**PGCM (S3) 01**

**Exam Code : HRM**

# Human Resource Management

**SEMESTER - 3**

# MASTER OF COMMERCE

**BLOCK - 1**

**KRISHNA KANTA HANDIQUI STATE OPEN UNIVERSITY**

## Subject Experts

Prof. Nripendra Narayan Sarma, Maniram Dewan School of Management, KKHSOU.
Prof. U. R Dhar, Retd. Professor, Dept of Business Administration, GU.
Prof. Mukulesh Baruah,Director, Assam Institute of Management.

**Course Co-ordinator :** Dr. Smritishikha Choudhury, Asst. Prof., KKHSOU
Dr. Chayanika Senapati, Asst. Prof., KKHSOU

## SLM Preparation Team

| UNITS | CONTRIBUTORS |
|---|---|
| 1 and 2 | Dr. Bidisha Lahkar, Gauhati Commerce College |
| | Dr. Chayanika Senapati (Co-author) |
| 3 | Dr. Arpita Sharma Nath, Darrang College |
| | Dr. Chayanika Senapati (Co-author) |
| 4, 5 and 6 | Dr. Ashima Sharma Borah, K. C Das Commerce College |

## Editorial Team

**Content** : Prof U.R Dhar, Retd. Professor, Dept of Business Administration, GU

**Structure, Format & Graphics**: Dr. Chayanika Senapati, KKHSOU
Dr. Smritishikha Choudhury,KKHSOU

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**Head Office : Patgaon, Rani Gate, Guwahati-781017; Web : www.kkhsou.in**
**City Office: Housefed Complex, Dispur, Guwahati-781006**

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# MASTER OF COMMERCE

## HUMAN RESOURCE MANAGEMENT

## Block 1

## DETAILED SYLLABUS


**UNIT 1: Introduction to Human Resource Management** **Page No. : 7 – 28**

Concept of Human Resource Management, Evolution of Human Resource Management, Functions of Human Resource Management, Scope of Human Resource Management, Difference between Human Resource Management and Personnel Management, Role of HR Executive and Challenges of Human Resource Management

**UNIT 2: Human Resource Planning** **Page No. : 29 – 42**

Concept of Human Resources Planning,Features of Human Resource Planning, Objectives of Human Resource Planning, Importance of Human Resource Planning, HRP Process, Methods of Demand Forecasting,Methods of Supply Forecasting, Labour Wastage and Essentials for the success of Human Resource Planning.

**UNIT 3: Recruitment and Selection** **Page No. : 43 – 64**

Concept of Recruitment, Factors affecting Recruitment, Sources of Recruitment, Recruitment Policy, Concept of Selection, Selection Process , Selection tests, Concept of Evaluation, Placement and Induction, Concept of Evaluation and techniques of Evaluation, Concept of Placement and Indusction

**UNIT 4: Training and Development** **Page No. : 65 – 80**

Concept of Training and Development, Meaning and significance of Training , Methods of Training, Concept of Management Development, Management Development Methods, Differences between Training and Development and Evaluation of Training and Management Development

**UNIT 5: Performance Appraisal** **Page No. : 81 – 96**

Concept of Performance Appraisal, Need for performance appraisal, Types of Appraisal Methods, Benefits of performance appraisal and Reviews

**UNIT 6: Compensation Management** **Page No. : 97 – 123**

Wage and Salary Administration, Definitions and Concepts, Need for sound salary administration, Objective of wage and salary administration, Guiding principles of wage and salary administration, Factors influencing wage and salary administration, Methods of payment of wages, Concept of Rewards and Incentives, Types of wage incentive plans and Fringe Benefits

## COURSE INTRODUCTION

This course “Human Resource Management” of M. Com. 3rd semester will focus on the different aspects of human resource 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 to achieve tye organisational goals.

Therefore, it is very important for the learners of this programme to be wellversed with human resource management, so that in future they have to manage people in organisation.

This course starts with the unit discussing the concept of human resources management, personnel policies. H.R.P., recruitment, training & development, work study, appraisal and wage and salary administration.

The course has 12 units and is divided into two blocks: Block 1 and Block 2.

**Block 1** deals with the introductory concepts of human resource mangement, Human Resource Planning, Recruitment and Selection, Training and Development, Performance Appraisal, and Compensation Management

**Block 2** concentrates on Job Evaluation, Job Analysis and Design, Grievance and Grievance Procedure, Employee Misconduct and Disciplinary Procedure, Human Resource Information System, Contemporay Challenges in HRM and some cases on Human Resource Management.

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. you 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 learning.

## BLOCK INTRODUCTION:

This is the first block of the course ‘Human Resource Management’. The Block is divided into 6 units which are related to the concepts of Human Resource Management. Block 1 deal with the basic concepts of Human Resource Management, Human Resource Planning, Recruitment and Selection, Training and Development, Performance Appraisal and Compensation Management. It is primarily a learner oriented Self learning material, as it satisfies the requirements of the learners in the filed of ‘Human Resource Management’.

The block consist of the following units -

**UNIT 1: Introduction to Human Resource Management**

**UNIT 2: Human Resource Planning**

**UNIT 3: Recruitment and Selection**

**UNIT 4: Training and Development**

**UNIT 5: Performance Appraisal**

**UNIT 6: 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 Scope of Human Resource Management

1.7 Difference between Human Resource Management and Personnel Management

1.8 Role of HR Executive

1.9 Challenges of Human Resource Management

1.10 Let Us Sum Up

1.11 Further Reading

1.12 Answers to Check Your Progress

1.13 Model Questions


## 1.1 LEARNING OBJECTIVES

After going through this unit you will be able to:

- learn the concept of Human Resource Management (HRM)
- highlight and explain the major functions of HRM
- discuss the various stages of evolution of HRM
- explain the scope or area of operation of HRM
- highlight the various skills of an Human Resource Executive

## 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 in them an urge 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 evoluation of Human resource management. First we will discuss the fundamental concept of human resource management, then we will discuss the various stages of evolution of human resource management. At the end of the unit, we will discuss about the scope of operation of HRM and the various skills of an HR executive.

## 1.3 CONCEPT OF HUMAN RESOURCE MANAGEMENT (HRM)

People are an important part of any type of organization. Any organization whether it a religious, social, educational, non- governmental, public or private, people can be regarded as the core resource of the organization. An organization is made up of 4Ms, man, material, money and machine.

Let us first discuss the meaning of each of the term in HRM, **H** for Human can be explained as the skilled workforce in the organization, **R** for Resource that is the limited availability or scarce and **M** for management which can be explained as the maximum or proper utilization and to make best use of limited and scarce resource in the organisation.

We can find substitutes of material, money and machines but the human resources cannot ever be substituted. Man or the human resources only controls the other resources in the organization. Human resources are also regarded as the most dynamic resource in an organization; this is because human resources are prone to change as the internal as well as external environment changes. It is very important for the organization to carefully select the human resources because human resources can make or break an organization. Proper selection and management of human resource can help in the long run success of an organization. Human resources should never be treated in an organization as a resource but they should be used as an asset. Properly trained, motivated and satisfied employees are always the assets of an organization.

Human Resource Management as the name itself denotes is concerned with the people dimension in management of an organization. It is directed towards recruitment and selection, training and development, motivation and maintenance of the human resources for the long term development and upliftment of an organization. In simple words human resource management can be defined as a process in which human resources are acquired from proper sources and utilized in the best possible manner so that not only the organizational objectives are achieved but also the individual objectives of the human resources are fulfilled. Human resource management helps to ensure that the right man in the right position is placed and at the right time taking into consideration the changes taking place in the internal as well as external environment of the organization. Some important definitions of Human Resource Management given by some eminent scholars and institutions are given below.

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

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



**LET US KNOW**

**HRM Policy in Indian Railways**

One of the personnel objectives of Indian Railways is to provide equal employment opportunities to the people of minority sections. Personnel policy of Indian Railways relating to the above objectives is to fill 15 per cent and 7.5 per cent of the vacancies from those candidates belonging to Scheduled Castes and Scheduled Tribes respectively.

## 1.4 EVOLUTION OF HUMAN RESOURCE MANAGEMENT

There is a close relationship between human resource management and that of management. Although the concept of HRM is new, but, its practice has been quite old. In India, the emergence of human resource management can be traced back to 1920s with the introduction of the concept of labour welfare in factories. A brief history of the evolution of HRM is discussed below.

- ***Trade Union Movement Era:*** The Trade Union Act, 1926 was passed and workers started associating themselves with Trade Unions to safeguard and protect their rights. Unions used various techniques such as strikes, walkouts, picketing, boycotts, etc as weapons against the management to fulfill their demands. With the evolution of trade union, practices such as collective bargaining, disciplinary practices, grievance handling system etc were also introduced.
- ***Social Responsibility Era:*** During the 20$^{th}$ century, the outlook towards the workers changed and they were not treated as mere money generating resources but a humanistic approach was shown towards the workers. Robert Owen, a British industrialist was considered to be the first one to propound and adopt humanistic and paternalistic approach towards the workers. Robert Owen gave stress on the fact that to improve the productivity, it is necessary to improve the conditions of employees by improving their living and working conditions. Owen's paternalistic approach was based on the philosophy that workers are

just like a child and owners are like a father. Robert Owen himself introduced many facilities for improving the conditions of the workers in his cotton mill in Scotland.

- ***Scientific Management Era:*** Fredrick Winslow Taylor was the father of Scientific Management and introduced the concept of Scientific Management in the USA early in the 20th century. Taylor developed the following principles of scientific management which are stated below.
  - Development and use of scientific methods in setting work standards, determining a fair day's work and the best way of doing work
  - Scientific selection and placement of workers best suited to perform the various tasks and provision of their training and development for maximum efficiency.
  - Time study to analyze and measure the time taken in doing the various elements of a job with a view to standardize the operations of a job.
  - Motion study involving close observation of the movements required to perform a job with a view to eliminate wasteful motions and decide on the best way of doing the job
  - Standardization of tools, equipment and machinery and working conditions
  - Incentive wage plan with differential piece rate of wages for efficient and inefficient workmen.
- ***Human Relations Era:*** During the 1920s and 1930s many researchers felt that human resource management should recognize workers as human beings having their feelings, attitudes and needs. This era is marked by the contributions of Prof Elton Mayo and his associates for his famous experiments at the Hawthorne Plant (1924-1932) of the Western Electric Company in the USA. Some of the major findings of the research investigation are stated below.
  - Physical environment at the work place do not have any material impact on the efficiency of the worker.

- Favourable attitudes of workers and work team towards their work were more important factors determining efficiency.
- Fulfillment of the workers social and psychological needs had a beneficial impact on the morale and efficiency of workmen.
- Employee groups based on social interactions and common interests exercised a strong influence on workers performance.
- Workers cannot be motivated solely by economic rewards. More important motivators are job security, recognition, right to express their opinion on matters related to them.

The Human Relations Era viewed the modern organization as a social system in which the social environment and the inter- personal relations guide the behavior of employees.

- ***Behavioural Science Era:*** Behavioural approach to HRM is based on the findings of intensive research carried out by several behavioural scientists across the world belonging to various disciplines such as sociology, social psychology, anthropology and management. The major areas of contribution of the behavioural scientists are motivation, leadership, communication, organizational change, organizational development, organizational culture and group dynamics. Some of the important highlights of this approach are briefly stated below.
  - Individual behavior and group behavior are closely related to one another.
  - Informal leadership is more important than formal leadership for people to achieve the standards of performance. Thus in modern organizations democratic leadership style plays a greater and better role in managing subordinates, than other styles of leadership.
  - People do not dislike work, but the job should be made interesting enough so that it acts as a source of motivation and satisfaction to employee.
  - Expanding subordinate influence, self control and self direction can improve operating efficiency.

- ***Systems Approach:*** A System is defined as "an organized and complex whole, an assemblage or combination of things or parts forming a complex unitary whole". The parts are known as sub-systems and they are interdependent, interrelated and interact with which each other and are not static, but subject to change. Some of the major characteristics or features of this approach are-
  - A system consists of many sub-systems or elements which are separate entities or units.
  - All the sub-systems are interrelated to one another.
  - Proper and timely communications are needed to facilitate interaction between the elements.
  - The interaction between the elements should lead to achieve some goal.
- ***Contingency Approach:*** The contingency approach to management is based on the assumption that there is no single best way of practicing management, which perfectly fits into all types of situations. Depending upon the situation, the way of management also differs. Hence this approach is called 'situational approach'. A particular approach to management, which best fits into a particular situation and yields fruitful and productive results, not necessarily will yield the same result in a different situation. Thus this approach gives stress on the fact that there is no one universal way of managing in all situations. Therefore, it is imperative for managers to analyze different situations and then use the best approach, best suitable in that particular situation.



**CHECK YOUR PROGRESS**

**Q1:** What is meant by HRM?

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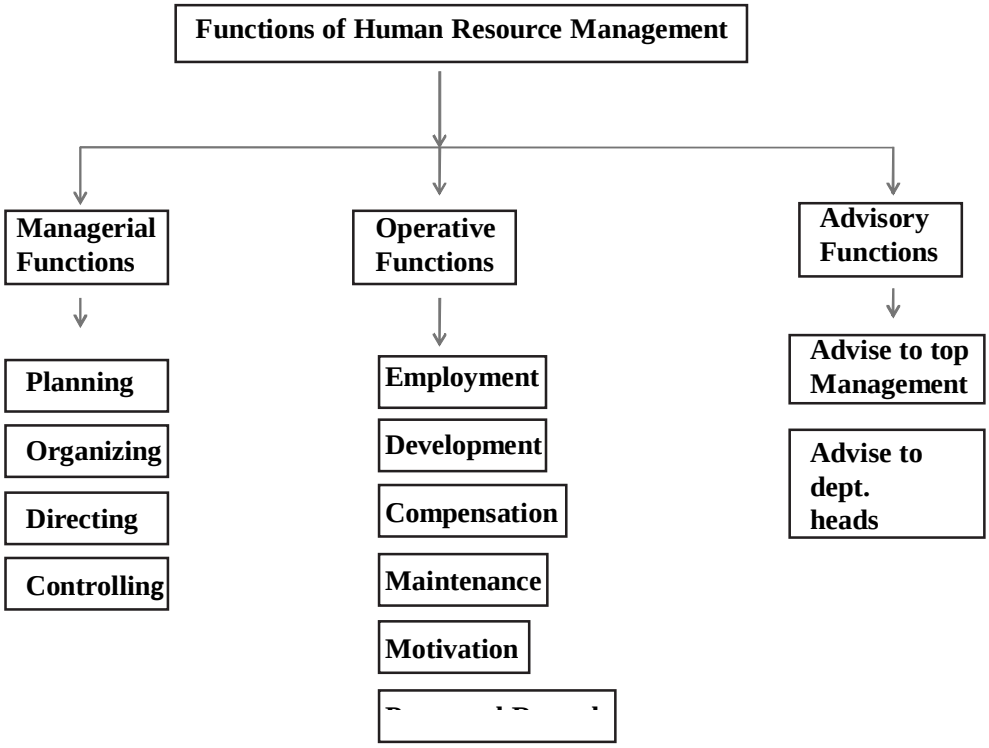
**Q2:** Write the Taylor's principles of scientific management.

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## 1.5 FUNCTIONS OF HUMAN RESOURCE MANAGEMENT

The major functions of Human Resource Management are broadly divided into three categories which are depicted in the chart below and are followed by a brief description.




Let us discuss the functions briefly as follows:

1. **MANAGERIAL FUNCTIONS:**
   a. **Planning:** Planning is a predetermined course of action for achieving organizational as well as departmental goals and objectives. For laying down policies and procedures to reach the goals, planning is required. The human resource manager also needs to plan for his department so that the departmental goals are achieved. For the human resource manager planning is required in the areas of anticipating vacancies, planning job requirements, job descriptions and determination of the sources of recruitment.
   b. **Organizing:** It is the responsibility of the human resource manager to develop a suitable organization structure and carry

out the various functions and operations of an organization. There should be proper grouping of activities, assignment of the activities, and delegation of authority and responsibility and coordination of the various activities.

c. **Directing:** Direction function is meant to guide and motivate the people to accomplish the personnel programs. This function involves encouraging people to work willingly and effectively for the goals of the enterprise. With the help of techniques such as career planning, proper salary administration, developing harmonious relations between employer and employee, a manager can motivate and direct the employees towards the achievement of organizational programs.

d. **Controlling:** Proper supervision and evaluation of the activities so that everything goes in accordance with the plans is termed as controlling. Regulation of activities is very essential to find out any deviation between the standards set in the plans and actual performance. Controlling techniques involve performance appraisal, critical examination of personnel records and statistics and personnel audit.

**2. OPERATIVE FUNCTIONS:**

a. **Employment:** Employment of proper kind and number of people in an organization is necessary for the development and achievement of the objectives of the organization. This function can be achieved and involves activities such as proper recruitment, selection, placement, induction etc.

b. **Development:** The follow up function of employment is development. For the upliftment of the skills of the employees the management has to train its employee to develop them for the higher jobs in the organization.

c. **Compensation:** Adequate and equitable compensation is essential for satisfying the employees and achieving the organizational goals. Compensation can be both in terms of monetary and non- monetary terms. While fixing remuneration,

factors such as basic needs, requirements of jobs, legal provisions regarding minimum wages, capacity of the organization to pay etc should be taken into account.

d. **Maintenance:** Maintenance functions include measures such as health, safety, physical and social well-being of the workforce, facilities such as provision of cafeteria, rest rooms, counseling, group insurance, education of children of employees etc. Proper maintenance of workers along with good working condition is essential for the development of employees along with achievement of organizational goals.

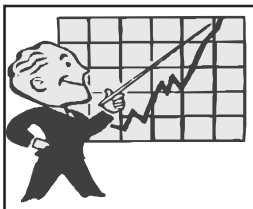
e. **Motivation:** Motivation is to inspire the employees to work and fulfill the objectives of the organization. Until and unless the employees in the organization are well motivated, it becomes harder for the organization to push them forward for the achievement of the objectives. The HR manager helps the various departmental managers to design a system of financial and non financial rewards to motivate the employees.

f. **Personnel Records:** The HR department maintains the records of the employees working in the enterprise. It keeps full records of their training, achievements, transfer, promotion, etc. It also preserves many other records relating to the behavior of personnel like absenteeism, labour turnover of the organization.

3. **ADVISORY FUNCTIONS:**

a. **Advice to Top Management:** For formulation of personnel programs, policies and procedures and maintaining good and harmonious human relations, the personnel manager advises the top management from time to time.

b. **Advise to Departmental Heads:** Personnel manager gives advice to the various departmental heads on matters of manpower planning, job analysis and design, recruitment and selection, placement, training, performance appraisal etc.



**CHECK YOUR PROGRESS**

**Q3:** State two managerial functions of HRM?

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**Q4:** State two advisory functions of HRM?

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## 1.6 SCOPE OF HUMAN RESOURCE MANAGEMENT

The activities in the organisation of an employee come under the purview of HRM. The major HRM activities such as HR planning, job analysis, job design, employee hiring, remuneration, motivation, employee maintenance, industrial relations and prospects of HRM.

The scope of Human Resources Management extends to:

- All the decisions, strategies, factors, principles, operations, practices, functions, activities and methods related to the management of people as employees in any type of organization.
- All the dimensions related to people in their employment relationships, and all the dynamics that flow from it.

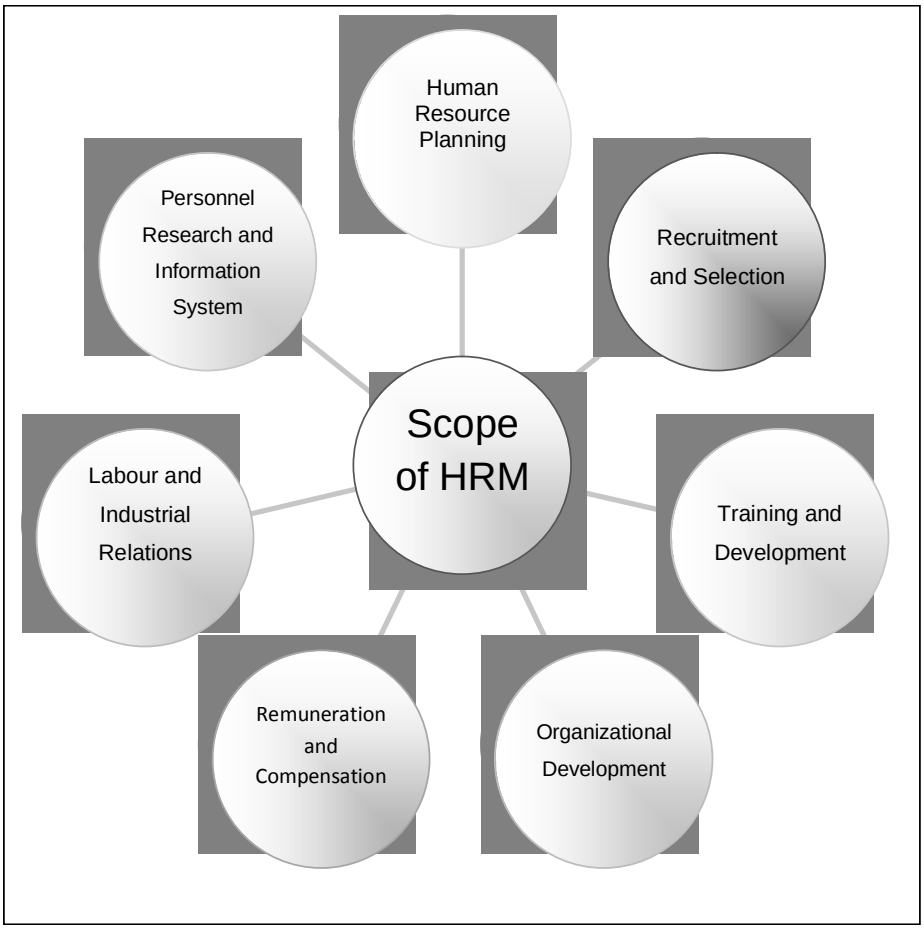



**Figure 1.1: Scope of HRM**

The scope of HRM is really vast. All major activities n the working life of a worker – from the time of his or her entry into an organization until he or she leaves it comes under the purview of HRM. American Society for Training and Development (ASTD) conducted fairly an exhaustive study in this field and identified nine broad areas of activities of HRM. These are given below:

- Human Resource Planning
- Recruitment and Selection
- Training and Development
- Organizational Development
- Remuneration and Compensation
- Labour and Industrial Relations
- Personnel Research and Information System

Let us now discuss this in detail:

a. **Human Resource Planning:** The objective of HR Planning is to ensure that the organization has the right types of persons at the right time at the right place. It prepares human resources inventory with a view to assess present and future needs, availability and possible shortages in human resource. Thereupon, HR Planning forecast demand and supplies and identify sources of selection. HRPlanning develops strategies both long-term and short-term, to meet the man-power requirement.

b. **Selection and Staffing:** This is the process of recruitment and selection of staff. This involves matching people and their expectations with which the job specifications and career path available within the organization.

c. **Training and Development:** This involves an organized attempt to find out training needs of the individuals to meet the knowledge and skill which is needed not only to perform current job but also to fulfill the future needs of the organization.

d. **Organizational Development:** This is an important aspect whereby "Synergetic effect" is generated in an organization i.e. healthy interpersonal and inter-group relationship within the organization.

e. **Compensation and Benefits:** This is the area of wages and salaries administration where wages and compensations are fixed scientifically to meet fairness and equity criteria. In addition labour welfare measures are involved which include benefits and services.

f. **Labour and Industrial Relations:** Healthy Industrial and Labour relations are very important for enhancing peace and productivity in an organization. This is one of the areas of HRM.

g. **Personnel Research and Information System:** Knowledge on behavioral science and industrial psychology throws better insight into the workers expectations, aspirations and behaviour. Advancement of technology of product and production methods have created working environment which are much different from the past. Globalization of economy has increased competition many

fold. Science of ergonomics gives better ideas of doing a work more conveniently by an employee. Thus, continuous research in HR areas is an unavoidable requirement. It must also take special care for improving exchange of information through effective communication systems on a continuous basis especially on moral and motivation.

## 1.7 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:

| **Human Resource Management** | **Personnel Management** |
|---|---|
| 1. HRM focuses more on Unitarist where the word "uni" refers to one and together. | 1. Personnel management focuses more on individual where individual interest is more than group interest. |
| 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. | 2. The distribution of power in personnel management is centralized, where the top management has full power and authority in decision-making. |
| 3. HRM believes in transformational leaders. | 3. Personnel management emphasizes on transactional Leadership style. |
| 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. | 4. In personnel management, employee's contract of employment is clearly written and employees must observe strictly the agreed employment contract. |

| | |
|---|---|
| 5. HRM encourages organizations to look beyond pay for functional duties. Here, the pay is designed to encourage continuous job performance. | 5. Pay policies in personnel management is based on skills and knowledge required for the perspective jobs only. |



**CHECK YOUR PROGRESS**

**Q5:** What is meant by Personal Management?

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**Q6:** What are the Welfare Aspect and Industrial Relations Aspect of HRM?

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## 1.8 ROLE OF HR EXECUTIVES

An HR Executive performs all the basic functions relating to human resources starting from recruitment till separation in an organization. An HR executive is the key member in the HR department and plays a very important role in the organization. Some of the major roles played by the HR executives are stated below.

1. ***Recruitment:*** The following are some of the major roles played by HR executive in recruitment.
   - Understanding the manpower requirement from the concerned department.
   - Understanding the requirement and accordingly drafting a job description and getting it approved from the concerned department.
   - Securing candidates that match the desired skills.
   - Screening the candidates by conducting telephonic or personal interviews as the case may be.

- Arranging for an interview and coordinating with the person concerned.
- Communicating the employment status to the applied candidates.
- Maintaining and updating the database of the candidate.
- Doing a background verification of the shortlisted candidates.

2. ***Induction and On-boarding:*** The following are some of the major roles played by HR executive in Induction and On-board training programme.
   - Giving offer letter and issuing appointment letter to the selected candidate.
   - Communicating the policies, procedures and culture followed by the company.
   - Introducing the new joinee to the team and supervisor or manager.
   - HR policies and HR Manual:
   - In the absence of any HR manual, drafting and preparing the same for the company.
   - Making or amending the existing policies and procedures.
3. ***Attendance and Leave Records:*** The following are some of the major roles played by HR executive in keeping attendance and leave records.
   - Keeping a track of the attendance of the employees.
   - Feeling the leave forms and keeping a track of the leaves taken. Seeing to it that there is not much absenteeism on any given day.
   - Seeing that every employee is regular and if there is any irregular employee, taking corrective and preventive measures.
4. ***Performance Management:*** The HR executive helps the appropriate authorities in doing the performance appraisal of the employees.
5. ***Employee Involvement:*** The following are some of the major roles where the HR executive are involved:
   - Maintaining a record and track on employee turnover and exit rate.
   - Taking necessary steps to engage and involve the staff to their work.
   - Planning events or activities regularly and getting those approved by the senior management and implementing those.
6. ***Workforce Management:*** The following are some of the major roles played by HR executive in workforce management:

- Handling the staff properly so that people are satisfied with one another.
- Handling cross culture things.
- Monitoring that there is no groupism in the organization due to which dissatisfaction arises.

7. ***Conducting Exit Formalities:*** HR executive has a major role in conducting the exit formalities:
   - Conducting exit interviews of the candidates those who are resigning.
   - Trying to get proper feedback for the company and trying to take and implement corrective measures.
   - Helping the person to be released properly.
   - Issuing releasing letter and letter of experience.
   - Doing all the official work for full and final settlement for the outgoing person.
8. ***Compensation and Benefits:*** The following are some of the major roles played by HR executive in compensation and benefits of the employees.
   - Designing the salary structure for the employees.
   - Helping employees save tax by advising them on tax benefits plans and other investment. Calculating the gratuity, handling PF accounts etc.

## 1.9 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.

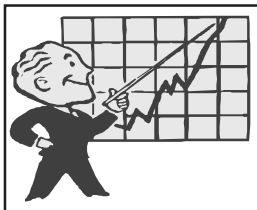
Non-financial rewards such as recognition of the work performance, praise, the privileges and rights also play dominant role in improving performance of the employees. Monetary incentives are the direct booster of performance. These incentives are based on performance of the employees. Along with incentives, 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(OD):-** 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.



**CHECK YOUR PROGRESS**

**Q7:** Write any four major challenges of HRM?

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**Q8:** Write ant two roles of HR Executive?

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.....



## 1.10 LET US SUM UP

In this unit we have learnt the following concepts:

- Human Resource Management is concerned with the people dimension in management of an organization.
- The major functions of Human resource management are broadly divided into three categories which are managerial, operative and advisory.
- The scope of HRM is very broad and wide. In fact it includes every activity starting from human resource planning till the separation of the employee from the organization.



## 1.11 FURTHER READING

1. S.S. Khanka (2007), *'Human Resource Management: Text and Cases'*, 1st Edition, S. Chand and Company Ltd, New Delhi.
2. K. Aswathappa (2013), *'Human Resource Management: Text and Cases'*, 7th Edition, McGraw Hill Education (India) Private Limited.
3. K. Aswathappa (2005), *'Human Resource and Personnel Management'*, 4th Edition, Tata McGraw Hill Education.

## 1.12 ANSWERS TO CHECK YOUR PROGRESS

**Ans to Q1:** Human Resource Management is the planning, organizing, directing and controlling of the procurement, development, compensation, integration, maintenance and separation of human resource to the end that individual, organizational and social objectives are accomplished.

**Ans to Q2:** Taylor developed the following principles of scientific management which are stated below.

- Development and use of scientific methods in setting work standards.
- Scientific selection and placement of workers best suited to perform the various tasks
- Time study
- Motion study

**Ans to Q3:** Two managerial functions of HRM are:

a. Planning b. Organizing

**Ans to Q4:** The advisory functions of HRM are:

a. Advice to Top Management b. Advice to Departmental Heads

**Ans to Q5:** Personnel management focuses more on individual where individual interest is more than group interest. The distribution of power in personnel management is centralized, where the top management has full power and authority in decision-making

**Ans to Q6:** Welfare Aspect includes working conditions, facilities such as canteen and crèches for infants, rest and lunch rooms, housing, transport, medical assistance, education, health and safety, recreation facilities etc.

Industrial Relations Aspect covers union-management relations, collective bargaining, joint consultation, grievance and disciplinary actions, settlement of disputes etc.

**Ans to Q7:** The major challenges of HRM are as follows:

a. Integrating organizational planning with human resources requirement

b. Human Resources Planning

c. Acquisition of human resources

d. Managing performance

**Ans to Q8:** The two major roles played by the HR executives are stated below.

a. Recruitment b. Induction and On-boarding



## 1.13 MODEL QUESTIONS

Q1: Explain the meaning of Human Resource Management.

Q2: Discuss the various functions of Human Resource Management.

Q3: What are the various essential skills of an HR Executive? Discuss.

Q4: Write brief notes on the following:

a. Social Responsibility Era

b. Scientific Management Era

c. Systems Approach

Q5: Scope of Human resource Management

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# UNIT 2: HUMAN RESOURCE PLANNING

## UNIT STRUCTURE


2.1 Learning Objectives

2.2 Introduction

2.3 Concept of Human Resources Management

2.4 Features of Human Resource Planning

2.5 Objectives of Human Resource Planning

2.6 Importance of Human Resource Planning

2.7 Human Resource Planning Process

2.8 Methods of Demand Forecasting in Manpower Planning

2.9 Methods of Supply Forecasting of Human Resource

2.10 Labour Wastage

2.11 Essentials for the success of Human Resource Planning

2.12 Let Us Sum Up

2.13 Further Reading

2.14 Answers to Check Your Progress

2.15 Model Questions


## 2.1 LEARNING OBJECTIVES

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

- discuss the meaning of Human Resource Planning (HRP)
- outline the major features of HRP
- describe the major objectives of HRP
- learn the importance of HRP
- discuss the HRP process
- learn the methods of demand forcasting and supply forecasting of Human Resource
- discuss the concept of labour wastage and the essentials for the success of Human Resource Planning

## 2.2 INTRODUCTION

In this unit we are going to learn the concepts and the meaning of 'Human Resource Planning'. We are going to get the knowledge as how

important the human resource planning is for an organization along with its definitions. The items of HR management are suggested to be planned under human resource planning. We will also discuss the planning process and its five steps along with the requisites to make the manpower planning an effective one.

"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.

## 2.3 CONCEPT OF HUMAN RESOURCE PLANNING

It is a known fact that Human Resources are the most important and dynamic resources in an organization. Substituting human resources with other resources is almost impossible. It is the human resources only which makes the best use of other available resources in an organization. Proper estimation of manpower requirement and the sources from which they will be acquired is an important function of human resource management and is important for the organization for its long term upliftment. If an organization fails to get the required manpower, than the work will suffer. So for coping up with the human resource requirements, an enterprise has to plan its needs in advance and also the sources.

In simplest words human resource planning can be defined as selecting and allocating the right type people, in the right number, at the right time and place, which are trained and motivated to do the right kind of work at the right time.

The definitions of Human Resource Planning are as follows:

According to Terry L. Leap and Michael D. Crino ," HRP includes estimation of how many qualified people are necessary to carry out the assigned activities, how many people will be available and what, if anything, must be done to ensure that personnel supply equals personnel demand at the appropriate time in the future."

In the words of Beach," Human resource Planning is a process of determining and assuming that the organization will have an adequate number of qualified persons, available at the proper times, performing jobs which meet the needs of enterprise and which provide satisfaction for the individuals involved."

## 2.4 FEATURES OF HUMAN RESOURCE PLANNING

Human Resource Planning has many characteristics/ features which are briefly discussed below:

1) **Determination of human resource needs:** HRP helps in exact determination of human resource needs in an organization. The requirements of human resources are planned well in advance so that the resources are available at time when they are required.

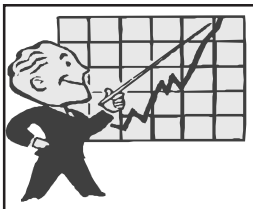
*2)* **Balance in Demand and Supply:** *O*ne of the important features or characteristics of HRP is that it helps in balancing and adjusting the demand and supply of human resources in an organization.Planning for the demand and supply of personnel should be made well in advance.

3) **Creating congenial work environment:** HRP also helps in ensuring a proper and congenial work environment and conditions of work. HRP helps in recruiting and selecting the right type of people for the right job at the right time which helps in achieving organizational objectives

4) **Maintaining proper manpower inventory:** HRP includes keeping stock of present as well as future manpower requirements of an organization. It helps in knowing not only the present available resources with the organization but also helps in estimating the future requirement.

5) **HRP is a continuous process:** HRP is a continuous process as constant monitoring of the plans is required. Since our external environment keeps on changing and both the external as well as internal forces affect the business, the manager needs to continuously monitor and review the human resource plans.

**6) HRP is an intellectual process:** HRP is an intellectual process because it requires a lot of thinking and knowledge. Since HRP also involves forecasting, proper knowledge of the forecasting techniques and understanding the trends requires a lot of thinking.



**CHECK YOUR PROGRESS**

**Q1:** What is meant by Human Resource Planning?

…….

**Q2:** Write four features of Human Resource Planning.

a. ……

b. ……

c. ……

d. ……

## 2.5 OBJECTIVES OF HUMAN RESOURCE PLANNING

The major objectives of Human Resource Planning are mentioned below:

1) Ensuring adequate supply of manpower as and when required.
2) Helps in ensuring proper use of existing human assets in the organization.
3) Helps in forecasting future requirements of human resources at different levels in the organization with different skills.
4) Determines the effect of technology on jobs and requirements for human resources.
5) Balancing the surplus or shortage of human resources available in the organization.

## 2.6 IMPORTANCE OF HUMAN RESOURCE PLANNING

Human Resource Planning is important or significant due to the following reasons.

***1) Helps in coping with change:*** The external environment is very dynamic and it keeps on changing rapidly. Constant changes in

technology, political and social field affects the business. HRP helps a business in adapting with the external changes.

2) ***Intake of talented people:*** Another major importance of HRP is that, it helps in taking or recruiting the most talented personnel in the organization. It not only helps in determining the present needs of the human resources but also assesses the available HR inventory level and finally helps in recruiting the required personnel.

3) **Utilization of human resources:** HRP is framed keeping in view the objectives of the organization. HRP adopts such measures which not only helps in achieving the objectives of the organization but also in the optimum utilization of the human resources employed in the organization.

4) **Estimating future manpower needs:** HRP, with the help of various forecasting techniques helps in estimating the future manpower requirements properly without hampering the regular activities of the organization.

## 2.7 HUMAN RESOURCE PLANNING PROCESS

HRP process consists of some steps which are discussed below.

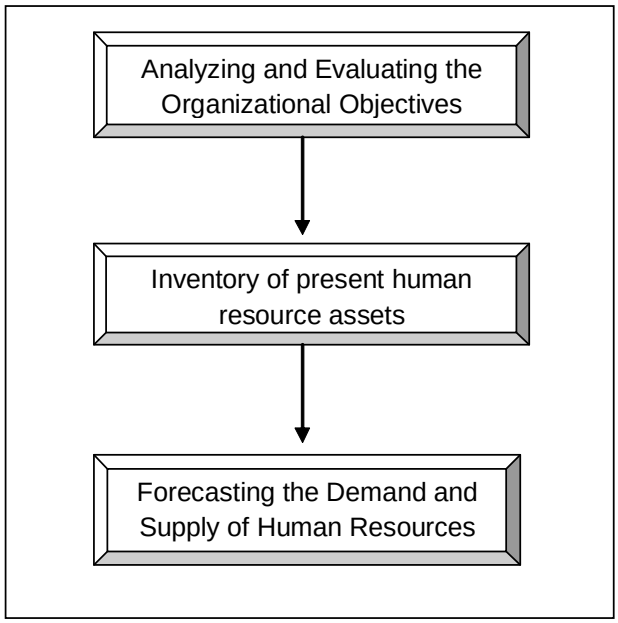



**Fig: 2.1 Human Resource Planning Process**

1) **Analyzing and Evaluating the Organizational Objectives:** Every organization has its own objectives to be achieved. Every department such as the production, marketing, finance etc has its own long and short term objectives and goals. Human resource planning requires proper analysis and evaluation of the overall and departmental objectives of the organization so that the right number and quality of human assets can be allotted and the activities can be carried on smoothly in the organization.
2) **Inventory of present human resource assets:** Human resource inventory should always be updated so that the current number of employees, their potential and performance can be analyzed. Then to fill the various job vacancies, the internal as well as external sources can be estimated.
3) **Forecasting the Demand and Supply of Human Resources:** Human resource requirements at different departments, levels and positions according to the job profile are to be estimated. The sources to fulfill the requirements i.e. internal and external are to be analyzed and evaluated properly. Proper matching between job description and job specification is also to be done.

**CHECK YOUR PROGRESS**

**Q3:** State any four reasons, why Human Resource Planning is important?

.....

**Q4:** Write the steps in the process of Human Resource Planning.

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## 2.8 METHODS OF DEMAND FORECASTING IN MANPOWER PLANNING

The various methods of demand forecasting in manpower planning are as follows:

1. **Executive Judgment:** This method is suitable for smaller enterprises. Here the executives sit together and determine the future requirements of human resources. The proposal adopted by the executives is then conveyed to the top level management for final approval. This is also known as 'bottom-up' approach. The method is known as 'top-down' approach when the members of the top management estimate the requirement of human resources taking into account the advice of the departmental heads.
2. **Work Study Technique:** This method is also known as work load analysis or work load forecasting. Here working capacity of each employee is calculated in terms of man-hours. After that man hours required to produce a single unit is calculated and then the number of required employees is used for long-term forecasting. The following is an example :
   a) Planned Annual Production (a) = 400000 units
   b) Standard Man- Hours required for producing each unit (b) = 2 hours
   c) Planned man-hour needed for the year (a*b) = 800000 hours
   d) Planned Annual contribution of an employee = 2000 hours
   e) No. of employees required (c/d) = 800000/2000 = 400 employees
3. Statistical Techniques: The following methods of forecasting are used under this category.
   **a) Ratio Trend Analysis:** Under this method ratios are calculated from the past data related to the number of employees of each category i.e. production, sales and marketing, work load levels etc. Future production and sales levels, work load, activity levels are estimated with an allowance of changes in organization, methods and jobs. Future ratios are calculated. Future human resource requirements are calculated on the basis of established ratios.

b) **Econometric Models:** These models are built upon the basis of analysis of past statistical data establishing relationship between variables in a mathematical formula. Variables may be related to factors such as production, sales, finance and other factors affecting human resource requirements.

c) **Regression Analysis:** This method is used to forecast demand for human resources taking into account factors such as sales, productions, services etc. This method is used when independent and dependent variables are functionally related to each other.

## 2.9 METHODS OF SUPPLY FORECASTING OF HUMAN RESOURCE

Here estimation of supply of human resources is made taking into account the analysis of current human resources inventory and future availability.

a. **Existing Inventory:** Here a stock of the present HR inventory is taken.

b. **Head Count:** Total number of people available department wise, designation wise, pay-roll wise etc is counted here.

c. **Job Family Inventory:** Here number and category of employees of each job family such as office staff, sales and marketing staff, production staff, maintenance staff and industrial staff etc are counted.

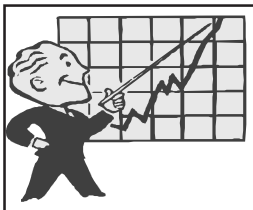
d. **Age Inventory:** Proper age composition of human resources is very important in an organisation. Proper combinations of young and old employees play an important role in the success of an organization. This method gives us the age composition of the human resources.

e. **Inventory of skill, experiences, values and capabilities:** Stock of present inventory of skill, years of experience is important.

f. **Emoluments:** Compensation received by virtue of holding an office or having employment

**Qualification and Training Inventory:** It consist of the inventory of educational qualification including technical and special qualifications and the training received by the employees.

g. **Inventory of Salary Grades:** This includes pay and allowance wise and total ***emoluments*** wise stock taking.



**CHECK YOUR PROGRESS**

**Q5:** What is 'Executive Judgment' and 'Ratio Trend Analysis' method of demand forecasting in Manpower Planning

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**Q6:** State any four methods of Supply Forecasting of Human Resource

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## 2.10 LABOUR WASTAGE

The term **wastage of labour** is the loss of employees other than by redundancy. Redundancy points out the position of the employee as no longer needed for any available job and therefore liable to dismissal. In an organization, the **wastage of labour** is mainly caused by the factors like Labor turnover, Idle Time and Absenteeism.

While forecasting future manpower requirement labour wastage should be taken into account. Proper actions must be taken to reduce labour wastage and control losses. For forecasting the rate of potential loss, causes of loss etc, HR managers have to calculate the rate of labour turnover and conduct exit interviews. Potential losses can be classified into the following categories.

a) **Permanent Total Loss:** It may be due to deaths, voluntary quits, retirement, dismissals, retrenchment, demotions etc.

b) **Permanent partial Loss:** This loss may be in the form of loss of some skills, potentials and capabilities due to ill health or accidents.

c) **Temporary Total Loss:** This loss is due to loss of aptitudes, values, change in outlook and attitude of existing employees towards their jobs. Employee absenteeism may also be a reason for this.

d) **Temporary Partial Loss:** This loss is due to consultancy or advice offered by the employees of the organisation to others. This loss of labour hours has to be there because many organisations encourage this practice as there is revenue to the organisation also.

## 2.11 ESSENTIALS FOR THE SUCCESS OF HUMAN RESOURCE PLANNING

Some of the essentials for the success of Human Resource Planning in an organization are listed out and discussed below.

1) **Integration of Human Resource Plans with the Organizational Plans:**

   Organisational plans focus on achieving the objectives and goals of production, finance, sales and marketing departments. The HRP should be integrated and coordinated with the overall business plan of the organization.

2) **Support and motivation from Top Management:**

   Success of any plans in an organization depends upon the support and motivation from the top level management of an organization. Top management should provide all the helping hand and resources for the proper implementation of the Human Resource Planning in an organization.

3) **Existence of a full fledged HR Department:**

   There must be a full fledged HR department which takes care of acquisition and development of human assets of the organization.

4) **Proper formulation of HR Policies:**

   Various HR Policies such as promotion, transfer, training, compensation etc should be prepared and formulated in coordination with the HR Planning of the organization.



**CHECK YOUR PROGRESS**

**Q7:** What is meant by Labour Wastage

……

**Q8:** State any four essentials for the success of Human Resource Planning

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## 2.12 LET US SUM UP

In this unit we have discussed the following:

- Human resource planning can be defined as selecting and allocating the right type people, in the right number, at the right time and place, which are trained and motivated to do the right kind of work at the right time.
- One of the objectives of HRP is to ensuring adequate supply of manpower as and when required.
- While forecasting future manpower requirement labour wastage should be taken into account
- Human Resource Planning has many characteristics/ features which are briefly discussed below:
  a. Determination of human resource needs
  b. Balance in Demand and Supply
  c. Creating congenial work environment
  d. Maintaining proper manpower inventory
  e. HRP is a continuous process
  f. HRP is an intellectual process
- Human Resource Planning is important or significant due to the following reasons.

a. *Helps in coping with change*
b. *Intake of talented people:*
c. *Utilization of human resources*
d. *Estimating future manpower needs*
e. Forecasting the Demand and Supply of Human Resources
f. Inventory of present human resource assets
g. Analyzing and Evaluating the Organizational Objectives

- Human Resource Planning is important due to the following reasons.
  a. Helps in coping with change
  b. Intake of talented people
  c. Utilization of human resources
  d. Estimating future manpower needs
  e. Forecasting the Demand and Supply of Human Resources
  f. Inventory of present human resource assets
  g. Analyzing and Evaluating the Organizational Objectives



## 2.13 FURTHER READING

1. S.S. Khanka (2007), *'Human Resource Management: Text and Cases'*, 1st Edition, S. Chand and Company Ltd, New Delhi.
2. K. Aswathappa (2013), *'Human Resource Management: Text and Cases'*, 7th Edition, McGraw Hill Education (India) Private Limited.
3. K. Aswathappa (2005), *'Human Resource and Personnel Management'*, 4th Edition, Tata McGraw Hill Education.

## 2.14 ANSWERS TO CHECK YOUR PROGRESS

**Ans to Q1:** Human Resource Planning can be defined as selecting and allocating the right type people, in the right number, at the right time and place, which are trained and motivated to do the right kind of work at the right time.

**Ans to Q2:** The four features of Human Resource Planning are:

a. Determination of human resource needs
b. Balancing in Demand and Supply
c. Creating congenial work environment:
d. Maintaing proper manpower inventory

**Ans to Q3**: Human Resource Planning is important due to the following reasons.

a. Helps in coping with change
b. Intake of talented people
c. Utilization of human resources
d. Estimating future manpower needs

**Ans to Q4:** The steps is the process of Human Resource Planning are as follows-

a. Analyzing and Evaluating the Organizational Objectives
b. Inventory of present human resource assets
c. Forecasting the Demand and Supply of Human Resources

**Ans to Q5:** Executive Judgment is suitable for smaller enterprises, where the executives sit together and determine the future requirements of human resources.

Ratio Trend Analysis method ratios are calculated from the past data related to the number of employees of each category i.e. production, sales and marketing, work load levels etc.

**Ans to Q6:** Four methods of supply forecasting of human resource are as follows -

a. Existing Inventory
b. Head Count
c. Age Inventory
d. Job Family Inventory

**Ans to Q7:** The term wastage of labour is the loss of employees.

**Ans to Q8:** Followings are essentiasls for the sucess of Human Resource Planning-

a. Integration of Human Resource Plans with the Organizational Plan

b. Support and motivation from Top Management

c. Existence of a full fledged HR Department

d. Proper formulation of HR Policies



## 2.15 MODEL QUESTIONS

Q1: Define Human Resource Planning.

Q2: State and explain the major features of HRP.

Q3: Why do you think HRP is important for an organization? Discuss

Q4: Write short notes on the following:

a) Essentials for the success of HRP.

b) Labour wastage

c) Statistical techniques of demand forecasting in HRP.

*********

# UNIT 3: RECRUITMENT AND SELECTION

## UNIT STRUCTURE


3.1 Learning Objectives

3.2 Introduction

3.3 Concept of Recruitment

3.4 Factors affecting Recruitment

3.5 Sources of Recruitment

3.6 Recruitment Policy

3.7 Concept of Selection

3.8 Selection Process

3.9 Application form

3.10 Selection tests

3.11 Interview

3.12 Concept of Evaluation, Placement and Induction

- 3.12.1 Concept of Evaluation and techniques of Evaluation
- 3.12.2 Concept of Placement
- 3.12.3 Concept of Induction

3.13 Let Us Sum Up

3.14 Further Reading

3.15 Answers to Check Your Progress

3.16 Model Questions


## 3.1 LEARNING OBJECTIVES

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

- discuss the concept of recruitment
- know the various factors affecting recruitment
- discuss the sources of recruitment
- describe the recruitment policy
- know the meaning of selection and selection process adopted by various organizations
- explain the concept of application forms

- outline the various types of selection tests
- define interviews, evaluation, placement and induction

## 3.2 INTRODUCTION

We know that, any organization cannot run by its own without any Human Resource. The work of any organization 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.

There are so many works to be done in an organization and the organization should know what skills are needed in an employee to do a certain job. So, there should be right person in the right job for the smooth running of the organization

Acquisition of human resource takes place through recruitment and selection. Recruitment and Selection are the two ways of hiring people for the organization as per need.

Let's discuss the concepts in detail in the following sections

## 3.3 CONCEPT OF RECRUITMENT

Recruitment is the process of searching prospective employees and stimulating them to apply for jobs in the organisation. When more and more people are attracted and invited to apply for jobs then there is better scope for recruiting and selecting better manpower in the organisation. In today's competitive environment choice of the right candidates for jobs has far reaching implications on an organization's functioning. Employees selected with right kind of skills, knowledge and potentials contribute a lot towards smooth functioning and effective performance of a firm's objectives and tasks. A firm suffers heavily in combatting competition and bringing innovation if proper recruitment is not done and the right kind of manpower is not deployed in the organisation. Recruitment is a linkage activity bringing together the job seekers and job providers. Recruitment is a positive process as it encourages people to apply for jobs in the organisation.

**According to Flippo**, "Recruitment is the process of searching for prospective employees and stimulating and encouraging them to apply for jobs in an organisation."

## 3.4 FACTORS AFFECTING RECRUITMENT

Recruitment has two important aspects. Firstly to find out the number of vacancies to be notified and the type of applicants required to fill them. Secondly, to approach the potential applicants to apply for such vacancies. The factors affecting recruitment can be broadly discussed as under-

**A. External factors: The following are some of the external factors of recruitment:**

**1. Supply and Demand:** The availability of manpower both within and outside the organization is an important determinant in the recruitment process. If the company has a demand for more professionals and there is limited supply in the market for the professionals demanded by the company, then the company will have to depend upon internal sources by providing them special training and development programs.

**2. Labour Market-** Employment conditions in the community where the organization is located will influence the recruiting efforts of the organization. If there is surplus of manpower at the time of recruitment, even informal attempts at the time of recruiting like notice boards display of the requisition or announcement in the meeting etc. will attract more than enough applicants.

**3. Goodwill / Image of the organization**- Image of the organization is another factor having its influence on the recruitment process of the organization. An organization with positive image and goodwill as an employer finds it easier to attract and retain employees than an organization with negative image.

**4. Political-social-legal environment**: Various government regulations prohibiting discrimination in hiring and employment have direct impact on recruitment practices. For example, Government of India has introduced legislation for reservation in employment for scheduled castes, scheduled tribes, physically handicapped etc.

**5. Unemployment rate**: One of the factors that influence the availability of applicants is the growth of the economy (whether economy is growing or not and its rate). When the company is not creating new jobs, there is often oversupply of qualified labour which in turn leads to unemployment.

**6. Competitors-** The recruitment policies of the competitors also affect the recruitment function of the organizations. To face the competition, many a times the organizations have to change their recruitment policies according to the policies being followed by the competitors.

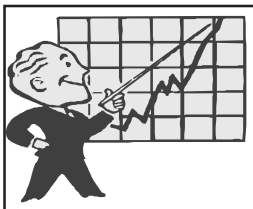
**B. Internal Factors:** Organizations have control over the internal factors that affect their recruitment functions. The internal factors are "

**1. Size of the organization-**The size of the organization is one of the most important factors affecting the recruitment process. To expand the business, recruitment planning is mandatory for hiring more resources, which will be handling the future operations.

**2. Recruiting policy-** Recruitment policy of an organization, i.e., hiring from internal or external sources of organization is also a factor, which affects the recruitment process. It specifies the objectives of the recruitment and provides a framework for the implementation of recruitment programs.

**3. Image of the organization-** Organizations having a good positive image in the market can easily attract competent manpower resources. Maintaining good public relations, providing public services, etc., definitely helps an organization in enhancing its reputation in the market, and thereby attract the best possible resources.

**4. Image of job-** Just like the image of organization, the image of a job plays a critical role in recruitment. Jobs having a positive image in terms of better remuneration, promotions, recognition and good work environment with career development opportunities are considered to be the characteristics to attract qualified candidates.



**CHECK YOUR PROGRESS**

**Q1:** What is meant by Recruitment?

.....

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.....

**Q2:** Write the four external factors of recruitment.

a. .....

b. .....

c. .....

d. .....

## 3.5 SOURCES OF RECRUITMENT

There are two sources of recruitment ie., internal and external sources of recruitment.

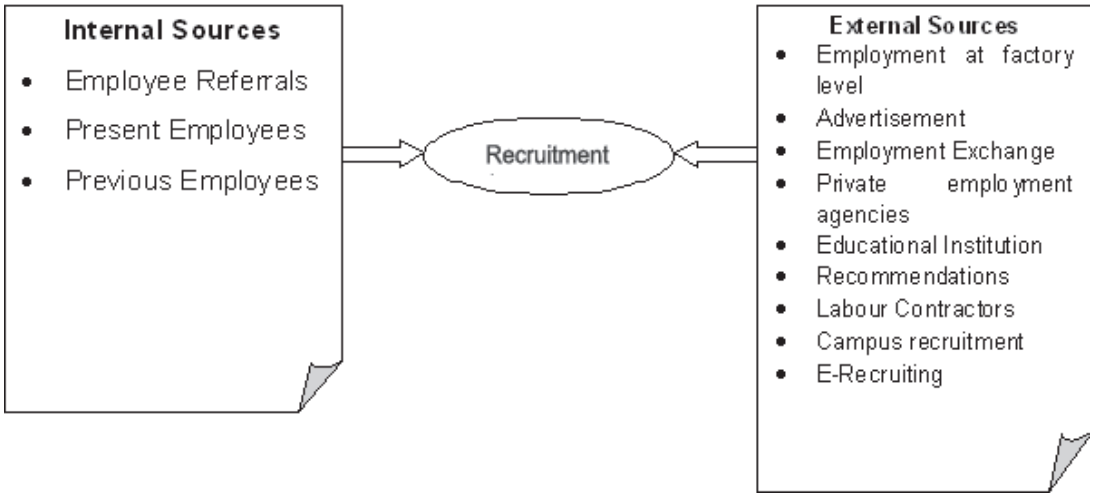



***Figure 3.1 : Sources of Recruitment***

### A. INTERNAL SOURCES OF RECRUITMENT:

It is a recruitment which takes place within the concern or organization. Internal sources of recruitment are readily available to an organization. Internal sources are primarily three - Transfers, promotions and re-employment of ex-employees. Internal recruitment may lead to increase in

employee's productivity as their motivation level increases. It also saves time, money and efforts. But a drawback of internal recruitment is that it refrain the organization from new blood. Also, not all the manpower requirements can be met through internal recruitment. Hiring from outside has to be done. The following are some of the internal source of recruitment:

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 OF RECRUITMENT:**

External sources of recruitment have to be solicited from outside the organization. External sources are external to a concern. But it involves lot of time and money. The external sources of recruitment include - Employment at factory gate, advertisements, employment exchanges, employment agencies, educational institutes, labour contractors, recommendations etc.

**1. Employment at Factory Level -** This a source of external recruitment in which the applications for vacancies are presented on bulletin boards outside the Factory or at the Gate. This kind of recruitment is applicable generally where factory workers are to be appointed. There are people who keep on soliciting jobs from one place to another. These applicants are

called as unsolicited applicants. These types of workers apply on their own for their job. For this kind of recruitment workers have a tendency to shift from one factory to another and therefore they are called as “badli” workers.

**2. Advertisement -** It is an external source which has got an important place in recruitment procedure. The biggest advantage of advertisement is that it covers a wide area of market and scattered applicants can get information from advertisements. Advertisements are mostly given in print and electronic media.

**3. Employment Exchanges -** There are certain employment exchanges which are run by government. Most of the government undertakings and concerns employ people through such exchanges. Now-a-days recruitment in government agencies has become compulsory through employment exchange.

**4. Private employment Agencies -** There are some professional organizations which look towards recruitment and employment of people, i.e. these private agencies run by private individuals supply required manpower to needy concerns.

**5. Educational Institutions -** Certain professional institutions serve as an external source for recruiting fresh graduates from these institutes. This kind of recruitment done through such educational institutions is called campus recruitment. They have special recruitment cells which help in providing jobs to fresh candidates.

**6. Recommendation:** There are certain people who have experience in a particular area. They enjoy goodwill and a stand in a company. There are certain vacancies which are filled by recommendations of such people. The biggest drawback of this source is that the company has to rely totally on such people which can later on prove to be inefficient.

**7. Labour Contractors:** These are the specialist people who supply manpower to the Factory or manufacturing plants. Through these contractors, workers are appointed on contract basis, i.e. for a particular time period. Under conditions when these contractors leave the organization, such people who are appointed have to also leave the concern.

**8. 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 latest 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.

**9. 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.



**CHECK YOUR PROGRESS**

**Q3:** What is E-Recruiting?

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**Q4:** What is meant by External Sources of Recruitment ?

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## 3.6 RECRUITMENT POLICY

Recruitment policy of any organization is derived from the personnel policy of the same organization. A recruitment policy governs the way an employer attempts to fill vacant staff positions. Creating a suitable recruitment policy is the first step in the efficient hiring process. A clear and concise recruitment policy helps ensure a sound recruitment process.

It specifies the objectives of recruitment and provides a framework for implementation of recruitment program. It may involve organizational system to be developed for implementing recruitment programs and procedures by filling up vacancies with best qualified people.

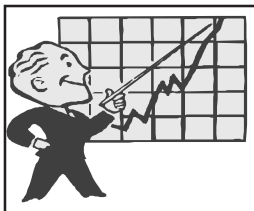
A proactive recruitment policy involves continuously identifying suitable job candidates for positions, regardless of whether the positions are currently filled. Organizations that proactively recruit often hire surplus employees and put them through training so that they can immediately step in to positions that become vacant. This enables these organizations to avoid slowdowns in production caused by key personnel vacating positions. Depending on the complexity of the job it can take weeks or months to hire a new employee, so proactive hiring enables firms to avoid extended periods of operating with staff shortages.

## 3.7 CONCEPT OF SELECTION

After the receipt of appropriate number of applications through various sources of recruitment the selection process begins. It is concerned with securing relevant information about the applicants. The purpose of selection process is to determine whether a candidate is suitable for employment in the organisation or not. Many of the applicants applying for jobs may not be appropriate and match to the job requirements. So selection process comprises of screening the applications and selecting the best candidate/candidates out of many through various tests and interviews. The procedure to be followed for selecting an employee may differ depending upon the nature of jobs and organisation.

Selection is the process of picking up individuals with requisite qualifications and competence to fill up jobs in the organisation.

According to 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.”



**CHECK YOUR PROGRESS**

**Q5:** What is meant by Recruitment Policy?

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**Q5:** What is Selection?

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## 3.8 SELECTION PROCESS

Brief details of the various steps in selection procedure are given as follows:

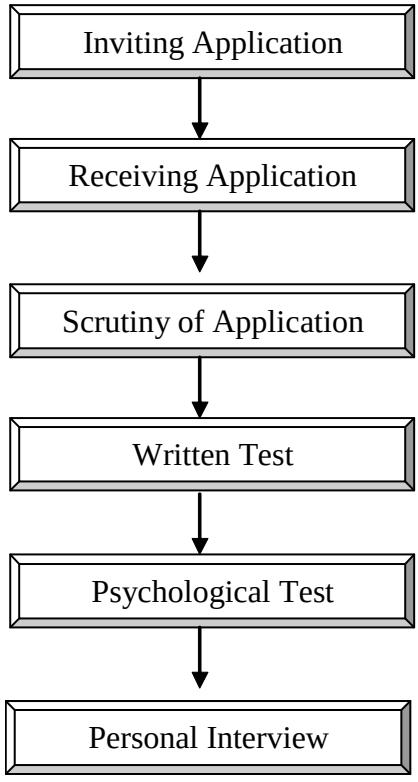



***Figure 3.2 : Selection Procedure***

**1. Inviting applications:** The prospective candidates from within the organization or outside the organization are called for applying for the post. Detailed job description and job specification are provided in the advertisement for the job.

**2. Receiving applications:** Detailed applications are collected from the candidates which provide the necessary information about personal and professional details of a person. These applications facilitate analysis and comparison of the candidates.

**3. Scrutiny of applications:** As the limit of the period within which the company is supposed to receive applications ends, the applications are sorted out. Incomplete applications get rejected; applicants with un-matching job specifications are also rejected.

**4. Written tests:** As the final list of candidates becomes ready after the scrutiny of applications, the written test is conducted. This test is conducted for understanding the technical knowledge, atti-tude and interest of the candidates. This process is useful when the number of applicants is large.

**5. Psychological tests:** These tests are conducted individually and they help for finding out the indi-vidual quality and skill of a person. The types of psychological tests are aptitude test, intelligence test, synthetic test and personality test

**6. Personal interview:** Candidates proving themselves successful through tests are interviewed per-sonally. The interviewers may be individual or a panel. It generally involves officers from the top management.

The candidates are asked several questions about their experience on another job, their family background, their interests, etc. They are supposed to describe their expectations from the said job. Their strengths and weaknesses are identified and noted by the interviewers which help them to take the final decision of selection.

**7. Reference check:** Generally, at least two references are asked for by the company from the can-didate. Reference check is a type of crosscheck for the information provided by the candidate through their application form and during the interviews.

**8. Medical examination:** Physical strength and fitness of a candidate is must before they takes up the job. In-spite of good performance in tests and interviews, candidates can be rejected on the basis of their ill health.

## 3.9 APPLICATION FORM

An application for employment or application form (often simply called an application) usually includes a form or collection of forms. An application form is filled by an applicant seeking employment in a firm and generally contains basic personal information such as name, phone number, e-mail address and some open ended questions. From the employer's perspective it is a standardized means of screening candidates based on the responses given in the form. Application forms can be in either a physical hard copy or an electronic/online version.

An advantage of application forms is that it standardizes all information making it easier for the recruiter to objectively evaluate the applicant. For example education qualifications can be asked to be expressed in percentages in order to avoid confusion of converting letter grades and CGPAs. In addition application forms also ensure to capture information needed to make the selection decision.

However one drawback of the application form is that it does not allow the applicant to express himself freely. The candidate may have something he/she would like the employer to know but may not be able to express it on the form. Another disadvantage is that application forms are time consuming and many eligible candidates may not apply for the position since they have already invested their time in perfecting their curriculum vitae (CV).

## 3.10 SELECTION TEST

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

This is done through a device called 'selection test'. Selection test is a device that uncovers the information about the candidate which is not known

through application blank and interview. In this way, selection test is an adjunct to a selection method.

Tests are classified into five types. They are:

**1. Aptitude Tests:** These tests measure whether an individual has the capacity or latent ability to learn a given job if given adequate training. Aptitudes can be divided into general and mental ability or intelligence and specific aptitude such as mechanical, clerical, manipulative capacity etc.

- ***Intelligence tests:*** These tests in general measure intelligence quotient of a candidates. In detail these tests measure capacity for comprehension, reasoning, word fluency, verbal comprehension, numbers, memory and space .Other factors such as information known, comprehension, vocabulary, picture arrangement and object assembly are also valued. Though these tests are accepted as useful ones, they are criticized against deprived sections of the community. Further, it is also criticized that these tests may prove to be too dull as a selection device.
- ***Mechanical aptitude tests:*** These tests measure the capacities of spatial visualization, perceptual speed and knowledge of mechanical matter. These tests are useful for selecting apprentices, skilled, mechanical employees, technicians etc.
- ***Psychomotor tests:*** These tests measure abilities like manual dexterity, motor ability and eye-hand coordination of candidates. These tests are useful to select semi-skilled workers and workers for repetitive operations like packing, watch assembly.
- ***Clerical Aptitude tests***: Measure specific capacities involved in office work. Items of this test include spelling, computation, comprehension, copying, word measuring etc.

**2. Achievement Tests:** These tests are conducted when applicant claims to know something as these tests are concerned with what one has accomplished These tests are more useful to measure the value of specific achievement when an organization wishes to employ experienced candidates. These tests are classified into: (a) Job Knowledge test; (b) Work sample test.

- ***Job Knowledge test*:** Under this test a candidate is tested in the knowledge of a particular job. For example, if a junior lecturer applies for the job of a senior lecturer in commerce, he may be tested in job knowledge where he is asked questions about Accountancy principle, Banking, Law, Business Management etc.
- ***Work Sample test***: Under this test a portion of the actual work is given to the candidates as a test and the candidate is asked to do it. If a candidate applies for a post of lecturer in Management he may be asked to deliver a lecture on Management Information System as work sample test.

**3**. **Situational Tests:** This test evaluates a candidate in a similar real life situation. In this test, the candidate is asked either to cope with the situation or solve critical situations of the job.

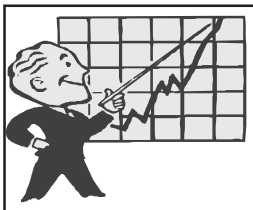
- ***Group discussion:*** This test approach to solve a problem under which candidates are observed in the areas of initiating, leading, suggesting and offering valuable ideas, conciliating skills, oral communication skills, coordinating and concluding skills.
- ***In basket exercise:*** In this test, the candidate is supplied with actual letters, telephone and telegraphic message, reports and requirements by various officers of the organization, adequate information about the job and organization. The candidate is asked to take decision on various items based on the in basket information regarding requirements in the memoranda.

**4. Interest Test:** These tests are inventories of the likes and dislikes of candidates in relation to work, job, occupations, hobbies and recreational activities. The purpose behind the conduct of this test is to find out whether a candidate is interested or disinterested in the job and to identify the areas and aspects of the job range/occupation where the candidate is interested. The assumption of this test is that there is a high correlation between the interest of a candidate in a job and job success. Interest inventories are less manipulated and they may not fluctuate after the age of 30.

**5. Personality Test:** These tests prove deeply to discover clues to an individual, his emotional reactions and maturity and characteristic mood.

They are expressed in such traits like self-confidence, tact, emotional control, optimism, decisiveness, sociability, conformity, objectivity, patience, fear, distrust, initiative, impulsiveness, sympathy, integrity, stability and self-confidence.

- ***Objective tests:*** Most personality tests are objective tests as they are suitable for group testing and can be scored objectively.
- ***Projective tests:*** In such tests, candidates are asked to project their own interpretations of certain standard stimulus situations based on ambiguous pictures, figures, etc.



**CHECK YOUR PROGRESS**

**Q7:** Write about Personality Test?

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**Q8:** What is meant by Group Discussion?

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**Q9:** What is Achievement Test?

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## 3.11 INTERVIEW

Interview is probably the most widely used selection tool. An interview is a conversation where questions are asked and answers are given. In common parlance, the word interview refers to a one-on-one conversation with one person acting in the role of the *interviewer* and the other in the role of the *interviewee*. Interviews usually take place face to face and in person, although modern communications technologies such as the internet have enabled

conversations to happen in which parties are separated geographically, such as with videoconferencing software, and of course telephone interviews can happen without visual contact.

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

**According to Walter and others**, "Interview is a conversation with a purpose and the purpose may be to get information, to give information and to make a friend.

## 3.12 CONCEPT OF EVALUATION, PLACEMENT AND INDUCTION

### 3.12.1 Concept of Evaluation and Techniques of Evaluation

**CONCEPT OF EVALUATION:**

Evaluation of training programme has been righty defined as any attempt to obtain information on the effects of training performance and to access the value of training in the light of that information. The objectives of training evaluation are to determine the ability of the trainees to perform jobs for which they were trained. It also aims at determining the specific nature of training deficiencies and the extent of training not needed by the participants to meet the job requirements. Training evaluation is also done to analyze the cost effectiveness.

**The 4C's of Evaluation of Human Resource Function**

1. **Commitment:** This is the first C in the evaluation of Human Resource Function. Commitment means testing the employee's personal motivation and loyalty to the organization. If the employee works hard enough for the good of the company and his main aim is for the company to gain competitive advantage over its rivals then he is very committed to the company thus the human resource department is very effective.
2. **Competency:** Competency is the second C in the evaluation of Human Resource Function in an organization. In this area one tests the employee's skills and abilities to perform his tasks

well. Hiring and maintaining employees with very good skills proves that the human resource docket in that company is very efficient.

3. **Congruency:** This is the third C in the evaluation of Human Resource Function. Congruency focuses on management and employees. It seeks to test and prove that the management and employees share the same vision of the organization goals and work together to attain them.
4. **Cost Effectiveness:** The last C in the evaluation of Human Resource Function is cost effectiveness. It is concerned with operational efficiency.

**TECHNIQUES OF EVALUATION:**

There are four ways to evaluate if the Human Resource Function in an organization is effective after implementing it

- Achievement of Specified Goals
- Service Overall Evaluation (SLA)
- Subjective Overall Evaluation
- Bench Marking

1. **Achievement of Specified Goals:** This is one way of evaluating Human Resource Function. In this case one measures the achievement against agreed objectives.
2. **Service Overall Evaluation (SLA):** This is an agreement between the provider of services and the customers.
3. **Subjective Overall Evaluation:** This is another method of evaluation of Human Resource Function. One measures the satisfaction index where concerns on whether an employee is happy and satisfied working in the organization and the Human Resource policies and practices as they affect them.
4. **Bench Marking:** In this evaluation of Human Resource Function one compares data from a competing firm and the data in your organization. This provides information on where to improve in the business strategies.

### 3.12.2 Concept of Placement

After selection process, the candidate is placed in a particular job with a designated role and responsibilities. Placement is the process of assigning a specific job to each one of the selected candidates. It implies assigning a specific rank and responsibility to an individual. The essence of placement lies in matching the job requirements with the skills and qualifications of the candidate.

Hence, placement is placing the right man at the right job.

### 3.12.3 Concept of Induction

When a new employee joins an organisation, he should be welcomed as a new member of the organisation and must be helped to get acquainted and adjusted with his fellow employee and work environment. Induction may be viewed as the socializing process by which the organisation seeks to make an individual its agent for the achievement of its objectives as well as achievement of its personal goals. Induction training provides employees with a smooth entry into the organisation by providing them with the information they require to get started. The goals of induction training are in line with those of the wider induction process. These goals are to:

- Create a positive atmosphere
- Address any new job concerns
- Increase comfort level and feeling of belonging
- Increase knowledge of the organisation and its procedures and policies
- Share organizational values
- Share job specific information.

**According to Edwin B. Flippo,** "Induction is the welcome process to make the new employee feel at home and generate in him a feeling of belongingness to the organisation."

The induction training should satisfy two objectives:

1. The new employee who wants to be integrated into the social group of the organisation will know about the particular task that they will do within the whole system of the organisation
2. The trainer is able to get to the trainees trained up in order to successfully integrate them into the specific area of the organisation for which the individual is being trained for.

Induction or orientation is thus the process of indoctrination, welcoming, acculturasiation and socialization.



**CHECK YOUR PROGRESS**

**Q10:** Define Induction.

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**Q11:** What is meant by Placement?

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## 3.13 LET US SUM UP

In this unit we have discussed the following:

- Recruitment is the process of searching prospective employees and stimulating them to apply for jobs in the organisation.
- The factors affecting recruitment are External factors and Internal Factors.
- There are two sources of recruitment i.e., internal and external sources of recruitment. Internal sources are primarily three - Transfers, promotions and re-employment of ex-employees. External sources are external to a concern. The external sources of recruitment include - Employment at factory gate, advertisements, employment exchanges,

employment agencies, educational institutes, labour contractors, recommendations etc

- A recruitment policy governs the way an employer attempts to fill vacant staff positions.
- Selection process comprises of screening the applications and selecting the best candidate/candidates out of many through various tests and interviews.
- The following are the Section Inviting applications: Receiving applications, Scrutiny of applications, Written tests, Psychological tests, Personal interview, Reference check and Medical examination
- An application form usually includes a form or collection of forms that an applicant must fill up as part of the process of informing an employer of the applicant's availability and desire to be employed, and persuading the employer to offer the applicant employment.
- Tests are classified into five types. They are:
  a. Aptitude Tests
  b. Achievement Tests
  c. Situational Tests
  d. Personality Test
- Interview is a conversation with a purpose and the purpose may be to get information, to give information and to make a friend.
- Placement is the process of assigning a specific job to each one of the selected candidates.
- Induction may be viewed as the socializing process by which the organisation seeks to make an individual its agent for the achievement of its objectives as well as achievement of its personal goals.



## 3.14 FURTHER READING

1. Seema Sanghi; (2011), '*Human Resource Management',* India, Macmillan.
2. Dr C B Mamoria, S V Gankar: (2009), '*Personnel Management',* India, Himalaya.

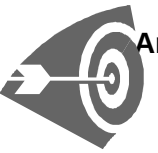
3. S K Sharma, (2009), '*Handbook of HRM Practices: Management Policies And Practices',* Global India Publications Pvt. Ltd.
4. C S Venkata Ratnam, B K Srivastava, (1991), '*Personnel Management and Human Resource',* Tata McGraw-Hill Education, India.

## 3.15 ANSWERS TO CHECK YOUR PROGRESS

**Ans no Q1:** Recruitment is the process of searching for prospective employees and stimulating and encouraging them to apply for jobs in an organisation

**Ans to Q2:** The external factors of recruitment are:

- Supply and Demand
- Labour Market
- Goodwill / Image of the organization
- Political-social-legal environment



**Ans to Q3:** E-recruitment is also known as online recruitment. For e.g. Cisco Systems recruits employees mainly through e-recruiting. E-recruitment has many benefits like the candidate can apply online, reduced cost for traveling distances, administrative workload decreases etc.

**Ans to Q4:** External sources of recruitment have to be solicited from outside the organization. The external sources of recruitment include - Employment at factory gate, advertisements, employment exchanges, employment agencies, educational institutes, labour contractors, recommendations

**Ans to Q5:** A recruitment policy governs the way an employer attempts to fill vacant staff positions.

**Ans to Q6:** 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.

**Ans to Q7:** Personality test is to discover clues to an individual, his emotional reactions and maturity and characteristic mood.

They are expressed in such traits like self-confidence, tact, emotional control, optimism, decisiveness, sociability, conformity, objectivity, patience, fear, distrust, initiative, impulsiveness, sympathy, integrity, stability and self-confidence.

**Ans to Q8:** Group discussion is a test in which approach to solve a problem under candidates are observed in the areas of initiating, leading, suggesting and offering valuable ideas, conciliating skills, oral communication skills, coordinating and concluding skills.

**Ans to Q9:** Achievement tests are useful to measure the value of specific achievement when an organization wishes to employ experienced candidates.

**Ans to Q10:** Induction is the process of indoctrination, welcoming, acculturasiation and socialization.

**Ans to Q11** Placement is the process of assigning a specific job to each one of the selected candidates. It implies assigning a specific rank and responsibility to an individual.



## 3.15 MODEL QUESTIONS

Q1: Define recruitment. Discuss the various factors affecting recruitment.

Q2: What is ment by recruitment policy? Explain the different sources of recruitment.

Q3: Discuss the selection process adopted by organisations.

Q4: Write short notes on

- Interviews
- Evaluation
- Application blank

Q5: What is menat placement?

Q6: Define induction. Write any two objectives of conducting induction programmes.

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# UNIT 4: TRAINING AND DEVELOPMENT

## UNIT STRUCTURE


4.1 Learning Objectives

4.2 Introduction

4.3 Concept of Training and Development

4.4 Meaning and significance of Training

4.5 Methods of Training

4.6 Concept of Management Development

4.7 Management Development Methods

4.8 Differences between Training and Development

4.9 Evaluation of Training and Management Development

4.10 Let Us Sum Up

4.11 Further Reading

4.12 Answers to check your Progress

4.13 Model Questions


## 4.1 LEARNING OBJECTIVES

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

- discuss the meaning and its significance of training
- describe the various methods of training
- discuss the concept of management development
- outline the difference between training and development
- explain the methods of evaluation of training and management development

## 4.2 INTRODUCTION

In the previous unit, you learned about recruitment, factor affecting recruitment, recruitment policy, sources of recruitment and many other aspects of recruitment and selection.

This unit focuses on different aspects of training and development. It will highlight the significance and various method of training. It would also

introduce the reader to the concept of management development and the various methods of management development. Training is necessary for all types of employees to perform their respective jobs correctly and efficiently. Training enables the employees to know the practical know-hows of the jobs and also increases their confidence level at workplace.

## 4.3 CONCEPT OF TRAINING AND DEVELOPMENT

Training and development are required for improving the quality of work of all levels of workers in this fast changing environment. It is a subsystem of an organization which emphasize on the improvement of the performance of individuals and groups.

The major difference between Training and Development is in respect to the level of employees for whom, these are meant and the contents and the technique employed to train them.

**Training:** It is an important short term process of utilizing a systematic and organised procedure through which non managerial personnel acquire technical knowledge, skills and attitude Training allows the workers to know technical and mechanical operations like operating machinery. Training is designed mainly for the non managerial staff. It is a short duration programme and it is for the specific job related purpose.

**Development:** Development programme refers to a long term educational process utilizing a systematic and organized procedure. It helps the managerial personnel to understand conceptual and theoretical knowledge. It involves broader education and its purpose is long term development of managerial staff. In the present global environment, all the managerial personnel are to develop their knowledge through development programs.

**Reasons to go for Training and Development:** The following are some of the reasons as why there is a need for training and development:

1. In an organisation when management thinks that there is a need to improve the performances of employees
2. To set up the benchmark of improvement so far in the performance improvement effort

3. To train about the specific job responsibility
4. To test the new methodology for increasing the productivity

The following diagram shows the flow of training and development in an organsiation:

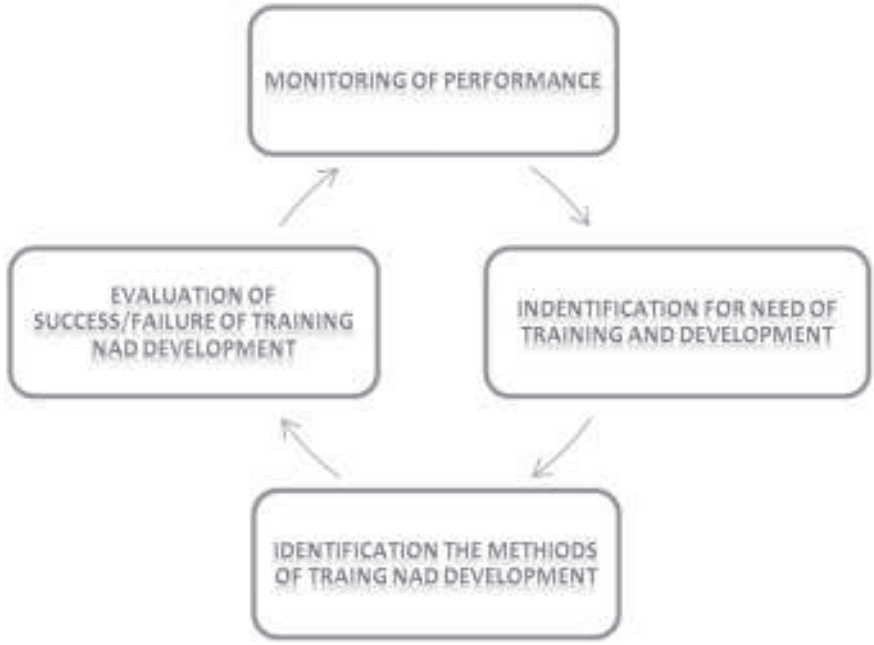



**Fig: 4.1 Flow of Training and Development.**

## 4.4 MEANING AND SIGNIFICANCE OF TRAINING

***Meaning of Training:***

After recruiting and placing the employees in the right place the next step is to train and develop the Human Resource collected recently. Training is an organized activity aimed at imparting information and/or instructions to improve the recipient's performance or to help him or her attain a required level of knowledge or skill.

It is vital part of every employee and manager. Many authors have defined training as follows:

**According to Jack Halloran, "Training** is the process of transmitting and receiving information related to problem solving.

**According to Mathis and Jackson,** "Training is a learning process whereby people learn skills, concept, attitudes and knowledge to aid in the achievement of goals.

**Gary Dessler definied training as** "Training is the process of teaching new employees the basic skills they need to perform their jobs.

**According to Decenzo & Robbins:** programs that are more present day oriented, focuses on individual's current jobs, enhancing specific skills and abilities to immediately perform their job called Training .

***Significance of Training***

Training is an important component of human resource management. Training is necessary for all types of employees in an organisation. Training enables the employees to know the practical know hows of different jobs. It has become very important particularly in today's environment, where lot of changes are taking place in terms of technology and other social changes. The main purpose of training is to develop and update skills and knowledge of the employees in order to increase their efficiency level at work, which leads to organizational efficiency too.

However training must be imparted to employees for the following benefits to organizations :

1. **Easy performance:** Training makes an employee learn to perform the job in an effective way. Without wasting much time, through training they acquire the required skills and knowledge to do particular jobs quickly.
2. **Increased productivity:** An employee gets an opportunity to update the skill through training, which results in better performance of a particular job. An increase in skill helps increase in both quantity and quality of output.
3. **Standardisation of procedure:** With the help of training, the best possible methods of performing the work can be standardized and taught to all the employees. Employees therefore can work systematically and will make less mistakes, when they will possess a better understanding of their jobs.
4. **Less supervision:** Training to employees reduces constant supervision, as the employees become skillful to perform their respective jobs.

5. **Confidence building:** When the employees are able to perform better by undergoing training, then confidence level becomes higher. Higher confidence boosts up their morale, resulting in organizational efficiencies.
6. **Less wastage:** Wastage of any kind will be less if the trained personnel perform their jobs. Also the rate of accidents and damages to machineries will be low, which will be low, which will lead to less cost of production.
7. **Goodwill:** Training enables the employees to perform better resulting in increased productivity which directly makes an organisation grow and goodwill is built.



**CHECK YOUR PROGRESS**

**Q1:** What is meant by Training and Development?

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**Q2:** Define 'Training'

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**Q3:** Write any two benefits of training to an organisation:

a ……

b . ……

## 4.5 METHODS OF TRAINING

Different methods of training have been used and any one method or a combination of any two or more of these can be used depending upon the training requirements and level of people to be trained..

All the training methods can be broadly classified as:

A. On the job training methods

B. Off the job training methods

**A.** ***On the job training methods:*** Under this method the principle of learning by doing is used. These methods are described as:

1. ***On the job training:*** A newly appointed employee is instructed how to perform his work. It tries to develop the skills and habits practiced in the organisation. All the new employees are helped by giving instruction by skilled trainers. A large number of training aids and techniques are used such as procedure charts, lecture manuals, sample problems, demonstrations etc.
2. ***Training centre training:*** A training centre is arranged near the main office of the organisation where all equipments and identical machines used in the factory are kept. The theoretical training is given in the classroom while practical work is conducted on the production line. This type of training is given to the lower level workers.
3. ***Simulation:*** It is an extension of training centre training. The trainee works in closely duplicated real job conditions. Here an attempt is made to safeguard the valuable materials during the training period.
4. ***Demonstrations and Examples:*** In this method, the trainee shows how to do a certain work through demonstration. Step by step all activities are described by the supervisor. The demonstrations are often used in combination with lectures, pictures, text manual, discussions etc. The principles and theory of the job is taught by some other methods.
5. ***Apprenticeship:*** An apprentice is given a programme of assignments according to a predetermined schedule which provides for efficient training in trade skills. The period of apprenticeship is determined considering the nature of job and its performance.

**B. Off the Job Training or Class Room Methods:** Training on the job is not a part of everyday activity. Under this method, the location of training centre may be a company classroom, and outside place owned by the organisation, an educational institution or association which is not part of the company office. Under this method employees are not attending

their regular works. They are allowed to attend the training centre for specific period. The methods of training here as follows:

1. **Lectures:** The employers organise lectures with the help of an instructor on specific topics. This method is very much fruitful when all the theoretical problems, concept and behavioral attitudes have to be discussed. The lectures are supplemented with discussions, film shows, case studies, role playing, video audio, etc. The different topics relating to job performance are discussed which require active participation of the trainee.
2. **The conferences and seminars:** The different organisations hold conferences and seminars on specific issues. On some occasions the employees associations arrange some conference with the permission of the employer. All these issues relating to the job performance are discussed and try to solve long standing issues. This method is ideally suited for analyzing problems and issues and examining them from different view points. It helps in developing conceptual knowledge, reducing dogmatism and modify attitudes. In case of seminar, employees learn through discussion of a paper on a selected subjected. The papers are distributed in advance to the trainees. All queries are answered by the experts. This helps the trainees to acquire knowledge on the subject.
3. **Case studies or case discussions:** In this method a real (or hypothetical ) business problems or situation demanding solution is presented to the group and they are to identify the problems present in the case. They are to suggest various alternatives for solving the given problem. The trainer guides the discussion and the process process ensures that no relevant aspect is left out of discussion and adequate time is spent on each aspect. This method promotes analytical thinking and problem solving ability.
4. **Role playing:** This method is also called 'Role Reversal', 'social drama' or psycho-drama'. Under this method trainees are given some role as they would in a stage play. There are not written lines to be said and naturally, no rehearsals. The role players have to

respond to the situation that is ever changing and to react to it as they would in the real situation. It is a method of human interaction which involves realistic behavior in an imaginary or hypothetical situation. Role playing mainly refers to the employee-employer relationships, hiring, firing , discussing a grievance problem, conducting a post appraisal interview or a salesman making presentation to a customer. This method is also applicable in case of management training.

5. **Program Instruction:** This method requires two essential elements as
   a. A step by step series of bits of knowledge, each building upon what has gone before, and
   b. A mechanism for presenting the series and checking on the trainees knowledge. The questions are asked in proper sequence and indication given quickly whether the answers are correct or incorrect.

This programme may be carried out with a book, a manual or a teaching mechanism. It helps in the teaching of mathematics, physics etc.

## 4.6 CONCEPT OF MANAGEMENT DEVELOPMENT

Management development is a systematic process of training and growth by which managerial personnel gain and supply skills, knowledge, attitude and insight to mange the work efficiently and effectively. It can be initiated by the organisation or the manager himself. It is long time training for self development. It has broad areas of concept with comparison to training. The focus here is on the development of the hidden potential of a manager to prepare him for the potential responsibilities.

The executive development programmes are essential because of the following reasons:

1. Managerial personnel need to be developed as they are to solve various problems of technology, adoption, production, sales and marketing, competition, venturing into new markets and handling the work force of various levels.

2. Business and industrial leaders are to involve in social and public responsibilities which require broader outlook on the part of management.
3. Business executives have to be developed for handling problems arising out of increasing size and complexity in changing situation.
4. The relations between management and labour are becoming increasingly complex.
5. The business executives are to understand the macro environment components to make them aware about changes in public policies concept of social justice, economic environment in foreign countries, expatriate manger roles in foreign nations etc.
6. A sound programme of management development has to be based on the development of concepts evolved in the programme. The following are the important components of management development programmes.
7. Management development is not a one time affair but a continuos process throughout an executive's professional career.

8. There are some gaps between actual capacity and performance which provide opportunity for improvement.
9. Increased understanding of other's behavior and attitude helps in managing and contributing to personal development.
10. Peaceful and relaxed atmosphere help development. The growth involved stress and strain.
11. Clear cut objectives and goals are necessary for development.
12. Participation is essential for growth. The spoon feeding seldom brings significant or long lasting development or improvement.
13. A feedback from all levels, right from top to bottom one, are necessary to overcome the shortcomings and for keeping oneself in touch with the progress that has been achieved.
14. Development can be expected from the responsibility of the personnel department.

15. Management development must relate to all managers in an organisation. It must lead to self development and contribute to overall development of the organisation as a whole.



**CHECK YOUR PROGRESS**

**Q4:** What is meant by Management Development?

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**Q5:** Name any two Off the Job Training Method

a. ……

b. ……

**Q6:** Name any two On the Job Training Method

a. ……

b. ……

## 4.7 MANAGEMENT DEVELOPMENT METHODS

It is as important to improve the efficiency level of the managerial levels too. However the following methods of management development are stated as under:

***On the job management development methods for managers-*** This method includes:

1. **Job Rotation:** Job rotation means transfer or change of departments by the managers. The trainee tries to learn the functions of the concerned department by actually performing it, whether it is sales, production, finance, or some other functions. The duration in staying in a particular department will depend on how fast he or she is learning about the job.
2. **Coaching**: In this type of training, the employee gets an opportunity to work directly with a senior manager, hence reducing the burden of task of the executive and enough scope is given to the employee to learn the job.

***Off the job management development methods for managers:*** This method includes case study, management games, role playing and seminars.

1. **Case study:** In this method a written description of an organisational problem is given to the trainee. The trainee has to analyse the problem and the findings has to be presented for a discussion with other trainees in order to find a solution for it.This method helps the trainee to understand the background of the case and makes it easier for them to learn their real jobs and situation.
2. **Management games:** This method is very popular where the trainees are divided into group of five or six, each of which competes with the others in an artificial created marketplace. Each group may be then allowed to decide how much to produce, how to maintain inventory, expenditure on advertising, how much to produce. Management games comprises of usually few days, weeks or months. Management games are a good development tools, where people learn by getting involved in the activity itself and it also helps the trainees to develop problem solving skills.
3. **Role playing:** It is a method where realistic situations are created, where the trainees are to observe the roles and try to understand the real life situation in a workplace. This enables the trainee to cope up with such situations during their job.
4. **Seminars:** Seminars are organised so that the trainees get an opportunity to interact with the experts and tries to solve different managerial problems. The main objective of a seminar is to motivate the managerial staff in particular.

## 4.8 DIFFERENCE BETWEEN TRAINING AND DEVELOPMENT

The major difference between Training and Development is in respect to the level of employees for whom, these are meant and the contents and the technique employed to train them.

**Training :** It is an important short term process of utilizing systematic and organised procedure through which non managerial personnel acquire technical knowledge and skills. Training allows the workers to know technical and mechanical operations like operating machinery. Training is designed mainly for the non managerial staff. It is a short duration programme and it is for the specific job related purpose. Training is necessary for the employees at operative level. The term development is applicable for executives in particular. The objective of training is to develop particular skills in an employee. The objective of development is to develop the overall personality of an individual. Training may be a onetime affair where as a development is a continuous and dynamic process. Training is organised in order to meet the present need.

**Development :** Development programme refers to a long term educational process utilizing a systematic and organised procedure. It helps the managerial personnel to understand conceptual and theoretical knowledge. It involves broader education and its purpose is long term development of managerial staff. In the present global scenario all managerial personnel are to develop their knowledge through development programmes. Management usually has to take the effort for training. But in case of development the individual himself has to take the initiative, it is a case of self motivation. Development is a preparation to meet his/her future needs.



**Training**



**Development**

Let us discuss the points of differences in the following way:

**Table 4.1 Difference between Training and Development**

| TRAINING | DEVELOPMENT |
|---|---|
| Training generally imparts specific skills to the employees. | Development is more general in nature & aim at overall growth of the executive. |
| Training is concerned with maintaining improved current job performance | Development build up & competencies for future performances. |
| | |
| Focuses on "Today's needs" | Leads to "Tomorrow's " results |
| Training is short term perspective. | Development is long term perspective. |
| Training is job centered in Nature. | Development is career concerned in nature. |
| Training is task oriented | Development is skill oriented |
| The role of trainer or supervisor is very important in training. | All dev. Is self dev. And the executive has to be internally motivated for the same. |
| Training divided into three groups:<br>a. Workers or Operative Group<br>b. Supervisory Group<br>c. Management Group | Development methods are:<br>a. Position Rotation Training<br>b. Conference<br>c. Service etc. |

## 4.9 EVALUATION OF TRAINING AND MANAGEMENT DEVELOPMENT

Each training programme should have provisions for evaluation as part of planning, otherwise the management cannot be sure that they are doing the right thing and that the management are wasting the valuable time and money of the organisation.

The following criteria can be used to evaluate the training and management development programme:

1. **Reaction of Trainees:** whether the trainees liked or unliked the programme. Whether they are satisfied or dissatisfied with the programme.
2. **Learning:** Whether the concept, ideas, and principles of training are helping the participants.
3. **Behavioural change:** when a training programme changes the behavior of the people, we can say that such training programmes are effective

4. **Impact on organisation effectiveness:** Whether the modified behavior caused positive result, such as increase of output, improve quality and reduce costs.

After evaluation is made, the situation should be analysed to find the possible causes for a difference between expected and actual outcome. Some necessary measures should be taken in designing and implementing future training programmes.

**CHECK YOUR PROGRESS**

**Q7:** Write any four criteria used for evaluation of training and management development.

a. ……

b. ……

c. ……

d. ……

**Q8:** What is meant by Case study method and Role playing method of Training?

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## 4.10 LET US SUM UP

In this unit we have discussed the following:

- Training and development are required for improving the quality of work of all levels of workers in this fast changing environment, changing values and technology. Training is an important short term process of utilizing a systematic and organised procedure through which non managerial personnel acquire technical knowledge and skills. Development programme refers to along term educational process utilizing a systematic and organized procedure.
- All the training methods can be broadly classified as:

a. On the job training methods
b. Off the job training methods

- Management development is a systematic process of training and growth by which managerial personnel gain and supply skills, knowledge, attitude and insight to manage the work efficiently and effectively. Management development methods- On the job training for managers, Off the job training for managers.



## 4.11 FURTHER READING

1. Tripathi P.C. (2010), '*Human Resource Development'*, sultan chand & sons. India
2. Chabbra T.N (2015), '*Human Resource Management*, Dhanpat Rai & co (p) Ltd
3. Gupta S.K. and Joshi R(2008), *'Human Resource Management*, Kalyani publishers 2008
4. Borah Ashima. Sharma. And Baruah Hem (2009), *'Human Resource Management*', Kalyani Publishers.
5. Dessler Gary (2010), *'Human Resource Management'*, Pearson Education,Asia.

## 4.12 ANSWERS TO CHECK YOUR PROGRESS

**Ans to Q1:** Training is a short term process to develop job related knowledge, skills and attitude. Development implies a long term educational process for managerial personal.

**Ans to Q2**: **Training** is the process whereby people learn job related knowledge, skills, attitudes for acheivement of goals.

**Ans to Q3:** (i) Easy performance: Training makes an employee learn to perform the job in an effective way.

(ii) Increased productivity: An employee gets an opportunity to update the skill through training, which results in better performance of a particular job.

**Ans to Q4:** Management development is a systematic process of training and growth by which managerial personnel gain skills, knowledge, attitude and insight to mange the work efficiently and effectively.

**Ans to Q5:** The two Off the Job training methods are :a. Lectures and b. The conferences and seminars

**Ans to Q6:** The two On the Job training methods are: a . Simulation and b. Demonstrations and Examples

**Ans to Q7:** The following are thw four criteria used to evaluate the training and management development programme:

a. Reaction of Trainees
b. Learning
c. Behavioural change
d. Impact on organisation effectiveness

**Ans to 8:** Case study method helps the trainee to understand the background of the case and makes it easier for them to learn their real jobs and situation.

Role playing is a method where realistic situations are created, where the trainees are to observe the roles and try to understand the real life situation in a workplace.



## 4.13 MODEL QUESTIONS

Q1: Why training is necessary in an organisation?

Q2: What are the differences between training and development?

Q3: What do you mean by On the job training methods?

Q4: Discuss the off the job training methods?

Q5: Write about the methods of management development.

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# UNIT 5: PERFORMANCE APPRAISAL

## UNIT STRUCTURE


5.1 Learning Objectives

5.2 Introduction

5.3 Concept of Performance Appraisal

5.4 Need for Performance Appraisal

5.5 Methods of Performance Appraisal

5.6 Benefits of Performance Appraisal

5.7 Let Us Sum Up

5.8 Further Reading

5.9 Answers to Check your Progress

5.10 Model Questions


## 5.1 LEARNING OBJECTIVES

After going through this unit, you will be able to

- learn about performance appraisal
- discuss the types of appraisal method
- learn the benefits of performance appraisal
- discuss the methods of pefromance appraisal

## 5.2 INTRODUCTION

In the earlier unit we got a fair idea about the meaning and the methods of training, about management development training and the differences between training and development.

In this unit we are going to learn about performance appraisal, its concept, types, benefits and its significance. We will be discussing the traditional and modern types of performance appraisal and particularly about 360 degree appraisal.

Performance appraisal is a process through which an individual employees behavior and performance for a specific period are measured and evaluated. The main objective of evaluation is to access the worth of an employee's potential for the task.

## 5.3 CONCEPT OF PERFORMANCE APPRAISAL

Performance appraisal is a process of measuring the performance of employees quantitatively and qualitatively. Hence it is a tool used for overall development of the employees in the organisation. Performance is measured against factors like, job knowledge, quality and quantity of output, initiative leadership abilities, supervision, dependability, co-operation, judgement, versatility and health. Appraisal relates to past as well as potential performance.

However the main features of performance appraisals are as follows:

a) Performance appraisal is a systematic process for evaluating an employee's strengths and weaknesses.
b) The appraisal is an ongoing and continuous process where evaluation are done periodically and not a onetime process.
c) The performance appraisal system is involved in securing necessary information which helps in correcting decision on employees
d) Performance appraisal is always a formal system. Informal appraisal is not very effective from the management perspective.

## 5.4 NEED FOR PERFORMANCE APPRAISAL

The need for performance appraisal arises due to the cost involvement by management in terms of recruitment and selection and it is very much justified to know the benefits that an organisation gets from the employees while performing their jobs. The employees are recruited with some purpose by an organisation, whether these have been achieved or not has to be evaluated from time to time.

Also people differ in their abilities and aptitude. Even if the same kind of orientations and training is given to them, these differences cannot be eliminated. Their quantity and quality of work will definitely vary, even on the same job. Hence it becomes essential for the management to know the gaps so that the employees having better abilities maybe properly rewarded and corrective measures like training and transfers must be adopted to rectify those employees with less efficiency. This system also

motivates the individual employees too, they come to know about their level of performance in comparison to others, so that they can improve if required.

However the need for performance appraisal is as follows:

**a)** **Confidence building**: Scientific appraisal of performance helps to develop confidence amongst the employees. Employees always support the impartial way of appraising the performance. It prevents grievances.

**b)** **Systematic evaluation**: An unbiased system of performance appraisal helps the supervisor to measure the performance of his employees systematically. This helps the employees perform better in the jobs for which they have been placed.

**c)** **Salary enhancement**: A systematic performance appraisal gives an opportunity to the management to hike the salary of those employees, who are found to be efficient through this appraisal process.

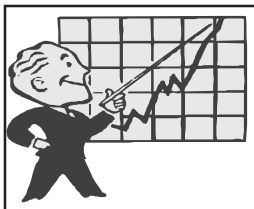
**d)** **Feedback**: Performance appraisal is a method of giving the feedback of evaluation to the employees so that they can get a chance of improving their drawbacks and get motivated by their good performance.

**e)** **Recommendation for promotions**: If the performance of an employee is found to be up to the mark or better than other employees, he can be recommended for promotion and if found to be inefficient through the appraisal system, may be trained further or even is transferred.

**f)** **Career planning**: performance appraisal facilitates human resource planning and helps the employees to plan their career meticulously.

**g)** **Provides incentive**: Performance appraisal provides incentive to the employees for better performance, so that they can show more improvement at work.

**h)** **Information system**: Performance appraisal can be put to various purposes relating to entire human resource management functions. It is an important element of collecting and providing information(s) in an organisation.



**CHECK YOUR PROGRESS**

**Q1:** What is meant by Performance Appraisal?

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**Q2:** Mention why Performance Appraisal is needed in an organisation.

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## 5.5 METHODS OF PERFORMANCE APPRAISAL

Performance appraisal methods may be classified into two broad categories as given under:

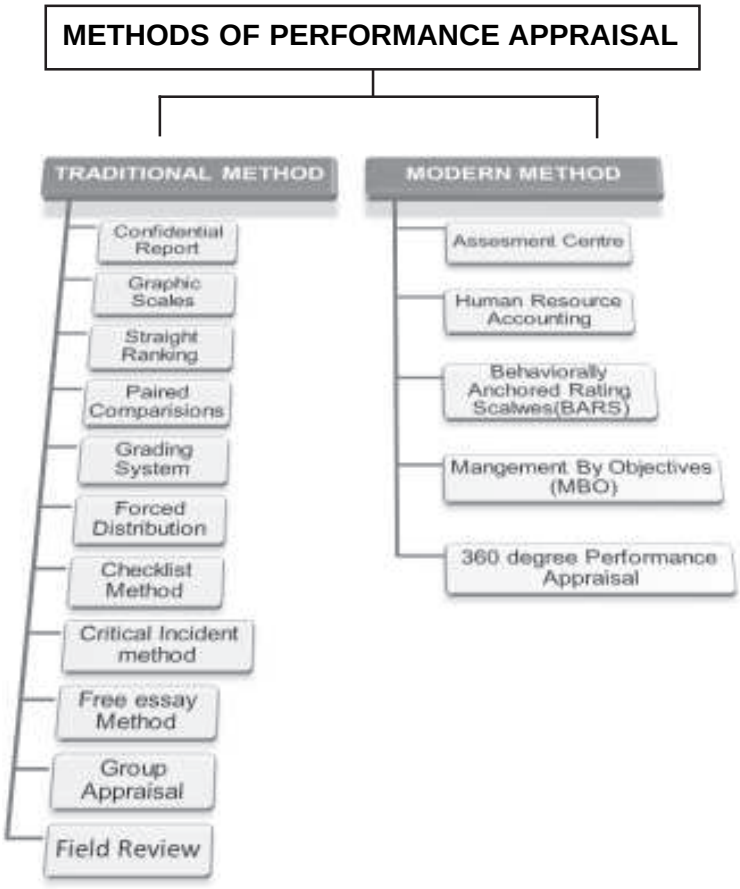



***Figure 5.1: Methods of Performance Appraisal***

Let us discuss in details the Traditional and Modern Methods of Performance Appraisal

**A.** ***Traditional Method of Performance Appraisal***: Traditional methods are relatively older methods of performance appraisals. This method is based on studying the personal qualities of the employees. It may include knowledge, initiative, loyalty, leadership and judgment.

**i. Confidential reports**: performance appraisal is done through annual confidential reports in many government offices and public enterprises. The annual confidential report is written for a unit of one year and relates to the performance, capability and character of the employee during that year. The report is not database but subjective.

**ii. Graphic scales**: in graphic rating scale, a rating scale lists these traits and a range of performance values for each trait. The supervisor rates each subordinate by circling or checking the score that best describes his performance for each trait. The assigned values for the traits are then totaled.




***Figure 5.2: Graphic Scales***

**iii. Straight Ranking Method:** In this method a list is prepared for ranking the workers in order of their performance on their job so that an efficient employee will be at the top and the less efficient ones are at the bottom.

**iv. Paired Comparisons Method**: In this method every person is compared trait wise with other persons one at a time, the number of times one person is compared with others is tallied on a piece of paper. These numbers have in yielding rank orders of employees. For e.g. if there are three persons to be compared, A's performance is compared

with that of B to find out the better performer, then again A is compared with C. Similarly B's performance will be compared to the performance of C.

| Employees Rated → / Performance compared with ↓ | A | B | C | D | E |
|---|---|---|---|---|---|
| A | | – | – | + | + |
| B | + | | – | – | – |
| C | – | + | | – | – |
| D | – | – | + | | – |
| E | + | – | – | + | – |

***Figure 5.3: Paired Comparision***

v. **Grading system**: The employees are given grades according to certain features dependability, job knowledge, analytical ability, cooperativeness. The grade may be O- outstanding, A-Excellent, B-Good, C- Average, D-Poor.

vi. **Forced distribution**: This system is based on the presumption that all employees are divided into five categories i.e. Outstanding, Excellent, Good, Average, Poor. The rater is asked to place 10% persons in outstanding group, 20% in above average, 40% in average, 20% below average and 10% in poor category. The main objective of this system is to spread the rating in a number of grades. It is suitable for a large group of employees.

vii. **Check list method:** the checklist method provides a list of statements which describes the features and performance of employees on the job. The rater rates the employee on the basis of numbers of positive or negative checks. There are usually three types of checklists , they are,

   a. **Simple check list**: Under this method the supervisors get printed forms containing descriptive questions about the performance of the employees. The supervisor has to answer in yes or no.
      - Is the employee punctual: yes / no
      - Is the employee efficient: yes/no

- Good interpersonal relationship: yes/no
- Does he understand the instructions: yes/no

**b. Weighted checklist**: In this method weights are assigned to different statements to indicate their relative importance. The example of weighted checklist

| Traits | Weights | Performance Scale rating (1-5) |
|---|---|---|
| **Punctuality** | **1.0** | |
| **Knowledge about job** | **1.5** | |
| **Leadership quality** | **2.0** | |

***Figure 5.4: Weighted Checklist***

**c. Forced choice checklist:** In this checklist five statements are given for each trait, the rater is required to tick one statement. The aim is to minimize the raters biasness.

**viii. Critical Incident Method**: This method measures the workers performance in terms of certain events or incidents that occur at work. The supervisor keeps a record of critical incidence at different times and then rates him on this basis. For e.g. increase in efficiency despite resentment from other workers, or showed presence of mind in saving a worker when there was a accidental fire etc.

**ix. Free Essay Method**: In this method the supervisor writes a detail report about the employee which is based on his assessment. While preparing an essay on the employee the rater generally considers the factors like job knowledge, employees interpersonal relations, employees attitude and understanding etc.

**x. Group appraisal**: In this method employees are rated by an appraisal group, consisting of their supervisor and few persons who have knowledge regarding their performance. The supervisor explains the group regarding the nature of his subordinates duty.

**xi. Field Review**: Under this method an expert from the personnel department interview the line supervisor to evaluate their respective subordinates. The expert question the supervisor and obtain all the important information on each employee and takes note of it. The

employees are usually classified into three categories; outstanding, satisfactory and unsatisfactory.

***B. Modern Method of Performance Appraisal:*** The traditional methods of performance appraisal, discussed above, suffer from major limitations for their obvious emphasis on assessing individual performance or task, considering it as an isolated factor. To eliminate such narrow and partial approach, the newer techniques of performance appraisal have been developed and are widely practiced by the organizations, particularly for managerial and supervisory employees. Some of the modern techniques are discussed below:

i. **Assessment centre**: An assessment center is a central location where the managers may come together to participate in job related exercises, evaluated by trained observers. The main objective is to evaluate managers over a period of time by observing and later evaluating their behavior from various exercises given to them. An assessment centre usually measures interpersonal skills, communication skills, ability to plan and organise, self confidence, etc.



**LET US KNOW**

Assessment Centre was first developed in USA 1943

ii. **Human Resource Accounting :** Human resources are an important asset which can be valued in terms of money. Human resource accounting is a method associated with money values to the value of a firm's internal human resources and its external customer goodwill. Human asset is decreased when competent employees leave an organisation and vice versa. A cost benefit analysis is made in terms of performance by the employees, cost is incurred on HR planning , recruitment, selection, induction, training , compensation. Benefit of human resources is the contribution of the employees towards labour productivity. Difference between cost and benefit will reflect the performance of employees.

iii. **Behaviorally Anchored Rating Scales (BARS):** The behaviorally anchored rating scales are designed to identify the critical areas of performance for a job and to describe the more effective and less effective job behavior forgetting results. Performance is evaluated by asking the rater to record the specific job behavior which is observed in an employee and then compared with a 'behaviorally anchored rating scales'. As a result the supervisor is in a position to compare the employees actual behavior with the behavior that has been previously determined to be more or less effective. The various steps involved in developing BARS are as under:

- *Identification of critical incidence or behaviors*: People with knowledge of the job to be probed such as job holders and supervisors describe specific examples of effective and ineffective behavior related to job performance.
- *Identification of performance area:* People are assigned the task of developing the instrument cluster into various dimensions like technical competence, relationship with customers, handling of work and meeting day to day targets.
- *Reclassification of critical behavior:* A group of people who are knowledgeable about the job is instructed to retranslate or reclassify the critical incidence generated under the previous step. At this stage, incidence for which there is less than 75% agreement are discarded as being too subjective.
- *Assigning scale values to critical behavior:* Each incident is rated on a 1-9 scale with respect to how well it represents performance on the appropriate dimension.
- *Development of bar instrument:* After passing through both retranslation and standard deviation criteria, about 6-7 incidents are used as the behavioral standards. The final bar instrument consists of these behavioral standards as vertical scales.

iv. **Management by Objective**: Management by objective was proposed by Peter Drucker, which is a goal setting approach to performance

appraisal. The main feature of this approach is mutual establishments of job goals and involves the following stages:

- The subordinate discusses with his supervisor about the job contents and the key result areas.
- The subordinate prepares a list of objectives for coming 6-12 months.
- The subordinate along with the superior discuss the targets and plans and final set is worked out.
- Checkpoints are established for the evaluation and the ways of measuring progress are selected.
- The superior subordinate at the end of the period to discuss the results of the subordinate's efforts to meet the targets, which is mutually established.

v. **360 Degree Performance Appraisal:** The 360 degree appraisal method involves rating of an employee or manager by everyone above, alongside and below him. Corporate like Reliance Industries Limited, Crompton and Greaves, Wipro, GE etc. use this method to find out the performance about managers. 360 degree appraisal is also used to design promotion and reward system in the organsiation. Structured questionnaires are used to collect responses about the employee from his superiors, peers and subordinates. Various parameters relating to performance and behavior are used in the questionnaire. Each manager is assessed a minimum of 15 colleagues at least two of them being their bosses, 4 of them peers and 6 of them subordinates. Even the important customers or clients of the firm can be requested to give their assessment of the concerned employee. The responses are presented collectively to the assesses in the form of charts and graphs. Counseling sessions are being arranged with the employee in order to remove the weaknesses identified in the 360 degree method.

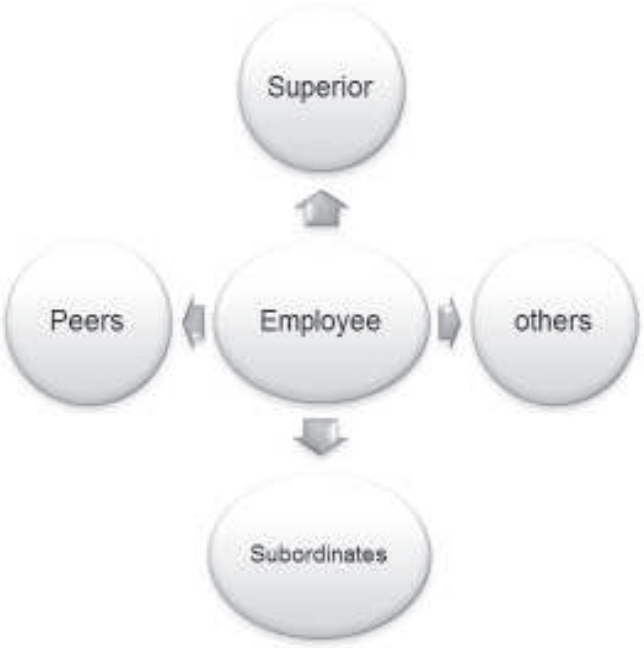



***Figure 5.5: 360⁰ Performance Appraisal***

Some of the Merits of 360 degree appraisal are:

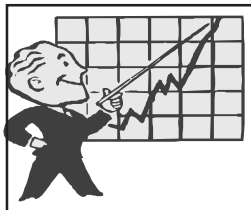
a. The subordinates get an opportunity to have a say in the appraisal of their bosses.
b. Inefficient managers initiate self change.
c. This method leads to greater self awareness of those appraised, which reveals strengths and weakness of their performance.

Some of the limitations of 360 degree appraisal are

a. This system ignores performance in terms of goals.
b. The candidate being appraised may not accept negative feedback from the subordinates and peers.
c. Responses from colleagues are often tend to be biased.

**vi. Potential Appraisal:** Potential appraisal is a holistic approach for studying wholesome qualities of an employee with a given intellect, personality and character. Industry practices apply two widely used approaches for potential appraisal, i.e., helicopter and whole person qualities. Helicopter method tries to measure the potentiality of a person on large, as well as, on specific issues. Whole person qualities method measures the wholesome qualities/potentialities of a person with a given set of variables, mentioned above, which are already determined

for the person. Potential appraisal data is extremely useful for career planning, as the latent abilities of an individual can be captured and matched with the future role and responsibilities. However, in India, we do not have documented practices on potential appraisal in the corporate world.



**CHECK YOUR PROGRESS**

**Q3:** What are the traditional methods of Performance Appraisal?

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**Q4:** Write the advantages and disadvantages of 360 degree performance Appraisal.

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## 5.6 BENEFITS OF PERFORMANCE APPRAISAL

The benefits of performance appraisal are discussed as under:

a) Performance appraisal improves overall performance of the organization because it improves the relationship between management and the subordinates.

b) It shows the potential of the employees and helps the uses of their potentialities.

c) It identifies the long term ideas and the training/retraining and development needs of the employees.

d) It assists the employees know that they are valued, increases loyalty and improves the working environment.

e) It facilitates human resource planning, career planning and successive planning.

f) When achievements are recognized and rewarded there is improvement in work environment.

g) It provides incentives for the betterment of employee performance , improving their rating over the rest of the employees.

Performance appraisals are considered to be an essential aspect of career development and typically organised periodically throughout the year, or on annual basis, as determined by the employer.

Most organisations perform employee evaluation on an annual basis, as well as within the first 3 to 6 months of a new employees tenure with the company. Some companies adopt shorter cycle appraisals to more rapidly identify areas of concern relating to the employees regarding their job performance. While other companies are getting rid of traditional performance appraisals totally, due to the drawbacks in the evolution.

Other benefits of performance appraisals include improved communication between employers and employees, provides an official platform for documenting problems with the employee's performance , identifies motivational tools and techniques which promotes trust between employees and the supervisors and helps in setting goals for the future.

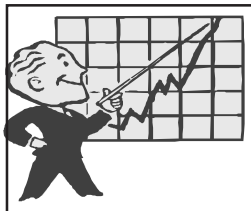
Performance appraisal is a very effective system of evaluation of employees performance, where feedback is an important component. Some employees do not support this evaluation process because they believe that the methods of appraisal are mostly traditional and not free from biasness.

However performance appraisals can serve many purposes to both employers and employees. Employers can better manage their staff and save money,time and other important resources that helps the company to become more successful.

The employees will be encouraged to perform better. The feedback may be utilized to correct the flaws if any, and helps to plan one's career and can also make the best of the situation by using the opportunity to address changes that they would like to make in the future.

Many employees fear and do not trust the performance appraisal methods which are very critical yet constructive. The supervisors can

motivate by communicating with the employees where everyone understands the purpose of strengthening the entire team of employees. Therefore the employees can help minimize the fear that arises with performance appraisals.



**CHECK YOUR PROGRESS**

**Q5:** Write any two benefits of Performance Appraisal.

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……



## 5.7 LET US SUM UP

In this unit we have discussed the following:

- Performance appraisal is or process of measuring the performance of employees quantitatively and qualitatively.
- The need for performance appraisal arises due to the cost involvement by management in terms of recruitment and selection and it is very much justified to know the benefits that an organisation gets from the employees while performing their jobs.
- Types of Performance Appraisal
  - Traditional of Performance Appraisal
    - Confidential reports
    - Graphic scales
    - Straight ranking
    - Paired comparisons
    - Grading system
    - Forced distribution
    - Check list method
    - Critical incident method
    - Free essay method

- Group appraisal
- Field review

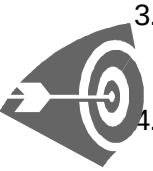
➢ Modern Method of Performance Appraisal

- Assessment centre
- Human Resource accounting
- Behaviorally anchored rating scales (BARS)
- Management by objective
- 360 degree performance appraisal



## 5.8 FURTHER READING

1. Tripathi P.C. (2010), '*Human Resource Development'*, sultan chand & sons. India
2. Chabbra T.N (2015), '*Human Resource Management*, Dhanpat Rai & co (p) Ltd
3. Gupta S.K. and Joshi R(2008), *'Human Resource Management*, Kalyani publishers 2008
4. Borah Ashima Sharma. And Baruah Hem (2009), *'Human Resource Management*', Kalyani Publishers.
5. Dessler Gary (2010), *'Human Resource Management'*, Pearson Education,Asia.



## 5.9 ANSWERS TO CHECK YOUR PROGRESS

**Ans to Q1:** Performance appraisal is a process of measuring the performance of employees quantitatively and qualitatively. Hence it is a tool used for overall development of the employees in the organisation.

**Ans to Q2:** Performance appraisals is needed for the followings -

a. Confidence building
b. Systematic evaluation
c. Salary enhancement

d. Feedback

**Ans to Q3:** Traditional methods are older methods of performance appraisals. They are: Confidential reports, Graphic scales, Straight Ranking Method, Paired Comparisons Method, Grading system, Forced distribution:

**Ans to Q4:** Some of the Merits of 360 degree appraisal are:

1. The subordinates get an opportunity to have a say in the appraisal of their bosses.
2. Inefficient managers initiate self change.

Some of the limitations of 360 degree appraisal are

1. This system ignores performance in terms of goals.
2. Responses from colleagues are often tending to be biased.

**Ans to Q5:** The benefits of performance appraisal are discussed as under:

1. Performance appraisal improves overall performance of the organization because it improves the relationship between management and the subordinates.
2. It shows the potential of the employees and helps the uses of their potentialities.



## 5.10 MODEL QUESTIONS

Q1: What meant by performance appraisal?

Q2: Explain the traditional methods of performance appraisal.

Q3: Write down the modern methods of performance appraisal.

Q4: Why performance appraisal is necessary for an organisation in todays's world?

*********

# UNIT 6: COMPENSATION MANAGEMENT

## UNIT STRUCTURE


6.1 Learning Objectives

6.2 Introduction

6.3 Wage and Salary Administration

- 6.3.1 Definitions and Concepts
- 6.3.2 Need for sound wage and salary administration
- 6.3.3 Objectives of wage and salary administration

6.4 Guiding principles of wage and salary administration

6.5 Factors influencing wage and salary administration

6.6 Methods of payment of wages

6.7 Concept of Incentives

- 6.7.1 Definitions and meaning of incentive
- 6.7.2 Merits and Demerits of incentive

6.8 Types of wage incentive plans

6.9 Fringe Benefits

- 6.9.1 Meaning of Fringe Benefits
- 6.9.2 Objectives of Fringe Benefits
- 6.9.3 Types of Fringe Benefits

6.10 Let Us Sum Up

6.11 Further Readings

6.12 Answers to Check Your Progress

6.13 Model Questions


## 6.1 LEARNING OBJECTIVES

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

- learn the meaning, objectives and the factors influencing salary and wage administration
- discuss the methods of payment of wages
- discuss the concept , merits and demerits of incentives
- learn the types of incentives plan
- describe the meaning and types of Fringe Benefits

## 6.2 INTRODUCTION

In the earlier unit we got a fair idea about the meaning of performance appraisal, its significance and the different types of appraisal methods, also the benefits.

In this unit we are going to learn about the meaning of wage and salary administration, the objective and the factors influencing salary and wages administration. We will also learn about the various methods of payment of wages , about incentives and fringe benefits. A scientific and acceptable salary system will help an organisation to attract, retain and motivate people of the required caliber and qualification.

## 6.3 WAGE AND SALARY ADMINISTRATION

Wage and salary administration is essentially the application of a systematic approach to the problem of ensuring the employees are paid in a logical, equitable and fair manner. The main objective of salary administration is to develop and maintain an acceptable salary system.

### 6.3.1 Definitions and Concepts

***Wage:*** Indian labour organisation (ILO) defined the term wage as "the remuneration paid by the employer for the services of hourly, daily, weekly and fortnightly employees." It also means that remuneration paid to production, and maintenance or blue collar employees.

***Salary:*** The term salary is defined as the remuneration paid to the clerical and managerial personnel employed on monthly or annual basis.

This distinction between the wage and salary does not seem to be valid in these days of human resource approach where all employees are treated as human resources and are viewed at par. Hence, these two terms can be used interchangeably.

Let us discuses the meaning of Wage and Salary Administration. 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.

Some new terms relating to wages that are often used are discussed as follows:

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

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

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

***Take home salary:*** It is the amount of salary left to the employee after making authorized deduction like contribution to the provident fund, life insurance, income tax and other charges.

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

***Statutory Minimum wage :*** It is the amount of remuneration fixed according to the provisions of the Minimum Wages Act ,1948.

### 6.3.2 Need for Sound Wage and Salary Administration

Management has to formulate and administer the salary policies on sound lines as:

- Most of the employees satisfaction and work performance are based on pay
- Internal inequalities in pay are more serious to certain employees
- Employees compare their pay with that of others
- Employees act only to gross external inequities
- Employee comparisons of pay are uninfluenced by levels of aspirations and pay history, and
- Employees compare the pay of different employees with their skill, knowledge, performance, etc.

### 6.3.3 Objectives of Wage and Salary Administration

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

1. **To acquire qualified competent personnel:** candidates decide upon their career in a particular organisation mostly on the basis of the amount of remuneration the organisation offers. Qualified and competent people are the best paid organisations. As such, the organisations should aim at payment of salaries at that level, where they can attract competent and qualified people.
2. **To pay employees in accordance with their job requirements:** Employees shall be given pay in accordance with the relative worth of their jobs. The relative worth jobs may be determined taking into account such factors as the qualifications expected of the individual, the skill required to perform, the responsibilities attached to the job and so on.
3. **To eliminate any scope for favoritism:** There shall not be any discrimination or favoritism in the matter of wage and salary payment on the basis of sex, caste, religion and so on.
4. **To improve the morale of employees:** As the employees are assured of pay in accordance with the requirements of their jobs, their level of morale improves. As a result, they are able to perform better. This results in higher productivity.

5. **To control labour turnover:** Inadequate pay is one of the main reasons for employees leaving their jobs (called labour turnover). Sound wage administration ensures adequate compensation for employees for work done and thereby helps to control the problem of labour turnover effectively.
6. **To establish lines of promotion:** Different pay scales are established keeping in mind the level of work, i.e., clerical, supervisory, etc.
7. **To have better rapport with workers' unions:** As the employer is in a position to explain the basis of pay fixation, he is in a position to have better rapport with the workers unions.
8. **To eliminate scope for grievance**: Another important objective of sound wage administration is that it eliminates scope for any grievance over pay inequalities.



## CHECK YOUR PROGRESS

**Q1:** What is meant by wage?

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**Q2:** What is meant by real wage?

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.....

**Q3:** Write any four objectives of wage and salary administration

a. .....

b. .....

c. .....

d. .....

## 6.4 GUIDING PRINCIPLES OF WAGE AND SALARY ADMINISTRATION

The following principles guide wage and salary administration in determining the right pay for all its employees:

1. Payment of remuneration shall be determined in accordance the requirements of each job.
2. The pay policy of the organisation shall protect the interests of both the employer and the employee.
3. The wage rates for similar jobs in similar organisations shall be taken into consideration.
4. The pay policy of the organisation shall recognize individual differences. Those employees contributing more shall be paid more.
5. The employees and their union shall be informed of the procedure adopted to determine the wage rates.
6. The pay structure shall be made flexible so that any adjustment required can be made easily.
7. There shall be a prompt payment of the amount due to the employees.
8. The pay given to the employee shall assure him and his family a reasonable standard of living.
9. There shall exist a forum to redress employees grievances over pay inequalities.
10. The wage policy of the organisation shall be reviewed periodically in tune with the changing needs.

## 6.5 FACTORS INFLUENCING WAGE AND SALARY ADMINISTRATION

These various factors influencing the wage policy of an organisation have been explained below:

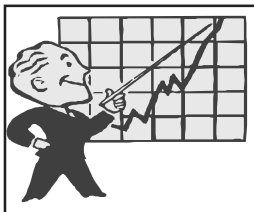
***1. Availability of funds:*** Obviously, availability of funds is an important factor determining the wage policy of a concern. If finance is not a constraint, the enterprise will be in a position to hire competent persons by offering them

an attractive pay package. On the other hand, if the enterprise is starved of funds, it will not be able to pay its employees well.

2. ***Demand and supply forces:*** If the demand for certain skills is greater than the supply, the enterprise may have to offer higher pay to induce persons with such skills to work for it. On the other hand , if the supply of human resource with certain skills is more than the demand, the enterprise will have an upper hand in the matter of pay fixation. It may be mentioned here that there was a time when computer professionals were in demand in the job market throughout the world. As a result, the employers had to offer an attractive pay package. But now the job market is flooded with computer professionals and as a result they are not in a position to demand more pay.
3. ***Pay policy of competing firms:*** Employees working for a firm do compare their pay scales with those of employees working for competing firms in the same industry. The employer, therefore, has to consider the pay policy of the rival concern before fixing the pay scales of his employees.
4. ***Trade union pressures:*** Powerful trade unions are in a position to pressurize the management to hike the salary of the employees periodically. In India, the trade unions of employees working in Railways, Nationalised Banks etc., are so powerful that by organizing a day's strike, they are able to get all their demands settled.
5. ***Inflationary pressure:*** The purchasing power of money declines with an increase in the rate of inflation in the economy. As a result, even when there is an increase in the wage or salary of an employee, there is no increase in his real income. To offset the effects of inflation, employees are given what is known as dearness allowance (DA). DA is an important component of an employee's pay scale. As cost of living rises,the employer has to grant DA to his employees and this increases his pay commitment.
6. ***Relative worth of jobs:*** The employer cannot keep the same pay for employees doing different kinds of jobs. The requirements of different jobs are not the same. Certain jobs demand professional qualifications

CA, MBA, BE,B.Tech, etc., while for others a mere degree in any discipline may be an adequate qualification. Likewise, certain jobs require certain jobs require certain special skills like knowledge of stenography, computer accounting etc,. It is, therefore , necessary to assess the relative worth of jobs before determining the pay.

7. ***Quantum of work done:*** The quantum of work done by an employee may also be taken into account in determining his pay. Salesman, for example, are paid commission as a percentage of the business done by them.
8. ***Government regulations:*** The government has enacted various laws to safeguard the interests of the employees working in different organisations. We have, for example, the Payment of Wages Act, the Minimum Wages Act, the Equal Remuneration Act etc., to protect the interests of the working class. While formulating the wage policy, the employer, therefore, cannot ignore the implications of these laws.



**CHECK YOUR PROGRESS**

**Q4**: Write any four factors influencing wage and salary levels.

a. ……

b. ……

c. ……

d. ……

## 6.6 METHODS OF PAYMENT OF WAGES

The methods of payment of wages, basically, fall under two categories:

1. Time Rate System
2. Piece Rate System
   a. Straight Piece Work
   b. Differential Piece Work

Let us discuss these methods in detail:

1. **Time Rate System:** In the case of time rate system, the workers will be paid on the basis of the time spent by them on the job irrespective of the quantum of work done. According to this system, wages are paid on hourly, weekly or monthly basis. Time wage system—Irrespective of the quantity produced by workers, time is made the basis of payment and even now-a-days it is widely used as a form of remuneration. The greater mechanisation of industrial operations and the increased strength of labour unions tend to make this form of wage payment more popular today than it was in the first quarter of this century. Under time rate system, the wages earned by a worker is determined by using the following formula.

   Wages Earned = Time spent(Attended) x Wage rate per hour/day/week/ month

   For example, if per day wage is fixed at Rs. 75 for 6 hours of work (10 a.m to 5 p.m with a lunch break of 1 hour), any worker adhering to the time schedule will receive Rs.75. There may be differences in the level of output of different workers, which is ignored. The time wage method is a conventional one is widely used even today.

*Merits of Time wage :*

a. The advantages of time wage method are as follows:
b. It is simple to use. Calculation of wages under the time wage method is easy.
c. The workers will not attempt to do the work hurriedly. This ensures quality of work.
d. There are no ill- feelings among workers as there is equality in the payment of wages.
e. The time wage method is the most suitable one in those workplaces where it is not possible to determine the contribution made by individual employees.
f. The wear and tear of tools and machines is also less as there is no rough handling.
g. The method enables the workers to receive stable income.

*Demerits of* time wage:

a. The time wage method, however, suffers from the following limitations:
b. It fails to take into account the capabilities of individual workers. Some workers are capable of doing more work within the stipulated time than others. But they do not derive any benefit out of it.
c. As payment is based only on time spent, there may be a tendency on the part of the workers to go slow. This results in delay in the completion of work.
d. The method necessitates close supervision to ensure that workers do not waste time during working hours.
e. It is not possible to measure the actual performance of individual workers.
f. The method further allows people without ability or willingness to take part in work.

***2. Piece Rate System***: Under the piece wage method, the workers are paid based on the output produced by them. It is based on the amount of work performed, i.e., on the basis of output or productivity and not on the basis of time spent. Piece rate system is one of the simplest and most commonly used of all incentive plans. The standard is expressed in terms of certain sum of money for every unit produced, such as Rs.2/- per piece or Rs.4/- per kilo or Rs.6/- per dozen.

The earnings of the employee are directly proportional to his output or performance. It is called a 1 for 1 plan for each 1 per cent increase in production the worker is paid a 1 per cent increase in wages.

Supposing the piece rate is Rs. 5, a worker who produces 10 units will receive Rs 50 and another worker who produces 15 units will receive Rs 75 on normal working day. Thus, unlike the time wage system where the output of individual workers is ignored, in the case of piece wage system the workers, get payment only based on the output produced.

**Features of Piece Rate System**

1. It can offer direct connection between effort and reward. Hence, a worker has incentive to produce more. Merit, talent, skill and efficiency all these

are at a premium. Hence, it is the best method to ensure higher productivity

2. It can ensure adequate planning and close control over labour costs. Wage cost determination is easy. Labour cost per unit of output is measurable. Both these features are conscious by their absence under the time wage system but they are duly available under the piece wage system.

The piece rate system is of the following types:

***a. Straight piece work:*** It is a payment of a uniform price per unit of production. In this system a worker may be paid a flat money price for each piece or, pay him for the time allowed to complete a task. This is the simplest and the most common type of piece rate system. Each operation, job or unit of production is termed as a piece. The wage rate fixed for each piece is called piece rate. The worker is paid wages on the basis of work done regardless of the time taken to perform the work. The wage of a worker is calculated by multiplying the number of units produced by him by the specified rate for each unit.

Wages = Number of units produced x Wage rate per unit

The piece rate is fixed with the help of work study. Standard time for each unit is ascertained first. Piece rate is then calculated with reference to hourly rate of wage. For example, if hourly rate of wage is Rs. 10 and the standard time per unit is 90 minutes,

***b. Differential piece work system:*** This system helps to adjust wage cost per unit in relation to output. In this system the wages cost per unit of production falls as output increases. Under the differential piece rate system, the payment of wages is made to labor on the basis of piece rates varying with the level of efficiency of workers. The system provides for higher rewards to more efficient workers. Under this system, there is more than are piece rate to reward efficient workers and to encourage the less efficient workers to improve. Payment at normal piece rate is made for work performed with and up to the standard level of efficiency.

Payment is made at higher piece rate if the efficiency exceeds the standard. Higher piece rates are also applicable for still high efficiency. The system motivates the workers to increase productivity and earn higher wages. The system is complicated and expensive to operate and is difficult for the workers to understand.

***Merits of Piece rate System:***

The merits of the piece wage method are given below:

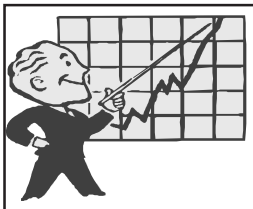
a. It takes into account the capabilities of individual workers. People who are more efficient will be able to earn more.
b. It does not give scope for the workers to go slow. The workers know that their remuneration depends on the quantum of work done by them.
c. Close supervision is not necessary, as there is no tendency on the part of the workers to waste time.
d. Every worker strives to produce more in order to earn more. This encourages healthy competition among the workers.
e. There is increase in production as workers , by and large, show preference to step up output.
f. It is possible to identify efficient and less efficient workers. This guides the management on such matters as training, promotion, transfer, etc.

***Demerits Piece rate System:***

The demerits of the piece wage method are given below:

a. There may arise ill feelings among workers, as only some of them are able to earn more.
b. The method does not ensure stable income for the workers.
c. The quality of work may suffer, as the workers are only keen on increasing the quantum of output. They may not pay adequate attention to the quality of work.
d. The wear and tear of tools and machines is greater due to improper handling as work is hurriedly done.
e. The administration of the piece wage method is difficult. Proper records will have to be maintained to determine payment to individual workers.

f. The method cannot be used in those workplaces where it is not possible to determine the output of individual workers precisely.



**CHECK YOUR PROGRESS**

**Q5:** Define Time Rate System of determining wage.

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**Q6:** Write the merits of Piece Rate System.

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## 6.7 CONCEPT OF INCENTIVES

Incentive is an additional financial earning of the employee for better standard performance. It is paid over and above the regular payment. A wage incentive scheme is the payment for achieving the specific or standard. This scheme is applied to an individual, a group or to all employees. Therefore, it is necessary to fix a standard in all incentive schemes. It is also to be noted that the acceptability of the scheme to the employee is to be ensured.

### 6.7.1 Definition and Meaning of incentive

Incentive may be defined as any reward or benefit given to the employee over and above his wage or salary with a view to motivating him to excel in his work. Incentive includes monetary as well as non- monetary reward. A scheme of incentive is a plan to motivate individual or group performance.

*Definition:*

The following are some of the definitions of the term incentive:

- "Wage incentives are extra financial motivation. They are designed to stimulate human effort by rewarding the person, over and above the time rated remuneration, for improvements in the present or targeted results". – The National Commission on Labour.
- "It refers to all the plans that provide extra pay for extra performance in addition to regular wages for a job" – Hummel and Nickerson
- "It is any formal and announced programme under which the income of an individual, a small group, a plant work force or all the employees of a firm is partially or wholly related to some measure of productivity output". – Scott

### 6.7.2 Merits and Demerits of Incentives

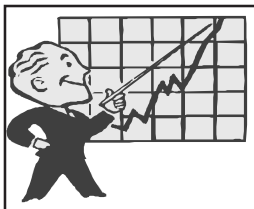
***Merits of incentives:***

1. ***Higher output:*** By providing incentives to his employees, the employer is able to induce them to work better. This leads to a higher output.
2. ***Greater profits:*** Needless to say, higher output results in greater profits for the business. This happens in two ways. First, the cost per unit becomes less and second, the enterprise is able to keep the selling price low and this result in greater sales.
3. ***No problem of idle time:*** in an organisation where no proper incentives are available for the workers, the tendency will be to pass the time. When suitable incentives are available, the workers become time conscious. They begin to see every minute in terms of money.
4. ***Supervision does not pose any problem:*** When suitable incentives are available, the workers become duty conscious.
5. ***Efficient workers are able to earn more:*** Such of those workers who are highly efficient are able to earn more by way of performance bonus, higher commission and so on.

6. ***Possible to identify inefficient and dull workers:*** If, in spite of the incentive schemes, some workers are able to earn only their normal wage, it should mean that they are basically dull.
7. ***Rate of labour turnover is bound to be low :*** If adequate incentives are available to the workers, they may not have a feeling of dissatisfaction. Such workers are sure to have greater work commitment and therefore may not leave the organisation.

***Demerits of incentives***

1. **Quality of work may suffer:** The workers, those in the production department in particular, may give undue importance to the quantity of output produced neglecting the quality of output. Such a problem can be overcome only if the organisation has a perfect system of quality control.
2. **Inter –personal relationships may suffer:** Only those employees who are really efficient will be benefitted out of incentives. This may promote ill feelings among the employees of the organisation.
3. **Wear and tear of the machines may be more:** As the employees are keen on increasing the output all the time, they may handle the machine carelessly, resulting in reduction in machine life.
4. **Health of workers may get affected:** Some workers tend to overwork in order to earn more and this may affect their health.
5. **Increase in accidents:** There is always a preference to step up output disregarding even safety regulations and this may increase the rate of accidents in the workplace.
6. **Increase in paper work:** Proper administration of any incentive scheme involves lot of paper work. It necessitates the maintenance of proper records and books.



**CHECK YOUR PROGRESS**

**Q7:** Define Incentive.

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**Q8:** Write the merits of Incentives.

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## 6.8 TYPES OF WAGE INCENTIVE PLANS

There are different types of incentive plan used by different organisations. It may be individual and group incentive plan. In case of individual plan, payments are made on the basis of time taken and percentage of time saved. An employee is paid at a higher rate of production beyond a certain limit. Under group incentive plan all members of the group are given the incentive for increasing their collective performance.

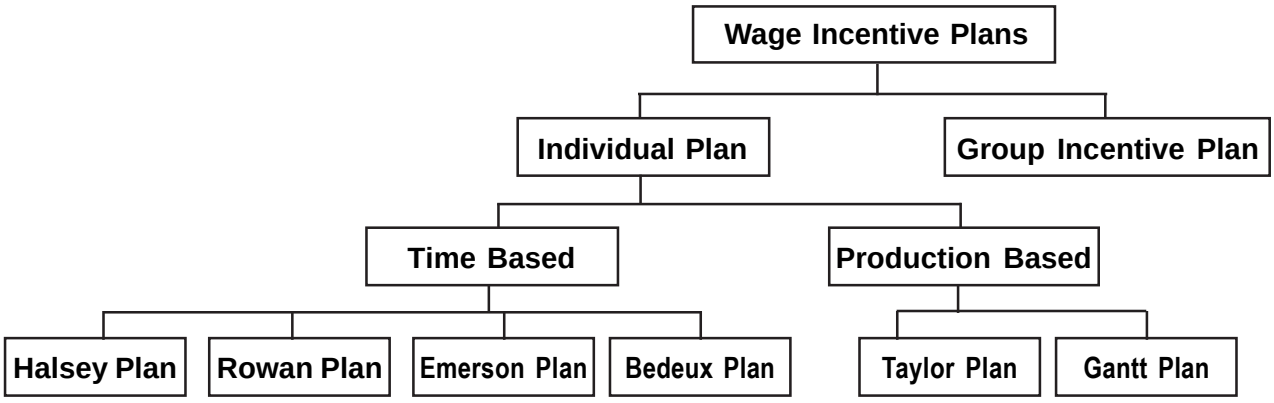



***Figure 6.1: Types of Wage Incentive Plans***

1. **Time based Plan:** Under time based plan a standard time is fixed for doing the job. A worker is said to be efficient if he completes the job in time and he is given the reward for his efficiency.
   a. **Halsey Plan:** This plan was introduced by F.A. Halsey of Canada. Here a standard time is fixed for completing a work. An employee

completing his work in less than the standard time is paid for the time saved. Normally wages for one half of time saved are paid. For example, Time allowed for a particular work -10 hours.

Actual time taken- 7 hours

Hourly time of pay Rs 1.5

Calculate the wage of the worker

T x R+ (S-T)/2 x R

Here T stands for time taken

R stands for hourly rate

S stands for standard time allowed

| | |
|---|---|
| Total wages and incentive | = 7 x 1.5+(10-7)/2 x 1.50 |
| | =10.50 + (1.5x1.5) |
| | =10.50 + 2.25 |
| | =12.75 |
| His incentive will be | =(7x1.5 =10.50 wages) |
| | =12.75 -10.50 |
| | =Rs. 2.25 |

*Advantages Halsey Plan:*

i. This system guarantees minimum wages to all workers.

ii. Efficient employees are encouraged to work hard for extra benefits.

iii. The employer also gains from this plan because half of the time saved is paid.

iv. The employees of any organisation understand this simple method.

v. This method is concerned for time saved and not for increase in production. It requires less supervision.

*Disadvantages Halsey Plan:*

i. The employees are not paid for full time saved.

ii. There may be complication for fixing the standard time.

iii. The quality of production may suffer because workers try to complete it in shortest possible time.

b. **Rowan Plan:** This system is similar to Halsey Plan. An employee gets minimum wages and also received bonus for completing the work before the standard time. Wages are calculated with the help of following formula:

   TxR+ (S-T)/2xTxR

   Here, T stands for time taken

   R stands for hourly rate

   S stands for standard time

c. **Emerson Plan:** Under this system a standard output is fixed for assessing the efficiency of workers. A worker reaching upto 66.67% of efficiency is paid only minimum wages and bonus is paid only when his efficiency crosses this limit. For example, 100 units are fixed as a standard production. If a production attains 100% efficiency 20% bonus is paid and bonus increases at every 1% increase in efficiency. If efficiency is 110% the bonus will be 30%. It has merits and demerits but it encourages the workers to increase their efficiency.

d. **Bedeaux plan:** Under this minute is the time unit described as the standard minute. The standard time for each job is fixed after undertaking time and motion study expressed in terms of B. the standard time for a job is the number of B's allowed to complete it. Generally the bonus paid to the worker is 75% of the wages for time saved. The rest 25% goes to the foreman.

   Standard time(S) = 360 B's (6hours*60 minutes)

   Actual time (T) =300 B's (5hours*60 minutes)

   Wage rate(R) = Rs 10 per hour

   Value of time saved=360-300/60*1 =Rs10

   Total wages (W) =S*R+75%of value saved

   =6*10+75/100*10

   =Rs67.5

In the above section we have discussed wage payment methods on the time while the wage payment methods based on the productivity are going to be discussed below:

**2. Production Based System:** Under the production based incentive plan a standard output is fixed and the workers are paid on the basis of the production. They are given incentive if they produced more number of units than the standard fixed.

***a. Taylors Differential Price Rate System:*** F.W. Taylor introduced this incentive plan. This method uses to reward an efficient worker and penalize inefficient one. The standard time is fixed for a job with the help of time and motion study. If a worker completes within the standard time he is paid a higher rate and if he takes more than standard time, the worker is paid lower rate of wages. In this system following factors are considered:

i. Minimum wage is not guaranteed
ii. A standard time is fixed for the work.
iii. Different rates are fixed for taking standard time or more.
iv. Higher rate is paid if the work is completed within the standard time and lower rate if more than standard time is taken.

*Merits of Taylors Differential Price Rate System*

i. It is simple method understandable to all.
ii. It encourages the efficient workers.
iii. It also reduces the overheadcost of production

*Demerits of Taylors Differential Price Rate System*

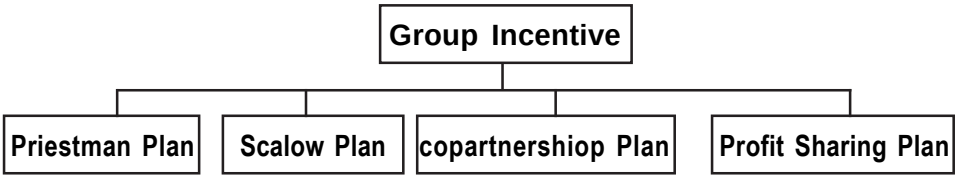
i. It discourages the inefficient workers
ii. There may be dissatisfaction among the ineffiecient workers.
iii. It effects the health of the workers because they work hard to reach the standard time.

**b. Gantt's Task and Bonus Plan:** It is an improved version of Taylor's method of wage payment. Under this scheme workers are guaranteed minimum wages for taking standard time or more. A worker working less than standard time gets time wage plus bonus. The following factors are considered in this method:

i. A standard time is fixed for completing the job.
ii. An employee taking standard or more time gets wages on hourly rate.

iii. A bonus ranging from 25% to 50% is paid for completing the work in less than standard time.

3. **Group Incentive plan :**There are many group incentive schemes for paying group bonus. When a number of persons are associated in completing a work, in such situation incentives may be offered for achieving group performance. The incentives are given for raising output beyond a certain levels. The amount of bonus is divided among all persons associating in completing the job.




Some of the methods of Group Incentive Plans are discussed below.

a. **Priestman's Plan:** Under this method a standard production is fixed. When productivity exceed the standard then bonus is paid. If the production does not reach the standard then workers get minimum wage.

b. **Scalow Plan:** In this method payment of one percent given for every one percent increase in productivity. The bonus is given to all employees except top management. The bonus is not paid every month. A reserve is created and at the end of the year bonus is paid to the workers.

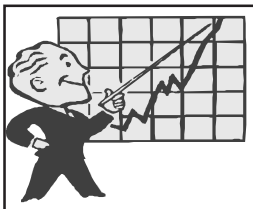
c. **Co-partnership:** This is also an important incentive plan. The employees of the organisation share the profit as its members. As co partner employees belongingness and responsibilities will increase and the productivity is also increased.

d. **Profit Sharing Plan:** Workers are an integral part of the organisation and their contribution to its development should be rewarded by sharing the profit of the concern. Profit sharing is a method of remuneration under which an employer undertakes to pay his employees a share in the net profits of an enterprise in addition to regular wages.

There are many merits and demerits of these incentives plan. Considering all the aspects of human resource development and to improve the health of the organisation these plan should be accepted by the employees.

A good incentive plan should consist the following features:

i. Simple and understandable
ii. Just and equitable
iii. Attractive to employees
iv. Reasonable standards
v. Conducive to health
vi. Willing co-operation of workers
vii. Clarity of objectives
viii. Ability of the management



**CHECK YOUR PROGRESS**

**Q9:** What is Profit Sharing Plan?

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**Q10:** What is Taylors Differential Price Rate System?

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## 6.9 FRINGE BENEFITS

There is no conceptual clarity in so far as precise definition of the term fringe benefit is concerned. In fact a large number of benefits irrespective to their nature, are lumped under Fringe benefits and welfare programmes. Fringe benefit is a benefit which supplement the employees ordinary wages and which is of value to them and their families in so far as it materially increases their retirement benefits.

### 6.9.1 Meaning of Fringe Benefits

According to Glossary of Industrial Relations and Wage Terms " Fringe embrace a broad range of benefits and services that employees receive as part of their total compensation package pay or direct compensation is based on critical job factors and performance. Benefits and services, however, are indirect compensation because they are usually extended as a condition of employment and are not directly related to performance."

The main features of Fringe benefits are as follows:

**a.** Fringe benefits are supplementary to regular wages

**b.** These benefits are paid to all regular wages.

**c.** It is indirect benefit and directly connected with performance.

**d.** It involves a labour cost for the employer and are not meant directly to improve efficiency.

**e.** Fringe benefits raise the living standard of the employees.

**f.** Statutory and new statutory benefits are paid as fringe benefits.

### 6.9.2 Objectives of Fringe Benefits

The important objectives of fringe benefits are:

**a.** To create and improve sound industrial relations.

**b.** To boost up employee morale.

**c.** To motivate the employees by identifying and satisfying their unsatisfied needs.

**d.** To provide qualitative work environment and work life.

**e.** To provide security to the employees against social risks like old age benefits and maternity leaves.

**f.** To protect health of the employees and to provide safety to the employees against accidents.

**g.** To promote employee's welfare by providing welfare measures like recreation facilities.

**h.** To create a sense of belongingness among employees and to retain them. Hence, fringe benefits are called golden hand cuffs.

**i.** To meet requirements of various legislations relating to fringe benefits.

### 6.9.3 Types of Fringe Benefits

Organisations provide a variety of fringe benefits. A large number of benefits and services are provided through fringe benefits. In India, fringe benefits provided by various organisations can be classified into eight categories:

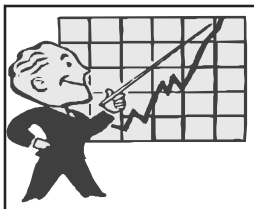
1. Payment for time not worked
2. Employee security
3. Safety and health
4. Workmen's compensation
5. Health benefits
6. Voluntary arrangements
7. Welfare and recreational facilities
8. Old age and retirement benefits

Payment for time not worked: It includes

- Paid holiday- according to Factories Act 1948 weekly holiday is allowed with pay.
- Shift allowances- workers who are required to work during the odd hour's shift given shift allowance.
- Paid vacation- workers who have worked for 240 days during a calendar year are eligible for paid vacation at the rate of one day every 20 days worked, in case of adult workers and one day per 15 days worked , in case of child workers.

There are many other benefits on the basis of the various labour laws in the country. These are:

1. Employees Provident Fund
2. Employee security
3. Safety and health care facilities
4. Workmen compensation
5. Health benefits
6. Welfare and recreational facilities.
7. Old age and retirement benefits
8. Employees Pension Fund Act .



**CHECK YOUR PROGRESS**

**Q11:** Define Fringe benefit.

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**Q12:** What is Shift allowances?

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**Q13:** Define Paid vacation.

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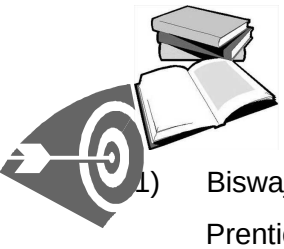
## 6.10 LET US SUM UP

In this unit we have discussed the following:

- Indian labour organisation (ILO) defined the term wage as "the remuneration paid by the employer for the services of hourly, daily, weekly and fortnightly employees."
- The term salary is defined as the remuneration paid to the clerical and managerial personnel employed on monthly or annual basis.
- The methods of payment of wages, basically, fall under two categories
  1. Time Wage
  2. Piece Wage
     a. Straight Piece Work
     b. Differential Piece Work
- "Wage incentives are extra financial motivation. They are designed to stimulate human effort by rewarding the person, over and above the

time rated remuneration, for improvements in the present or targeted results". – The National Commission on Labour.

- Fringe benefit is a benefit which supplement the employees ordinary wages and which is of value to them and their families in so far as it materially increases their retirement benefits.
- Types of Fringe Benefits
  a. Employees Provident Fund
  b. Employee security
  c. Safety and health care facilities
  d. Workmen compensation
  e. Health benefits
  f. Welfare and recreational facilities.
  g. Old age and retirement benefits
  h. Employees Pension Fund Act .



## 6.11 FURTHER READING

1) Biswajeet Pattanayak (2004); *'Human Resource Management', India,* Prentice Hall India Pvt.
2) A. Monappa (2010); *'Personnel Management',* Tata McGraw Hill, India.
3) C B Mamoria, S V Gankar (2011); *'Personnel Management',* India, Himalaya Publishing.

## 6.12 ANSWERS TO CHECK YOUR PROGRESS

**Ans to Q1:** Wage is the remuneration paid by the employer for the services of hourly, daily, weekly and fortnightly employees.

**Ans to Q2:** Real wage is the amount of wage arrived after discounting nominal wage by the living cost. It represents the purchasing, power of money wage.

**Ans to Q3:** The objectives of wage and salary administration are:

a. To acquire qualified competent personnel

b. To pay employees in accordance with their job requirements
c. To eliminate any scope for favoritism
d. To improve the morale of employees

**Ans to Q4:** The four factors influencing the wage policy of an organisation are:

a. Availability of funds
b. Demand and supply forces
c. Pay policy of competing firms
d. Trade union pressures

**Ans to Q5:** Time rate system is a method, where the workers are paid on the basis of the time spent by them on the job irrespective of the quantum of work done. According to this system, wages are paid on hourly, weekly or monthly basis.

**Ans to Q6:** The merits of the piece wage method are given below:

a. It takes into account the capabilities of individual workers.
b. It does not give scope for the workers to go slow.
c. Close supervision is not necessary
d. Every worker strives to produce more in order to earn more.

**Ans to Q7:** Incentive may be defined as any reward or benefit given to the employee over and above his wage or salary with a view to motivating him to excel in his work.

**Ans to Q8:** Merits of incentives are:

a. Higher output
b. Greater profits
c. No problem of idle time
d. Supervision does not pose any problem

**Ans to Q9:** Profit Sharing Plan implies that “workers are an integral part of the organisation and their contribution to its development should be rewarded by sharing the profit of the concern”

**Ans to Q10:** Differential Price Rate System of incentive plan was introduced by F.W. Taylor. This method uses to reward an efficient worker and penalize inefficient one.

**Ans to Q11:** Fringe benefit is a benefit which supplement the employees ordinary wages and which is of value to them and their families in so far as it materially increases their retirement benefits.

**Ans to Q12:** Shift allowances are paid to that workers who are required to work during the odd hour's shift given shift allowance.

**Ans to Q13:** Paid vacation are given to those workers who have worked for 240 days during a calendar year are eligible for paid vacation at the rate of one day every 20 days worked, in case of adult workers and one day per 15 days worked , in case of child workers.



## 6.13 MODEL QUESTIONS

Q1: What is meant by wage and salary administration?

Q2: Write down the factors influencing wage and salary levels.

Q3: What are the differences between time and piece wage system?

Q4: What is meant by incentive?

Q5: Write down the merits and demerits of incentive.

Q6: What is fringe benefit? What are the various types of fringe benefits?

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| Name of the Paper:<br>Course Code: |
|---|

**Centre for Internal Quality Assurance (CIQA)**
**Krishna Kanta Handiqui State Open University**
**City Office, Housefed Complex, Guwahati- 06**

***Learner's Feedback on Course***

Dear Learner,

Regarding the course as mentioned above, we would like to know your opinions and comments so as to improve the quality of self learning materials in future. Please respond to the following statements by ticking the number you feel most reflect your opinion. After completion of the additional comments, please detach the page and send/mail the same to us at the address given below.

**The Director, Centre for Internal Quality Assurance, KKHandiqui State Open University**
**Housefed Complex, Dispur, Guwahati- 781006**
**(E-mail id: ciqa@kkhsou.in)**

1. Approximately how many hours did you spend for studying the units in the course? | | | |
2. Please give your opinions (by √ mark) to the following items based on your reading of the block:

| Sl. No. | Statements | Strongly Agree | Agree | Neither Agree nor Disagree | Disagree | Strongly Disagree |
|---|---|---|---|---|---|---|
| I. | The SLMs of the course fulfil the learning objectives set out in the beginning of each unit | | | | | |
| II. | The units of the SLM could satisfy my academic needs and expectations | | | | | |
| III. | The Unit writers have excellent knowledge about the course contents | | | | | |
| IV. | Language and contents of the units were presented at a level which I could readily understand | | | | | |
| V. | Ample opportunity for participation in the activities provided in the units | | | | | |
| VI. | Used enough Illustrations (Diagrams, tables etc.) for conceptual clarity | | | | | |
| VII. | Quality of content is engaging, relevant, and up-to-date | | | | | |
| VIII. | The self check questions are very helpful | | | | | |
| IX. | The Possible/model questions and the answers to check my progress have benefited me a lot | | | | | |

**Additional Comments:** *(Please feel free to provide your open comments)*

1. Which aspects of the SLM, according to you, worked well?

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2. What sort of changes/improvements do you feel KKHSOU could implement to improve the overall quality of the SLM?

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***Thank you for taking the time to complete this form.***

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