of employer's ability to pay and employee's bargaining strength to deserve their rights rather than standard norms of wage and salary fixation.
2. Executive remuneration must be reviewed at-least once a year unlike worker's compensation which is reviewed once in three years. This is because to upgrade the executive's remuneration in compare to other firms in the industry.
3. Executives are usually, offered a bundle of facilities which is known as "composite" salary instead of traditional "menu" salary i.e. package of items from which the executive is asked to choose.
4. Salaries are paid considering the performance of executives.
5. Going abroad for holiday is gaining immense popularity in India. So, the companies are trying to motivate their executives by offering them this special facility.
6. Executives are paid relatively higher salaries when they are posted in abroad to work in the foreign assignments of the company.
7. Private companies are competing among themselves in respect of salary packages offered to the executives so that they can attract the competent personnel towards their organization resulting virtual hijacking of them.

Thus, the executives of public sector are placed nowhere in respect of salaries and perks that their counterparts are availing in the private sector. Therefore, the shifting of executives from government owned organization to private sector enterprises has increased tremendously in recent years.



CHECK YOUR PROGRESS

Q 6: Discuss the components of Executive Remuneration

(a) .....

(b) .....

(c) .....

Q 7: Define Executive remuneration.

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7.8 LET US SUM UP

1. It may be noted that in India, the term 'wage' is applied in relation to blue collar (factory workers) and 'salary' in relation to white collar employees.
2. The main objective of wage and salary administration is to establish and maintain an equitable wage and salary system to obtain, retain, and motivate people of required skill in an organisation.
3. Theories of wages include wage fund theory, subsistence theory, surplus value theory, residual claimant theory, marginal productivity theory etc.
4. Wage determination process includes job analysis, conduct of salary survey, group similar jobs into pay grades, price each pay grade, fine-tune pay rates and wage administration rules.

5. Wage differentials are the result of occupational differences, inter-firm differentials, regional differentials, inter-industrial differentials and personal differentials.
6. In order to protect the interest of workers, the legislations enacted by the Government of India are Payment of Wages Act, 1936; Minimum Wages Act, 1948; Payment of Bonus Act, 1965.
7. Types of Compensation
   (a) Direct Compensation
   (b) Indirect Compensation
8. Executive remuneration and compensation plan.
9. We have also gone through the Executive Remuneration in Indian Industries.



7.9 FURTHER READING

1. C B Mamoria, S V Gankar (2009);*Personnel Management : Text & Case*; Himalaya Publishing House
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3. S K Sharma(2009);*Handbook of HRM Practices: Management Policies and Practices*; Global India Publications
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7.10 ANSWERS TO CHECK YOUR PROGRESS

Ans to Q No 1: A wage is a compensation usually financial, recceived by workers in exchange for their labour.

Ans to Q No 2: (a) Minimum (b) 1948 (c) Highest (d) National Income

Ans to Q No 3: (a) True (b) False (c) True (d) True

Ans to Q No 4: A compensation constitutes all the rewards and allowances provided to the employees. There are two types of compensation :

(a) Direct compensation (b) Indirect compensation.

Ans to Q No 5: (a) Festive (b) Overtime (c) Conveyance

(d) Retirement

Ans to Q No 6: (a) Salary (b) Bonus (c) Incentives

(d) Perquisites

Ans to Q No 7: Executive remuneration is financial compensation received by an officer of a firm, often as a mixture of salary, bonus, shares of and / or call options on the company stock, etc.



7.11 MODEL QUESTIONS

Q 1: What is meant by living wage?

Q 2: What is wage differentials?

Q 3: What is meant by time wage?

Q 4: Write short note on piece wage.

Q 5: Explain the theories of wage payments in detail.

Q 6: Discuss in detail the wage determination process.

Q 7: Explain the various wage incentive plans.

Q 8: Describe the components of Executive remuneration.

Q 9: Bring out the differences between Executive remuneration and wages of workers.

Q 10: Write short notes on any three of the following:

(a) Compensation survey

(b) Managerial compensation

*** ***** ***



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