Human Resource Management

FOR VTU

Pravin Durai

Human Resource Management

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To

My Parents

Contents

Preface

During the course of my teaching and research career of more than twenty years, I have seen the emergence of a workforce that is a well-informed, dynamic and diverse entity. To be successful in effectively handling such a workforce, employers, managers and supervisors need to be up to date with the current trends as well as possess a strong theoretical foundation of human resource practices. The contents of *Human Resource Management* have been developed, therefore, to provide students as well as practicing managers with all-inclusive, multifaceted information in a highly readable and understandable form. Besides adopting a user-friendly format, each chapter in the book has several unique real-life examples to support its theoretical discussion and help readers understand the subject matter easily.

Organization

This book has 20 chapters to enable readers gain complete insights into the different domains of HRM. Based on the role and responsibilities of HR managers, these chapters are divided into seven parts. The parts and their purposes are:

Part I—Human Resource Management—A Conceptual Framework familiarizes the reader with the elements of human resource management.

Part II—Procurement provides an insight into the topics connected with recruitment, selection and placement of human resources in the organization. Thus, this part includes job analysis, HR planning, recruitment, selection and placement, orientation and socialization.

Part III—Development focuses on the topics relating to employee training and management development. The areas of discussion under this part are career planning and development, employee training, management development.

Part IV—Evaluation and Compensation comprehensively deals with the core and critical areas of HR management such as employee performance evaluation, compensation administration, and incentives and benefits management.

Part V—Maintenance and Motivation discusses matters relating to employee motivation and retention. This part covers employee well-being, employee welfare and social security, workers' participation and empowerment, and job rotations.

Part VI—Integration offers an insight into the activities that foster employer-employee relations. This part thus includes chapters on industrial relations, discipline and disciplinary action, employee grievance.

Part VII—Special Topics discusses in detail the emerging areas of human resource management such as ethical issues in human resource management and international human resource management.

Miscellaneous Topics discusses assorted topics such as human resource policies, cost-benefit analysis of recruitment sources, employee mobility and employee attrition.

Each part in this book received equal weightage in terms of treatment and coverage. Thus, the readers will find an elaborate discussion even on newer areas of human resource management.

The Teaching and Learning Package

A full range of resources that support teaching and learning is available on the companion Web site of this book.

- *PowerPoint lecture slides* provide the outlines and key topics of each chapter

Feedback

To share your feedback on this book, readers can write to me at pravindurai@rediffmail.com

ACKNOWLEDGEMENTS

I express my deep sense of gratitude to everyone who helped me in their own way in writing this book.

I gratefully acknowledge all institutions like Ashok Leyland, Dorling Kindersley, Infosys, Mind Tools Limited, the Ministry of Labour of the Government of India, Political and Economic Risk Consultancy, Tata Services Limited, the Reserve Bank of India, and Tube Investments of India Limited for their permission to use information pertaining to them in this book. I also thank Ankush Gupta for his permission to utilize excerpts from his article in Chapter 19 of this book. Similarly, I am indebted to all the reviewers for their feedback and valuable suggestions.

I sincerely thank the Jesuit management of St. Joseph's College (Autonomous), Tiruchirappalli, for providing me with a supportive work environment that enabled me to write this book.

I have no words to express my gratitude to my wife, Pramila Pravin, who painstakingly ensured that I was not troubled by my family commitments while writing this book. I would like to express my appreciation for my children, Ashwin and Sherine, for their love and affection.

Finally, I express my gratitude to Pearson Education for publishing this book. Amarjyoti Dutta and Jonaki Ray deserve a special mention for their sustained interest and worthy suggestions in the manuscript development. I welcome any critical reviews and feedback from readers, and would consider those as the real reward for writing this book.

<div align="right">Pravin Durai</div>

About the Author

Pravin Durai is Associate Professor, Department of Commerce at St. Joseph's College (autonomous), Tiruchirappali. He is also a visiting faculty at the Tiruchirappalli branch of Southern India Regional Council of Institute of Chartered Accountants of India (ICAI) and St. Joseph's Institute of Management, Tiruchirappalli. He is a member of the board of studies for M. Com. Courses at the Bharathidasan University. He is also a member of the one-man commission of the Bharathidasan University for granting recognition to M.Phil and PhD programmes of its affiliated colleges. He is the coordinator of the Micro Quality Assurance Cell (MQAC) at St. Joseph's College, Tiruchirappalli.

Dr Durai has received master's degrees in commerce and business administration as well as a Ph. D. in organizational behaviour. He has more than twenty years of teaching and research experience and has published many articles in reputed journals. He has produced three doctorates and over 25 M.Phil Graduates. He has successfully completed a UGC sponsored research project on the problems of Handloom Weavers in TamilNadu. He is one of the authors of a custom book- *Management-II* for Gujarat Technological University (GTU) published by Pearson Education.

CHAPTER

1

Introduction to Human Resource Management

CHAPTER OBJECTIVES

After reading this chapter, you should be able to:

1. Understand the meaning of human resources
2. Define the objectives, scope and functions of human resource management (HRM)
3. Differentiate between HRM and personnel management
4. Enumerate the qualities of HR managers
5. Discuss the future role of HRM

Infosys Technologies has been adjudged the best employer of the year by a number of leading human resource (HR) surveys for its outstanding HR practices. It is one of the few companies that succeeded in greatly influencing the attitude and behaviour of the employees and the performance of the organization through creative HR practices.

The HR policies of Infosys include: (i) focusing on the learnability of candidates in recruitment; (ii) emphasizing continuous learning through employee training. For this reason, it has developed a world-class training centre called the Global Education Center at Mysore to train fresh recruits and an Infosys Leadership Institute to develop future leaders of the companies; (iii) evaluating the performance of employees in a scientific manner through a competency-mapping system and (iv) using a variable compensation structure, which considers the collective performance of the individual, the team and the organization as a whole for fixing the employee-compensation packages. To sum up, its HR philosophy, policy, practices and management have played a pivotal role in making Infosys a $2billion company today.

The success story of Infosys is a proof that HR management (HRM) can be a definite competitive advantage for a firm and can make a real difference not only to the fortune of the organizations but also to the individuals as well. Keeping this success story in mind, let us first learn the basics of HRM in this chapter.

Introduction

Every organization is essentially a combination of physical and human resources (HR). Physical resources refer to materials, money and machines pre-arranged by the organization for production or trade. Human resources, on the other hand, refer to the knowledge, education, skills, training

and proficiency of the members of the organization. All organizational resources are important for achieving the objectives of an organization. In fact, the effectiveness of an organization lies in the judicious blending of the two resources to achieve optimum competency.

However, for a long time, it was felt that the efficient utilization of physical resources was primary for developing an organization. This was so because the acquisition of physical resources resulted in a huge outflow of funds and those assets carried a definite value. On the contrary, it was felt that hiring employees never cost anything substantial for a firm and it was also quite easy to replace them. This made human resources less important for employers. But, in the past decade, employers have realized that intellectual capital is critical to business success. The main reasons for this change are due to the understanding that

1. Product innovation and marketing strategy, which are crucial for market survival and growth in a competitive environment, are possible only when a good and creative workforce is present.

2. The challenge, opportunities and even disputes of creating and managing organizations arise mostly from people-centred problems.

3. People are not alike and they cannot be treated identically. They differ physically and psychologically. These differences require individual attention in order to achieve the optimum productivity.

Indian organizations are no exception to this change in understanding. They realize that technology by itself cannot triumph in the market and that technology coupled with a workforce is essential for the success of an organization. The growing importance of HR in Indian organizations is best reflected in their mission statements. The mission statements of a few Indian organizations, which emphasize the significance of human resources, are presented in Table 1.1.

Meaning of Human Resources

Organizations are managed by people and through people. Without people, organizations can never exist. Indeed, people who make up the human resources of a company are unique and they can make or break an organization, depending upon their level of commitment, contribution and cooperation. Hence, it is relevant to know the intricacies of the term *human resources* first, before we discuss HR management (HRM) in detail. Different people have defined human resources differently. Box 1.1 showcases the various definitions of human resources.

Table 1.1   **Mission Statements of a Few Organizations**

To develop ICICI Bank into an organization that is empowered by bright and talented individuals, working in teams and riding on the backbone of world-class technology.

−ICICI BANK

To be a globally respected corporation that provides the best-of-breed business solutions leveraging technology delivered by the best-in-class people.

−INFOSYS

To deliver superior value to our customers, shareholders, employees, and society at large.

−ADITYA BIRLA GROUP

To ensure anywhere and anytime banking for the customer with the latest state-of-the-art technology and by developing effective customer-centric relationships and to emerge as a world-class service provider through efficient utilization of human resources and product innovation.

− ALLAHABAD BANK

Box 1.1	Definitions of human resources

Human resources are "a whole consisting of inter-related, inter-dependent and interacting physiological, psychological, sociological and ethical components."[1]
                                                                                      –Michael J. Jucius

"From the national point of view, human resources are knowledge, skills and attitude obtained in the population; while for individual enterprises, they represent the total of the abilities, knowledge and skills of its employees."[2]
                                                                                      –Leon C. Megginson

We would define *human resources* as the collection of people and their characteristics at work. These are distinct and unique to an organization in several ways.

Uniqueness of Human Resources

The distinct features of human resources are:

1. Human resources are the only assets that appreciate *over a period* while physical resources just depreciate with years.

2. Further, human resources alone can produce an *output larger than the input.* This is possible due to the creative skills of humans. Creative thinking is the process of predicting, envisioning and then inventing an idea, concept or insight along innovative and alternative lines. People in the organization are the only basis for such creativity and there is no obvious limit to their imagination.

3. Organizations require human resources of different types to operate all physical resources. Thus, they *provide utility value to each one of the physical assets*. In fact, the real worth of a physical asset depends on the quality and calibre of the people working with it. An incompetent workforce will spoil the physical resources available to it.

4. There is a growing realization that *the flexibility of an organization depends more on people than on any technical factors*. Modern equipment may ensure quality and cost-competitiveness but the operational flexibility, which is core to product modification and innovation, is provided only by the employees. This is so since humans alone could grasp the situation adequately and respond suitably.

The effective utilization of human resources is a complex task. It requires greater foresight and strategic consideration on the part of the management. For instance, attracting the most qualified employees, matching them to the jobs for which they are best suited and retaining them within the organization are significant for the success of an organization. But this calls for closer coordination and better understanding between the employers and the employees. However, many enterprises are too large to permit close contact between the top management and the employees. This is where HR managers act as a crucial link between the management and the employees.

HRM, as a field of study, makes a sincere effort to provide knowledge, skills and ability for managing human resources more effectively. The basic task of HRM is the selection of the right person for the right job at the right time to carry out the activities of an organization in the most efficient way. It also aims to enhance the satisfaction, morale and productivity of employees, control labour turnover, and help organizations increase their performance by providing the necessary training and development opportunities, suitable working conditions and appropriate career growth to employees.

Box 1.2	Definitions of HRM

"Personnel management, or say human resource management, is the planning, organizing, directing and controlling of the procurement, development, compensation, integration, maintenance and separation of human resources to the end that individual, organizational and social objectives are accomplished."[3]

–Edwin B. Flippo

"Personnel management is that part of management (which is) concerned with people at work and with their relationships within an enterprise. Its aim is to bring together and develop into an effective organization the men and women who make up an enterprise and, having regard for the well-being of the individual and of working groups, to enable them to make their best contribution to its success."[4]

–Institute of Personnel Management (IPM)

"Human resource management is concerned with the people dimension in management. Since every organization is made up of people, acquiring their services, developing their skills, motivating them to higher levels of performance and ensuring that they continue to maintain their commitment to the organization are essential to achieving organizational objectives. This is true, regardless of the type of organization—government, business, education, health, recreation, or social action."[5]

–David A. Decenzo and Stephen P. Robbins

"Human resource management is a series of integrated decisions that form the employment relationship; their quality contributes to the ability of the organizations and the employees to achieve their objectives."[6]

–George T. Milkovich and John W. Boudreau

Though different authors have defined HRM differently, they have all emphasized the effective utilization of the workforce for accomplishing the organizational and individual goals and objectives. Some of these definitions of HRM are mentioned in Box 1.2.

To sum up, we can say that HRM is concerned with policies and practices that ensure the best use of the human resources for fulfilling the organizational and individual goals.

Objectives of HRM

The primary objective of HRM is to take care of the work life of the employees from the time they join the organization to the time they leave it, while ensuring their best possible cooperation in achieving the organizational goals and objectives. This broad objective of HRM can be classified into the following specific ones:

1. To act as a liaison between the top management and the employees

2. To arrange and maintain adequate manpower inventory, which, in turn, ensures the smooth working of the organization

3. To offer training as a way of developing skills, enhancing productivity and, most importantly, increasing individual and organizational performance to achieve the desired results

4. To devise employee benefit schemes for improving employee motivation and group morale and enhancing employer–employee cooperation

5. To ensure and enhance the quality of work life, which refers to the employees' perception of their physical and psychological well-being at work

6. To help keep up ethical values and behaviour amongst employees both within and outside the organization

Box 1.3 describes the HR objectives of the Tata group.

Box 1.3	HR Objectives of the Tata Group

A Tata company shall provide equal opportunities to all its employees and all qualified applicants for employment without regard to their race, caste, religion, colour, ancestry, marital status, gender, sexual orientation, age, nationality, ethnic origin or disability.

HR policies shall promote diversity and equality in the workplace as well as compliance with all local labour laws, while encouraging the adoption of the best international practices.

Employees of a Tata company shall be treated with dignity and in accordance with the Tata policy of maintaining a work environment free of all forms of harassment, whether physical, verbal or psychological. Employee policies and practices shall be administered in a manner consistent with the applicable laws and the other provisions of this code, respect for the right to privacy and the right to be heard, and that in all matters equal opportunity is provided to those eligible and that decisions are based on merit.

Adapted from: http://www.tata.com/aboutus/articles/inside.aspx.

Scope of HRM

The scope of HRM is extensive and exhaustive. An understanding of HRM is important to anyone who is employed in an organization. HR issues become important wherever there is a group of workers. Staffing is performed by all the managers as a managerial function, either directly or indirectly through the HR department. All managers are, in this way, HR managers since they get involved in HR activities like choosing, training, inducting, compensating and motivating the employees along with industrial relations activities. Thus, they must understand the scope and application of the personnel policies of their organization in order to ensure that their everyday personnel actions are consistent with those policies as any violation of such policies may get them into confrontations with their subordinates.

Further, knowledge of the basics of HRM is important even to non-managerial employees as they may be keen to know the impact of the personnel policies of their organization on their own compensation, training and career growth aspects. Thus, the personnel aspects of management run through the entire organization.

The Institute of Personnel Management (IPM)[7] has mentioned the scope of HRM as follows:

Personnel or Labour Aspect   The first aspect deals with manpower planning, recruitment, selection, placement, transfer, promotion, training and development, lay-offs and retrenchment, remuneration, incentives and productivity.

Welfare Aspect   This aspect is concerned with the working conditions and with amenities such as canteen, crèches, rest- and lunch-rooms, housing, transport, medical assistance, education, health and safety, and recreation facilities.

Industrial Relations Aspect   This aspect pertains to union–management relations, joint consultations, collective bargaining, grievance and disciplinary actions, and settlement of disputes.

In the last decade, there has been a realization amongst managers that good plans, effective organizational structures, impressive plants and modern technologies may not guarantee the success of the organization unless they hire the right persons, train them suitably, appraise them properly, and constantly motivate them to get the desired results. This new understanding

showed the way for further research in the field of HR aspects, resulting in the development of new techniques and styles of HR management. This has further widened the scope of HRM.

Functions of HRM

HRM functions (also called processes) are carried out by the HR managers to fulfil the goals and objectives of the organization. As illustrated in Figure 1.1, they perform two sets of functions, namely managerial functions and operative functions. The managerial functions are the basic functions performed by the HR managers in their capacity as managers or heads of their own departments. In fact, all managers, irrespective of their departments, perform these functions. The operative functions, on the other hand, are specialized activities performed exclusively by the HR managers, usually for all the departments. We shall first discuss the managerial functions.

Managerial Functions

Functions like planning, organizing, staffing, directing and controlling constitute the core managerial functions of an organization. The specific activities performed under each of these functions are explained as follows:

Planning   It is an effective tool to deal with the future. It involves the process of pre-determining the personnel programmes that are necessary to attain the organizational goals. In this context, accurate forecasting is vital to the success of any plan. Planning is such a crucial function for an organization that it is the key to all other managerial functions. The steps involved in planning are

- Establishing goals and objectives to be achieved
- Developing rules and procedures
- Determining plans and forecasting techniques

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                    ┌──────────────────────────┐
                    │      Functions of HRM     │
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Managerial Functions	Operative Functions
• Planning	• Procurement
• Organizing	• Development
• Staffing	• Compensation
• Directing	• Maintenance and motivation
• Controlling	• Integration
	• Industrial Relations

Figure 1.1

Functions of HRM
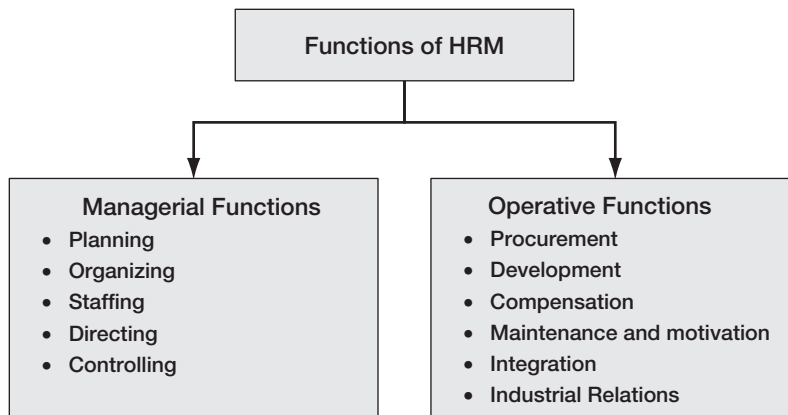
Organizing   Once the plans are formulated, the next step is to organize the men and material in order to accomplish those plans. Organizing is a process through which the firm establishes its structure and determines the authority, responsibility and accountability of each member in relation to the job. Thus, organizing involves

- Giving each member a specific tasks
- Establishing departments and divisions
- Delegating authority to the members
- Establishing channels of authority and communication
- Creating a system to coordinate the works of the members

Staffing   This function deals with the creation and maintenance of human resources through employment, compensation, benefits, training and development, and industrial relations measures. It aims to put in place HR policies in order to deal with wage fixation, working conditions, and promotional opportunities for prospective employees. The steps involved in the staff function are

- Determining the type of people to be hired
- Recruiting prospective employees and selecting the best ones from them
- Compensating the employees
- Training and developing the employees
- Setting performance standards and evaluating the employees' performance
- Counselling the employees

Directing   Directing is the sum of several activities like communication, leadership and motivation. Directing, as a function, aims at securing willing cooperation from the individuals and the groups to achieve the predetermined goals. It includes the following activities:

- Getting work done through subordinates
- Ensuring effective two-way communication for the exchange of information with the subordinates
- Motivating subordinates to strive for better performance
- Maintaining the group morale

Controlling   Controlling is the process of checking the efficiency of the individuals and the groups in fulfilling the plans and goals through follow-up measures. It is essential for continuous improvement in the managerial activities. The processes involved in controlling are

- Establishment of standard performance
- Measurement of actual performance
- Comparison of actual performance with the standard one to find the deviation
- Initiation of corrective actions, if there are any deviations

Next, let us look at the operative functions.

Operative Functions

Staffing is one of the managerial functions. But this function is normally performed by the HR managers for all the departments of the firm. In most organizations, the HR department establishes personnel policies and coordinates the HR functions of all the departments. This function is also called the operative function or HRM function. It includes, amongst others, the processes of hiring, training, compensating, appraising and retaining employees, and attending to their labour relations, health and safety, and equality concerns (see Fig. 1.2). Andrews[8] has carried out a detailed study on the functions of HRM and commented:

> *In most organizations, the personnel or HR department establishes policies and coordinates functions such as job analysis, personnel planning, the recruitment and selection of employees, training and development, performance appraisal, compensation and employee benefits, labour relations, employee discipline and control, and occupational health and safety.*

We shall now discuss the operative functions of HRM.

Procurement   Procurement refers to a series of activities undertaken by the HR managers for filling the present and future vacancies of the organization. The activities include job analysis and designing, HR planning, recruitment and, finally, the selection of suitable employees. Here, job analysis refers to both the determination of specific tasks and responsibilities connected to a job and identifying the skills, knowledge and abilities required for the job holder. HR planning involves choosing and placing the right person at the right job and

Figure 1.2

Operative Functions of HRM
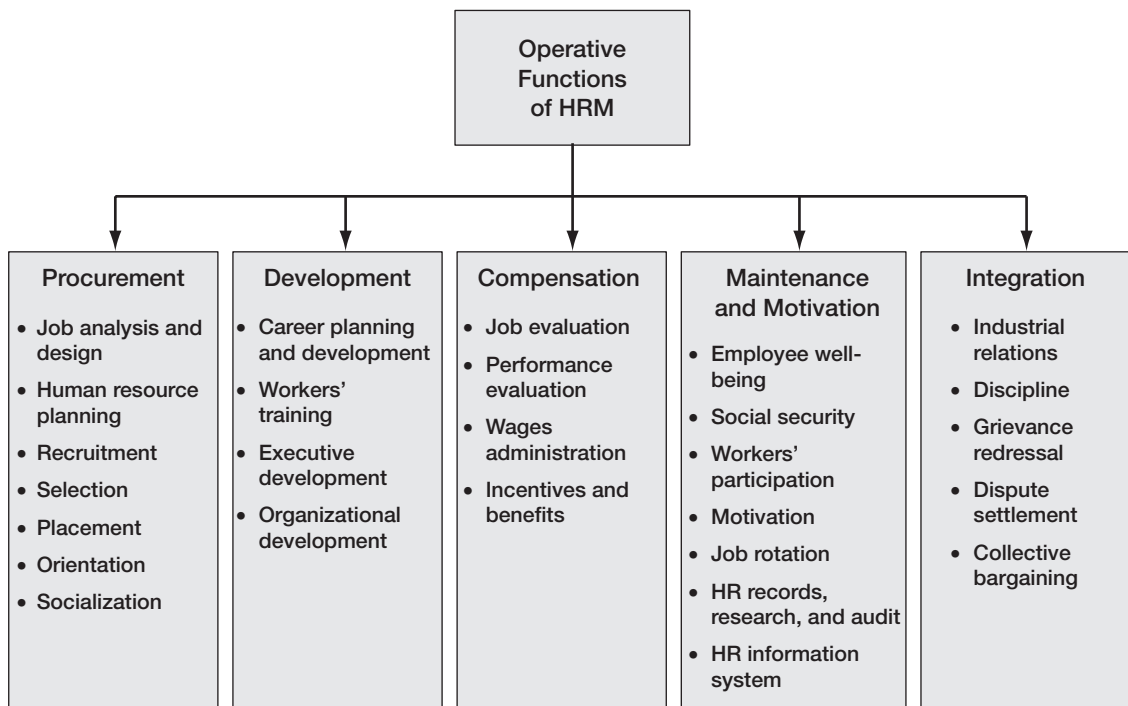
at the right time. Recruitment involves gathering a pool of applicants from which suitable employees may be selected. Lastly, selection involves screening, testing, interviewing and hiring the most suitable employees for the organization.

Development   Development here refers to both employees' training and management development. HR managers are responsible for conducting and supervising training and development programmes for employees. The purpose of a training and development programme is to increase the employees' competencies in their job by improving their knowledge, skills and abilities. Training and development is widely accepted as a method for enhancing the employee skills, increasing the individual and organizational performance, improving the employee morale, and achieving the business growth and success.

Compensation   Compensation refers to the determination of the pay scale and other benefits for the employees. Establishing and maintaining the pay system of an organization is one of the principal jobs of the HR managers. They must devise ways to ensure fair and equitable pay rates. In addition, HR managers should regularly manage the performance evaluation system of the organization, and continuously design reward systems such as performance-linked incentive plans and bonus and flexible work schedules. Box 1.4 outlines the flexible schedules offered by companies like IBM.

Maintenance   The maintenance function aims at retaining efficient and experienced employees in the organization. This calls for creative HR practices. In this regard, HR managers are responsible for offering a wide range of HR programmes covering occupational safety, health promotion and physical fitness, canteen facilities, recreation activities, transportation programmes, employee suggestion schemes, career counselling and growth for creating a positive work environment. Box 1.5 highlights one of the HR policies of Infosys.

Integration   It consists mainly of industrial relations and aims at ensuring good relations between the management and the employees. HR managers have to implement industrial relations programmes that would ensure ethical and fair treatment in disciplinary action, grievance redressal, and career management processes. They should also counsel the employees and the management to prevent and, when necessary, resolve disputes over labour agreements or other labour relation issues.

It is to be understood here that the functions of HRM can vary widely from one organization to another, depending upon its nature, size, and objectives. For instance, a smaller organization may follow a shorter HRM process with a greater emphasis on functions like

Box 1.4	Mobile Working at IBM

One of the ways companies retain their employees is by offering them flexible work schedules and the option of working from home. A company that has consistently been appreciated for this benefit is IBM. Some of IBM's workplace flexibility programmes include individualized daily work schedules, flexible (or compressed) work-weeks, regular part-time, remote/mobile work options and mobility allowances. Employees are offered support services so that even if they work from home, they stay connected. Be it downloading files, checking and replying to mail, or linking to the electronic library, IBM workers can dial into the IBM network and get connected. People can opt to work at home in case of personal emergencies as well. In India, IBM has offered mobile work options since 2003.

Adapted from: www.ibm.com./innovation/in/hr.

Box 1.5	HR and the Well-being of Employees

One of the HR policies really appreciated by employees is that pertaining to their families' health and safety. Increasingly, companies are providing life insurance and accident coverage that will help reassure their employees and give them a sense of security. Infosys is a good example. Starting from 2002, it has a tie-up with the Life Insurance Corporation of India that provides adequate coverage for all its employees. The coverage levels have substantially risen over the years, in tune with the overall Infosys social security and employee benefit initiatives. In 2008, the coverage amount was a record-breaking Rs. 240,000 million. As Mohandas Pai, the HR head of Infosys, said, "Infosys believes in providing adequate life, accident and medical insurance cover to its employees in a holistic measure."

Adapted from: www.rediffmail.com.

procurement and compensation and little or no priority for activities like training and development and industrial relations maintenance. On the contrary, large organizations may pursue a longer and more comprehensive HRM process to meet the requirements of both the management and the workforce. Box 1.6 shows the HR statements of select companies.

HRM and Personnel Management (PM)

The difference between HRM and PM is a subject of discussion amongst HRM experts. They do not hold identical views about the similarities and dissimilarities between HRM and PM. According to Lowry,[9] for example, PM and HRM are the successive stages of the same concept without any difference in the concept. In his words, "*Human Resource Management is just the continuing process of personnel management – it is not different.*"

Box 1.6	Relevance of HR Statements

HR statements of a company are viewed by the present employees and the prospective candidates for future jobs in that company largely as an indication of the management's preference, desire and attitude vis-à-vis its human resources. The HR statements of BHEL and Voltas have been presented as instances of this.

Human Resources at BHEL

HR Purpose
Development of a committed and motivated workforce setting new benchmarks in terms of productivity, quality and responsiveness.

HR Process
Every employee is given an equal opportunity to develop himself and grow in terms of his career through continuous training and retraining, career planning, a positive work culture, and participative style of management.

Human Resources at Voltas

HR Philosophy
The HR philosophy of Voltas is based on its strong belief that the well-being of the company and that of its people are interdependent; and that the company's most valuable assets are its people.

HR Policies
- To employ the most competent on the basis of merit
- To ensure that every employee is treated with dignity and respect, and in a fair, consistent, and equitable manner
- To create a stimulating, enabling and supportive work atmosphere
- To aid and encourage employees in realizing their full potential

Adapted from: www.bhel.com and www.voltas.com.

But another HR expert differed with this contention and identified major differences between HRM and PM in the areas of management's responsibility, skill acquisition, reward management, planning perspective, conflict perception, and so on.[10] Let us look at the similarities first.

Similarities between HRM and PM

The basic elements common to HRM and PM are as follows:

Business Strategy Both form the basis for the evolution of HR and PM strategy.

Matching People Choosing the right people for the right job and developing them to achieve their maximum level of competence remain the priority of both HRM and PM.

Prominence of Line Authority HRM, similar to PM, recognizes that the primary responsibility for managing people stays with line managers.

Identical Core Elements Techniques like selection, training, development, compensation and performance management are common to both HRM and PM.

Emphasis on Communication and Participation HRM and PM provide equal importance to the communication process and workers' participation in decision making.

We shall now discuss the differences between these two concepts.

Differences between HRM and PM

The differences between HRM and PM have been given in detail in Table 1.2.

HRM as a Profession

Not long ago, personnel managers were often assigned the "people functions" in an organization because they did not have the talents to work in production, finance, marketing or other important areas.[11] The ability to get along with people was considered as the major qualification for appointing a person as a personnel executive. Companies often staffed the HR department with managers who did not have professional training or college education.

However, HRM functions now occupy a much more important position in most organizations. Many universities, colleges and business schools offer a variety of HRM courses. Slowly but surely, HRM is emerging as a profession. Let us now discuss how HRM fares as a profession in fulfilling the following criteria.

An Organized Body of Knowledge

HRM now has well-defined principles, concepts, theories and practices. There has been a tremendous increase in the knowledge about HRM in recent years. An HR manager cannot perform his job effectively without proficiency in these concepts and principles.

Formal Education and Training

Several schools of thought and institutes of management have emerged to provide formalized education and training to the aspirants in HRM. For instance, the National Institute of Personnel Management (NIPM) at Kolkata is one such institute with several regional councils and a large number of members. It endeavours to promote professionalism amongst its members.

Table 1.2   **Differences between HRM and PM**

1. HRM is proactive in nature. It is not only concerned with the present organizational conditions but foresees future necessities and then acts appropriately.	PM is mainly reactive in nature. It satisfies itself by ensuring peaceful labour–management relations in the present.
2. HRM, as a resource-centred activity, focuses more on the managerial aspects, in terms of delegating the responsibility of HRM to line authority and management development.	PM, which is basically employee-centred, aims at hiring, training, compensating and maintaining the existing workforce of the organization.
3. HRM emphasizes open-ended contracts, which can be modified depending upon the demands of the business. Management assumes the responsibility to motivate the employees and constantly inspires performance based on team spirit.	PM emphasizes the strict observance of defined rules, procedures and contracts that govern the relationship between the workforce and the management; for example, collective bargaining and employment contracts.
4. HRM is based on the principle that better performance itself is a cause of job satisfaction and morale.	PM considers job satisfaction and morale as a source of better performance. It works on the foundation that a contented worker is a productive worker.
5. HRM seeks to develop the competencies of the employees on a sustained basis. Skill formation and development are recognized as the main characteristics of HRM.	PM is a regular, status quo-based administrative function: Employees get uniform rewards based on job evaluation and job worth.
6. HRM emphasizes autonomous work groups, challenging jobs, and creativity for motivating the people. The management assumes the responsibility to motivate the employees and continuously encourage the performance based on unity of goals.	PM emphasizes monetary rewards and conventional job designs like job simplification and rotation to encourage people to improve their performance.

Existence of Association

The Medical Council of India acts as a regulatory body for medical professionals. Similarly, the NIPM prescribes a code of conduct for personnel managers. The Government of India has established a separate ministry to regulate the activities of HRM institutions.

Existence of an Ethical Code

Every member of a profession should observe a code of ethics prescribed by his regulatory authority. As far as HRM is concerned, the NIPM sets a code of conduct for its members. The code lays down the duties, ethical norms, dos and don'ts for the members.

Charging of Fees

The main obligation of a professional is to serve the community. He must not think in terms of personal gain. He must not accept or offer any improper gratification in any form or manner. HR managers are also expected to uphold the honour, integrity and dignity of the profession.

Though these developments clearly bring the HRM close to be called a profession, it cannot qualify as one in the full-fledged sense of the term. For, unlike chartered accountants and medical practitioners, an HR professional does not require any definite academic qualification to become one. Further, there is no statutory professional body available to regulate the entry of people into the profession. The NIPM has no formal authority to regulate the entry of its members. In the words of Guest and Horwood:

It is tempting but wrong to view personnel managers as homogeneous. Their different backgrounds and fields of operation raise doubts about the value of a professional model and of any attempt to view personnel problems as amenable to solution through a primary focus on professionalism.[12]

Still, more and more people are taking an interest in HRM and viewing this as a career. Given this scenario, let us look at the qualities of an HR manager.

Qualities of an HR Manager

HR managers have to perform several roles to discharge their duties and responsibilities. For instance, they have to act as recruiters, placement specialists, training and development specialists, employee welfare experts, employee benefits' specialists, compensation and job analysis specialists, labour relations experts and human resources information system specialists, apart from being good counsellors. For instance, Armstrong[13] points out that HR practitioners have to play the roles of business partners, strategists, interventionists, innovators, internal consultants, monitors and volunteers (proactive role).

The successful performance of the diverse HR tasks would require a multi-disciplinary knowledge for the HR managers. It would be good for them to have a working knowledge in the fields of business administration, law, behavioural sciences, industrial psychology, sociology, political science, economics, statistics, engineering, finance and computers. Apart from these, they would require the following personal and job-related qualities and skills to become effective performers.

Knowledge

Knowledge helps one gain respect. The HR manager must be an expert in his own field to gain the confidence and respect of his subordinates. He must have a comprehensive knowledge of concepts, principles and theories relating to HRM and other related fields. But, mere possession of this knowledge is inadequate; the HR manager must have practical exposure to these concepts and principles in real-life situations.

Intelligence

Intelligence means the mental ability to properly understand the nature of the problem existing in a situation or event which may require a solution. The HR manager should be able to understand the situation quickly and to act decisively before it becomes unmanageable. He should also be able to properly examine the situation to distinguish the real problems from the ones that are merely made to appear important.

Communication Skills

The role of any manager is to get work done through others. An HR manager is no exception to this. He must have good communication skills to share his ideas effectively with the employees and to persuade them to work towards the organizational goals successfully. Thus, it is essential for the HR manager to have good communication skills to achieve better cooperation and unity. It is also desirable for him to have a functional knowledge of the languages of the employees to effectively communicate with them.

Objectivity and Fairness

The HR profession is unique. The HR manager has to serve the interest of both the management and the employees. Hence, he should observe strict impartiality and honesty in all his transactions. He is required to act only on the basis of relevant facts and information. Moreover, he has a moral responsibility to protect the rights and privileges of the relatively weak workforce.

Leadership and Motivational Qualities

To lead is to influence. The HR manager should possess the ability to influence the employees towards the achievement of goals and targets. He should also be a good motivator. He must have the necessary skills to constantly motivate the employees to strive for better performance.

Emotional Maturity

It is often difficult to predict the responses of human beings. They usually behave differently in different situations. Hence, it is essential for the HR manager to have emotional maturity and tolerance in dealing with the employees. He must show parental care in attending to their needs. He should not have any ill-feelings towards any employee on the basis of his past behaviour. He should always be rational and not emotional in his approach.

Empathy

Empathy pertains to looking at events or situations from the others' point of view. The HR manager should learn to view the issues affecting the employees from their perspective too. He should not only rely on his formal authority in dealing with the employees' grievances but use his informal relationship as well in settling them. He should honour others' opinions, sentiments, rights, beliefs and values.

In addition to these qualities, the HR manager should have a good character, personality, physical strength, and stamina for effectively discharging his duties. Having seen the notable qualities of the HR managers, we shall now discuss the differences in their duties and responsibilities as line authorities and staff advisors.

Line Versus Staff Authority of HRM

Staffing, which is one of the managerial functions, is generally performed by all managers. This is because the managers are normally involved in the process of acquiring, training and assessing the employees of their own department. In fact, line managers handle all aspects of HR activities in small organizations, while in large organizations, the top management normally establishes an exclusive HR department to develop and manage HR programmes and policies. The line managers in these firms seek the advice of the HR department in handling labour-related matters. Gary Dessler classified the line managers' responsibilities for effective HRM under the following general headings:[14]

1. Placing the right person on the right job

2. Starting new employees on the organization (orientation)

3. Training the employees for jobs that are new to them

4. Improving the job performance of each person

5. Gaining creative cooperation and developing smooth working relationships

6. Interpreting the policies and procedures of the company

7. Controlling labour costs

8. Developing the abilities of each person

9. Creating and maintaining the department morale

10. Protecting the employees' health and physical condition

When an organization has separate functional HR departments, the HR managers have to perform the task of line managers for their own department and act as staff advisors for line managers of other departments. We shall first see the meaning of the important terms concerned with line versus staff authority before discussing the role of HR managers in these capacities.

Authority   The term refers to the right to influence the activities of the subordinates or take decisions concerning them and to issue instructions or orders pertaining to their work.

Line Manager   Line managers are those who are empowered to direct the work of the people assigned to them. Further, line managers are directly responsible for accomplishing the departmental goals and corporate objectives. Examples of line managers are production manager, purchase manager and sales manager.

Staff Advisor   Staff advisors are those who play an important role in advising and assisting the line managers in accomplishing the basic goals. Theoretically, the suggestions given by the staff advisor to the line managers may or may not be accepted by the latter.

Figure 1.3 shows the line and staff responsibilities of the HR managers.
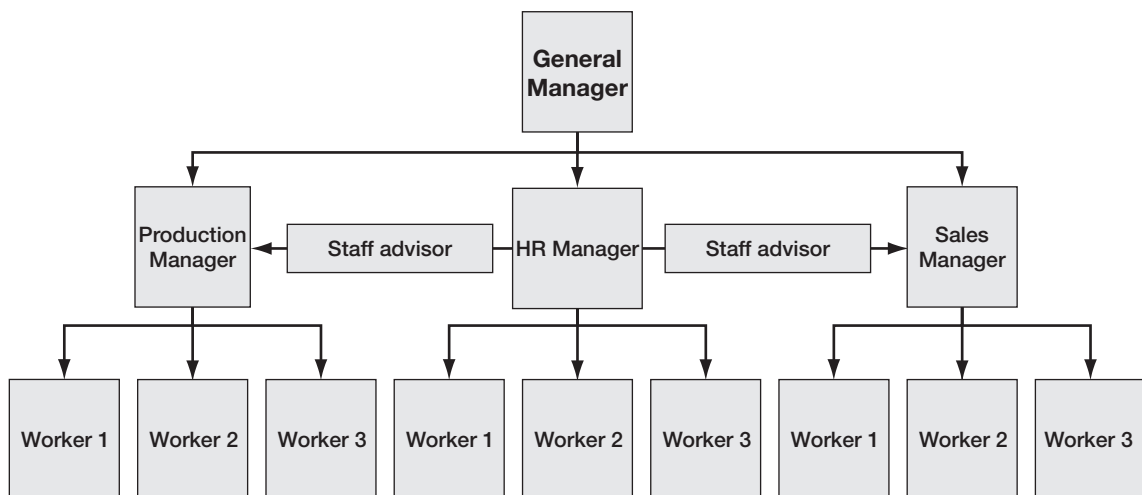
Figure 1.3

Line-Staff Responsibilities of HR managers

The Role of the HR Manager as a Line Authority

The HR managers apply their line authority within the HR departments. In other words, the HR managers direct the activities of the people in their own department towards the accomplishment of specified goals. These managers cannot exert line authority outside their department.

The Role of the HR Manager as a Staff Advisor

In their capacity as staff advisors, the HR managers counsel the line managers on matters concerning labour issues in their respective departments. They assist line authorities in hiring, training, appraising, awarding, counselling and terminating the employees. Whenever industrial relations are affected by disputes, grievances and indiscipline, HR managers are called in to play an important role in handling those grievances and in harmonizing the labour relations.

HR managers assist in HR-strategy design and execution by helping the top management take a closer look at the personnel aspects of the organizational activities. The HR department is also responsible for various incentive schemes and benefit programmes. Further, the HR managers educate the line managers about the right ways to treat the employees, including listening to their problems and understanding them, settling their grievances, and making them feel important in the organization.

The Future Role of HRM

HRM has been expanding in its area of activities ever since the days when management began to include welfare and personnel departments in the organizational structure. Today, the responsibilities of the HR department have grown to be broader and increasingly pragmatic.

Moreover, the advent of economic reforms in the form of globalization, liberalization and privatization in our country has changed the very profile of organizations. Today, HR managers have to think beyond traditional activities like personnel planning, welfare measures, and industrial relations. The HR managers of tomorrow need to be familiar with the operational aspects of the organizations such as strategic planning, competitive pressures, return on investment, and cost of production, to name a few, besides their own field. In brief, they must be prepared to function from the higher levels of the management in close coordination with the top management in designing and implementing the HR plans and strategies. We shall now discuss the future role and challenges of HR managers.

Change in the Nature of Work

Technological developments are changing the very nature of work. Due to technological advancements, even traditional jobs have become technologically challenging. These changes require the employment of more educated and more skilled workers in these jobs. Further, the service sector, which is fast emerging as the major provider of employment in our country, requires the use of knowledge workers. For HR managers, these developments indicate an increasing importance of human capital and knowledge workers. These new breeds of better-informed employees will expect unconventional and world-class HR practices and systems. HR managers must have plans and strategies to meet the changing

expectations of these new-generation employees. They should also be prepared to handle the emerging work culture, which keeps employees more focused on their individual career prospects.

Similarly, due to rapid social transformation, an enhanced access to education and increased labour mobility, the workforce profile of the country has changed dramatically and organizations now represent several heterogeneous groups. For instance, the proportion of women, religious minorities, physically challenged and socially backward people in the workforce has increased dramatically. This is a direct challenge for the HR managers as they now have to deal with culturally and racially diverse work groups. Many firms are now compelled to initiate new gender-specific and target-based HR policies to serve the interests of different sections of the employees. Box 1.7 outlines the diversity at IBM.

Widening Scope of HR Activities

Human resources activities are getting integrated at the global level. Globalization and deregulations have deeply affected the functioning of traditional HRM. Organizations, in their pursuit of new markets and greater cost-effectiveness, extend their sales, production facilities, and supporting services to new destinations in several countries around the world. HR managers must have adequate dynamism and action plans to help these organizations successfully integrate their global HR operations. They must also ensure effective coordination amongst and control over the labour forces working in different countries.

Greater Emphasis on HRIS

The organizations of the future will be large due to world-wide mergers and acquisitions. The sheer size of an organization may compel the HR department to computerize its HR operations like recruitment, training, appraising and pay-roll preparations. Thus, large companies may require an integrated Human Resource Information System (HRIS) for effectively coordinating their different HR operations. HRIS actually means "interrelated components working together to collect, process, store and disseminate information to support decision making, coordination, control, analysis and visualization of an organization's

Box 1.7	Diversity Celebrations: An Innovative HR Programme

Differences in race, gender, geographic origin, culture, lifestyle, age, disability, economic status, marital status, and religion make employees an assorted workforce. This situation requires HR managers to create a business environment that recognizes and leverages the individual differences amongst employees and puts in place target-specific HR practices to attract, retain and motivate the dynamic and heterogeneous workforce.

The success of IBM's HR policies meant for special categories such as women and the differently disabled is worth mentioning here. IBM recognized the variety in its workforce and made a commitment to provide an equal workplace to individuals who are differently able and need special care. In this regard, IBM organizes several diversity celebrations such as the International Women's Day, Take Our Kids to Work Day, the Women's Leadership Conference and the World Disability Day. In addition, it has launched two new child-care centres, a home-care project and Exploring Interests in Technology and Engineering (EXITE) camps for middle-school girls to make a difference in the world through mathematics, science and technology.

Adapted from: www.ibm.com./innovation/in/HR.

Box 1.8	Stemming Skill Shortfall

One of the toughest challenges facing the organized sector today is the availability of skilled labour force. HR people are worried about the overall skill scenario confronting the organized sector. For instance, over the next 10 years, 30 per cent of the present work force will retire. In the service sector alone, a quarter of the million people who work for the financial services sector will retire over the next 5 years. This problem is more acute amongst the information technology companies as most of the companies in this sector are on a hiring spree to support their ambitious growth plans. Consequently, organizations are fine tuning their HR programmes to meet the challenges arising out of skill shortfalls. The HR plans of Infosys to surmount these problems deserve to be mentioned.

As part of its HR strategy, Infosys organizes the "Campus Connect" programme to improve the industry-readiness of students while they pursue a regular education. It has partnered with 250 colleges in India and four universities in China, and helped 188 faculty members with specialized courses. Further, to ensure availability of skills in line with their needs, it makes sure that the new employees undergo training for about 15 weeks before being deployed on engagements. To upgrade the skills of its staff across the board, it offers "competency certification programme," which is aimed at certifying its employees in various industry domains, technologies and project management processes. The certifications are mandatory for the future growth of employees.

Adapted from: www.rediff.com/money/2006/jun/22infy.htm.

HRM activities."[15] Future managers should be familiar with HRIS operations. HRIS can help an organization in several ways. For instance, HRIS can relieve HR managers from routine activities as the system takes over the task of updating the employee information. It can also help the HR department produce a variety of reports in a short span.

Change in Labour Market Conditions

The increased industrialization of the country has thrown up many challenges for HR managers. Uneven economic development has resulted in the large-scale unemployment of unskilled and under-skilled persons on one side and a severe shortage of competent people on the other. This dichotomy in labour may compel HR managers to reduce their focus on the short-term needs of the organization and to concentrate more on fulfilling the long-term capability requirements such as skill development and knowledge formation amongst its existing workforce. Box 1.8 shows the skill development efforts at Infosys.

Increasing Importance of High Performance Work Systems (HPWS)

Globalization is bringing about a tremendous change in the size, structure, composition, and style of functioning of organizations so as to meet an intensified global competition. In fact, more globalization means more competition for a firm. This in turn puts increased pressure on an organization to improve its employees' productivity. This calls for the adoption of effective HR practices by HR managers. In this regard, the HR management needs to focus on evolving an integrated set of effective HR policies and practices that produces superior employee performance. Thus, HR managers, with the help of dynamic HR policies, should develop HPWS that maximizes the competencies, commitment and abilities of the firm's employees.[16] Box 1.9 outlines the elements of HPWS.

Box 1.9	Elements of HPWS

In increasing the number of instances, companies are able to attain great successes by establishing HPWS within their organizations. HPWS usually include elements like an emphasis on high-quality work, job security, careful selection process, comprehensive training, decentralized decision making, reduced status difference between superiors and subordinates, information sharing, pay-for-performance, dynamic leadership, inspirational motivation, and measurement of management practices.

Tata Business Support Services is one of the best examples of developing and maintaining a successful HPWS. The elements included in the Tata Business Support Services' HPWS are multiple recruitment methods to source best talents at all levels, high-performance orientation and performance-linked rewards, continuous learning and development opportunities for employees, continuous employee engagement initiatives, attention on retention and not on attrition, and, lastly, ensuring employees' strict adherence to the Tata code of conduct.

Adapted from: www.tata-bss.com/people2.htm.

Growing Need for Measurement Tools to Evaluate HR Programmes

The inherent weakness of HRM is the absence of reliable and effective yardsticks for measuring the performance of HR programmes. The top management expects HR managers to express their plans and performance in measurable terms. Thus, there is an urgent need for HR managers to provide concrete and quantified evidence that their department is contributing in a significant and constructive way to the accomplishment of organizational goals and objectives. HR managers' focus in the future will be on the development and introduction of reliable and accurate HR tools to measure the efficiency of HR functions.

A prudent understanding and efficient management of these challenges are pre-requisites if HRM is to add considerable value, show business results, enact professionalism, and reveal fresh competencies in the future.

Summary

1. Human resources refer to the knowledge, education, skills, training and proficiency of the members of an organization.

2. HRM is concerned with the policies and practices that ensure the best use of the human resources to fulfil the organizational and individual goals.

3. The primary objective of HRM is to take care of the work life of employees even while ensuring their best possible co-operation for achieving the organizational goals and objectives.

4. The personnel aspects of management run through the entire organization. All managers are, in a way, HR managers as they get involved in HR activities such as choosing, training, inducting and compensating employees.

5. The functions of HRM are classified into two categories. These are managerial functions consisting of planning, organizing, staffing, directing and controlling; and operative functions consisting of procurement, development, compensation, maintenance and integration.

6. PM, an employee-centred activity, is mainly reactive in nature whereas HRM, a resource-centred activity, is proactive.

7. Although HRM is close to be called a profession, it cannot qualify as a full-fledged profession.

8. HR managers perform the task of line managers for their own department and act as staff advisors for line managers of other departments.

9. HR managers need to be familiar with strategic planning, competitive pressures, international HR activities, HRIS, changing characteristics of the labour market, HPWS and workforce diversity.

Review Questions

Essay-type questions

1. Classify and explain the managerial functions of HRM.

2. Evaluate the operative functions of HRM with examples.

3. "HRM is a staff function but a line responsibility." Comment.

4. "HRM is a basic responsibility of every manager." Elucidate.

5. "HRM seeks to achieve personal and social goals." Outline the major functions of HRM.

6. "HR function plays a vital role in the whole scheme of management of an industrial organization." Discuss.

7. Evaluate the future role of HRM in India.

8. "HRM involves all management decisions and practices that directly affect or influence the people who work for the organization." Discuss.

9. Discuss the importance of HRM in the contemporary business environment with special reference to India.

10. Briefly discuss the implications of change in the profile of people, technology and environment on managing people in organizations. Suggest measures to make HR management in India more effective.

11. "HRM is a professional work." Do you agree?

12. State the qualities required to be a successful HR manager.

13. Explain the importance of the HRM function. Can it be outsourced?

14. "As a result of globalization and liberalization, HRM has acquired strategic importance in organizations." Discuss.

15. What are the recent trends in management of human resources? Also explain the status of HRM in Indian industry with examples.

16. In the changing corporate scenario, what place is accorded to HRM as a function? How does it affect the effectiveness of function as such? Analyse.

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CHAPTER

2

Job Analysis and Design

CHAPTER OBJECTIVES

After reading this chapter, you should be able to:

1 Understand the features and purpose of a job analysis process
2 List the techniques of data collection
3 Differentiate between job description and specification
4 List the role of the environment in influencing job design
5 Enumerate the critical components of a job design
6 List the recent trends in a job design

Dr Reddy's Laboratories is an India-based pharmaceutical company with a presence in more than 100 countries and six continents. The company develops, manufactures and markets an extensive variety of pharmaceutical goods in India and abroad. Dr Reddy's is the first Asian pharmaceutical company, besides Japan, to get listed on the New York Stock Exchange. The company has more than 10,000 employees, comprising 45 nationalities, on its staff. It has won several awards for its excellent HR policies and practices. For instance, the Asia–Pacific HR Congress honoured it with the Global HR Excellence Awards 2008–09 for its outstanding human resource practices. Similarly, it has won the prestigious *The Economic Times* Best Workplaces 2008 award for the biotech/pharma industry category.

The unique features of the HR practices of Dr Reddy's are its emphasis on accelerated career growth for high performers, performance enhancement and coaching tools (PERFECT), periodic organization-climate surveys, 360°- feedback survey, and the creation of a learning organization. Besides, the company has developed comprehensive job analysis reports for all the job titles in the organization and uses them extensively for all its HR activities, including recruitment and selection, training and development, compensation management, and performance evaluation. For instance, during recruitment, the company provides comprehensive information about each job under headings such as the position title, reporting authorities, location, academic background and experience, job responsibilities, and key personal attributes. Job analysis forms the basis for this information, which enables prospective candidates to make an informed decision about their response to the job advertisements. Thus, job analysis and design facilitates better management of human resources and we will look into their significance and applications in this chapter.

Introduction

Job analysis is an essential prerequisite for the effective management of the human resources of an organization. It is the process of gathering relevant information about a job. It actually specifies the tasks involved in a job and the factors that influence the performance of that job. As a process, it is capable of producing results with great practical relevance for human resource management. Job analysis has applications in almost all the HR activities of an organization. It acts as the basis for decisions involving human resource planning, recruitment and selection, training and development, compensation fixation, job evaluation, performance evaluation, career management, and health and safety of employees. In reality, the job analysis process involves ascertaining what people do and understanding why and how they do it. This enables organizations not only in identifying the problems but also in developing their solutions. As such, the primary purpose of a job analysis is to provide solutions to virtually all employee-oriented problems in an organization.

Due to swift changes in external environmental factors like technology, labour-market conditions and competition, the characteristics and requirements of jobs in the organizations often undergo changes. In such an environment, it becomes necessary for an organization to conduct a job analysis to know the impact of the changes on the requirements and nature of the jobs. Thus, a job analysis helps the organization in assessing how environmental challenges affect the individual jobs. Of course, the purpose of a job analysis is multi-dimensional in nature and it involves studying different aspects of a job. Generally, it deals with (i) realities, (ii) perceptions, (iii) standards, and (iv) future strategies of a job. For instance, it studies the realities of a job by finding out what employees actually do in their position. It studies the perceptions by ascertaining how employees view their jobs and believe what they do in their jobs. Similarly, it studies standards by checking with the employees what should be done in their jobs. And finally, it relates with the future strategies by ascertaining the future potential of the employees in their jobs.

The job analysis process is capable of generating a wealth of information for an organization. This information is usually classified into three categories: (i) job content, (ii) job context and (iii) job holders' requirements.[1] Among these, job content refers to the actual activities performed in the job being analyzed. Job context refers to the conditions in which the job is done. Job holders' requirements refer to the workers' eligibility requirements for doing a job. Conventionally, the information relating to the content and context of the jobs are included in a job description document whereas the information about the job holders' eligibility like the necessary knowledge, skills, experience and attributes is included in a job specification document. Box 2.1 shows how the term *job analysis* has been defined by different management experts.

We may define job analysis as a process of gathering relevant information about various aspects of a job, including its content, context and the job performer's skill requirements.

Features of Job Analysis

From the definitions in the preceding section, we can list out the features of job analysis as follows:

- Job analysis is a process of gathering relevant information about various aspects of a job and is concerned with the identification of tasks required to be performed as part of it.

Box 2.1	Definitions

"Job analysis involves gathering data about observable job behaviors, and delineating the knowledge, skills, abilities, and other characteristics needed to perform the job."[2]

—R. J. Harvey

"Job analysis is the process by which data in regard to each job is systematically observed and noted. It provides information about the nature of job and the characteristics or qualifications that are desirable in the job holders."[3]

—Arun Monappa and Mirza S. Saiyadain

"Job analysis is the systematic process of determining the skills, duties, and knowledge required for performing jobs in an organization."[4]

—R. Wayne Mondy et al.

"Job analysis covers a host of activities, all of which are directed toward discovering, understanding, and describing what people do at work."[5]

—M. T. Brannick and E. L. Levine

"Job analysis is the process of collecting, analyzing, and setting out information about the content of jobs in order to provide the basis for a job description and data for the recruitment, training, job evaluation and performance management."[6]

—Michael Armstrong

- It approaches the task of defining the role, context, conditions, human behaviour, performance standards, and responsibilities of a job systematically.
- It helps in establishing the job's worth to an organization. In other words, it measures the value and contribution of a job to the growth of the organization.
- It establishes job relatedness, which is a crucial input for HR decisions involving recruitment, selection, compensations, training, health and safety.
- It assists in the resource management and strategy formulation process of the organization to help it achieve its business goals and objectives effectively.
- It helps in developing a job profile for each job and acts as the basis for developing job description and specification statements.
- It helps in identifying the appropriate job for each employee so that the skills and knowledge of these employees are utilized for the growth of the organization effectively.
- It facilitates the process of understanding the impact of environmental changes on individual jobs.
- It assists the organization in identifying and removing the unnecessary skills and other requirements for a job. This helps in simplifying the eligibility for the job and also in ensuring equal opportunity for all in employment.
- It enables the organization to attempt job improvements through job reengineering and job enlargement to provide enhanced motivation and satisfaction for employees.

Important Terms in Job Analysis

As discussed earlier, job analysis encompasses almost every aspect of the job being analysed. We shall first familiarize ourselves with key concepts ahead of a detailed discussion of the different dimensions of job analysis.

Job

It means a role performed by a person in an organization. Normally, a job comprises several related tasks required to be performed as part of it. Each job is defined by the duties, responsibilities and accountabilities associated with it and the knowledge and skills required to perform it. Obviously, each job is known by its title or alternative title. Sales managers, accountants and nurses are a few examples of such jobs.

Task

A task is an act which is performed as part of a job. It is a distinct unit of work and yet forms an element of a job. It is carried out through a combination of methods, procedures and techniques. For instance, planning is one of the tasks of the manager.

Duty

It is an obligation for a worker to do a job as part of a legal or moral reason. It specifies the different tasks needed to be performed as part of a job. For instance, issuing reservation forms, collecting the filled-in forms together with the money, booking reservations, and tendering the reserved tickets along with the balance money are the duties of a reservation clerk.

Position

It is the place of an employee in the organization structure and is commonly known by the relevant job title. It represents the combination of tasks and duties performed by the employee in a predetermined job location. Sometimes, same positions might indicate different but equivalent jobs performed in an organization. For instance, a cash clerk might deal with the receipt and disbursement of cash, a bill clerk might deal with bills of exchange, and an accounts clerk might be in charge of accounts-keeping and maintenance.

Occupation

It is something that engages the time, thought and attention of an employee. It refers to the common categories of jobs. These jobs are usually similar in nature with common job features.

Career

It broadly refers to an employee's progression in his or her work life. It indicates the chronological sequence of positions occupied by an individual in his or her profession.

Goals of Job Analysis

The initial objective of a job analysis is to decide whether the job under study is really required for the organization. The remaining purposes of job analysis come into the picture only when it is confirmed that the continuation of the job is essential. Overall, a job analysis seeks to gather information about the job under two broad categories. These are (i) primary job requirements and (ii) job-related knowledge, skills and abilities (KSA) requirements. Under the primary job requirements category, a job analysis aims at gathering information relating to the context, conditions, duties and responsibilities of the job. With regard to the KSA category, job analysis gathers the necessary information for determining the extent of knowledge, skills and abilities required for a person to meet the job requirements
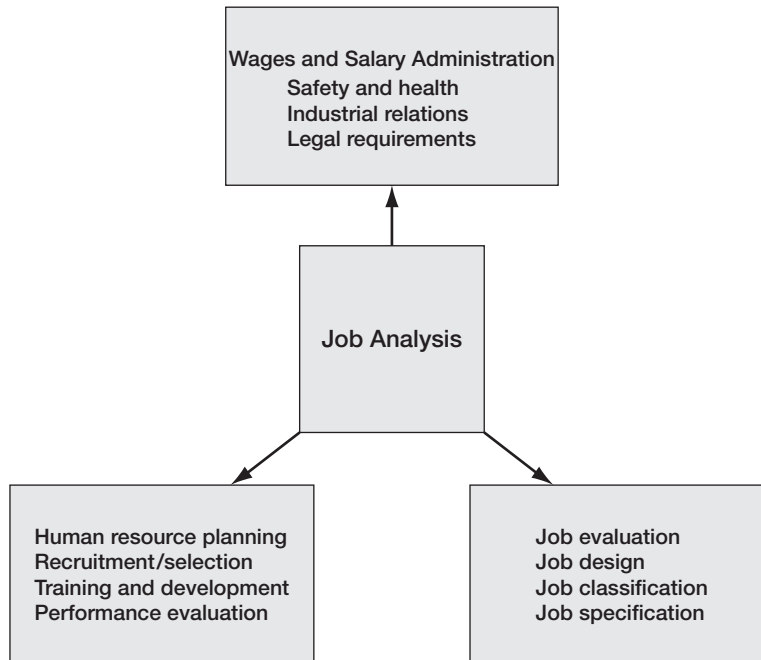
Figure 2.1

Uses of Job Analysis

completely and to perform the job successfully. This information, compiled through job analysis, is used for almost all HR-based decisions. The utilities of job analysis information in human resource management are illustrated in Figure 2.1. We shall now see how this information is used in various HR activities productively.

Job Evaluation

Job evaluation is actually a system of ranking jobs in a firm on the basis of their relevant characteristics, duties and responsibilities. The primary objective of undertaking job evaluation is to measure the relative worth of the job to an organization. Understandably, an organization would like to determine the pay scale of a job on the basis of its comparative merit within the organization and its competitive merit in the labour market. Job analysis offers critical inputs for systematic job evaluation, which in turn enables an organization to offer a fair pay to its employees. Thus, job analysis helps in motivating the existing employees and also in attracting the best people to the firm.

Job Design and Redesign

Job design is the process of bringing together different tasks to build a job. The process of designing a job is often influenced by job requirements, employee satisfaction, and organizational goals. A job is designed when it is introduced for the first time and redesigned when it is replaced with new jobs. When the job is redesigned to improve the efficiency of and the economy in the performance, it is called industrial engineering. On the contrary, if

it is redesigned to create a fit between the job and the efficiency levels of the employees, it is known as human engineering. In any case, organizations have been forced by the rapid changes in the environment to undertake job redesigning as often as possible. Now, job analysis forms the basis for any job designing and redesigning process.

Job Classification

Job classification means grouping types of work on the basis of their similarity. The basis for such grouping could be the level of difficulty, authority, responsibility and accountability of a job and the job holder's behavioural requirements. The purpose of classifying the job is to enable the firm to determine the level of skills required for each group of jobs. As such, job classification enables the organization to identify a uniform procedure for selecting, training and compensating similar types of jobs. This is where job analysis presents the necessary information to the organization for proper job classification and grouping.

Job Description and Job Specification

The last stage in the job analysis process is the preparation of two essential documents—job description and job specification. The written statement of the findings of job analysis is called a job description. It provides information about job title and alternate titles, duties, authorities, responsibilities, accountabilities, reporting authority, relationship with other jobs, working conditions, and job summary. Job specification, on the other hand, is a statement about the appropriate skills, knowledge, qualification and other characteristics required for the effective performance of the duties and responsibilities associated with the analysed job. Thus, job analysis forms the basis for developing both job description and job specification. (Job description and specification have been discussed in detail later in this chapter)

HR Planning

HR planning is the process of forecasting the human resource requirements of a firm and their availability, both within and outside the organization, to execute future corporate strategies. The purpose of HR planning is to choose the right person for the right job at the right cost. It aims at linking human resource management with the goals, mission and visions of the organization. In fact, the HR plan determines the number and types of personnel required to perform the job effectively and to accomplish the goals successfully. Job analysis is the first step in the whole HR planning process. It enables an organization to create a fit between the demand for and supply of human resources by providing the necessary information about the job and the job holders.

Recruitment and Selection

Once there is a job vacancy, an organization can conduct a job analysis to determine whether that vacancy should be filled up or not. If the findings of the job analysis do not support the continuation of that job in the organization, the particular vacancy need not be filled up. On the other hand, if the job continues to be necessary, the organization may proceed with the process of recruitment and selection. In this case, job description and job specification usually form the basis for the recruitment strategy and selection process. For instance, choosing between the internal and external sources of recruitment for filling up a job usually depends on the job description statement.

Similarly, job specification provides the basis for an objective assessment of the candidates in the selection procedure. It helps HR managers distinguish between the essential and the desirable requirements for a job. It also facilitates the process of identifying the criteria for determining the success or failure of a candidate in the selection process. If any selection is done without conducting a job analysis or on the basis of a poorly written job description, the organization may have to face serious problems at a later stage.[7]

Training and Development

Job analysis provides crucial input to an organization while determining the training needs of its employees. Job description and specification can provide exact information about the levels of skills and knowledge required for a job. In the event of non-availability of people with the requisite skills at the end of the selection process, the organization can choose from the candidates available and train them to gain the necessary skills based on the job specification statement. Thus, job description and specification play an important role in determining the content, duration and method of training for a job. Job analysis also helps in determining the training needs of the employees holding different positions in the organizational hierarchy. By providing information about the future potential skills required for the job, job analysis also helps the organization in deciding the long-term development programmes for its managerial personnel.

Performance Evaluation

Performance evaluation is the process of determining the performance efficiency of the employees of an organization. It requires setting of standards and evaluation criteria for each job before comparing them with the actual performance. Job analysis provides the required information about the duties, responsibilities and standards of the job. Apparently, the accuracy in the results of the performance evaluation is critical for different HR decisions involving pay fixation, promotion, disciplinary actions, grievance identification, and employee feedback. This accuracy and reliability of performance evaluation depends critically on the efficacy of the job analysis mechanism. Undoubtedly, an objective performance evaluation based on accurate criteria will protect the organization from charges of discrimination and victimization.

Wages and Salary Administration

The compensation package should reflect the worth of a job to the organization exactly. Job analysis helps the organization in determining the relative worth of each job. The information available in the job description about an employee's duties and responsibilities, level of difficulties, skill requirements, work environment, and location of the job in organizational structure helps the firm in determining the proper compensation package for each job. The employees' perception of fair pay will, in turn, help the firm in achieving the desired level of motivation, attrition rate and job satisfaction.

Safety and Health

Job analysis can provide exact information about the nature and type of work conditions essential for an accident-free work environment. It can also suggest the safety requirements for the job. Moreover, it might identify the physical hazards involved in the job and also the behaviour and conditions that can result in accidents and injuries. The information about

the need for safety training and safety apparatus can also be ascertained with the help of job analysis. Thus, the job analysis report becomes a valuable source for the health and safety management of an organization.

Industrial Relations

Industrial relations can be defined as any form of dealing between employers and employees based on employment. It explains the relationship between the management and the employees within the organizational setting. Job analysis findings in the form of job description enhance the objectivity in decisions involving promotion, transfers, disciplinary action, compensation, and grievance handling. Thus, job analysis helps the organization in reducing the chances of friction with the unions and also in ensuring harmonious industrial relations. Job analysis information can also be useful for both the management and the unions in reaching decisions through collective bargaining process.

Legal Requirements

The job description statement is a vital document for an organization in legally and morally justifying its hiring practices, promotion policies, terminations, disciplinary actions, and grievance redressal procedures. In fact, it is a legal necessity for an organization to keep a job description statement for each position in the organization. Besides, a firm can use job analysis to clear ambiguities in the minds of employees about the rights and duties of an employee in a job and thereby prevent a possible legal problem in the future over employment contract and other related issues. Table 2.1 shows the types of data required in job analysis.

Job Analysis Process

Job analysis is the process of breaking down a specific job into parts and scrutinizing each of them to gather the necessary information. It requires a systematic and efficient examination of the tasks, duties, responsibilities and accountability of a job. As explained in Figure 2.2,

Table 2.1　**Types of Data Used in Job Analysis**

1. **Job duties**
   a. Daily duties (activities performed on a regular basis every day), periodic duties (activities performed at regular intervals, say a week or a month), and duties performed at irregular intervals
   b. Procedures used
   c. Personal responsibility
   d. Interface with other jobs
   e. Human behaviour required like the manner of acting or conducting oneself in the job
   f. Physical motions required

2. **Machines, tools, equipment, and work aids used**
   a. Nature and types of machines and tools required
   b. Raw material required in job performance
   c. Finished goods or services produced

(Continued)

Table 2.1 (Continued)

3. **Job performance requirements**
   a. Standard performance levels
   b. Actual work measurement technique required
   c. Deviation and error levels allowed

4. **Job context**
   a. Physical working environment and location required
   b. Organizational and social environment required
   c. Work schedule
   d. Health and safety conditions required
   e. Financial and non-financial incentives

5. **Personal requirements**
   a. Competency required
   b. Work-related experience required
   c. Training and education levels required
   d. Special aptitudes, physical characteristics and personality traits required

Adapted from: R. Wayne Mondy, *Human Resource Management*, 11th ed. (Upper Saddle River, N.J.: Pearson Prentice Hall, 2008), p. 94

the process of job analysis involves the execution of a series of related steps. These steps are: (i) determining the purpose of job analysis, (ii) gathering background information about the job, (iii) choosing representative jobs for analysis, (iv) collecting relevant job information, (v) reviewing the information gathered, and (vi) the developing of job description and job specification.

Determining the Purpose of Job Analysis

The first step in the job analysis process is the determination of the end use of the job analysis. True, job analysis has relevance for almost all HR activities of an organization. However, an organization may conduct a job analysis for a specific purpose like hiring the employees or determining their remuneration. Depending upon the purpose of the analysis, the organization may focus specifically on certain aspects of the job that are considered important. For instance, job analysis may emphasize more on identifying information relating to the physical hazards, job difficulties and work environment, when the job analysis is done to decide the safety measure for a job. In any case, the identification of the expected uses of the job analysis will enable the organization to determine the nature and types of data to be collected, the techniques to be adopted for data collection, and the focus of the analysis.

Gathering Background Information about the Job

It is essential for an organization to review the background information about the job to know its relative importance in the organization. While doing so, the job analysis should focus on identifying information relating to all the important elements of the job. This information can be gathered with the help of organizational charts, process charts, and job classification. For instance, the information about the title and alternate title of each job, the relationship

Step 1	Determining the purpose of job analysis
Step 2	Gathering background information about the job
Step 3	Choosing representative jobs for analysis
Step 4	Collecting the relevant job information
Step 5	Reviewing gathered information
Step 6	Job description statement / Job specification statement
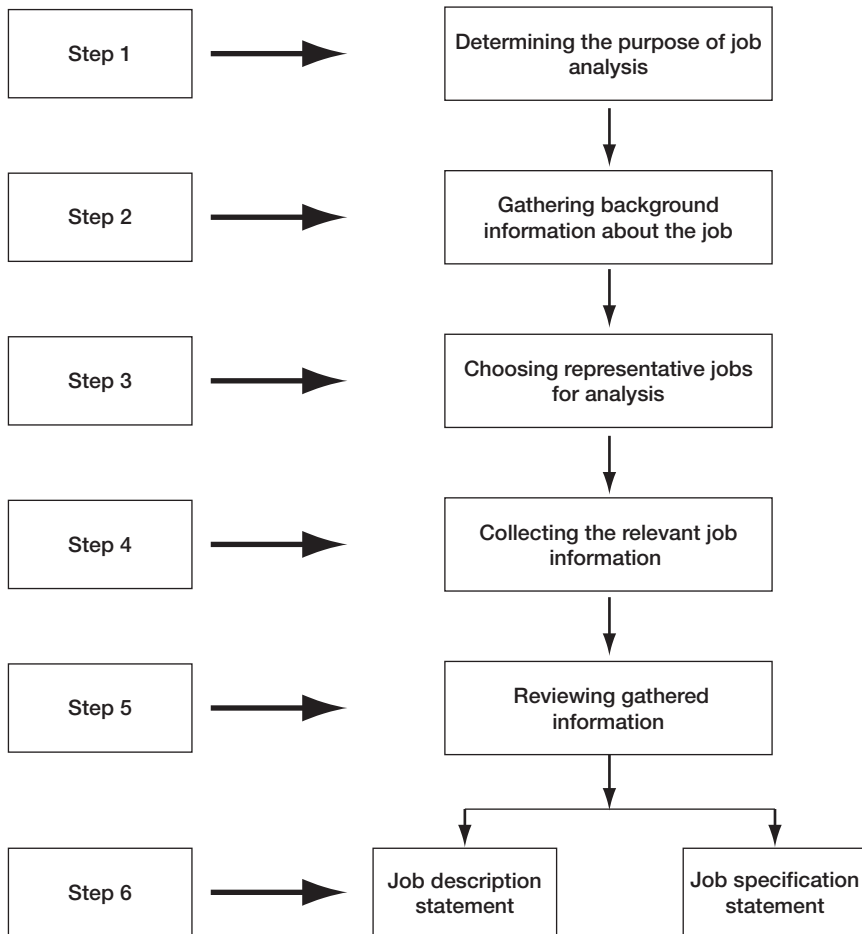
Figure 2.2

Steps in the Job Analysis Process

among the different jobs, and the reporting authorities for each job can be identified with the help of the organizational chart. Similarly, the flow of activities involved in a job can be ascertained with the help of the process chart.

Choosing Representative Jobs for Analysis

Often, organizations choose only a few jobs for analysis instead of analysing all of them. This is done because many jobs are similar in nature and have similar characteristics. Besides, organizations may find it time-consuming and costly to analyse all their jobs. As a result, it becomes essential for an organization to identify the representative jobs from a group of identical jobs.

Collecting Relevant Job Information

In this step, information pertaining to various aspects of the job is collected. Specifically, the information about the duties, level of responsibility, authority, accountability, content

and context of the job, desired employee behaviour, critical knowledge, knowledge skills and abilities (KSA), and training requirements are gathered. These pieces of information can be gathered by contacting the present and previous employees of the job, the supervisors and the managers. Methods like structured or open-ended questionnaires, interviews, task inventories, checklists, and observation are used for data collection.

Reviewing the Information Gathered

At this stage, the collected data is carefully analysed and then a job analysis report is prepared for the job being reviewed. Generally, the specific job holders and their immediate supervisors are included in such an analysis process. The opinion of the employee performing the job is ascertained to verify the correctness and completeness of the job analysis report. In case the employee or supervisor points out incompleteness or discrepancies in the report, supplementary information could be collected.

Developing a Job Description and Job Specification

This is the final stage in the process of job analysis. The two essential documents of the firm, namely, the job description and job specification, are prepared on the basis of the job analysis report. A job description is a written statement containing information about the duties, responsibilities, accountabilities, working conditions and risks associated with the job. Briefly, it is a summary of the various features of a job.

A job specification is a statement that provides information from the job holder's perspective. It usually contains information about the eligibility conditions required for a job holder in terms of educational qualifications, experience, knowledge, skills, personal qualities, aptitude and the background required for getting the job done.

Techniques of Data Collection in Job Analysis

No matter what the methodology adopted for data collection in job analysis, the focus should be on gathering information about the tasks associated with the job and the desired human behaviour at work. However, the characteristics of the job, the purpose of the job analysis, and the desired quality of information are the factors that usually influence the decisions involving the selection of technique for data collection. While choosing a specific method for gathering data, adequate care should be taken to ensure that the chosen method generates sufficient information about the major job requirements (MJR) and knowledge, skills, and ability (KSA) necessary for job performance.

Sometimes, it might become difficult for a job analyst (an expert in job analysis) to observe job-related behaviours that are abstract in nature. For example, if a job requires a high level of concentration for an efficient performance, it might be difficult to observe and record the concentration levels of the employee performing the job. In such a case, the job analyst must identify and record the related observable factors that influence the concentration levels. The same technique should be adopted to monitor other abstract behaviour like attitudes, thoughts, traits and other invisible attributes. Figure 2.3 indicates the different methods available within job analysis for data collection.

Data collection for job analysis is usually done at one or more levels. These levels are: (i) individual, (ii) group, (iii) organizational, and (iv) community. Among these, a specific level would be chosen, depending on the nature of job information required and the
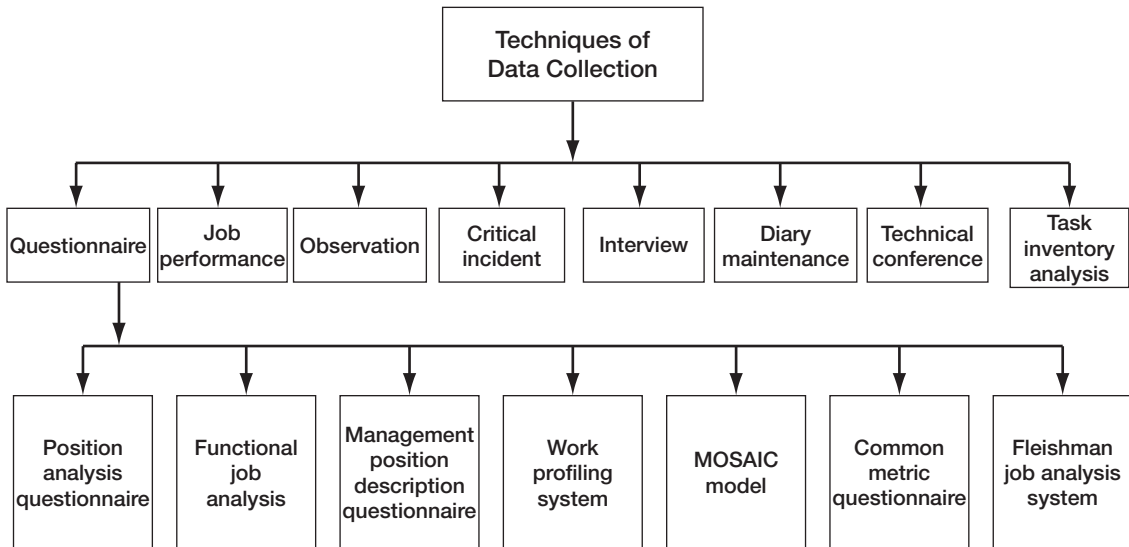
Figure 2.3

Techniques of Data Collection

characteristics of the job. Further, the decision involving the selection of a specific technique is usually influenced by factors such as (i) the type of data to be collected, (ii) the methods of data collection, (iii) the source from which the data will be collected, and (iv) the manner of data analysis.[8] We shall now discuss the different methods of data collection.

Questionnaire Method

In this method, the job analyst distributes a questionnaire to the employees who are part of the job analysis process. Once the questionnaire has been answered and returned by them, the job analyst analyses it thoroughly to gather job-related details like duties and responsibilities. Many organizations use structured questionnaires with identical and predetermined questions. Others adopt a structured checklist method. This method records the responses of the employees in a predetermined statement form. A few other organizations employ open-ended questionnaires to collect a detailed response for each job studied. The major advantage of a questionnaire is that it is the easiest and most efficient method to collect information from a large number of employees within a short period. However, its main disadvantage is the time and cost involved in its preparation.

We shall now see some of the popular types of questionnaire models available for data collection.

Position Analysis Questionnaire (PAQ) Model   It identifies the job and human characteristics individually and then inter-relates them for the purposes of analysis. It is basically a structured questionnaire designed to gather quantifiable information about the different dimensions of the job like duties, responsibilities and accountabilities. It involves rating 194 job descriptors that explain the job-based elements included in the questionnaire. The items in the PAQ model are divided into six major categories: (1) information input, (2) mental processes, (3) work output, (4) relationships with others, (5) job context, and (6) other job

characteristics. Further, each job element is rated on six scales: the extent of use, importance, time, the possibility of occurrence, applicability, and a special code for certain jobs.

Functional Job Analysis (FJA) Model   This is a worker-centred job analysis. It analyses the whole personality of the person on the job. It involves analysing job-related mathematical competency, verbal ability, and analytical and judgement skills. It evaluates how the employee relates himself with other employees, tasks and information.

Management Position Description Questionnaire (MPDQ) Model   This method is ideal for the job analysis of managerial positions. In this method, managerial people identify the items that explain their responsibilities in the job. This method has a wide application in deciding the training requirements of the new entrants to the managerial cadre.

Work Profiling System (WPS) Model   This is a system-based technique for gathering the necessary information relating to job analysis. This is a structured questionnaire method for collecting data about the personal qualities of the employees who usually perform technical and managerial jobs.

Multipurpose Occupational Systems Analysis Inventory-Closed Ended Questionnaire (MOSAIC) Model   This instrument is useful for many jobs in the firm and gathers data from employees on a wide range of HR activities like recruitment, selection, compensation and performance evaluation. This questionnaire contains 151 items relating to job tasks and 22 items relating to competencies for analysis.

Common Metric Questionnaire (CMQ) Model   This model is appropriate for exempt and non-exempt jobs. This instrument contains five sections under the following captions: "Background" with 41 general questions, "Contacts with People" (62), "Decision Making" (80), "Physical and Mechanical Activities" (53) and "Work Setting" (47).

Fleishman Job Analysis System (FJAS) Model [9]   This model aims at measuring the degree of each of the essential ability required for performing the job effectively. This technique contains 52 physical, mental and psychological abilities.

Job Performance Method

In this method, the job is performed by the job analyst himself to understand the different requirements for its execution. For instance, information like the nature of the job, the level of difficulties, the extent of concentration required, and the stress levels can be better understood by the job analyst through his own experience in the job. However, the major disadvantage of this method is that it may not be suitable for all kinds of job. Sensitive jobs performed in unsafe conditions can not be analysed through job performance method. Similarly, jobs requiring extensive training also have to be excluded from this method.

Observation Method

In this method, the job analyst closely observes the performance of the employee in the job. He records the various tasks performed by the employee as part of his job. In fact, this method is ideal for gathering first-hand information relating to working conditions, the physical activities involved in the job, the normal time required to complete the job, and so on. It is ideal for manual jobs completed within a short period. It is usually free from the information

distortion that the job holders are very likely to make. However, this method may not be appropriate for jobs with high mental work. For instance, abstract factors like intelligence and thoughts process can not be measured through the observation method. Similarly, it is difficult to cover the entire job cycle under this method. But, observation method can vastly enhance the effectiveness of the job analysis if combined with other methods like interview or questionnaire. In observation method, the job analyst must ensure the following:

- The observation must be done for the work performed during the entire work cycle (time required to perform the entire job).
- The characteristics and needs of the job alone should be recorded and not the personal characteristics or behaviour of the employees not relevant to the job though observed at the time of analysis.
- The job analyst should not assume any role for himself in the job performance and should restrict himself to observation strictly.
- The observation must be done during the normal conditions only, i.e., the average employees' job behaviour and activities should be recorded and that too only during normal conditions.

Critical Incident Method (CIT)

A critical incident is a significant event that takes place in the job environment and forces the employee to respond in the form of performance or behaviour. Critical incidents are considered as snapshots in the regular course of the job. The aim of the critical incident method is to gather relevant and behaviour-centred description of the job. On the basis of the past experience, the employee would analyse the incident given to him and subsequently present a report to the job analyst. The incident and the response are assessed on the basis of the actions, consequences, processes and results that emerged from the incident. The employee's behavioural response to the incident may or may not become part of the job, depending on how effectively it contributed to the performance.

The critical incident method can be well understood through the following example. A client repeatedly called the service manager to attend to his faulty air conditioner immediately. This happened on a day when all the technicians were either on leave or off to a distant place. Now, the behaviour of the manager in such a crisis, how he handled the situation, and the reaction of the client would be assessed. If the manager's behaviour resulted in effective handling of the situation to the satisfaction of the client, it would be considered for determining the job requirements. The major disadvantage of this method is the difficulty in converting the behavioural response into practical information for inclusion in the job description.

Interview Method

In this method, the job analyst asks the employee questions about various dimensions of the job. He then contacts the employee's supervisors to get further information and also to verify the correctness of the information collected from the employee. For data collection, the analyst can use either a structured interview with a definite format and questions or an unstructured interview with no predetermined questions. However, a structured interview format will facilitate a better comparison of information gathered from different sources. On the other hand, the open-ended questions in an interview will enable the analyst to gather even unsolicited but relevant information.

While preparing the questions for interview, the analyst must ensure that the questions are uncomplicated and realistic in nature. He should also ensure that the questions conform to the level and language appropriate for the employees to be interviewed. Finally, the analyst must present these questions in a simple, clear and straightforward manner to the employees being interviewed. The analyst should provide clarifications about the questions, whenever the employees require them.

Requirements for an Effective Job Analysis Interview   The following are the requirements for an effective interview process in a job analysis:

- Identifying the employees well versed with the job and calling them for a job analysis interview
- Conducting the interview in a private place far from the work spot with the least distraction
- Receiving the employee warmly and making him feel at ease during the interview
- Explaining the purpose of the interview to the employees clearly and providing them an overview of the interview procedure
- Encouraging them to clarify their doubts and misconceptions about the interview, before commencing the discussion about the job
- Following the pre-planned format; the questions may be asked one after another with enough time space for responses
- Reviewing the information gathered to check the completeness of the information before concluding the interview process

Care should be taken to ensure that the interview process does not suffer from the interviewer's bias and prejudice as this could vitiate the objective and process of the interview. Similarly, the analyst must ensure that there is no misrepresentation of facts on the part of the employees in their responses to the interview questions.

The major advantage of the interview method is that it can be used for any job, irrespective of its nature and hierarchical levels. However, its defect is that there is a scope for bias and subjectivity in the gathered information. Besides, interviewing is a time-consuming and costly process for an organization. Lastly, the interviewer may require sufficient training and experience for successfully conducting a job analysis interview.

Diary Maintenance Method

In this method, the employee is asked to keep a record of all the activities performed by him as part of the job analysis process. He should record the information in a chronological order. The information may include the actual work undertaken and the time devoted to its completion. Diary maintenance will enable the employee to keep track of all the activities, including the insignificant ones. These insignificant activities may later become critical for job performance at the time of job analysis.

The major merit of this method is that it ensures continuous and better employee involvement in the job analysis process. Besides, the job analyst can be assured of getting even minute information about the job and thus ensuring completeness in data collection. The major weakness of this method is that the employee might not offer the cooperation necessary as it is a time-consuming and monotonous task for him. Being a continuous process, it requires a lot of commitment on the part of the employee to record the activities dutifully.

Technical Conference Method

The essence of this method is that it relies on the technical soundness and experience of the supervisors for gathering relevant information about the job. Usually, a brainstorming session is organized among the supervisors to collect data about the various tasks associated with the job. In addition to the supervisors, the job holder and the representatives from the HR department could also participate in the discussion. In technical conferences, the participants discuss about the consequences of the inclusion or exclusion of each task in the job. The main advantage of this method is the availability of expert views in the job analysis process. The weaknesses of this method are: (i) it is a time consuming process; and (ii) it may elude consensus while making decisions.

Task Inventory Analysis

This method focuses on identifying the list of tasks that form a part of the job. It also helps in preparing a brief description of each of these tasks. The basic aim of this method is to ascertain the KSA required for an effective performance of a job. The three steps in the task inventory analysis are interview, survey, and application of KSA matrix for creation of a task inventory. This method often utilizes the questionnaire method in order to gather the necessary information. In this method, each task is assessed by the employee, the supervisor and the job analyst. This method requires the participation of a large number of employees in constructing a task inventory in the organization.

The data collection techniques in job analysis are exhaustive and ever expanding. Besides the ones mentioned here, there are other methods available for data collection in job analysis. These are threshold traits analysis (TTA), guidelines oriented job analysis (GOJA), job element method (JEM), and the Iowa merit employment system (IMES).[10] However, the choice of a specific method or a combination of methods usually depends on the purpose of the analysis and the end users of the study. Since each method has its share of strengths and weaknesses, it is advisable to adopt multiple methods of job analysis for data collection.

Job Description

Invariably, the process of job analysis ends with the preparation of two vital documents for the organization. These are job description and job specification. Job description is a written statement that describes all the aspects of a job. It aims at simplifying and standardizing the HR activities of an organization. It also enables the employees to understand clearly what is expected of them in their jobs. It contains both organizational information (structure, relationship, to name a few) and functional information relating to the job. But, the description of each task should be confined to a few sentences with the focus being on results. We shall now see a few relevant definitions of job description. These definitions are listed in Box 2.2.

A job description should be comprehensive in every aspect. It should provide information about job title, alternate title (if any), job position in the organizational structure, relationship with other jobs, and the tasks, duties, responsibilities and accountabilities associated with the job. In addition, it should offer information on working conditions, physical hazard, and special equipments required for task accomplishment. Further, information about the KSA requirements for the job and the minimum qualifications for eligibility should also be included. Finally, a job summary should also be included in the job description statement. We shall now see a brief description of the important components of a job description statement.

Box 2.2	Definitions

"Job description is a document that specifies the tasks, duties, and responsibilities of the job and should certainly be relevant and accurate." [11]

—Clyde E. Witt

"Job description is defined as a statement that specifies the purpose of a job, also mentions where the job fits in the organization structure, the context within which the job holder functions, and the principal accountability of job holders, or the main tasks to be carried out by them." [12]

—Michael Armstrong

Job Identification (Title)

This section of the job description provides information about the job title, alternative title (if any), the code number of the job, the department, division and plant. An appropriate job title easily identifies the nature of the job and its position in the organization. This section also provides information about the location of the job in the organizational structure, the immediate supervisor's title, for instance. A date column in the job identification indicates the date on which the job description was written. It also mentions the date on which it was last modified.

Job Summary

This section provides a brief review of the content of the job. It mentions only the major functions of the job. It could also include information on the employer's views on the role and importance of the job and its holders in an overall context. It contains a brief description of the objectives of the position, the results expected from the employee, and information on the degree of freedom available to each job holder.

Job Relationships

This section indicates the employee's relationship with other jobs located immediately above and below his job in the organizational structure. It also indicates the relationship of the job with the outsiders and higher authorities.

Job Duties and Responsibilities

This section provides a comprehensive record of the duties and responsibilities associated with the job. Job description usually describes the major duties to be performed in a job.[13] Usually, it also mentions the rate of recurrence of each duty and responsibility and the average time required for performing each duty. In this section, action verbs like *performs, provides, sets up, or gathers* are used to begin the sentences that explain each duty associated with the job. It would be ideal to complete the description of the duties and responsibilities within a few sentences.

An organization finds the application for job description in almost all the HR activities of an organization. While an outdated and inaccurate job description can cause a whole lot of problems for the organization, a well-thought-out statement can be a real blueprint for the success of both the organization and the employee. Table 2.2 shows a pro forma job description statement.

Table 2.2   **A Pro Forma Job Description Statement**

Job title	(should reflect the duties and level of the job in the organization)
Alternate title	(if any)
Job purpose	(Briefly mention the general purpose of the job and also its role in objective accomplishment.)
Code number	(State the job identification number.)
Job holder title	(Specify the title of the holder of this job.)
Job location	(Mention the location of the job in the organizational structure.)
Job type	(Details like full-time/part-time should be provided.)
Department/office	(Mention the name of the department/unit/office where this job is located.)
Reporting authority	(Details of the job title to which this job should report need to be provided here.)
Number of staff members reporting to this post	(State the number and name of the job titles to be controlled by this job.)
Job summary	(A brief description about the job is to be provided here.)
Job duties	(State the day-to-day tasks to be performed as part of this job and also provide the objective of each of these tasks.)
Authority limits	(Provide details regarding the prior permission requirements for select decisions.)
Working conditions required	(Identify the nature of working condition required for the job.)
Technical requirements	(Mention whether any technical specification is required.)
Skills required for the job	(State the minimum skills and competencies required for an effective performance of the job.)
Experience required for the job	(Mention the minimum experience required for the performance of the job.)
Special circumstances	(Provide information about night shifts, overtime, extensive travelling)
Special requirements	(Specify the special tools and equipment requirements for the job.)

Job Specification

A job specification can either be part of the job description or an independent statement.[14] It is actually a document that specifies the minimum acceptable qualities required for a person to complete the job satisfactorily. It usually contains the details of the employee's characteristics and the qualifications essential for the job. The job characteristics may include

physical, mental, social and behavioural characters of the job holders. The qualifications may include education, experience, skills and other background requirement for a job holder. Box 2.3 lists some of the important definitions of a job specification.

The important components of a job specification are listed as follows:

Education and Training

A job specification states whether the job requires school- or college-level education. It mentions the technical or professional qualification requirements of the job holder. Finally, it specifies the minimum training requirements the job holder must have completed.

Work Experience

A job specification prescribes the work experience requirements for the job holder and sometimes also the minimum experience for effective performance.

Skills and Competencies

Under this component head, a job specification states the types of skills necessary for the satisfactory performance of the job. It indicates the nature of skills required like computer skills, communication skills, technical skills, and statistical skills.

Physical Strength and Stamina

If the job involves physical activities like lifting or moving heavy objects, the job specification also mentions the physical requirements of the job holder.

Stress-Coping Ability

When the nature of the job requires a lot of stress endurance and involves constant work pressure in the form of deadlines or night shifts, the stress management ability of the candidate should be mentioned.

Special Needs

If the job requires any special skills, knowledge and ability like extensive travelling, working at odd hours, and good memory power, it should be clearly mentioned.

Quite understandably, a job specification has lots of application in HR activities like recruitment, selection, training, and compensation fixation. However, the major problem often seen in the preparation of a job specification is the job analyst's tendency to overstate the qualification and skills required for the job. This often results in the rejection of the

Box 2.3	Definitions
"Job specification is the process of inferring the human trait requirements presumed to be necessary for successful job performance."[15] —R. Harvey and M. Wilson	"Job specification sets out the education, qualification, training, personal attributes, and competencies a job holder requires to perform her or his job satisfactorily."[16] —Michael Armstrong

right candidate with sufficient qualification due to an overemphasis in the job specification.[17] This kind of overstatement often occurs in specifications involving education, the kind and length of job experience, and special skills like computer knowledge. Table 2.3 illustrates a pro forma job specification statement.

Box 2.4 Shows a typical job description and job specification statements for the job of a development editor in a textbook publishing company.

Challenges Affecting the Effectiveness of Job Analysis

The job analysis process often faces challenges from both the employers and the employees due to their fear and ignorance of its purpose and implications. Another challenge for the effectiveness of the job analysis is the human tendency to overstate the positive aspects and understate the negative aspects of the job. Similarly, workers might tend to look at the job from their own perspective rather than the job or organizational perspective. In this context, we shall now discuss a few important challenges impacting the efficiency of the job analysis exercise.

Employees' Anxiety

Many employees panic when the organization scrutinizes their job for any reason. Consequently, the job analysis often creates uncertainty in the minds of the employees. They often tend to view the whole exercise with suspicion and fear. This is because they may think that the job analyst would discover some unintended fault in their performance and behaviour. Further, the employees may also think that the results of the job analysis might restrict their independence in performing the job. It is therefore essential for the management to clarify all the doubts and fears of the employees regarding the purpose and process of job analysis. It should also clearly state the implications of the job analysis process for the employees.

Table 2.3 A Pro Forma Job Specification Statement

Position title	(Indicate the title and designation of the job holder in the job.)
Department/office	(Indicate where the job holder would be posted.)
Educational qualifications and training requirements	(Specify the educational qualifications and training needs of the prospective candidate.)
Experience	(Mention the minimum number of years of experience the candidate must possess.)
Work-based skills and competencies required	(Specify the work-related skills required for the prospective candidate and also mention clearly the essential and desired skills.)
Behavioural skills and talents required	(Identify the skills necessary for teamwork, effective leadership, diagnosing the problems, motivating oneself and others, effective communication.)
Other attributes required	(Mention the special qualities required for the performance of this job.)

Box 2.4	Sample Job Description: Pearson Education India

DEPARTMENT   Editorial–Higher Education
LOCATION   Noida
PRESENT JOB HOLDER
Title   Development Editor
Reports to   Managing Editor–Development
Band   M

A. OVERALL JOB DESCRIPTION/KEY RESULT AREAS

Primary Responsibilities

1. Undertake complete development of manuscripts, accompanying software, and instructor resources according to market needs, schedule, and company quality standards.

2. Conduct reviews, review analyses and competition analyses (in the form of charts and reports) including study of student feedback, previous-edition feedback, focus group response and potential adopter response.

3. Create and maintain a development schedule; ensure that all materials (primary and supporting) are received and transmitted on time.

4. Gather market and product data from the sales and marketing departments; provide analysed and collated product-, competition-, and market-based reports to these departments.

5. Work closely with the author and reviewers to develop the manuscript according to the planned concept, ensuring that the style guide and manuscript-preparation requirements are understood and followed.

6. Facilitate the author's vision and provide support (based on market research) in terms of writing, content and organization.

7. Develop art manuscripts, comment on layout design, and create cover briefs in collaboration with the author and the art/design department.

8. Obtain, or assist author in obtaining all permissions for text, photos, and illustrations as needed.

9. Provide early editorial review during manuscript selection; set quality standards and maintain such standards through every stage of development and production.

10. Provide regular updates and post-production support to the sales and marketing department on developed titles; follow up on post-publication feedback for future editions.

11. Act as student liaison, organize student-outreach programmes and participate in campus recruitments.

Secondary Responsibilities

- Participate in conceiving and acquiring appropriate manuscripts and book ideas.
- Participate in the discussion and evaluation of book proposals and early-stage manuscripts.
- Perform other related duties incidental to the work described herein.

JOB REQUIREMENTS/ENTRY CRITERIA

1. A postgraduate degree in science, commerce or humanities, or a good bachelor's degree in engineering
2. Excellent communication and presentation skills
3. Excellent man-management skills
4. Ability to maintain development schedules
5. Ability to liaise with all departments

Agreed by Head of Department   -----------------------
Agreed by Job Holder   -----------------------

Source: Dorling Kindersley India. Reproduced with permission.

Management's Attitude towards Job Analysis

The management's attitude can facilitate or hamper the effectiveness of job analysis. Past experience suggests that if the employees fear that their freedom of operation would be restricted by the management, they might not cooperate in the job analysis process whole-heartedly. Similarly, when the managers fear that the job analysis process would be used by the management to undermine their authority in dealing with their subordinates, they might summarize the job incorrectly. In contrast, when the management is sincere in its handling of the results of the job analysis, the credibility of the exercise and the cooperation of the employees would go up substantially.

Undue Importance to Job Holders

Often, job analysts give more importance to what the employee does in the job than what the job actually requires. This might lead to an overstatement of the job characteristics and requirements. In such cases, the organization may mistakenly look for a person who would replace the existing job holder instead of searching for a suitable person for the job.

Environmental Influence

The prevailing environment and the existing facilities usually influence the process of job analysis. If the organization undertakes job analysis in the context of the changes in the tech-nological environment, the employees may resist it for fear of disturbances in the status quo and job losses. In such a case, if the employee unions are strong, they may resist changes in their work environment strongly and thus make the job analysis exercise unnecessary. In fact, unions often view job analysis as a prelude to major changes in the job and hence oppose the very concept of job analysis.

Absence of Follow-up Action

When the organizations fail to initiate necessary changes in the job as a follow-up to the job analysis, the employees may lose their confidence in the whole process. In future, they may become indifferent to the job analysis process. Thus, it is essential for the management to carry out necessary changes in the job composition, wherever required.

Job Design

In a simple sense, job design is the division of the work of the organization among its employees.[18] It is basically a combination of the job content and the work method adopted in the job. Job content states the tasks to be performed as part of the job while the work method deals with the mode of performing the job. Certainly, a well-designed job can have a definite impact on the performance of the job and its contribution to the overall growth of the organization. It can also make the work experience of the employees more rewarding and productive. On the other hand, a poorly designed job often causes difficulties in strategy formulation and also in the proper alignment of various functional activities. Thus, the basic aim of a job design is to clearly establish the role of each job and the job holder in the overall system of an organization.

The designing of a job often involves responding to certain questions: What tasks need to be done as part of a job? Who should do the job? How should it be done? Where should

Box 2.5	Definitions

"Job design is the specification of the contents, methods, and relationships of jobs in order to satisfy technological and organisational requirements as well as the social and personal requirements of the job holders." [19]

—L. E. Davis

"Job design is the process of determining the specific tasks to be performed, the methods used in performing these tasks, and how the job relates to other work in the organization." [20]

—R. Wayne Mondy

"Job design refers to the study of jobs, tasks, constellations of tasks that encompass properties, perceptions, and response to properties and/or to perceptions. It thus includes job enrichment, job enlargement, job characteristics models and social science information processing perspectives."[21]

—Ricky W. Griffin and Gary C. McMahan

it be done? While designing a job, the firm must keep in mind the organizational interest in terms of productivity, performance and quality. At the same time, it should also consider the employee interest in terms of satisfaction, challenges and the growth potential available in the job. We shall now see some of the definitions relating to the term *job design* in Box 2.5.

Job design should always be in alignment with the strategic goals of the organization. Besides, it is essential for an organization to ensure that its jobs are designed only by the people with adequate experience and exposure in this profession. Further, the job design must be written in a simple language so that it can be easily understood by all the stakeholders. Finally, it should be agreeable to both the management and the employees.

Benefits of Job Design

Job design has the following benefits:

- It enables the organization to develop a competent, dynamic and responsive workforce.
- It ensures that the customers get high-quality goods and services without any delay and interruptions.
- It helps the firm in achieving cost reduction by eliminating the causes of accidents and injuries through enhanced health and safety measures.
- It enhances the employees' satisfaction, motivation, involvement and commitment, leading to improved cooperation between the management and the employees.
- It offers wide opportunities to the employees to convey their views and opinions to the management through participative management programmes.
- Its implementation often requires the employees to undergo periodic training to upgrade their skills and thus helps them in their career growth.
- It contributes effectively to the organizational effectiveness and, as a result, to the competitiveness of the organization in the market.

Environmental Influence on the Job Design

A job design is often influenced by the multiple forces of the environment, both internal and external to an organization. The internal environmental factors that normally determine the job design are the size and characteristics of the organization, the type of work, the nature

of the production process, the characteristics of the workforce, the level of technology, and the stage of organizational growth. The external environmental factors that shape up the job design are the social, political, legal and cultural factors. We shall now see the important factors influencing job design.

Ergonomics

Ergonomics means designing a job according to the worker's strength and ability in order to avoid strain injuries caused by repetitive operations. A job design is certainly influenced by the existing employees available in an organization. As part of the job design process, organizations often employ psycho–physical methods to determine the suitable employee weight and force for a job. In fact, psycho–physical techniques require employees to adjust their weight or force on the basis of the job requirements in conformity with their own perception of what an acceptable workload is under exact test conditions.[22] Once the employee-strength data is compiled from the majority of the employees, an organization designs the job in such a way that the physical requirements of the job do not exceed the physical strength and capabilities of the employees.[23] Thus, the job design is specifically influenced by the human strength and force available in the organization.

Characteristics of Task Structure

The task structure in a job refers to the manner of construction of a job and the arrangement of tasks in that job. The characteristics of a task structure normally influence the job design. These are often identified through task objectives, entrance criteria, the planned role of the job holder and his skill requirements, the input requirements in terms of materials, tools and technology, task process, quality requirements, performance evaluation tools, and the results in terms of output or goal accomplishment.[24]

Task Assortment

A job containing a variety of tasks usually enhances the interest of the job holder in performing such a job. On the other hand, a job involving the performance of repetitive tasks causes job monotony and dullness. Thus, the extent of task assortment in a job is an important factor influencing the job design. However, the job should avoid too many varieties or too few varieties. Rather, the varieties must be properly balanced on the basis of the nature of the job and the level of its position in the organization structure. Generally, broadened and multi-skilled jobs stimulate and sustain employees' interest and involvement by offering variety and challenges in the task performance.

To enhance the employees' motivation, commitment and involvement, E. E. Lawler[25] has identified three factors as the basic necessities for a job: (1) feedback, (2) the use of abilities, and (3) self-control. Feedback refers to providing each employee purposeful feedback about his own performance in the job on a continuous basis. The use of abilities means making employees feel that their abilities are absolutely essential for the successful accomplishment of the job. Self-control refers to enabling the employees to gain confidence that they are capable of exercising self-control over their own goal-setting process and its execution.

Level of Autonomy and Responsibility

The philosophy of the organization concerning job autonomy influences the job design process. Job autonomy depends on the extent of freedom available to an employee. Conventionally,

a job with a high rate of autonomy provides better satisfaction to the employees. Thus, the degree of autonomy is one of the factors influencing the job design. However, the job with a higher degree of autonomy usually carries higher responsibilities on the part of the job holder. Each employee must be made accountable for all the decisions made by him in the course of his performance. Thus, elements like autonomy, responsibility and accountability affect job designs.

Practices

Practices refer to the customs or norms developed over a period of time which deeply influence the employees' behaviour and way of doing the work. Organizations normally combine the conventional working practices with the modern and professionally created ones to develop a job design. They redesign their jobs on the basis of the prevailing work practices. In fact, the developments and changes in the work practices are often influenced by the technological developments, the characteristics of workforce, and the strength of the union. Thus, the job design, the technology levels and the workforce abilities must be well aligned for effective work performance. Box 2.6 delineates this factor influencing job design in Wipro.

Recognition and Support

In every job, the employee performing the job expects some sort of recognition and appreciation for his efforts from others. Also, he anticipates useful support from others in the effective discharge of his duties. The supervisors, co-workers and managers need to support the employee by building an environment that promotes team spirit and self-worth. Thus, the job design process is influenced by the employee's desire for recognition and support. But, a job design that tends to promote alienation and disunity would harm the interest and well-being of the organization. Moreover, the organization should design the job in such a way that it facilitates the employee's participation in decision making. Such job designs often promote a sense of belonging and high involvement. Accordingly, the job design should ensure recognition and support for the employees and their participation in decision making.

Box 2.6	Workplace Practices: An Influencing Factor for Job Designs

Each organization adopts a style of its own to gather information for designing and redesigning the jobs. The prevailing culture and workplace practices play a predominant role in the job designing process. For instance, some organizations have the practice of periodically approaching their employees to gather information about different aspects of their work life. Apparently, this would also include information about their job. These nuggets of information would then be productively used for job designing. However, the method of gathering relevant information may differ from one organization to another as each organization may develop a unique method to collect the necessary information.

Wipro Technologies has developed an effective feedback and communication system for information gathering for several purposes including job design and redesign activities. For instance, it has a programme called "W10"—a ten-question survey tool for obtaining information from the employees about their perception of the health of the workplace and managerial effectiveness. Further, it conducts an "Employee Perception Survey" once in two years to identify their satisfaction levels about different performance drivers and their areas of concern. In case of teamwork, it adopts skip-level meetings to get feedback from the employees about team cohesiveness and leadership effectiveness in each team. These practices help the organization in planning midway corrections in job-related aspects to enhance the effectiveness at job.

Adapted from: www.wiprocorporate.com/People/ Employee_Feedback.asp.

Technological Developments

Technological developments have a profound influence on the job design process. The changes in the technological environment provide an organization with the opportunity to redesign its job. For instance, the computer-aided manufacturing (CAM) techniques have changed the traditional production techniques and job designs. Changes in technology may lead to either product innovation or process innovation. Product innovation usually makes little impact on employee performance and job design. On the other hand, process innovation often leads to major changes in the techniques of production and the employee's skills necessities. These changes in production techniques and employee competencies frequently necessitate alterations in job designs.[26] Thus, technological developments have a major influence on the job design process.

Strength of the Union

The presence of the union in the organization can also influence the job design process. In a non-unionized environment, the management may design the job independently and to its own advantage. For instance, the job security measures and the minimum skill and qualification requirements would be decided by the management alone. Similarly, the management may not have any external pressure to ensure standard health and safety provisions and practices. In contrast, in a unionized environment, the management may be pressurized by the unions to accept its terms for job designs. For example, they may insist on comprehensive job security mechanism, minimum skill requirements for the job, high-quality tools and equipment, standard health and safety measures, and strict adherence to necessary legal provisions for different jobs. Lastly, in the absence of a harmonious management-and-union relationship, the unions may adopt a rigid approach towards the job design process and thus hurt the interests of the organization.

Corporate Culture

Corporate culture refers to the norms, practices, assumptions and beliefs followed by an organization. This corporate culture determines the response of the organization to the developments in the external environment. In fact, changes in the characteristics of the labour market, developments in technological field and upheavals in the market dynamics shape and reshape the corporate culture. The corporate culture can also make an impact on job design. For instance, the status and position of the job, and the rewards and recognition available to the job are greatly influenced by the corporate culture. In fact, job designing provides an opportunity to the organization to communicate the corporate culture to the employees in many ways.

Working Conditions

Working conditions refer to the physical environment which is made up of machines, space, heat and light, ventilation and safety levels. In terms of physical hazards, safety requirements and health issues, working conditions can have an impact on the job design. While designing a job, care should be taken to ensure that the job offers safe and healthy working environment to the job holders. Thus, it is essential for the organization to ensure that the job has adequate safeguards for occupational health, safety and well-being. This may be done by incorporating necessary provisions in the job design process.

The Multi-method Job Design Questionnaire (MJDQ) created by M. A. Campion[27] is worth mentioning here. This model helps an organization in developing an interdisciplinary approach to the task of job designing. It integrates the diverse views about job design drawn from different disciplines like industrial engineering, organizational behaviour and work physiology. This questionnaire has developed four general approaches to the study of job design. These are motivational, mechanistic, biological and perceptual-motor approaches. The motivational approach focuses on the satisfaction outcome of a job design process. The mechanistic approach emphasizes on the efficiency outcome while the biological approach is associated with the comfort outcome of the job design. Perceptual-motor approach studies the reliability outcome of the job design process.[28] This integrated approach provides a useful insight into the process of job design and has become a popular job designing device.

Critical Components of Job Design

The main purpose of a job design is to increase a firm's ability to meet its objectives effectively and to provide job satisfaction to the employees. Usually the job design is done on the basis of the ergonomics, task characteristics, work practices, corporate cultures and technological environment. As shown in Figure 2.4, the components of any job design are job enrichment, self-managing teams, job rotation, job reengineering, job enlargement, participative management, peer performance review and high performance work design. We shall now see these concepts in detail.

Job Enrichment

Job enrichment refers to the development of work practices that challenge and motivate the employees to perform better. It often results in achieving desired improvements in productivity, safety of work, quality of products/services and job satisfaction. Organizations also adopt job enrichment to encourage multitasking by the employees in the job. Job enrichment may include, among others, the formation of a quality circle, self-directed teams, job rotation and better communication. In a nutshell, job enrichment aims at
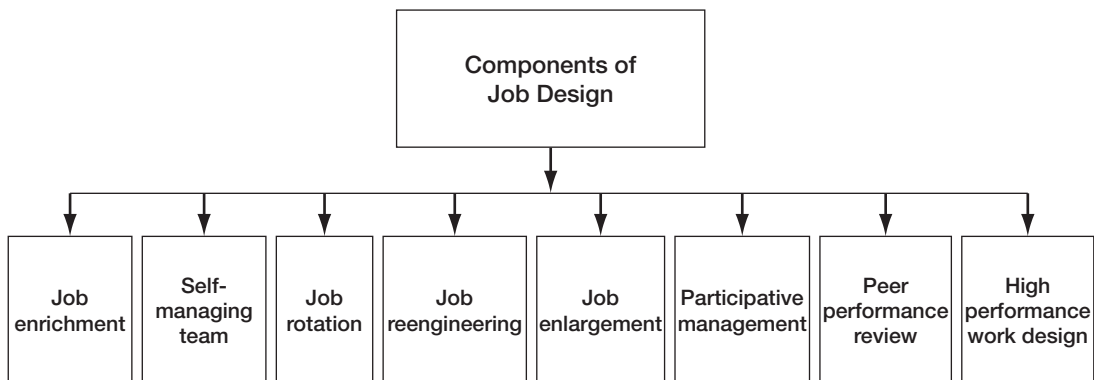
Figure 2.4

Components of Job Design

achieving HR costs' reduction and job satisfaction. In fact, studies have shown a positive correlation between job enrichment and job satisfaction.[29]

How to Enrich a Job   The main aim of job enrichment is to provide an enhanced autonomy for the employees and increased operational efficiency for the organization. To achieve the desired results in job enrichment, the following guidelines could be followed:

- Encouraging the employees to involve themselves in goal setting and accomplishment activities.
- Enhancing the scope of the job to utilize the diverse skills of the employees.
- Allowing the employees to do the whole job, i.e., from the beginning till the end, so that they could develop a sense of achievement.
- Providing necessary autonomy to the employees on matters relating to the method, speed and order of doing the job.
- Encouraging the employees to know the significance of their work in terms of its contribution to the accomplishment of the overall goal of the organization.
- Constantly challenging the employees to adopt innovation in job by acquiring new knowledge and skills.
- Improving the information sharing process by strengthening the existing communication channels and also by introducing new communication channels.
- Ensuring that the employees get timely and adequate recognition and appreciation for their effective performance and successful completion of the job.
- Enabling the employees to get constant feedback of their own performance by communicating the results of the work done by them.
- Making employees believe that the present job is not an end but only a means for better prospects in the organization.

Box 2.7 outlines the job enrichment efforts of a global company.

Self-managing Teams

Self-managing teams are usually entrusted with the overall responsibility for the accomplishment of work or goal. They enjoy autonomy in decision making on matters involving when and how the work is done. They are given adequate freedom to determine the mode of execution by planning the pattern of work, distribution of assignments, rest breaks, performance evaluation, and so on. However, the accountability for the outcomes should be clearly defined. This method is appropriate for group activities. This method is capable of providing intrinsic motivation to employees as the team members here enjoy better work autonomy and control their own work.

The self-managing teams require doing a lot of groundwork in order to ensure the success of the whole process. The preparatory requirements for self-managing teams are:

Work Mapping   This involves defining the boundaries of the teams clearly in terms of authority, responsibility and accountability. Each team should have a distinct identity, purpose and sphere of activities within the organization.

Box 2.7	**Job Enrichment at Volvo: The Pioneering Effort**

Organizations around the world are making every possible effort to make the job more satisfying to its workforce. This is because the extrinsic satisfaction provided through economic benefits like wages, incentives and benefits may not have the desired impact on the employees while actually performing the job. Moreover, most of these benefits are intermittent benefits to the employees. Thus, there is a need to offer intrinsic satisfaction, which comes out of the job itself. Many organizations are seriously engaged in such an endeavour which is technically called job enrichment. The success of the Volvo Company in job enrichment is worth mentioning as an example.

The Volvo Group is on a relentless pursuit to develop an excellent and totally acceptable work environment, to adapt machines to the people who work with them and to organize the work in such a way that the job performer has an influence on his or her own work situation and also obtains a sense of purpose and satisfaction from the job. As far as Volvo is concerned, the working environment is not a matter of the floors, walls and roof of a building, ventilation, spaciousness or equipment alone but is very much dependent on the people working together. A close-knit work environment is indeed made up of an authentic team, which is able to communicate freely and receive appreciation for the work it does and that has a sense of accomplishment.

According to Volvo, job enrichment means more responsibility to the individual in the areas of quality control, job planning, and so on. Job expansion means the deeper involvement of individuals in the work, protracted work cycle and reduced job monotony. Job rotation means that the employees in a section of production can change jobs with each other once a day or possibly more often. The purpose of such arrangement is not only to enhance the multi-skills of the employees but also to preserve the physical and psychological well-being of the employees.

Adapted from: http://www.volvoclub.org.uk/ pdf/200000VolvoHands1975.pdf.

Determining the Size of the Team   The size of the team contributes critically to the success of the self-managing team. The team should be neither too big nor too small. It is essential to identify the right size for the team. There are various factors that influence the decisions relating to the size of the group. These are the nature of process and products, the physical distribution of activities, the style of leadership, and the rate of delivery.

Leadership Development   Effective leadership is critical to the success of self-managing teams. The leaders of the teams should be given training in leadership tasks, leadership styles, communication, motivation and other necessary leadership qualities.

Fixing the Team Norms   It is essential for each team to develop rules and regulations to govern the behaviour of its members. It should have a categorical list of dos and don'ts for its members and they should not be allowed to misuse their authorities. The teams should have perfect clarity on matters like recruitment, training, discipline, resource management, and financial budgets.

The organizations get several advantages by forming self-management teams. These are: (i) the presence of a learning organization, (ii) self-motivated employees with a high level of intrinsic motivation, (iii) cost-effective accomplishment of targets, (iv) the decentralization of authority and responsibility, and (v) a focus of the top management on non-routine tasks as it is relieved of routine activities.

Job Rotation

Job rotation refers to moving employees from one job to another in a predetermined way. This enables an employee to perform diverse roles and gain exposure to the techniques and

challenges of doing several jobs. An organization may adopt job rotation in two ways. In one case, the employee might be moved from the existing job to a new one as part of promotion or transfer after he spends a few years in the current job. The purpose here is to offer new challenges and to avoid boredom in the job. In the second case, job rotation is viewed as a part of the training process. The trainee is moved from one job to another to enable him to learn about each of these jobs.

Uses of Job Rotation

- It facilitates the horizontal movement of employees to widen their knowledge and varied skills.

- It enables the organization to identify the skill deficit and training requirements of its employees.

- It enhances the interest and satisfaction of the employees in the performance of the job.

- It reduces or eliminates the boredom associated with the performance of the same job for longer periods.

- It helps in the identification of the latent talents of the employees and also in finalizing the career growth plan of each employee.

Job Reengineering

Job reengineering is the process of streamlining jobs in the form of combining a few jobs into one, redistributing the tasks among various jobs, and reallocation of resources. It also involves reconsideration of the methods of job performance, physical layouts and performance standards. The basic aim of job reengineering is to reduce costs, delays, absenteeism and conflicts. Michael Hammer[30] defines job reengineering as "the fundamental rethinking and radical redesign of business processes to achieve dramatic improvements in critical contemporary measures of performance, such as cost, quality, service, and speed."

Job reengineering involves redesigning of each work system in order to make the organization more competitive in the market. It calls for radical rethinking by the organization about the existing work pattern and its task characteristics. It involves redesigning of the process and the HR management system to achieve improved performance, productivity, quality and competitiveness. The reengineering process involves: [31]

Pattern Breaking　This involves radically changing the existing rules and regulations to suit the conditions of the existing environment.

Realigning with Corporate Goals　This implies revisiting work processes to ensure that they are properly aligned with the goals of the organization. Wherever necessary, redesigning must be done in the job activities to achieve the alignment required.

Abolition of Power Structure　This process involves substituting the traditional hierarchy with self-managed or autonomous teams. It also involves decentralization of authority, responsibility and accountability.

Work Flow Redesigning　In this process, the organization should re-examine the work flow designs to ensure that they revolve around the goals and strategies.

Enhancing IT Applications   The developments in technological environment facilitate the application of information technology (IT) in every possible sphere of process design. Similarly, IT can also be used to enable process reengineering in an organization.

Redefining Titles and Positions   Job reengineering may require redefining of job titles, relationships, positions and responsibilities to suit the changes made in the process.

Establishing a Learning Organization   Job reengineering often requires continuous learning by the employees. In this regard, 'on-the-job training' is emphasized to reduce the time taken to perform a task, inculcate quality-consciousness and improve productivity.

Performance-based Incentives and Rewards   It may require a redesigning of performance evaluation techniques to assess the individual and group effectiveness. The reward structure and incentive programmes may have to be revised as a consequence of job redesign.

Job Enlargement

Job enlargement transforms the jobs to include more and/or different tasks. Its basic aim is to make the job more attractive by increasing the operations performed by a person in the job. Job enlargement techniques aim at designing jobs in such a way that the interest and needs of both the management and the employees are fulfilled. From a historical perspective, boredom and lack of job motivation were the primary reasons for the introduction of job enlargement in the 1950s. During this period, several companies initiated modifications in the jobs to make them more interesting and challenging. For instance, IBM enlarged the job of its machine operators by making them responsible for machine setting and inspection.

In reality, job enlargement offers diverse tasks to the employees even while ensuring that the enlarged job requires the same level of skills. While deciding about job enlargement, the organization should consider whether it wants to adopt a horizontal or vertical enlargement.

Horizontal Enlargement   It refers to the degree to which a job contains many tasks. It involves the enlargement of duties by adding new but similar tasks. It aims at making the job low in specialization and boredom. It also attempts developing new skills among the employees. In practice, horizontal enlargement is adopted when the tasks are complex and structured. In this method, the percentage contribution of each employee in the complete product is increased significantly. Finally, it aims at removing difficult tasks in a job to promote greater productivity, especially in difficult jobs.

Vertical Enlargement   It is the degree to which the employees decide how the task is to be done. It enables an employee to participate in the planning, organizing and controlling aspects of a task. It removes some controls but the authority and the accountability are increased or retained. The primary purpose of this method is to enhance the status and self-fulfilment needs of the employees. This method involves the assignment of an absolute task unit to an employee. Vertical enlargement is suitable when the tasks are routine and well-structured.[32]

Participative Management

Participative management means allowing employees to play a greater part in the decision-making process.[33] It has been found to be useful in improving the quality of work life, job enrichment, quality circles, total quality management, and empowerment. In fact,

participative management is considered to be the panacea for the ailments of an organization.[34] In participative management, employees are allowed to participate in the strategic planning process as part of their job. In this way, the organization makes the employees feel that their views are important for the organization.

Peer Performance Review

Peer review is a performance evaluation technique adopted by an organization in which the employees in the same rank rate one another. Peer monitoring is one of the strategies for achieving job enrichment.[35] In this method, team members evaluate one another's performance. In addition to this, the team members review the performance of the entire team or group. In peer review, performance evaluation becomes a collaborative and mutual process. Performance appraisal for the employees becomes more personalized and is conducted on a regular basis. The merits of peer review as a job enrichment technique are:

- Peer review usually finds better employee acceptance and involvement than other methods do.
- It is normally accurate, and more target-oriented and job-relevant, as employees are more open and interactive in this method.
- It improves relationships among team members and enables them to get along well with one another.
- It enhances job interest and also reduces review-linked anxiety, frustration and grievance which normally arise when employees' performances are reviewed by their superiors.

However, the major defect of this method is the scope for bias and prejudice in the evaluation done by the peer group members. Peer review can also ignite avoidable rivalry and bitter feelings among members when there is a negative evaluation of someone's performance.

High Performance Work Design

Developing a high performance work design is also considered as a strategy for job enrichment. Effective work groups are created in an organization through this technique to achieve a high level of performance.[36] Certainly, a high-performance system can produce the desired effects on organizational productivity and performance. It can also achieve the required employee satisfaction and involvement. The key characteristics of a high performance work system[37] are:

- Presence of highly skilled, dynamic, coordinated and loyal employees
- Existence of flat, flexible and modern management
- Capability of preserving the experienced and skilled employees for a long time
- Existence of harmonious relationship between the management and the unions
- Presence of full-fledged self-managed teams with adequate authority, responsibility and accountability
- Existence of supportive rather than autocratic style of leadership and management
- Payments system count on team performance but give due importance to the skills of the individuals.

Limitations of Job Design

Job design as a job enrichment programme was tried by Frederick Winslow Taylor (1856–1915) in a limited way. He insisted on dividing work into mental and manual categories and then developing job design appropriately. The mental work involving planning and organizing should be focused on and specialized in by the management. The manual work involving execution should be done by the workers. Taylor used job design to develop efficient ways of doing a job. However, his work met with criticism as it did not consider the human aspects of the job design programme.

The next major contribution to the concept of job design was made by Frederick Herzberg in 1968. According to him, the main aim of the job enrichment technique is to enhance the workers' motivation and performance without altering either wage and salary structure or the management's authority and organizational structure. However, this job enrichment concept was obviously not well received by the unions.

By now, it has been established that job design techniques bring several benefits for the various stakeholders. For instance, the employees find increased motivation and satisfaction in their job. Organizations get better productivity, performance and reduced absenteeism. The customers may gain substantially in the form of improved quality and prompt service. Despite all these merits, job design programmes often meet with a number of challenges that affect its efficiency. Let us study them.

- Job design programmes were resisted by the employees on the ground that enriched jobs presented more challenges and thus resulted in more mistakes and lapses. Similarly, they viewed it only as job enrichment and not as job holder enrichment programme.

- The unions frequently oppose job design programmes for fear of job losses that are likely to occur because of increased organizational productivity and individual performance.

- Job design techniques require the managers to change their attitude and perception about the employees. They should have empathy and be ready to work sincerely to improve the job quality of their subordinates. But, managers may not be willing to spare their busy time to enrich the jobs of their subordinates.

- Job design techniques are usually job-specific programmes. They may prove difficult in the case of those jobs that require sophisticated technology and specialized tools and methods.

- Job designs, especially teamwork designs, often face resistance from those employees who lack interpersonal skills and team spirit.

- Employees may oppose job design when they fear reduced autonomy and loss of individual identity in the team as a result of job enrichment.

- Job design techniques may ultimately enhance the skills and responsibility requirements. This in turn may push up the compensation requirements for the enriched jobs.

- Highly motivating jobs created out of job enrichment may cause frequent mental tiredness and stress, leading to increased absenteeism and attrition rates.

- The high cost of implementing job design programmes has discouraged many companies from adopting this technique. A few companies found the job enrichment technique less viable in a cost–benefit analysis.

Recent Trends in Job Design

In the changing labour market scenario, organizations are competing with one another to devise strategies to attract and retain their best workforce. Companies no longer depend on the conventional method of monetary benefit alone to retain their employees. They effectively use intrinsic motivational techniques like job design, job enrichment and job reengineering to offer the necessary job satisfaction. We shall now see a few modern techniques.

E-commuting

E-commuting (also called telecommuting) is a kind of work system in which the distance barrier is overcome by means of telecommunication. It facilitates the employees to perform their jobs without being present in office. It is a facility provided to a select number of employees. They may work from home for a relatively longer period of time. For instance, e-commuting can be extended to employees who are pregnant, sick or on long tour. Several software companies find it convenient and feasible to offer this facility to their employees. Companies are reaping several benefits from their e-commuting policies and practices. Some of these are enhanced productivity, reduced absenteeism and attrition, economy in operations and, above all, high job satisfaction and commitment.

However, e-commuting has a few defects that usually hamper its emergence as a major phenomenon. These defects are: (i) the absence of social interaction and team spirit among employees; (ii) the inability to establish effective supervision and control over the employees; (iii) the high initial cost on infrastructure; and (iv) problems in evaluating the performance of these employees.

Of late, a few companies have moved beyond e-commuting to even more advanced systems. For instance, part employments based exclusively on mobiles to intranets are offered to prospective candidates by IT companies. Box 2.8 outlines the benefits of e-commuting in Indian IT sectors.

Box 2.8	E-commuting: A Budding Technology in India

Telecommuting as an emerging technology has helped many companies achieve cost-effectiveness in many of their operations. In fact, allowing employees to work from their home or a flexible office has enabled many companies to save substantially on their office space requirements. Similarly, it has helped organizations to save the transportation cost incurred on their employees. E-commuting has also saved the time and energy of the employees, who would have otherwise spent them on their travel to and from office. Understandably, the time and energy saved must have been utilized in their work, thus enhancing the productivity significantly. However, employees preferring telecommuting need to be self-motivated and self-disciplined and have strong work ethics and sufficient behavioural maturity.

Many IT companies in India have shifted different degrees of their workforce to the e-commuting mode and gained immensely from the innovative exercise. For instance, Accenture India has adopted this technique to attract the best talents in the IT field, especially women and the physically challenged. Similarly, Cisco India uses this technology resourcefully to achieve work–life integration and boost up employee motivation and organizational productivity. Sun Microsystems has accomplished new milestones in the concept of e-commuting. Nearly half of its employees were brought under some form of the e-commuting scheme, which enabled the company to cut costs substantially and contributed to the cause of energy conservation and pollution control.

Adapted from: http://www.expresscomputeronline.com/20080324/technologylife01.shtml and http://blogs.harvardbusiness.org/leadinggreen/2008/08/telecommutings-small-carbon-fo.html.

Flexitime Work

Flexitime work is another alternative work practice followed by organizations to achieve better cooperation from employees and to ensure enhanced motivation and commitment. The flexitime scheme is actually a work design in which employees are allowed to work during pre-determined work hours.

In this method, employees have the freedom to choose their flexible starting and ending time of work within the scheduled working hours of the organization. The individual working hours are determined as per the convenience of each employee. An employee may follow his own working hours or his team's working hours, depending upon his requirements. It is absolutely essential for an employee to record his time of each entry and exit. In any case, the company will make no compromise on the quality of the job.

The main merits of this method are:

 (i) It helps the employees strike a proper work–life balance.

 (ii) It enables the organization to create a high level of employee morale and motivation.

(iii) It reduces job stress among employees substantially as stress-causing factors like inconvenient timings, logistical problems and child-nurturing difficulties can be managed effectively.

(iv) It ensures the optimum use of the available infrastructure like office and parking space, equipment like computers, and other devices.

 (v) It is an efficient tool to reduce employee absenteeism and attrition and enhance productivity.

However, coordination among employees and supervision might become a problem. Similarly, worker alienation due to reduced social interaction and difficulty in organizing unscheduled but emergency meetings are significant challenges in the flexitime work scheme.

Summary

1. Job analysis is a process of gathering of relevant information about various aspects of a job including its content, context and the job performer's skill requirements.

2. Job analysis information is used for job evaluation, job design, job classification, job description and specification, HR planning, recruitment, training, performance evaluation, wages administration, safety and health, industrial relations and legal requirements.

3. The steps in job analysis are: (i) determining the purpose of job analysis, (ii) gathering background information about the job, (iii) choosing representative jobs for analysis, (iv) collection of relevant job analysis information, (v) review of the gathered information, and (vi) development of job description and job specification.

4. The job analysis techniques are questionnaire, job performance, observation critical incident, interview, diary maintenance, technical conference and task inventory analysis.

5. The types of questionnaires available for job analysis are position analysis, functional job analysis, management position description, work profiling system, multipurpose occupational systems analysis inventory-closed ended questionnaire, common metric and Fleishman job analysis system.

6. Job description is a written statement that describes all the aspects of a job. It contains both organizational information (structure, relationship,

and so on) and functional information relating to the job.

7. The components of job description are job identification, job summary, job relationships, job duties and responsibilities.

8. Job specification is a document that specifies the minimum acceptable qualities required for a person to complete the job satisfactorily.

9. The components of a job specification are education and training, work experience, skills and competencies, physical strength and stamina, stress-coping ability and special needs, if any.

10. The challenges that a job analysis faces are employee's anxiety, management attitude towards a job analysis, undue importance to job holders, environmental influence, and the absence of follow-up action.

11. Job design is basically a combination of the job content and the work method adopted in the job.

12. The environmental factors influencing job design are ergonomics, characteristics of task structure, task assortment, level of autonomy and responsibility, practices, recognition and support, technological developments, strength of the union, corporate culture, and working conditions.

13. The components of job design are job enrichment, self-managing teams, job rotation, job reengineering, job enlargement, participative management, peer performance review and high performance work design.

14. Job enrichment refers to the development of work practices that challenge and motivate employees to perform better.

15. Self-managing teams are usually entrusted with the overall responsibility for the accomplishment of work or goal. The steps in the formation of self-managing teams are work mapping, determining the size of the team, leadership development, and fixing the team norms.

16. Job rotation refers to moving employees from one job to another in a predetermined way.

17. Job reengineering is the process of streamlining jobs in the form of combining a few jobs into one, redistributing the tasks among various jobs, and reallocation of resources.

18. The basic aim of job enlargement is to make the job more attractive by increasing the operations performed by a person in the job. The two types of enlargement are horizontal enlargement and vertical enlargement.

19. When team members evaluate one another's performance, it is called the peer performance review.

20. Recent trends in job design are e-commuting and flexi-time work. E-commuting facilitates the employees to perform their jobs without being present in office. Flexitime work is a work design in which employees are allowed to work during predetermined work hours.

Review Questions

Essay-type questions

1. Examine critically the steps in the job analysis process with relevant examples.

2. Discuss in detail the uses of job analysis in human resource management.

3. Describe the different techniques available for data collection in job analysis.

4. Evaluate critically the characteristics of the various questionnaire methods used in job analysis.

5. Enumerate the conditions required for an effective interview process in job analysis.

6. Illustrate the important components of a job description statement with examples.

7. Evaluate the challenges affecting the effectiveness of the job analysis process.

8. Trace the environmental factors that decisively influence a job design.

9. Explain clearly the critical components of job design process with relevant examples.

10. List out the strategies available to HR managers for enriching jobs in an organization.

11. "Job analysis is an essential human resource management activity." In the light of this statement, identify the significance of job analysis.

12. Describe the extent of relationships among job analysis, job description and job specification.

13. How will you prepare a job analysis report for the job of a lecturer in an educational institution?

14. Explain the recent trends in the field of job design with necessary examples.

15. "Job design should always be in alignment with the strategic goals of the organization." Discuss.

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3   Human Resource Planning

CHAPTER OBJECTIVES

After reading this chapter, you should be able to:

1   Understand the significance of human resource planning

2   List the factors affecting human resources planning

3   Elucidate the process of human resources planning

4   List the barriers to effective human resource planning

Crompton Greaves is a private sector company engaged in designing and manufacturing electrical products and services. It is a subsidiary of the U.S. $3 billion multinational Avantha Group. It is well known for its HR policies and programmes. In fact, it has won quite a few awards for its unique HR practices over several decades.

The businesses of the company are built upon five HR values: leading-edge knowledge, nurturing, customer orientation, performance excellence, and intellectual honesty. Further, it has also developed positive and negative behavioural indicators for each of these values. The company has a well-established and standardized procedure for developing and executing its HR plans. It has a strong conviction about the necessity and significance of involving line managers in the process of HR planning. For instance, it has established an internal HR Council comprising all business heads. This high-level HR council plays an active role in all the HR planning and implementation

process of the HR department. Crompton Greaves also believes firmly in goal-setting exercises for its employees as part of the HR planning process so that the performance excellence threshold improves continuously.

Over a period of time, the successive HR plans of Crompton Greaves brought out several changes in the HR activities of the organization. Currently, its compensation philosophy focuses on differentiation based on professionalism, performance excellence and the complexity of responsibilities. Its training policy emphasizes on a corporate training calendar for planning and conducting training programmes. Lastly, its recognitions and reward system now includes financial and non-financial performance enablers.

The HR planning process of Crompton Greaves and its accomplishments clearly establish the relevance of good HR plans for the success of an organization. Let us now discuss the different aspects of HR planning in this chapter.

Introduction

Human resource planning is basically a process of identifying the right person for the right job at the right time and at the right cost. This process involves the estimate of the future manpower needs of an organization and meeting them through the labour force available with it. Human resource planning is the first step in the process of recruitment and selection of employees after a job analysis has been completed. From a broad organizational perspective, HR planning intends to achieve better customer satisfaction, quality enhancement and improved employee motivation. From a functional perspective, it aims at enhancing the employees' motivation and commitment, team spirit, mutual trust, and creativity. The three basic objectives of any HR planning are: (i) attracting, developing and retaining an efficient workforce, (ii) evaluating and rewarding its performance, and (iii) inventing and controlling HR plans and programmes to optimize the HR cost. However, the direct and immediate purpose of human resource planning is to investigate, forecast, plan, control and match the demand for and the supply of manpower.[1]

Broadly, HR planning is affected by two important factors—the HR requirements of an organization and its availability within and outside the business. With regard to HR requirements, the role of human resource planning is the estimation of the number and nature of people needed for the accomplishment of the goals and strategies of an organization. As regards the HR availability, the task of human resource planning is to scan the environment in order to identify the availability of people with appropriate characteristics and skills. In the past, HR planning was considered a short-term activity and a problem of the line managers. However, intensified competition, technological changes, changing labour characteristics and other such changes in the environment forced the organization to view HR planning as both long- and short-term activities.

Though the essence of HR planning is the identification of the demand for and the supply of labour to accomplish the organizational goals on a sustained basis, different authors have defined it with slight variations. Box 3.1 lists these definitions.

We may define human resource planning as a process of identifying and then matching the human resource requirements and availability in order to determine the future HR activities of the organization on the basis of the overall organizational objectives.

Box 3.1	Definitions

"Human resource planning is the process of analysing an organization's human resource requirements under changing conditions and developing activities necessary to satisfy these needs."[2]

—James W. Walker

"Human resource planning is the process for identifying an organisation's current and future human resource requirements, developing and implementing plans to meet these requirements and monitoring their overall effectiveness."[3]

—Beardwell, Claydon and Beardwell

"Human resource planning is the process for ensuring that the human resource requirements of an organization

are identified and plans are made for satisfying those requirements."[4]

—D. N. Bulla and P. M. Scott

"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 the enterprise and which provide satisfaction for the individuals' involved."[5]

—Dale S. Beach

Characteristics of Human Resource Planning

The main focus of human resource planning is on choosing the required number and types of personnel for appropriate jobs in a cost-effective way. The following are its characteristics:

- HR planning aims at fulfilling corporate strategies and goals through effective utilization of human resources. As such, it is effectively aligned with the business strategies of the organization.

- It is not a solitary act; rather, it is a process involving a series of related activities carried out on a continuous basis.

- It not only meets the short-term HR requirements of an organization but also determines its long-term strategies and future directions from the HR perspective.

- It is a logical and efficient decision-making activity involving systematic analysis of data gathered in a scientific manner. Thus, it is neither a haphazard nor an ad hoc activity.

- It emphasizes both the quantitative (number of personnel) and the qualitative (nature of personnel) dimensions of human resources at every stage.

Significance of Human Resource Planning

Until a few decades ago, organizations considered human resource planning neither essential nor inevitable. In fact, it received much less attention in the overall planning of an organization. This is because firms, in those times, had a relatively stable external environment. The presence of factors like manageable competition, sluggish progress in technologies, and traditional and regionally concentrated labour force created an environmental certainty for those organizations.

However, in the subsequent period, the external environment has undergone several changes and is thus causing a lot of uncertainty to the organizations. For instance, developments like globalization, intensified competition, changing characteristics of the labour force, government interventions and a plethora of laws have created an unstable environment for business. This environmental uncertainty has enhanced the need for and importance of HR planning in the organizations.

Contemporary HR planning is mainly concerned with the effective deployment of the precious human resources of an organization. An organization first establishes its strategic goals like gaining competitive advantage, expansion programmes, enhancing organizational effectiveness and employee satisfaction. Depending upon the chosen goals, it develops and executes specific HR plans and programmes. These programmes include, among others, recruitment and selection, training, compensation, and performance management. On the whole, HR planning is now an effective means of accomplishing the business strategies of the organization.

We shall now discuss in detail the importance of HR planning in human resource management.

Assessing Future Recruitment Requirements

The fundamental purpose of HR planning is determining the number and nature of personnel required by an organization to meet its objectives and strategies successfully. Thus, identifying the future manpower requirements of an organization is a key element in the HR planning process of a firm. HR plans can provide fairly accurate information about the personnel requirement of an organization over a definite period.

In determining the personnel requirements, an organization may adopt hard or soft HR planning techniques.[6] In the case of the hard planning technique, only the number of personnel (called the numerical head count) is considered for determining future requirements. In contrast, the soft planning technique considers the characteristics, skills, aptitude and attitude aspects of the personnel required for future assignments. Many small organizations are adopting the hard human resource planning technique for estimating the future personnel requirements. Alternatively, large organizations adopt a mix of hard and soft approaches to determine their future personnel requirements.

Thus, HR planning helps in analysing the use of existing human resources, estimating the future surplus or shortage, planning the reallocation of employees, and then finalizing the recruitment requirements of the organization.

Optimum Utilization of Available Human Resource

Employees are the precious asset of an organization. HR planning helps in achieving cost-effectiveness by optimizing the utilization of this asset. In contrast, the lack of human resource planning often results in under-utilization of human resources and, thus, pushing up the cost of labour. In fact, one of the primary purposes of HR planning is the minimization of employee cost and maximization of employee efficiency and involvement.

HR planning constantly assesses the HR requirements of different departments to identify the surplus and shortage of manpower in them. It also estimates their future requirements on the basis of precise records and forecasting techniques. Finally, it allocates or reallocates human resources to different departments to ensure their best possible deployment. Similarly, HR planning also helps in preventing the wastage of physical assets that may be caused by the sudden shortage of human resources. This is done by forecasting the probable time and cause of skill shortage arising out of foreseen factors like retirement, resignation, death and discharge. In keeping with the skill requirements, organizations develop strategies to tackle skill shortage without much loss of time. Box 3.2 outlines the significance of HR plans for organizations.

Box 3.2	HR Planning as a Basis of HR Philosophy: The Bata Style

HR planning forms the basis for all decisions involving human resource management. It specifies the norms for each of the HR functions like recruitment and selection, training and development, compensation, and performance evaluation. It also ensures that the HR activities are aligned well with the organizational objectives and contribute completely to their accomplishment. Besides, it helps in determining the HR philosophy of a firm. As part of HR planning, organizations undertake environmental scanning to identify the developments in the external environment. Based on the developments in that environment, the HR philosophy may be framed or reframed. For instance, an organization may reorient its HR policies to recruit more number of women and physically challenged people on the basis of its assessment of the changes in the societal environment.

The Bata Shoe Company is a case in point. The HR philosophy of the company is based on the principles of non-discrimination and respect for human rights and individual freedom for all employees. Bata also makes a commitment to be a socially responsible employer. Its recruitment philosophy considers knowledge, imagination, skills, diversity, teamwork and integrity as essential for serving the needs of its unique customers. Its training philosophy focuses on developing employee qualities like technical know-how, managerial and organizational skills as well as a result-oriented approach.

Adapted from: http://www.bataindia.com.

Developing Training and Retraining Programmes

HR planning facilitates organizations in devising training programmes to meet the diverse needs of the employees. This is because it determines the skills and competencies of the required personnel. Thus, it helps in predetermining the nature and duration of training for employees. It also helps in determining the retraining needs of the surplus employees so that they can be redeployed in some other positions available in the organization. Of late, organizations have gone forward in their training approach and are conducting outreach programmes like summer internships to train the prospective candidates even before they take up employment with the firm.[7] Internship programmes of companies are the outcome of their HR plan to identify the aptitude and skills levels of the students, who would normally be absorbed by these companies later.

Formulating Compensation Policies

Compensation is always considered a key variable in the implementation of an organizational competitive strategy. An organization has to necessarily ensure that its compensation plan is aligned well with the HR plan and organizational strategy. For this, the HR plan gathers the necessary information about the conditions prevailing in the external and internal environments of the organization. This information is then used as a critical input for designing the compensation programmes.

   HR planning also facilitates the achievement of internal consistency and external competitiveness through a compensation policy. Thus, it helps in attracting and retaining the talented workforce. Besides, HR planning helps in the construction of base pay profiles, incentive schemes and promotions for both individual employees and the group. It enables the organization to undertake periodic compensation reviews across different departments and business units.

Determining Management Development Programmes

In the long term, the success of an organization depends on the ability of its managers to cope with the changes in its internal and external environment. It is thus the responsibility of the organization to recognize the necessary ability and requirements of its managerial personnel in the near and distant future. It should also help the managers in identifying the opportunities to get relevant and recent knowledge in their field. In this regard, HR planning will be central to all management development programmes.

   Succession planning, which is an example of the management development programme, is the process of transferring the control of business to others in a planned and systematic way. Developing an effective succession planning programme is pivotal to the stability and success of an organization. The managers identified as possible successors and future leaders should be groomed appropriately. These managers should be given training in skills and competencies required for the future business environment. In such a scenario, HR planning helps in identifying the skills and necessities of an organization in the short, medium and long terms. It also assists the organization in identifying the critical jobs to be included in its succession planning programmes. Box 3.3 specifies the relevance of HR plans for executive development programmes.

Gaining Competitive Advantage

In a changing external environment, many organizations have begun to view HR as a substitute for technology and cost leadership in gaining a definite competitive advantage. They strongly

Box 3.3	**Competency Building Measures at Wockhardt**

HR planning provides a critical input to the organization in determining the objectives and methodology for training programmes. The goals of the workers' training and executive development are framed on the results of the environmental scanning done as part of the HR planning process. Thus, HR plans help in identifying the skills which are more relevant for the present situation and which need to be specifically focused on by the company. The nature of the business, environmental challenges, the existing strengths and weaknesses of the business, and its future strategies combine to influence the HR and training plans of the organization. It is pertinent to see the training goals of Wockhardt, a global pharmaceutical and biotechnology company as an example of this.

On the basis of market-driven workforce skills and capability requirements, Wockhardt has identified some important skills and capabilities as critical for developing competitive advantage in the market through its employees. These skills pertain to varied areas such as the employee's communication and negotiation skills, business acumen, problem-solving abilities, to name a few. They are branded as Wockhardt holistic excellence enhancement lever (WHEEL). To enable their employees to develop these skills, Wockhardt has initiated programmes like Edge (a distance learning programme), a distinct competency building exercises, and ACE (Aim for Competitive Excellence)—a special "fast track" programme for developing skills.
Adapted from: http://www.wockhardt.com/learning.html.

believe that good human resources developed through inimitable and non-substitutable HR policies and programmes can get them real and lasting competitive advantage in the market. These HR policies and practices aim at achieving cost reduction even while attaining optimum labour efficiency. This would obviously help the organization in claiming cost leadership in market in due course of time. In fact, HR planning helps in discovering not only the existing talent but also the future skill requirements of the employees. Thus, it facilitates the development of HR policies concerning various aspects of human resources management.

Shaping Future Plans and Strategies

The survival capabilities of large business organizations are usually much stronger than those of the small business units during lean seasons or economic recessions. It thus becomes a compulsion for an organization to constantly devise plans and strategies to enhance business operations and to gain the required stature and size. Quite obviously, no business can develop its growth strategy independent of the HR strategies. The growth strategy may involve a vertical or horizontal business expansion. Similarly, it may be an expansion within or across the nation. Irrespective of the nature and size of the expansion, HR planning plays an indispensable role in every expansion programme of the business organization. In fact, it prepares the ground for effecting the necessary changes in HR activities including recruitment, training, compensation, and performance evaluation to accomplish future strategies.

Organizations improve their industrial relations by sharing the data gathered through HR planning with the labour unions. Harmonious labour management relations based on mutual trust and transparency normally facilitate the smooth introduction of changes in the organization.

Factors Affecting Human Resource Planning

Human resource planning is influenced by a variety of factors. Some of these are external in nature while others are internal. These factors are: the strategy of the organization, the culture

of the organization, the competitive and financial environment, the current organizational situation, and the need for human resources including skills levels and quality.[8] We shall now discuss these factors in detail.

Strategy of the Organization

Strategy formulation indicates the response of an organization to the developments in the external environment. The nature and type of response would indicate the strategy of the organization. Certainly, these strategies are capable of providing a new direction to an organization. For instance, an organizational strategy may aim at mergers, acquisitions, product line expansion, and new market entry or product revival in the market. For effective accomplishment, the organizational strategies should be aligned well with the functional strategies like marketing strategies, finance strategies, and human resource strategies. In the last stage, each individual and the group should be made responsible for achieving the aims for which the organizational strategies were set up.

In accordance with the business strategies, an organization should develop human resource plans for a definite period. The HR department should, in turn, prepare specific HR strategies like recruitment strategy, selection strategy, training strategy and compensation strategy based on those HR plans. As such, business strategy becomes the critical input for the HR plans and programmes of the organization.

Culture of the Organization

The culture of a group is a set of beliefs, values, thoughts, assumptions and, traditional practices shared by the members of a group—society or region. By extension, the organizational culture is the commonly held beliefs, attitudes and values that exist within an organization for a relatively long duration and are shared by its members. Within a culture, sub-cultures based on age, ethnicity, gender, and regional affiliations may also exist. These cultures and sub-cultures shape the personality of the members of the organization by influencing their thoughts, emotions, motives, attitudes and behavioural patterns.

In fact, the role of organizational culture in the development of business strategies and functional strategies is remarkable. Certainly, the organizational culture influences the values systems and the decision-making patterns of an organization. The primary functions of the organizational culture are formalization and adaptation of decisions, combination of activities, and ensuring employee motivation and decision implementation.[9] Thus, cultural change is an essential prerequisite for carrying out the strategic plans and changes. By revamping its culture and sub-culture, an organization can create a perfect fit between the organization and its mission, vision and goals.

Competitive and Financial Environment

Before the advent of globalization and complex technologies, the external environment of the business remained relatively stable and definite. Organizations gave little thought to environmental factors while determining their HR plans. In fact, HR actions and policies were guided primarily by the organizational issues and objectives. Today, these organizations no longer have the comfort of working in such stable environments. The changes in the nature of technology, competition, financial and labour markets have created an acute uncertainty and unpredictability in the external environment. Consequently, organizations have now

understood the need to develop HR plans based on the conditions prevailing in the external environment.

In a competitive labour market environment, organizations should conduct environmental scanning to identify, classify and prioritize skills based on their availability in the market. They should also estimate the time required to obtain the necessary skills from the labour market in both surplus and shortage scenarios. This is because the timely availability of labour has a decisive influence on the implementation of HR plans.

Current Organizational Situation

Outwardly, organizations may appear to have common characteristics but, in reality, every organization is distinct and dissimilar to others. Organizations differ in terms of capabilities, adaptability, development stage, managerial styles, order of acquisitions, change management process and workforce competencies. Thus, it is essential for the HR managers to consider the current situation and capabilities of the individual organization while devising HR plans. For instance, HR planners should consider the training capabilities of the organization before determining the recruitment strategy for filling the job vacancies. If the organization has a strong training infrastructure, it can choose employees directly from the campuses and train them well through its extensive training programmes. But in the absence of training facilities, it must recruit only skilled and experienced people, perhaps for a higher salary. Likewise, the financial capabilities of the organization should be considered for determining the compensation packages of the existing employees as well as the new recruits.

Quantity and Skills Levels of Required Human Resources

The number and nature of job vacancies existing in the organization should also be considered while determining the HR plans of the firm. Factors like the need for human resources in terms of the number of personnel required, location of these vacancies in the organizational structure, skills and competency requirements, and the degree of difficulty in getting suitable persons must be considered at the time of devising HR plans. Similarly, the corporate policy towards seniority and merit in promotions, the proportion of internal sources in recruitment to external ones, and agreements with the unions, if any, must also be reckoned. For instance, job vacancies at the lower levels of the organizational structure may require fewer skills and, as such, it is relatively easy to fill those vacancies at a short notice. On the other hand, when the vacancies involve a high degree of technical and managerial competencies, the time required for filling up such positions could become relatively longer. Thus, the skills and competencies requirements of the human resources also affect the HR plans.

Human Resource Planning Process

Human resource planning is the ongoing process for an organization to manage the changes in its internal and external environment on a sustained basis. The basic elements involved in human resource planning process are jobs, time, persons and funds.[10] It is a continuous process because these elements always keep changing. One such instance would be the entry and exit of employees. The employees might periodically leave the organization on account of retirement, resignation or death. Similarly, new employees might join on account of the vacancies caused by the quitting employees or by the expansion programmes undertaken.

Although every organization should develop a tailor-made HR plan process to meet its own specific needs, the following HR planning process (see Figure 3.1) can be adopted by any organization with necessary modifications. The steps in a general HR planning process are: (i) considering organizational objectives and strategies, (ii) assessment of external environment, (iii) preparation of an in-house skill and competency inventory, (iv) HR forecasting—need assessment, (v) HR forecasting—estimation of availability, and (vi) developing HR plans and programmes. We shall now discuss these steps in detail.

Considering the Organizational Objectives and Strategies

The first step in the HR planning process is the consideration of organizational objectives and strategies. The organizational strategy along with the mission and vision statement clearly expresses the future intent of the organization. The examination of the organizational strategy would provide a clear indication about the future HR requirements of the firm. Thus, HR plans are guided by the overall organizational objectives and strategies.

Each organizational strategy has direct and indirect implications for the human resources of the organization. In fact, HR plans are derived from the contents of the organizational objectives and strategies. Thus, HR managers should consult the organizational objectives and policies for framing guidelines concerning hiring policy, training policy, promotion policy, union issues and automation. Certainly, the complete knowledge of the organizational objectives is the first and the essential prerequisite for an effective HR planning process. If the HR planning is to be genuinely effective, it should be aligned with the various levels of general business plans not as an end itself, but as a means to building a prosperous organization.[11]
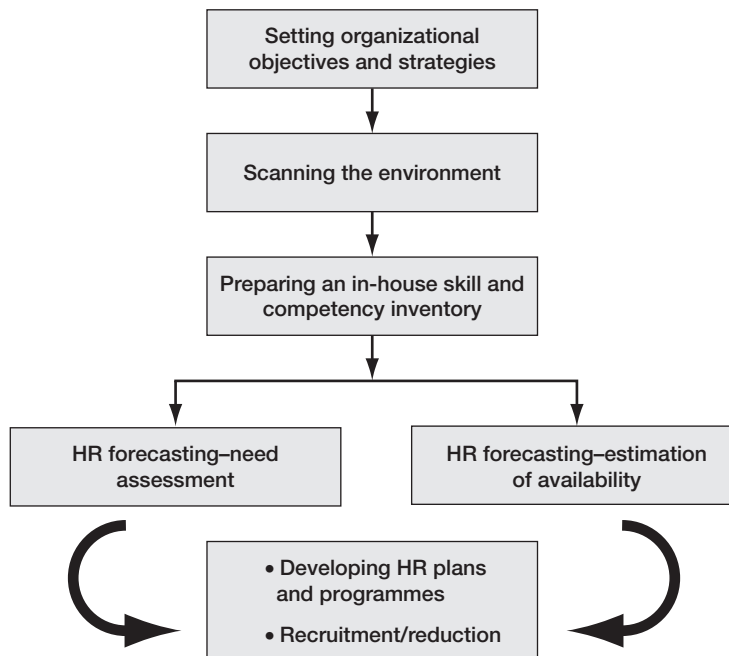
Figure 3.1

The Human Resource Planning Process

Scanning the Environment

Organizations undertake environmental scanning to identify the changes in the external environment. This also helps in analysing the impact of those changes on the organizational present and future activities. Environmental forces are defined as those events that can cause a company to achieve or fail to achieve business objectives.[12] The basic purpose of any environmental scanning is to examine the business environment to seize the opportunities and tackle the threats. Environmental scanning involves collection of information in the form of statements, actions and responses of people associated with the environment. This information is then closely scrutinized to figure out the likely changes in the environment. Figure 3.2 illustrates the important external environment factors that usually affect the HR plans of the organization. Let us now discuss each of these factors.

Economic Situation   The economic conditions prevailing at a particular time have a direct and clear influence on the HR requirements of the organization. In fact, the different phases of an economic cycle shape its HR plans. When the country experiences an economic boom, organizations usually engage in massive hiring to meet the growing demand for products by expanding their business operation. This often leads to labour shortage in the market and a subsequent rise in wage levels of the employees. In contrast, during recessionary trends, organizations reduce the size of their workforce to save labour costs. Besides, they become more conscious about the cost associated with recruitment, selection, compensation, and training programmes.

Legislative Measures   Generally, the philosophy and policy of the government deeply affect business plans and preparations. The business philosophy of the government can be understood through its economic and commerce policies and also through its various labour and industrial laws. HR planners must be aware of the attitude of the government towards the business. They should also know the limitations imposed by the government rules and regulations on the HR practices. Again, they should take advantage of the relaxation offered by the rules and regulations that come into being. For instance, the Government of India amended the Industrial Disputes Act of 1947 as part of the labour reform process. This decision enabled companies with a strength of up to 1,000 to retrench employees without getting prior approval from the government. This change has apparently provided more flexibility to the employers in the labour-separation process.
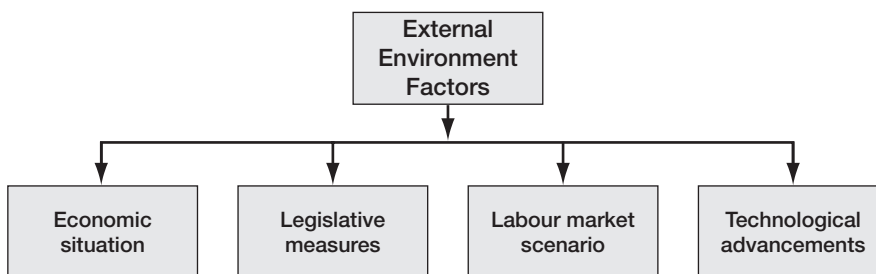
Figure 3.2

External Environment Factors

Labour Market Scenario   The extent of competition in the labour market and the recruitment strategy of the rival organizations also influence the HR plans of an organization. When the HR plans require relocation of employees in the form of transfers or redeployment, the response of the affected employee would usually be based on the conditions of the labour market. When there is a labour shortage, the employee might seek a job change by quitting the company. In such a situation, the HR planner must be more prudent in implementing sensitive HR decisions. Besides, the intensity of the competition and the recruitment strategy of the competitors in the industry should also be considered while determining the pay scales and incentives. In the case of existing employees, the pay scale must be sufficient to protect them from being poached by the rivals. As regards the new entrants, the compensation package must be adequate to attract the best persons to the organization. The globalization process has widened the labour market and thus sharply increased the importance of labour market scanning while devising HR plans.

Technological Advancements   Technological developments have significantly changed the nature and composition of the present-day workplaces. The introduction of new technologies warrants a revamp of the work culture and development of new skills and competencies. It has also created more high-tech jobs in organizations. In fact, the increasing presence of knowledge workers in high-tech jobs rendered several of the existing HR policies and practices obsolete. Consequently, organizations are now forced to develop creative and resourceful HR initiatives to satisfy this new breed of employees. Therefore, HR planners must scan the technological environment before preparing HR plans.

In addition to these factors, HR planners should also consider the relevant changes in the characteristics of the workforce while formulating HR plans. The influence of socio–cultural factors and demographic factors like age, educational levels and gender justice on HR plans must also be assessed.

Preparation of In-house Skills and Competency Inventory

In the next phase of HR planning, the organization must assess the present strength of its labour force by preparing a skill inventory. A compilation of skills, competencies and qualifications of the entire workforce is described as a skill inventory. Its preparation may involve the determination of the sum of the employees' experience, knowledge, education, and skill levels. Actually, the quality and size of the skill inventory of an organization will influence its business strategy and HR plans decisively.

Skills Audit   Before preparing the HR plans, HR managers should know what skills and knowledge the organization requires and what it possesses currently. In this regard, HR managers usually conduct a skills audit to assess the current skill levels of the organization. It involves assessing the performance of the employees from the task perspective. It also helps in identifying the employees' strengths and weaknesses and the skill gap (skill requirements) within the organization. Further, it assists in determining whether the present skills inventory is sufficient to meet the organizational goals. It also aims at identifying the area of improvement in various skill levels. Box 3.4 shows the relevance of a skills audit and skill gap analysis for IT companies.

Core Competency Analysis   Core competencies are the extraordinary abilities of an organization that enables it to acquire competitive advantage in the market. These abilities may be its advanced technology, well-reputed management, problem-solving ability,

Box 3.4	A Skill Gap Analysis: Tata Shows the Way

A skill audit is a technique adopted by an organization to get the right mix of skills, qualities and experiences for enhancing its operational effectiveness. It helps the organization in listing the range of skills available with the present workforce. This list is popularly called a skill inventory. Studying the existing skills available to the organization, it can decide what skills are needed for the organization in the future and, thus, what should be expected from the future recruits. The skill inventory is primarily used for identifying the skill gaps in an organization. It also helps in initiating appropriate remedial measures. Many IT companies have a system of conducting a skill audit, developing a skill inventory and identifying the skill gaps.

TCS has adopted the Tata Interactive System (TIS), a skill inventory and skill gap analysis system based on a competency model. This has become a universally acclaimed model and is certified for P-CMM Level 3. In fact, TIS comprised several hundred multidisciplinary specialists. As part of the skills audit and tracking, the employees' performance in terms of knowledge, abilities and skills are assessed at TIS within a period of six months. The results of the skills audit serve multiple purposes. They are used to determine the future recruitment and training goals and also provide quick feedback to the employees besides identifying the skill gaps.

Adapted from: http://www.financialexpress.com/news/building-a-skills-inventory/132755/1.

employees' KSA. From the HR perspective, core competency means the skills and knowledge of the workforce available within an organization that differentiates it from its rivals in the industry offer value (some benefits) to the customers. A core competency analysis is basically an internal analysis of the general strengths and weaknesses of a firm. Organizations conduct it to identify their distinct competencies, systems and processes suitable for further development necessary to gain a competitive advantage. The results of a core competency analysis usually form the basis for formulating corporate strategy and HR strategies. The core competency approach has wide applications in HR activities involving recruitment, selection, training, compensation management and performance management.

Once the organization gets to know its strengths and weaknesses and the skill gap of its existing workforce through the skills audit and core competency analysis, it should proceed with the next step of forecasting the demand for and supply of labour.

HR Forecasting—Need Assessment

The success of HR plans depends on the accuracy of the HR forecasts that are needed to implement the organizational strategies. These forecasts involve estimating the future requirements of the organization in terms of the nature and the number of people. The information gathered through external environmental scanning and internal skill assessments are used to predict the future HR requirements of the organization. However, HR forecasting usually depends on an organization's estimation of future demand for its goods or services in the market and the resultant profits. In addition to demand forecasting, an organization may also consider several other factors like management philosophy, absenteeism and labour turnover rates, organizational growth pattern, planned technological improvements, the proposed changes in product lines, and the financial capabilities for forecasting HR requirements.[13]

An organization may use one or more of the forecasting techniques available to assess the future HR requirements. In fact, the accuracy of HR forecasting largely depends on the ability of the forecasting techniques in rightly projecting the future. Figure 3.3 lists the different forecasting techniques that an organization can use to assess its HR needs. We shall now discuss these forecasting techniques commonly used for human resource forecasting.
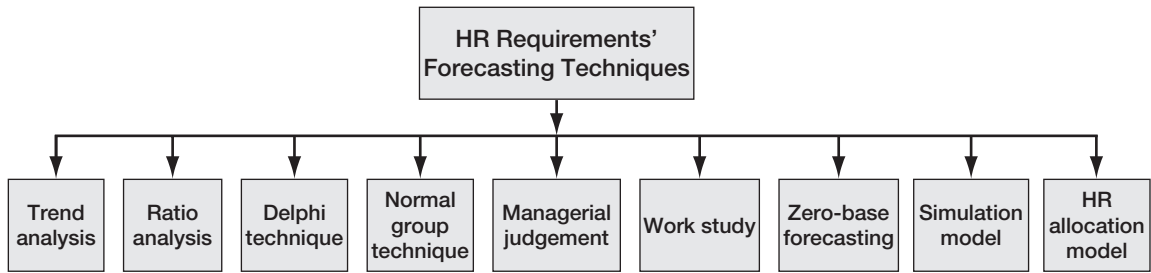
Figure 3.3

Human Resource Requirements' Forecasting Techniques

Trend Analysis   Trend analysis is a simple technique used for forecasting the HR requirements on the basis of past events. It involves the comparison of any factor that influences HR requirements (for example, the average number of resignations in a year) over a considerable period of time (for example, ten years) through a simple statistical analysis. The general trend obtained in that factor is used to project the future direction of that factor as well as the HR requirements. Trend analysis is, therefore, a tool for examining the employment-related factors over a period of time to forecast the future needs. However, it is a tool suitable only for a preliminary assessment of HR requirements. This is because HR forecasting is often influenced by multiple factors and past trends is just one among them. Trend analysis totally ignores other factors.

Ratio Analysis   Ratio analysis is the analysis of the relationship between any two numerical variables. As a forecasting technique, it presumes a certain relationship between two given variables and, using that relationship, predicts the future HR requirements. For instance, an organization can predict the number of people additionally needed for a likely increase in demand for a product. Let us see a simple case.

   If an organization produces 50,000 units of a product with 1,000 current employees, the ratio of the units produced to the number of employees would be 50:1. In such a scenario, when the organization estimates that the production would increase by another 25,000 units in the near future, the HR forecasting based on the ratio analysis would state a requirement of 500 more employees (25,000/50 = 500).

   Although it is an effective tool for prediction, the weakness of this method is that it ignores other important factors like the increase in employee efficiency and the improvement in technology.

Delphi Technique   The Delphi technique is basically a group-based systematic forecasting method. This technique does not require any face-to-face participation by the experts. In fact, the identity of the experts remains anonymous till the end of the whole process. In the first phase of the Delphi technique, a group of independent experts forecast the HR requirement of the organization on the basis of the input provided by the organization. In the second phase, a summary of the experts' forecasts is prepared and sent back to them for their opinions and suggestions. This act is repeated several times till a consensus is reached by the experts on the final HR requirements for the organization. This method aims at maximizing the benefits and minimizing the dysfunctional aspects of group decision making as it eliminates group dynamics and individual dominance from the process.[14] Another important merit of this method

is that the forecasting is more objective and reliable. However, the Delphi technique is time-consuming. Besides, it requires the participants' commitment and self-motivation.

Normal Group Technique   This is also a group forecasting method. It is an interactive mode of decision making with a difference. Each expert in the group independently develops HR requirements and presents it before other experts in the group. The group evaluates each member's presentation and eliminates duplication, if any. Then, each member's proposal is relatively graded and the top-ranked proposal is selected as the final HR forecast. This technique is ideal for reaching a quick decision. It is possible to get immediate clarification from experts about their proposals and evaluate all the proposals collectively. The weakness of this method is the scope for bias and prejudice in the evaluation of the proposals.

Managerial Judgement   In this method, forecasts are made about the HR requirements, usually by the senior managers of the organization. The forecasting here is based on the managers' subjective views on the possible human resource requirements in the future. The decisions are mostly based on the experience and expertise of the managers and there is little emphasis on data collection and interpretation. In this method, managers consider even non-quantifiable factors like trends, fashions, opinions and perceptions to determine the HR requirements. This method is suitable when the external environment remains unstable and the future cannot be predicted accurately through an analysis of the past events.

In the managerial judgment method, opinions of the managers are pooled together in two ways. These are: (i) the bottom-up approach and (ii) the top-down approach. Let us now see these approaches briefly.

Bottom-up approach—In this approach, HR forecasting is done in a decentralized decision-making style. The process of HR forecasting begins with the lowest level of the managerial hierarchy. The managers in charge of each division or department forecast the HR requirements on the basis of the organizational and unit-wise goals. This forecasting process is then moved up gradually to the higher levels of the management. Finally, the aggregate forecast of the HR requirements is developed. The basic philosophy of this approach is that the line managers alone can make the best forecast of the HR requirements. This is because managers are generally well aware of the work environment, the existing HR performances, the technology used, and the practical constraints. The weakness of this method is the possible bias in the HR's need estimation as the managers may tend to overstate their HR requirements. Besides, the managers at the lower levels may not have adequate exposure in forecasting and decision making. Also, the internal politicking and local interest might affect the objectivity of the whole process.

Top-down approach—The purpose of this approach is to have the minimum involvement of the line managers in HR forecasting. In this method, experts working at the highest levels of the management forecast the HR needs of the organization on the basis of the information available and the field expertise. The HR forecast is then affirmed by the top management after duly considering the financial and other implications of the forecast. The forecasting is generally more objective and resourceful than the bottom-up approach. However, the major limitation of this method is the likely indifference and lack of commitment on the part of the line managers.

Organizations often toe the middle line in HR forecasting by combining both the approaches to improve employee involvement and forecast accuracy.

Work Study Technique   The work study technique aims at examining the business operations to achieve the optimum utilization of the human and physical resources available. The major purpose of this technique is to improve the employees' productivity and the organizational efficiency. When the results of the work study are implemented in the organization, they often affect its HR requirements. Thus, work study technique emerges as important for HR forecasting. This technique is normally carried out through method study and work measurement techniques. In method study, the methods of performing the job are critically reviewed to develop the best way of doing it and achieve labour cost reduction. Work measurement involves measuring the time needed for a successful performance of the job. The strength of the work study technique is its ability to predict scientifically the changes in the future HR requirements of the organization. The weakness of this method is that it can only supplement and not substitute other methods in determining HR requirements. This is because HR forecasting is influenced by several other factors like organizational objectives and changes in environment.

Zero-base Forecasting   This method is a new entrant in the existing series of techniques to forecast the HR requirements of an organization. It requires lines managers to justify the need to continue with the positions or jobs that fall vacant in their department. It does not consider any position as eligible for routine continuance. Line managers should state logically why the vacancy should not be abolished and why it is necessary to continue with it. Zero-base forecasting requires managers to conduct a comprehensive study of the utility of each vacancy before seeking replacements. This technique is derived from the widely popular concept of zero-base budgeting. The merit of this method is that it does not consider labour cost as an incremental expense but as a cost that should begin from zero. Its limitation is that it is tedious and time-consuming for the line managers to justify the utility of every job every time it becomes vacant.

Simulation Model   Simulation model is a mathematics-oriented, software-enabled technique with growing applications in HR forecasting. It is a team-based approach towards HR forecasting. It helps the organizations in determining the current and future HR requirements of their business. In recent times, exclusive HR planning simulation models are available for HR forecasting. These models simulate the HR requirements and availability to determine the likely gap between the demand for and the supply of human resources. The working of the simulation model involves asking several what-if questions to develop alternatives in the forecasting process. For example, what would be the impact if the organization laid off two per cent of its workforce? What would be the impact on HR requirements if the organization increases its production by 5,000 units?

The merit of this method is that the simulation of a real-life situation enables managers to try different and drastic solutions to it without being troubled by its consequences. Organizations implement these decisions in real life only after they gain deep insight into the dimensions of the decisions. The limitation of this method is that it is not only costly but also time-consuming.

Human Resource Allocation Approach   It is an HR forecasting method based on object-oriented simulation model.[15] This method has four components: (i) employees, including their education, experience and competencies, (ii) functions, including job structure and the changes in them, (iii) a matching model, and (iv) a formal rule structure comprising the

policy of the organization towards job allocation. This method allows comprehensive modeling of the interaction among these components. The matching model deals with allocation of different jobs to employees. It equates the competencies of the employees and the required competencies of the jobs. Depending on the outcome of the matching model, an organization can forecast any one of these situations: (i) The organization has the required number of employees with appropriate competencies; (ii) The organization has a shortage of employees to fill all the jobs; and (iii) The organization has employees either with inappropriate competencies or a rendered surplus due to non-availability of jobs. An organization would make HR forecasting based on the specific outcome of the matching model. This method permits an in-depth analysis of the factors affecting the HR forecasting of the organization. It involves a complicated estimation and, thus, is difficult to practise.

HR Forecasting—Estimation of Availability

Once the human resource requirements of the organization are assessed, the next critical process is the estimation of the availability of the required number of employees. Through supply forecasting, an organization gets a fairly good idea about the availability of employees with the necessary KSA. It also locates the sources of persons suitable for employment. Usually, organizations have two prominent sources to meet their recruitments: internal and external. In HR forecasting of the employee availability, four scenarios are possible: (i) getting a sufficient number of employees from internal sources; (ii) getting them from external sources; (iii) combining both sources to get adequate numbers; and (vi) failing to get the required numbers of suitable employees from these sources. On the basis of the outcome of the HR forecasting, the organization will determine its future HR activities.

Internal Supply of Employees   Internal supply refers to the availability of employees within the organization. The existing employees are the main source of recruitment for an organization. In fact, the exact determination of the availability of employees is a critical task for the HR managers. However, several techniques exist to measure the HR availability. We shall now discuss these techniques in detail.

Replacement Charts   Replacement charts are efficient forecasting tools to find out the employees readily available for promotion to predetermined positions. Basically, replacement charts are records that contain details about the currently serving employees and the possible replacements for the present job holders. They also contain information about the potentiality of the existing employees for future promotion. The replacement chart may classify the potentiality of the employees as: (i) fit for immediate promotion; (ii) ready for promotion but requires a little training; (iii) good enough for the present job but not for promotion; and (iv) is found to be incompetent and needs to be replaced. Replacement charts are usually computerized by the organization to enhance their accessibility. These are periodically reviewed to make them up to date, and as and when replacements are required, these charts are referred to for choosing the employees fit for promotion. The merit of this method is that it clearly describes the mode of filling job vacancies through internal sources.
Replacement charts are classified into two categories:

Position replacement chart—It indicates the possible replacement candidate for each position in the organization.

Personnel replacement chart—It indicates the potential for promotion of the internal candidates for different positions of the company.

Turnover Rate   Turnover indicates the number of replacements required during a year. The labour turnover rate provides information about the likely availability of employees in the organization. Certainly, any HR forecasting is effected by the labour turnover rate of an organization. Studies have shown that the turnover rate is closely associated with employee background and commitment.[16] Many organizations are including turnover rate as an HR forecasting tool to determine the future availability and requirements of employees. The turnover rate is normally calculated through the following equation:

(Number of replacements during the year) / (Average number of employees on the staff roll during the year) $\times 100$

On the basis of the results of the turnover rate for a few continuous years, an organization can estimate the availability of the employees within the organization for every year. Also, the organization can reprioritize the sources of its recruitment if there is any significant relationship between a specific source and the labour turnover rate.[17] For instance, if the attrition rate among the employees from a specific region is high, the organization may reduce recruitment from that region. Thus, the turnover rate acts as an important tool for prioritizing the sources and determining the availability based on past performance and utility value.

Human Resource Management Information System (HRIS)   Human resource management information system (HRIS) is an online software that meets the various HR requirements of an organization. HR supply forecasting gains immensely from it. HRIS contains information pertaining to the skills, abilities, qualifications, job performance and job-related behaviour of the employees. It is capable of assisting the HR planner with the necessary information about the competency level of each prospective candidate available within the organization. The main merit of this system is its quick accessibility and dynamism. Its main weakness is its high cost of installation.

Productivity Level   Productivity and performance levels also influence the HR forecasting of an organization. When the productivity levels increase, they bring down the HR requirements of the organization. In such cases, the employees rendered surplus by production increases are usually considered for other vacant positions. They are retrained and transferred to other jobs. Thus, HR supply forecasting includes them as the HR available for meeting the HR demands of an organization. A numerical example can help understand the situation.

Let us say that the average productivity of each employee in the organization is 120 units per day. The total employees' strength in the organization is 2,000. Now the gross production would be 240,000 units. If the productivity of these employees is increased to 130 units per person, then the number of employees required for maintaining the existing level of gross production would be approximately 1,846 (= 240,000/130). The surplus employees numbering 154 could now be used for fulfilling the future HR demands of the organization.

Overtime and Absenteeism   The overtime policies of an organization can also influence its HR availability. When the organization allows overtime for its employees, its future HR demands could be met through the existing workforce. Similarly, the policies regarding holidays, shift system and retirement can also determine the availability of employees for an organization. Besides, absenteeism (unauthorized leave) can influence the availability of HR in

the organization critically. When absenteeism is well under control, it can help the organization achieve production goals with the presently available human resources. In contrast, the organization may require additional employees if absenteeism is continuously high. Thus, there is a direct relationship between the level of absenteeism and the HR requirements and availability.

Succession Planning   The purpose of succession planning is to ensure that the transfers at the top levels of the management are carried out with the least disturbance to business. The system of identifying a potential successor for future openings within the organization is usually a long-term goal of the firm. Succession planning assists HR forecasting by making suitable persons available for the critical positions of the organization. The prerequisites for an effective succession planning are: (i) an objective and systematic performance evaluation system; (ii) goal-based executive development programmes; and (iii) a long-term approach towards human resource management. However, many organizations in India prefer to keep their succession planning informal and unwritten. Small and medium-sized organizations do not think about succession at all. (For a detailed discussion on succession, refer to Chapter 11).

Other Factors   The movements of employees can influence the HR forecasting of an organization. When there is an outward movement of employees in the form of resignations, retirements, discharges and deaths of the employees, it may push up the HR demands of the organization. In contrast, the return of employees from long leaves like sabbatical, maternity leave, prolonged medical leaves, and recalls from lay-offs can push up its HR availability. Organizations constantly match the inward and outward HR movements to determine the labour surplus or shortage for a specific period. This helps in forecasting the HR needs of the organization. Besides, organizations publish job postings to know about the employees who aspire for the job vacancies created in the organization. A job posting is an internal advertising to inform the employees about the job availability within the organization.

In addition, there are a few quantitative methods available for forecasting the internal supply of the employees. These are the (i) Regression model, (ii) Time-series model, (iii) Econometric model, (iv)Linear programming model and (v) Markov Model.[18]

The choice of a specific HR forecasting technique depends on factors like the size of the organization, the level of competition, the nature of external environment, the characteristics of the labour market, and the condition of the economy.[19]

External Supply   Generally, organizations get a major chunk of their HR supplies from external sources. The size and characteristics of the labour market usually determine the mode of HR forecasting for an organization. While determining the HR availability from external sources, the organization should consider factors like demographic changes, technological developments, labour characteristics, trends in mergers and acquisitions, government rules and regulations, the attitude of unions, deregulations, income tax rates, labour mobility, and the phases of economic cycle like depression and boom.

The availability of human resources depends on the nature and reputation of the industry in general and the organization in particular. Of late, globalization has encouraged organizations to meet their HR demands even through the employees located across the nation.

Developing HR Plans and Programmes

Once the organization completes the process of forecasting HR requirements and availability, the next step is its comparison. The estimated HR needs are matched with the estimated HR

availability to identify the skill shortage or surplus. Comparisons of the HR availability with the requirements help the organization in determining the viability of the strategic business plans.[20] The outcome of such comparisons would be either the recruitment of more employees or a reduction of the existing workforce. In case of shortage of labour, the organization would undertake HR activities like recruitment and selection, training and development, and placement of employees. In the event of surplus, the organization might resort to employee reduction programmes like a hiring freeze, downsizing, voluntary retirement schemes, reduced working hours or days, and restricted overtimes.

It is a difficult task for an organization to properly respond to the situation arising out of the HR forecasting process. In a surplus scenario, an organization may resort to short-term measures like downsizing and reduced working hours. However, in shortage scenarios, the organization may require long-range, strategic responses like training and development to tackle the situation. Therefore, an organization should come up with the HR policies and programmes necessary to deal with the situation.

Requirements for Effective HR Planning

The following conditions should be fulfilled for the successful development and execution of HR planning:

- HR plans should be aligned properly with the organization's mission, visions and strategic goals.
- The active involvement and proper guidance of the top management is essential for the success of HR planning.
- HR managers should have a clear understanding of the requirements of HR planning and be aware of its critical role in goal accomplishment.
- Sustained communication and harmonious relationship between line managers and HR manager is absolutely essential.
- HR planning requires objective and comprehensive data for decision making. It is thus essential for an organization to maintain up-to-date and accurate HR records.
- HR planning should be viewed as a continuous process, and constant improvement-based feedback is a basic necessity.
- Forecasting techniques needed for estimating HR demand and supply should be chosen carefully on the basis of the merit of the situation.
- The system and process involving HR planning should be simple to understand and easy to operate for all those associated with it.
- Basically, human resources should be viewed as the core competency of the organization and also its essential competitive advantage in the market.

Benefits of HR Planning

HR planning has gained wide recognition as a reliable tool for effective human resource management. In recent times, even the medium and small-scale organizations have realized the critical role of HR plans in goal accomplishment and cost reduction. We shall now see the important benefits of the HR plans:

- HR planning helps the organizations in utilizing human resources better through effective planning and timely execution.
- It assists the organization in anticipating the future trends in the demand for and supply of labour.
- It replaces haphazard and thumb-rule approaches towards human resource management with a well-planned, systematic and scientific approach.
- It forms the basis for all HR activities including recruitment, training, performance evaluation, and compensation fixation and employee retention.
- HR plans are capable of serving both the long-term and short-term HR requirements of the organization.
- It provides adequate time to the organization to prepare itself and its workforce for any possible changes in the future like downsizing, lay-offs, mergers and acquisitions.
- It facilitates better information-sharing between the management and the unions and, thus, helps in improving industrial relations.
- It helps the organization in determining the career growth of each employee in a systematic manner.
- It ensures continuity in the business operations by enabling an organization to develop succession plans for critical job positions.
- It helps the organization in creating and maintaining a satisfied, well-trained and skilful workforce.

Barriers to the HR Planning Process

Although many organizations have shown a keen interest in the implementation of HR planning, they have faced a few critical problems. The presence of these problems affect the success of HR planning. These problems have been listed below.

Insufficient Realization of the Importance of HR Plans

In several organizations, the top management has failed to have a cohesive approach towards HR planning. It continues to follow outdated HR practices in human resource management. Moreover, many small and medium organizations are not concerned about their future HR requirements. As such, these companies are concerned more about their immediate business problems than about their future HR requirements.

Glut in the Indian Labour Market

The surplus conditions in the labour market in India have not helped the cause of HR planning. Due to an excess supply in the labour market, many organizations prefer to adopt a short-term, necessity-based approach towards human resource management rather than a long-term, strategic approach.

Union Resistance

Employees and their unions often view HR planning as an anti-labour measure. They perceive HR planning as an attempt by the management to overburden them with increased workload.

They often look at HR plans as a prelude to subsequent undesirable actions like lay-offs and downsizing.

Cost–benefit Misconceptions

Many employers resist the introduction of HR planning in their organizations because of the increased labour cost associated with HR forecasting and plan implementation. Increased training requirement as part of the HR plan can also push up the cost of labour of an organization.

Absence of Coordination

Lack of support from line managers can also affect the efficacy of the HR planning process. In fact, HR planning is an integrated and organization-wide activity and, therefore, requires complete cooperation and involvement of all line managers. However, these managers consider HR planning as a distraction and also as the responsibility of HR managers.

Future Uncertainty

Uncertainty is a characteristic associated with the future. Since HR plans are made for the future, its accuracy is often affected by changes in the environment. The changes in economic conditions, technological environment and government regulations affect the correctness and immediate relevance of the HR plans adversely. Since many HR activities are decided on the basis of HR plans, a flawed HR plan can cause serious problems for the organization.

Summary

1. Human resource planning is the process of identifying and then matching the HR requirements and availability in order to determine the future HR activities of the organization on the basis of the overall organizational objectives.

2. HR planning helps in assessing future recruitment requirements, utilization of available human resource to the optimum, developing training and retraining programmes, formulating compensation policies, determining management development including succession planning programmes, gaining competitive advantage, and shaping the future plans and strategies of the business.

3. The factors affecting HR planning are the strategy of the organization, its culture, the competitive and financial environment, the current organizational situation and the quantity and skill levels of the human resources required.

4. The steps in HR planning process are setting organizational objectives and strategies, assessing the external environment, preparing in-house skills and competencies inventory, HR forecasting—need assessment, HR forecasting—estimation of availability, and developing HR plans and programmes.

5. The techniques for forecasting HR requirements are trend analysis, ratio analysis, Delphi technique, normal group technique, managerial judgment, work study techniques, zero-base forecasting, simulation model, and human resource allocation approach.

6. The techniques for forecasting HR availability through internal sources are replacement charts, turnover rate, human resource management information system (HRIS), productivity level, overtime and absenteeism, and succession planning.

7. The barriers to the HR planning process are insufficient realization of the importance of HR plans, a glut in the labour market, union resistance, cost–benefit misconceptions, the absence of coordination, and future uncertainty.

Review Questions

Essay-type questions

1. Evaluate critically the factors influencing the human resource planning process.

2. Discuss the steps involved in the human resource planning process.

3. Enumerate the various techniques available to forecast the HR needs of an organization.

4. Examine the relevance of the different techniques used to forecast the human resources available to an organization.

5. Explain the conditions required for the successful development and execution of human resource planning.

6. Describe the barriers to an effective human resource planning process. Suggest also how to overcome these.

7. "Human resource planning is a precondition for efficient management of human resources." Elucidate.

8. "As the business becomes increasingly global, human resource planning becomes more significant and complex." Analyse the statement.

9. Assume yourself to be the HR manager of an imaginary company, prepare an HR plan for effecting a merger and acquisition proposal.

10. How will you determine the demand for and supply of human resource for a large organization?

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4 Recruitment

CHAPTER OBJECTIVES

After reading this chapter, you should be able to:

1 Understand the features of recruitment and a recruitment policy

2 Explain the benefits of organized recruitment

3 Enumerate the steps in the recruitment process

4 Define the sources of recruitment

5 Understand the recruitment practices in India

Although Yes Bank started its operations in 2004, by 2008 it had a significant presence in corporate and institutional banking, financial markets, investment banking, business and transactional banking, retail banking, and wealth management. The company attributes its success to its high-quality human capital built painstakingly with the help of its HR practices, especially through its recruitment drives.

Since its inception, the promoters of Yes Bank have viewed human resources as a source of competitive advantage and as an enabler of the operational strategy of the bank. To begin with, the company depended a lot on employee referrals, consultants, and Web-based hiring to source the best talent. For instance, well-known HR consulting agencies like ABC Consultants, Planman Associates, Emmay and Kom/Ferry International were lending a helping hand in its recruitment campaigns to attract top performers to the bank.

As a long-term measure, Yes Bank is striving hard to create a strong employer brand in terms of its employee value proposition. This, in turn, is integrally linked to the core values of the bank and all its HR systems and processes. The essence of employee value proposition is to enable employees to absorb organizational values and then share the same values with its valuable customers. The ultimate aims of the brand creation measure adopted by the bank are retaining talented employees in the bank and making it a preferred destination for superior human resources.

The case of Yes Bank makes it amply clear that recruitment strategies can contribute effectively to the accomplishment of organization goals. In this context, we shall now discuss recruitment in detail in this chapter.

Introduction

The primary task of human resource management is to choose the right kind of person for the right job. This is because the ability of an organization is determined to a great extent by the ability of its workforce. The old belief that capital was fundamental to the progress of the organization does not hold good any longer as employers around the world have begun to believe that a smart workforce is the key to the success of an organization. In fact, it is with people that quality performance begins and ends.[1] However, the major challenge of HR managers lies not in choosing the right people but in locating and reaching out to these people and motivating them to offer themselves as prospective job aspirants.

Recruitment provides the first contact for an organization with its potential employees. An organization must have an effective recruitment policy and process to inform candidates about the job openings and persuade them to apply for the available positions. The efficacy of the recruitment process may be measured in terms of the quality and quantity of the applicant pool (the grouping of applicants based on the type of job) created by it. A good recruitment strategy should inform qualified individuals about employment opportunities, create a positive image of the company, provide enough information about the job so that applicants can make comparisons with their qualifications and interests, and also generate enthusiasm among the best candidates so that they may apply for the available positions.[2] Thus, recruitment needs to attract not just candidates but qualified candidates who meet the expectations of the firm. We shall now see the meaning of the term *recruitment* before discussing recruitment policy and process in detail.

Definitions of Recruitment

Box 4.1 showcases the various definitions of *recruitment* that will provide an insight into the salient features of the term.

Thus, recruitment may be defined as a search for promising job applicants to fill the vacancies that may arise in the organization.

Features of Recruitment

The characteristic features of recruitment may be classified as follows:

Box 4.1	Definitions

"Recruitment means attracting candidates, which is primarily a matter of identifying, evaluating and using the most appropriate source of applicants."[3]

—Michael Armstrong

"Recruitment is the process of searching for prospective employees and stimulating and encouraging them to apply for jobs in an organization."[4]

—Edwin Flippo

"Recruitment is a process to discover the sources of manpower to meet the requirements of the staffing schedule and to employ effective measures for attracting that manpower in adequate numbers to facilitate effective selection of an efficient working force."[5]

—Dale Yoder

"Recruitment is the process of finding and attracting capable applicants for employment. The process begins when new results are sought and ends when their applications are submitted. The result is a pool of applicants from which new employees are selected."[6]

— Werther and Davis

- It is a positive act since it attempts to encourage potential applicants to seek jobs in the firm.

- It is not a single task; rather, it involves a series of planned activities.

- It represents the first contact that an organization has with its potential employees.

- It proposes to develop an applicant pool in the desired hiring ratio (the number of applicants for a job) to ensure an effective selection procedure.

- It aims to discover and determine the sources of manpower to be utilized in tune with the strategic goals of the organization.

- It intends to locate and reach out to the potential applicants, wherever they are, and offers an incentive to stimulate them to apply for the vacancies offered.

- It is a function that calls for continued contact between the organization and the community as the latter makes the requisite human resources available to the former.

Recruitment Policy

Recruitment policy is the guiding principle that governs the HR practices relating to recruitment. It provides a broad framework for the HR department to choose its priorities relating to recruitment. These priorities may include, among others, the gender equation, options for the socially marginalized and the physically challenged, and compassionate appointments for the dependents of the deceased and retired employees.

A good recruitment policy can save an organization from facing situations like unproductive tests and interviews due to non-availability of the right candidate in the applicant pool, compromising on the selection of good candidates, high attrition rate, low productivity, and low motivation among existing employees as a result of faulty policies. A methodical recruitment policy can ensure the availability of suitable persons at the appropriate time with the least disturbance to the production schedule. Factors like the image of the company, labour market conditions, government regulations, and the economic situations may also contribute to the success of the recruitment policy. Box 4.2 outlines the essence of a recruitment policy.

Features of a Good Recruitment Policy

- A good recruitment policy should be in conformity with the relevant public policy and legislations.

Box 4.2	Emphasis on "Learnability" in the Recruitment Policy of Infosys

The recruitment policy of an organization can have a significant impact on its recruitment process. In fact, recruitment policies are developed by organizations for the very purpose of streamlining their recruitment processes and ensuring consistency in the recruitment of people for various jobs. Besides, they enable HR managers to initiate the hiring process at any point of time during the year to select suitable employees.

The recruitment policy of Infosys is a case in point. While recruiting new employees, Infosys looks for qualities like superior academic records, technical skills, and ingrained capacity for hard work in all the candidates. Similarly, it concentrates on recruiting candidates who exhibit a high degree of "learnability"—the ability of a candidate to derive generic knowledge from specific experiences and apply it to new situations.

Adapted from: www.infosys.com.

- It should supplement the HR policies of the organization. In other words, it must not contravene the provisions of the general personnel policies.
- It must display enough dynamism and progressiveness in its approach to attract the best talents for the organization.
- It must constantly strive to make the necessary human resources available to match the skills requirement of the organization.
- It should ensure equal employment opportunities for all sections of the society.

Factors Governing the Recruitment Policy

The recruitment policy of an organization is an integral part of its HR policy. Obviously, the factors influencing the recruitment policy are the same that determine the HR policy of an organization. These factors can broadly be classified into two categories, namely, internal factors and external factors. Let us discuss the nature and the extent of influence of these factors in determining the recruitment policy briefly.

Internal Factors   Internal factors are those factors that are well within the control of an organization. There are several internal factors that influence the recruitment policy of an organization. A brief description of the key ones is presented as follows.

HR policy of the organization—The overall HR policy of an organization shapes its recruitment policy. The HR policy presents specific guidelines to HR managers on various matters concerning employment. It states the intent of the organization about recruitment, selection, training, promotion, compensation and other aspects of human resource management. For instance, the organization may state in its HR policy that it believes in recruiting people who have the ability or potential to meet the high standards of performance that will be expected.[7] In accordance with such an HR policy, the HR department may prepare and execute its recruitment policy.

Nature of the job—The nature and position of the job in the organization have a bearing on the recruitment policy of the organization. The recruitment policies may be different for managerial and non-managerial positions in the management. For instance, an organization may have to recruit far and wide to fill key positions in the management. The non-managerial positions, on the other hand, may be filled by recruiting at a local level. Thus, the recruitment policy normally varies for different jobs, depending upon the education and technical background required to perform each job. Similarly, the number of vacancies also determines the recruitment policy. When the vacancies are large in number, the organizations may adopt multiple sources to identify the potential applicants.

Reputation of the firm—The goodwill enjoyed by an organization in the labour market also influences its recruitment policy. When an organization has a positive image among the prospective job-seekers, it can easily attract the required number of candidates with little effort. Often, the HR policies and practices adopted by an organization determine its image in the labour market. On this count, large organizations generally enjoy an advantage over smaller ones in attracting prospective candidates with ease.

Conventional wisdom—Organizations tend to adopt past practices in the future as long as the practices work well. They may change these practices only when it is necessary and unavoidable. The purpose of this approach is to ensure consistency in recruitment practices

for a fairly long period of time. However, excessive reliance on past practices may affect the dynamism and flexibility of the recruitment policy.

External Factors   External factors are those factors that are beyond the control of an organization. These factors usually affect the quantity and quality of labour available to an organization. Hence, external factors should also be considered while framing the recruitment policy. These factors are as follows:

Labour market conditions—The demand for and supply of labour in the market influence the recruitment policy of an organization. When there is a shortage of talent, an organization may be forced to adopt aggressive recruitment programmes to build up its applicant pool. However, it can opt for simple recruitment practices if the supply of workers exceeds the demand. In India, the labour market situation is paradoxical. On one hand, there is a vast demand for skilled workers (like software developers, computer engineers and senior executives) in the market but they are in short supply. On the other hand, the supply of unskilled workers surpasses the demand for them in the market. Practically, it is not possible to determine the exact demand and supply of labour as the geographical boundaries of a labour market cannot be defined in any clear-cut manner.[8]

Legal provisions—Government policies and legal provisions also contribute to the formation of the recruitment policy of an organization. The government has enacted several legal provisions to protect the interests of the various sections of the society. Organizations consider those provisions while framing their recruitment policy. For example, reservations for various categories of the society like the scheduled tribes, scheduled castes, backward castes and others in public sector employment, the Child Labour (Prohibition and Regulation) Act of 1986, the Employment Exchange Act of 1959, and other such provisions have their own influence on the recruitment policy of an organization.

Socio-economic factors—The changing characteristics of society like the level of education, the average age of the people available in the market, the economic necessity of the labour force, the licensing and certification requirements to perform a job, the attitude of society towards the weaker sections like women and the physically handicapped have an effect on the recruitment policy of the organization. Similarly, the availability of technology as a substitute for the workforce also has an impact on it.

Depending upon the situation prevailing in the labour market, an organization may adjust its recruitment policy. For instance, when the supply of labour is restricted in the market, the organization may adopt one or more of the following ways:[9]

- Improve the characteristics of vacant positions, for example, by raising salaries or increasing training and educational benefits.
- Reduce hiring standards.
- Use a larger number of and more expensive recruiting methods.
- Extend searches over a wider geographical area.

Recruitment Organization

In a small organization, line managers may handle all aspects of human resources work on their own. But as the organization grows in size, they may find it difficult to carry out

personnel duties in addition to their routine work and may devote insufficient time to this kind of activity. Consequently, large organizations usually establish separate HR departments and centralize HR activities like recruitment.

In such a situation, the HR department first receives the request for recruitment from line managers of the operating departments and then, after considering the request duly, begins the process of recruitment to fill the vacancies in these departments.

Centralized recruitment has many advantages for the organization:

- It ensures uniformity in the recruitment policy of the organization.
- It helps reduce cost since the administrative costs can be kept to a minimum; for instance, by placing common advertisements for all vacancies.
- It ensures the best possible utilization of the expertise of the HR professionals of the organization.
- It can avoid personal bias and prejudice in the process of recruitment and selection.
- It facilitates the maintenance of the centralized talent pool to cater to the needs of different departments.
- It allows line managers to devote more time to operational activities.

However, centralized recruitment suffers from the limitations of procedural delay. The need for centralization or decentralization ultimately depends on the situational necessities and the corporate policy and philosophy of an organization.

Recruitment Process

The recruitment process is concerned with the procedure for the identification and classification of the potential source of human resources supply and effectively utilizing those sources. In the overall process of procuring and inducting human resources in the organization, recruitment is one of the critical sub-processes. A well-planned and well-managed recruiting process is essential for attracting high-quality applicants. Figure 4.1 illustrates the steps in a recruitment process.

Steps in the Recruitment Process

Merely placing an advertisement or employing professional agencies to recruit candidates does not complete the recruitment process. There are several important steps involved in the whole process. We shall now discuss these steps in detail.

Human Resources Planning

The first step in the process of recruitment is the framing of human resources plans in tune with the organizational objectives. Human resources plans clearly estimate the levels and kinds of human resources required to ensure the accomplishment of the strategic plan of the organization. Human resources planning involves the estimation of how many qualified persons are necessary to carry out the assigned activities (personnel demand), how many people will be available (internal supply), and what must be done to ensure that the personnel supply equals the personnel demand at an appropriate point in the future (the reconciliation process). Thus, the first step is the estimation of the future HR requirements of the organization and a decision to meet the personnel demand with an adequate supply through recruitment.

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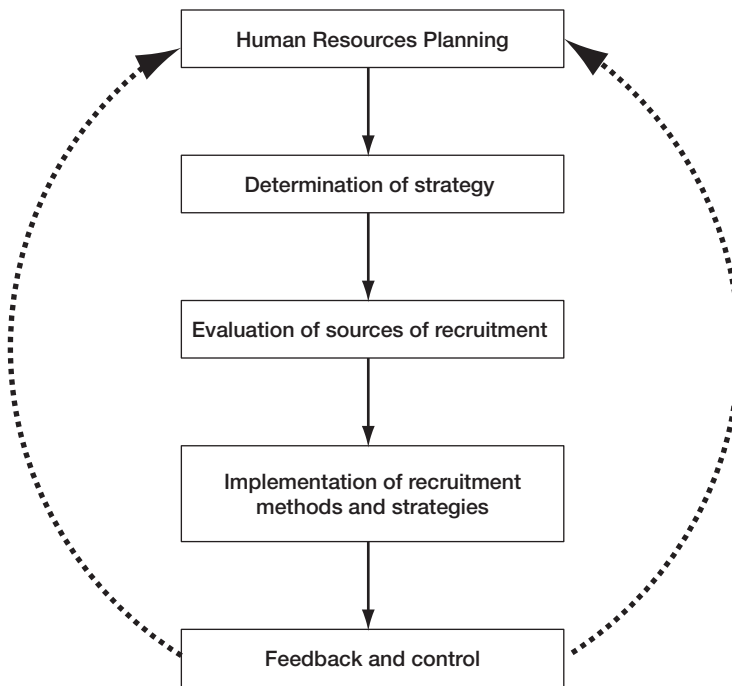
Figure 4.1

Steps in the Recruitment Process

Determination of Strategy

The second step in the process of recruitment is the determination of strategy for choosing the candidates. It may include, among others, the development of different sources of recruitment, the preferences to be followed, the recruitment method to be used and the series of activities to be undertaken. Job specification reports that specify the quality and quantity of personnel required for the organization help us in determining the strategy to be adopted. The strategy must be designed in such a way that it attracts as many applicants as possible.

Evaluation of the Sources of Recruitment

Once the strategy is finalized, the next step is the evaluation of each source of recruitment. There are two important sources of recruitment in every firm, namely, internal and external. Internal sources include, among others, the existing employees, the former employees and employee referrals, while the external sources refer to all sources other than the internal ones. For instance, employment exchanges, employment associations, professional associations, public advertisements and educational institutions constitute external sources. Evaluation refers to the assessment of strengths and weaknesses of the sources available to an organization. One of the studies[10] mentions that the measurement refers to finding an answer to the question, "How many applicants did we generate through each of our recruitment processes?" Organizations can attract a good number of qualified applicants by combining one or more sources. The evaluation of each one of these sources has been done in detail later in this chapter under the section "Sources of Recruitment".

Implementation of Recruitment Methods and Strategies

Having evaluated the various sources of recruitment, the next stage is the finalization of the sources and the actual implementation of strategies. Regardless of whether the organization decides to recruit from internal or external sources, the recruitment method and strategy must be implemented in accordance with all relevant laws and regulation.

Feedback and Control

As recruitment is a continuous process, it is essential to evaluate it to enhance its effectiveness. The quality of the applicant pool is an indicator of the efficacy of the recruitment process. If the process discourages the potentially qualified individuals from applying, limits the size of the applicant pool or results in inferior applicants becoming the employees of the organization, there is a need for a change in the recruitment process.

Sources of Recruitment

Developing different sources of recruitment is essential for an organization. When the organization is successful in gathering a large applicants' pool, it can adopt a rigorous procedure in choosing the best employees from such a pool without compromising on quality. However, there is no single combination of resources and methods that will work well for all organizations or, for that matter, across all labour markets, or even within a labour market.[11] Thus, an organization should use multiple recruitment sources to build its applicants' pool. Box 4.3 shows multiple recruitment methods as a viable means to build an applicants' pool.

We shall now discuss in detail the different sources of recruitment mentioned in Figure 4.2.

Internal Sources

Internal recruitment usually refers to filling open jobs with the current employees of the organization. It is a process designed to create sufficient interest among the current employees to cause them to formally indicate an interest in a given position. The position applied for may represent a promotion, a transfer, or even a demotion in a few cases.[12] It is to be understood here that there must be an active and voluntary participation of the existing employees in the process of recruitment to call it an internal recruitment. Internal sources normally consist of

Box 4.3	The Multiple Recruitment Strategy of Tata Business Support Solutions

Organizations usually depend on more than one source of identifying the candidates to build a large applicants' pool. This enables them to adopt a rigorous selection process to choose the most suitable candidates for the job vacancies. However, each organization may follow a unique combination of recruitment sources, depending upon the nature and number of job positions available. For instance, Tata Business Support Solutions uses multiple recruitment sources for choosing the best talents at all levels of the organization. These are:

- Direct walk-ins
- Referral walk-ins
- Consultant services
- Campus recruitments
- Recruitment advertising
- Internal job postings

Adapted from: www.tata-bss.com/people2.htm.

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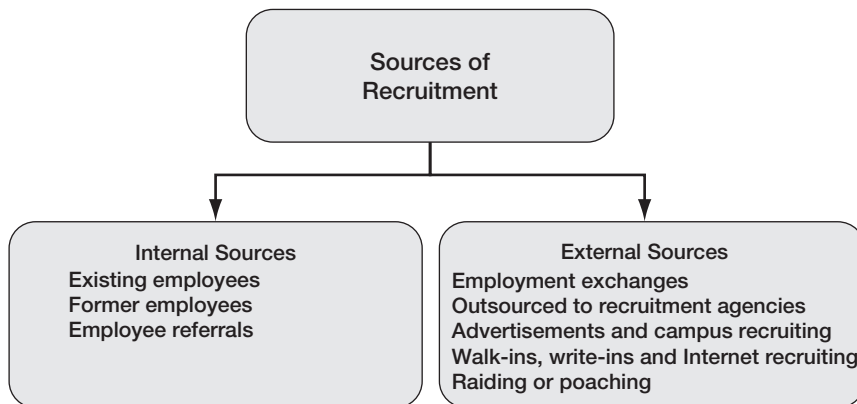
Figure 4.2

Sources of Recruitment

Internal Sources
Existing employees
Former employees
Employee referrals

External Sources
Employment exchanges
Outsourced to recruitment agencies
Advertisements and campus recruiting
Walk-ins, write-ins and Internet recruiting
Raiding or poaching

the existing employees, the former employees, and employee referrals. Each of these sources has been discussed here briefly.

Existing Employees   The most common source of internal recruitment is through existing employees. Organizations normally maintain inventories of qualifications to choose employees for suitable vacancies. Such inventories contain data such as the current employee's performance, educational background and suitability. The usual method of creating a pool of internal applicants is through job postings. A job posting refers to the process of advertising available positions to the employees. They evaluate job opportunities relative to their skills, experience, interests, and career goals and indicate their interest formally to their immediate supervisor or through the HR department. Promotions and transfers from among the existing employees are examples of internal sources of recruitment. However, there is a strong possibility that this method may create a bitter feeling amongst those not selected.[13] Box 4.4 highlights an internal recruiting style at Wipro.

Former Employees   Former employees are also considered as an internal source of recruitment for they are acquainted with the policies and practices of the organization. Besides, they enjoy familiarity with the present employees in most cases. It is now increasingly common to take back employees who left the firm for various reasons. This is because

Box 4.4	The Job Posting System: A Tool for Recruitment

A growing number of companies in India are extensively using their in-house magazines and intranets to publicize the job openings available in their organizations and also the relevant eligibility criteria. They also encourage the suitable candidates to make use of these opportunities to effect job changes. These instruments provide the employees with the necessary flexibility and information to plan their progress, to apply for the post of their choice, and to chart their own career. For instance, Wipro has a popular and transparent job posting system—"Wings Within", an intranet site to communicate all vacant job positions to the employees and also to prompt the eligible candidates to apply for job changes by making use of these opportunities.

Adapted from: www.wipro.com.

the ex-employees' performance and attitude are well known to the organization and the risk involved in choosing them is relatively less.

Employee Referrals   This method refers to the practice of the present employees providing information about the candidates who are willing to be considered for the present vacancies. The applicants may be the friends or relatives of the referring employees. Referral is also a cost-effective source of recruitment. Its effectiveness lies in the assumption that the present employees will recommend only suitable candidates for the vacant jobs lest their own credibility be affected. Employee referrals are also an effective tool to stem the tide of attrition. When friends work together, they are less likely to leave a company soon. However, employee referrals may prove to be a major source of irritation in the employer–employee relations, if such referrals are rejected. Box 4.5 describes the role of employee referrals in the recruitment plans of select companies.

Evaluation of Internal Sources

Merits   Internal recruitment has the following merits:

- It helps the organization in offering career development plans to its employees.
- Internal candidates may require less orientation and training than outside ones.
- Internal recruitment can act as a good motivator and morale-booster if the employees see promotions as a reward for and recognition of their hard work and efficiency.
- It facilitates better utilization of skills, experience and qualifications of the existing employees.
- It is easy to induct existing employees into the work environment as they are normally familiar with the job, people and workplace.
- It is economical and less time-consuming when compared with external sources.
- It can enhance loyalty among the employees as it allows them to feel more secure about their future in the organization and thus ensures cordial industrial relations in the firm.

Limitations   Although internal recruitment has a significant number of advantages, it has its limitations also. These are:

Box 4.5	Employee Referrals: A New Horizon in Recruitment

The toughest challenge facing HR managers today is finding talents necessary to meet manpower requirements of the rapidly growing organizations. Many companies are now looking at employee referrals as a viable, trusted and cost-effective recruitment source to identify suitable candidates for the job openings. Since skills' shortage is more pronounced in the IT sector of India, most IT companies depend critically on employee referrals for recruitment. For example, Cisco hires 55 to 60 per cent of employees through referrals in India, while in Infosys 40 per cent of the hiring is done laterally. In the case of TCS, hiring through the employee referral channel has increased in the last two years by almost 175 per cent. Similarly, SAP Labs India hired nearly 60 per cent of its 3,000 new recruits through referrals as against 30 per cent the previous year. Again, out of a total addition of 4,400 employees, Patni recruited 2,000 through referrals.

Source: http://www.citeman.com/
1153-referrals-in-recruitment/.
Reproduced with permission.

- Internal recruitment may restrict the option of recruiting a more diverse workforce, thereby keeping a large pool of potential employees in the labour market untapped.

- It may provide an organization with a better applicant but not necessarily the best applicant as it may be hard to find the most suitable person for a job within the organization itself.

- Too much emphasis on internal recruitment may result in in-breeding, which may not be good for the future plans and prospects of the organization.

- Internal recruitment can affect the unity and integrity of the organization if the employees perceive the selection procedure as unfair and discriminatory.

- It may be difficult to infuse the organization with fresh talent and creativity if there is undue dependence on internal recruitment. For instance, employees may prefer to maintain the status quo, even if far-reaching changes and entirely new directions are required in the organization.

External Sources

The external sources of recruitment refer to reaching out to the external labour market to meet the labour requirements. They are huge, diverse, and important for recruitment. Tapping these sources calls for careful planning and proper execution by the organization. The following are the important external sources:

Employment Exchanges   Employment exchanges have been established by the government to act as a liaison between job providers and job seekers. In fact, these exchanges were set up all over the country in compliance with the Employment Exchanges (Compulsory Notification of Vacancies) Act of 1959. The twin tasks of employment exchanges are to help employers locate suitable candidates for the vacancies arising in their organization and the job seekers get information about such job opportunities. The Employment Exchanges Act stipulates that all industrial undertakings with not less than 25 workers should notify their vacancies to the employment exchanges before filling them up. Employment exchanges would find a match for these vacancies with the job aspirants who have registered their names with them. The functioning of these employment exchanges cannot be termed as effective in India except that they are helpful to the government institutions in finding appropriate candidates. Table 4.1 shows the number of employment exchanges and the number of registrants in India over the past few years.

Outsourced to Recruitment Agencies   Transferring the whole or a few parts of the recruitment process to an external HR consultant rendering recruitment services is called outsourcing recruitment. In recent decades, there has been a sizeable increase in the number of private employment agencies that engage themselves in the task of shortlisting and providing qualified applicants to the private organizations in need of them. These agencies specialize in recruitment activities and become professionals. They normally charge fees either from the applicant or from the organization or from both for the successful placements. In brief, these agencies are readily available sources of qualified applicants for an organization and also make the subsequent selection process a simple affair with no need to evaluate unqualified candidates. Box 4.6 highlights the growing popularity of outsourcing recruitment.

Table 4.1   **Employment Exchange Statistics**

Year	Number of Exchanges*	Registration ('in thousands')	Placement ('in thousands')	Application on Live Register ('in thousands')
1999	955	5,966	221	40,371
2000	958	6,042	178	41,344
2001	938	5,553	169	41,996
2002	939	5,064	143	41,171
2003	945	5,463	155	41,389
2004	947	5,373	138	40,458
2005	947	5,437	173	39,348
2006 (Jan to June)	947	3,621	105	40,676

* (Data including University Employment: Information and Guidance Bureau)
Source: Department of Economics and Statistics, Tata Services Limited, *Statistical Outline of India*, 2007–2008. Reproduced with permission.

Box 4.6	**Outsourcing Recruitment—A Competitive Advantage**

The concept of outsourcing recruitment is gaining prominence in India. Outsourcing enables companies to save up to 40 per cent of their recruitment costs, which may be one of the main reasons for its growing popularity. In fact, many large and medium-sized business organizations in the country are outsourcing whole or part of their recruitment process. Lately, outsourcing has been tried for recruiting employees at almost all levels of the organization. Undoubtedly, the growth of the outsourcing industry has been phenomenal, especially in recent times. At present, the value of the recruitment process outsourcing industry (RPO) in India stands at a whopping $2.5 billion and it is projected to grow at an annual rate of 30–40 per cent for a few more years. For instance, Yes Bank outsources nearly 50 per cent of its recruitment processes. Wipro has outsourced its recruitment process to MeritTrac while Vodafone outsources its recruitment process to Alexander Mann Solutions (the RPO service provider).

Adapted from: www.recruitment.naukrihub.com/outsource-recruitment.html.

Advertisements   Printed advertisements are a preferred mode of external recruitment for several reasons. As printed advertisements reach many people in a short period of time, the vacancies can be communicated to the potential candidates quickly. They enjoy a wider coverage and better reach. They are cost-effective when the vacancies are large in numbers. Besides, it is possible to place anonymous advertisements and the employers may thus hide their identity if required. In the case of job positions that require special skills, qualification, knowledge and experience, the advertisements may be placed in professional or trade journals to reach the target group effectively. However, the success of an advertisement lies on its attractiveness, comprehensiveness and timing.

Campus Recruiting   When company representatives are sent to college campuses to recruit applicants to create an applicants' pool from graduating classes, it is called campus recruiting. In recent times, with the advent of knowledge-based companies in large numbers, campus recruitment has emerged as an important method of external recruitment in India. This source of recruitment is ideal for entry-level managerial and professional jobs like

Box 4.7	L&T's Accent on Campus Recruitment

Many companies have been increasing their campus recruitment drives steadily over the past few years to select fresh graduates. This obviously makes campus hiring one of the major sources of external recruitment in India. Many companies in India are highly optimistic about the future prospects of campus recruitment since businesses are growing at a constant pace. For instance, L&T, a reputed engineering company in India, is aiming to achieve a 40 per cent rise in its campus recruitment intake in the coming years. Interestingly, L&T looks for requisite skills and knowledge in the fresh graduates in the form of value-system match, knowledge base, the skill to apply concepts, self-motivation, and commitment to and passion for excellence.

Adapted from: www.larsentoubro.com.

those of management trainees and technical personnel. The aim of any campus recruitment programme is to attract good candidates. Since college graduates have no first-hand knowledge of the visiting company, they generally go by its reputation and the growth and career prospects it offers. Nevertheless, college applicants prefer well-informed, objective, well-mannered and sincerely interested interviewers. Organizations regularly visit the campuses of premier institutions to recruit graduates. Wipro, L&T, Infosys, TCS, HCL, HUL and Citibank are just a few examples. Although this source of recruitment is apt for entry-level openings, it may not be viable or attractive for higher levels where the emphasis lies on experience.[14] Box 4.7 shows the increasing importance of campus recruitment.

Walk-ins and Write-ins   When applicants directly write to the organization or just walk in to the office to state their interest for employment, we call it write-ins and walk-ins. The walk-ins may be self-initiated or in response to the advertisement placed by the organization in newspapers. Walk-ins and write-ins are helpful in strengthening the applicants' pool maintained by the organization and are a suitable method for immediate selection and placement. Many business process outsourcing companies (BPO) and other Information Technology (IT) companies are recruiting candidates through walk-ins to meet their huge labour demands.

Internet Recruiting   Internet recruiting refers to placing an advertisement on the Internet for inviting applications from the potential applicants to fill the vacancies specified. In recent times, there has been a steep rise in the number of Indian companies opting for the Internet as a tool for recruitment. Organizations can also use computers to scan, digitize and process the applicants' resumes automatically. Electronic curriculum vitae (CVs) are used in Internet recruiting to collect information about the candidates. These CVs are scanned and converted into basic text format by the computer. The computer can also carry out the analysis of the CVs on pre-determined criteria to list the candidates who satisfy the requirements.

Internet recruiting has its own advantages. Compared to print media, it is economical and has a longer life span. It gets huge responses as it is relatively easy for the applicants to respond to the advertisements on the Internet. These factors have contributed to the growing popularity of Internet recruiting.

Large companies in general and IT companies in particular have their own dedicated recruitment sections on their Web sites to attract the prospective candidates to apply for jobs in their organizations, while others use the services of professional job sites. In India, several job sites provide recruitment services to their clients. A few popular ones among them are *Naukri.com, MonsterIndia.com, JobsAhead.com* and *Timesjobs.com*. Box 4.8 talks about the popularity of Internet recruiting agencies.

Box 4.8	Internet Recruiting: A New Horizon in Recruitment

Internet-based job sites are nothing but employment exchanges on the Internet. Lately, several business firms have been opting for such job sites to meet their growing HR requirement. Many professional job sites in India are now offering their services to their client organizations for a fee. These job sites identify the potential candidates, shortlist them and then forward their name to their clients for further processing.

Adapted from: www.rediffmail.com

Raiding or Poaching   Raiding or poaching refers to cajoling or attracting the employees of the rival organizations with attractive offers. Organizations may directly or indirectly contact the talented employees of their rivals and gradually persuade these employees to join them. Normally, some sort of secrecy is maintained in these operations till the mission is completed. These days, on-demand recruiting services (ODRS) vendors, the professional consultants who specialize in raiding and poaching operations, offer these services to organizations for a fee. Though considered unethical, this practice is widely prevalent in many Indian organizations, particularly in IT companies.

Naturally, companies are adopting several counter-measures to protect their employees from being poached by the rival organizations. Seema Shukla[15] lists out the following anti-poaching techniques usually adopted by Indian organizations to safeguard their workforce:

Co-operation Agreements: Two or more companies agree not to touch each other's employees.
Access Restrictions: Gate-keepers are trained to screen calls and block access to organization charts.
Mock Raids: Mock recruiters and fake recruitment ads are used to identify weak links.
Benchmarked HR Practices: Better HR practices are always a magnet for employees.
Retention Bonus: Cash incentives are linked to the years in service.
Employee Contracts: The employee promises not join the competition at once and also promises not to hire his/her former colleagues.
Tit-for-Tat Threats: Threats of legal action or reactive behaviour could stop some poachers.
Empanelled Search Firms: Hiring the competitor's recruiter or retaining more than one search firm could help.
Reporting Bonuses: Cash incentives are given to the employees who report the offer they receive.
Information Security Protocol: Employees are trained not to give out information about reporting relationships.

Box 4.9 highlights the anti-poaching techniques of select Indian companies.

In addition to these external sources, organizations are following several other methods to create and strengthen their applicants' pool. For instance, they conduct centralized job fairs in select cities to recruit prospective graduates from different institutions. In some cases, they utilize the services of the labour unions and labour contractors in order to recruit personnel. Personal contacts, professional associations, deputations from other firms, mergers and acquisitions and electronic media are other noteworthy sources of recruitment.

Box 4.9	**Anti-poaching Techniques: Novelty is the Core**

To stem the tide of attrition, particularly due to poaching, organizations are coming up with novel ideas and schemes to protect their vulnerable workforce. These techniques and schemes need not be identical for all organizations. Every organization can devise its own style and strategy to tackle such situations.

The automotive giant Eicher has insured its top employees with LIC under an insurance scheme called the Key Man policy. A notable feature of this scheme is that the insured employee is entitled to the sum assured only if he stays in the company for an agreed duration, otherwise the company would get a major share of the sum assured. Likewise, Mahindra & Mahindra offers 50 per cent of the employees' bonus (similar to stay-on bonus) in the form of a fixed deposit, which gets encashed only after the expiry of the mutually consented time period.

Adapted from: http://www.india-today.com/btoday/20010916/feature4.html.

Evaluation of External Sources

Merits   The external sources of recruitment enjoy the following advantages:

- They enable an organization to generate a large pool of applicants, thereby increasing its chances of choosing suitable candidates for the positions available.
- The organization can adopt a rigorous, competitive and uncompromising selection procedure to choose the requisite type of employees from the applicants' pool.
- The composition of the applicants' pool is generally broad-based and representative of the real labour market. In other words, external sources provide an equal opportunity for participation to all types of individuals and all sections of the society in the selection process.
- They allow an organization to bring in fresh talents, adopt innovations in practice and modify the existing work culture.
- They enable an organization to exploit the labour market conditions (changes in demand and supply) to their advantage to save labour cost.

Limitations   The external sources of recruitment suffer from a few disadvantages. These are as follows:

- The existing employees might be frustrated if they do not get adequate opportunities for promotion. This could affect their motivation, commitment to work, and productivity.
- When compared with internal sources, these sources are costly and time-consuming. They may not be ideal when vacancies are to be fulfilled in a short span of time.
- Induction and socialization may not be smooth for the new employees as they may face resistance from the existing ones.
- The outside candidates may be susceptible to poaching and raiding by rival concerns as they may be less committed than the long-serving existing employees.
- There is a greater possibility of hiring a wrong person from external sources since the selection process alone may not enable the organization to assess the person's skills and suitability for a job correctly.

Table 4.2   **Categorization of Sources of Recruitment**

Degree of Tightness in the Labour Market	Sources Used in Recruiting
Loose (vast surplus of required skills in the labour market)	Direct and immediate recruitment such as walk-ins and write-ins
Intermediate (reasonable surplus of required skills in the labour market)	Employee and union referrals and employment exchange
Tight (reasonable shortage of required skills in the labour market)	Wide publicity through advertising
Very tight (acute shortage of required skills in the labour market)	Head-hunting like raiding and poaching

Ultimately, the source of recruitment for a particular job is determined on the basis of the nature of the job and the labour market conditions prevailing in that region. For instance, when there is a shortage of prospective candidates in the labour market for a job, the company should widen the search for the candidates. Table 4.2 shows the categorization of the sources of recruitment done by F.T. Malm.[16] This is done on the basis of the labour market conditions.

Recruitment Practices in India

Since 1991, the business environment in India has been dynamic and continuously changing. Business organizations have been growing at a very rapid pace and globalizing. Consequently, organizations are now looking for a globally competitive workforce. These changing expectations and requirements have compelled the Indian industrial management to introduce changes in every sphere of HR activity, including recruitment. There is a marked shift in the approach to the concept of recruitment strategy and process.

Companies, now, judiciously combine the traditional recruitment sources and the modern ones to procure the best-of-the-breed labour force. They are increasingly searching for human resources best suited to achieving their long-run objectives and strategies rather than searching for only prospective employees. At managerial levels, they place greater significance on professional competence and academic excellence apart from qualities like analytical ability, teamwork and leadership potential, communication and innovation skills, together with a practical and structured approach to problem solving. The major sources of recruitment in India are explained as follows:

Internal Sources

Many organizations in India are considering current employees and the referrals provided by them as important internal recruitment sources. Let us discuss these sources now.

Existing Employees   Indian organizations, particularly the IT companies, are focused more on training employees to make them fit to be considered for future openings in the company through promotions and transfers.

Employee Referrals   When recruitment is externally sourced, entry-level recruitment costs are substantial for a firm, and this can further go up in the case of senior-level

recruitments. When the same hiring is routed through employee referrals, the cost comes down substantially. Indian companies have now started to look at employee referrals as a major source of recruitment. Many companies have already put a ceiling on external hiring and are busy offering attractive bonuses and cash incentives to those employees who provide referrals. This policy of getting employees to recommend their friends and relatives makes great financial sense to organizations, especially for smaller organizations, for which employee referrals or personal contacts are an important cost-effective source of recruitment.[17]

External Sources

Advertising, placement agencies and Internet recruiting are the three major sources of external recruitment in India. These sources together control a sizeable portion of recruitment market. We shall discuss these sources briefly.

Advertising   This is a traditional mode of recruiting employees in India. Advertisements in print media like magazines, newspapers and journals are preferred by all kinds of organizations, including the small ones, to reach out to the prospective candidates. Newspaper advertisements together with employee referrals and consultants remain the major source of recruitment for many small scale businesses.[18] But, the problem with advertisements is that they may not provide complete information to the job aspirant about the job offered.[19] The prospective applicants may hesitate to respond on the basis of inadequate information.

Private Employment Agencies   Indian employers are increasingly realizing the utility of entrusting private employment agencies like HR consultants with the task of choosing suitable persons for openings at senior levels. This saves the time of top-level management, who, otherwise, would get involved in the time-consuming recruitment and selection process. However, government organizations in India are usually required to meet their manpower needs through public employment exchanges.

Internet Recruiting   This is another rapidly growing source of recruitment in India. A few companies have their own dedicated recruiting sites on the Internet while others employ the services of professional job sites.

The other notable sources of recruitment in our country are walk-ins (normally to fill immediate and urgent vacancies), gate-hiring (by manufacturing firms, of casual workers who stand at the entrance of the factory), and campus recruiting (mostly by information technology companies).

The major sources of recruitment used by Indian organizations, especially in relatively smaller organizations, are the friends and relatives of the proprietors and the employees, advertisements in newspapers, employment exchanges, placement agencies, and labour contractors who have vast pool of workers. Of these, advertisements in newspapers and placement agencies are the sources preferred for executive categories while employment exchanges, walk-ins and labour contractors are suited better for clerical and similar cadres.[20]

The Indian Institute of Personnel Management identified the important sources of recruitment in India as temporary workers (*badli*s), employment agencies, casual callers (walk-ins or write-ins), referrals by existing employees, advertisements (print and electronic media), and labour contractors.[21]

Summary

1. Recruitment may be termed as a search for promising job applicants to fill vacancies that may arise in an organization.

2. It aims to discover and determine the sources of manpower to be utilized in tune with the strategic goals of an organization.

3. Recruitment policy is a guiding principle that governs the HR practices relating to recruitment.

4. Recruitment is one of the critical sub-processes in the overall process of procuring and inducting human resources into the organization.

5. The steps in the recruitment process are human resources planning, the determination of strategy, the evaluation of the sources of recruitment, the

implementation of recruitment methods and strategies, and feedback and control.

6. Organizations have two sources of recruitment. One is internal recruitment, which refers to filling open jobs with the current employees of the organization, and the other is external recruitment, which refers to reaching out to the external labour market to meet the labour requirements.

7. Examples of internal sources are the existing employees, the former employees, and employee referrals. Examples of external sources are employment exchanges, private employment agencies, advertisements, campus recruiting, walk-ins and write-ins, Internet recruiting, raiding or poaching.

Review Questions

Essay-type questions

1. Explain the steps in the process of recruitment.

2. What are the key recruitment practices followed in Indian organizations?

3. Enumerate the kinds, merits and limitations of the various internal sources of recruitment.

4. Discuss critically the various external sources of recruitment. What are the relative merits and demerits of this source?

5. You have been appointed as the human resource manager of Renaissance Industries Limited, Bangalore. It proposes to select management trainees for its different departments. What sources should it explore and how should the trainees be selected?

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5 Selection

CHAPTER OBJECTIVES

After reading this chapter, you should be able to:

1 Understand selection
2 Differentiate between recruitment and selection
3 Enumerate the steps in the selection process
4 Understand the meaning and types of selection tests
5 Develop a test programme
6 Enumerate the objectives and kinds of selection interviews
7 Understand the selection process in India

Compulsory background verification, reference checks and ascertaining the authenticity of the candidates' CVs as part of the selection process is something that is increasingly important. Several companies, including a few reputed software firms, had to terminate the services of some of their employees when they detected false information in their curricula vitae (CVs), which they had tried to pass off by furnishing fake documents. Serious discrepancies were found in the areas of work experience, academic qualifications, professional skills, and earlier compensation packages in their CVs. In addition to the loss of time and resources entailed by the defective selection process, abrupt actions against the erring employees are also likely to derail the manpower plans and the production schedules of the organizations. It is, therefore, important for an organization to have a proper selection process. This chapter looks at the selection process in detail and how businesses can use it to recruit the best candidates.

Introduction

Once the applicant pool is prepared, the next step for the HR department is to implement the predetermined selection process in order to select the best candidate for the job. The aim of this process is to finally end up with candidates best suited for the vacant jobs. The organization

Box 5.1	Definitions

"Selection is the process by which candidates for employment are divided into two classes—those who will be offered employment and those who will not."[2]

—Dale Yoder

"Selection is a managerial decision-making process to predict which job applicants will be successful if hired."[3]

—David A. Decenzo

"Selection is the process of choosing from among the candidates, from within the organization or from the outside, the most suitable person for the current position or for the future position."[4]

—O. Donnell

"Selection is the process of differentiating between applicants in order to identify (and hire) those with a greater likelihood of success in a job."[5]

—Thomas H. Stone

"Selection means offering jobs to one or more applicants from the applications by establishing the 'best fit' between job requirements on the one hand and the candidate's qualifications on the other."[6]

—Arun Monappa and Mirza S. Saiyadain

must be able to distinguish the applicants who are most likely to perform well as employees from the others who are less suitable.

Of late, the hirers are attempting to measure even the candidate's mental make-up and personal values to decide how closely they match those of the organization.[1] Obviously, selecting the most suitable candidate for a job is never an easy task for an organization, but it becomes all the more difficult when the organization has to screen candidates to fill vacancies that are critical to the organization. This is because any faulty decision in the selection of employees can have a far-reaching impact on performance and future of the organization. Box 5.1 has some of the definitions of the term *selection*.

We may conclude that selection is a systematic process of identifying suitable candidates for the jobs available in the organization from the available applicant pool.

Differences Between Recruitment and Selection

Though the terms *recruitment* and *selection* are often treated as interchangeable, there are differences between the two terms. Though few, they are worth mentioning. Table 5.1 shows the differences between recruitment and selection.

Phases of the Selection Process

As there is no commonly accepted selection process available, organizations may have to adopt different selection processes for different jobs, depending upon their nature and requirements. Nonetheless, the aim of any selection process is to gather relevant and critical information about an applicant at every stage of the process in order to determine his/her suitability for the job offered. The selection process broadly involves measurement, decision making, and evaluation, as explained in Figure 5.1.

A good selection process must be able to distinguish applicants who are likely to perform well in the job from those who are not. An organization adopts various steps in the selection

Table 5.1   **Differences between Recruitment and Selection**

Recruitment	*Selection*
1. The process of procurement begins with the recruitment of candidates from different sources.	The process of procurement ends with the selection of the necessary number of suitable candidates for the job.
2. Since the aim of recruitment is to gather as many applicants as possible for the jobs in an organization, it is a positive task.	Selection attempts to eliminate applicants in different stages to end up with a smaller number of requisite candidates, and is thus a negative task.
3. Recruitment is comparatively easy as it does not require expertise on the part of the recruiters to build an applicant pool.	Selection is a difficult job as it requires specialized knowledge and skills on the part of the selectors to choose the best candidates by predicting their likely performance.
4. Recruitment is basically a searching function as it searches for prospective candidates for the jobs offered.	Selection is basically a screening function as it screens the candidates for their suitability for the job offered.

Phase 1: Measurement	Phase 2: Decision Making	Phase 3: Evaluation
Verification of the accuracy and consistency of selection techniques	Ensuring the completeness of employee data to make accurate and uncompromising selection decision	Identifying the role and effectiveness of the selection process from the organizational perspective
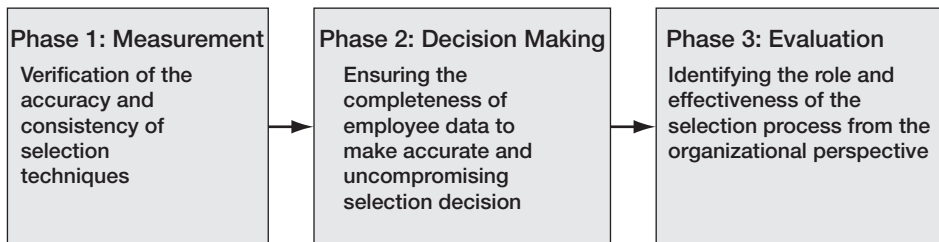
Figure 5.1

Phases of the Selection Process
Adapted from: Cynthia D. Fisher, Lyle F. Schoenfeldt and James B. Shaw, *Human Resource Management* (New Delhi: Biztantra, 2004).

process to predict the likely performance of each applicant in the job. These steps are briefly presented as follows:

1. Employment Application Forms/Blanks: These refer to a standardized format to collect the necessary information about an applicant to determine his suitability for the job.

2. Selection Test: This is a psychological test for comparing and contrasting the behaviour of two or more persons on the basis of a standardized measure in order to predict their likely job performance, if selected.

3. Selection Interview: This is a face-to-face conversation with the candidate to collect the required information that could not be collected through other selection tools to determine his suitability for a job.

4. Reference Check: This is a process of cross-checking information provided by the candidates in different stages of the selection process with the references cited by the candidates themselves.

5. Physical Examination: This is a medical test to ensure that the candidates selected meet the physical requirements of the job.

6. Job Offer: A job offer is a formal communication from the employer to the selected candidate that specifies the details of an offer of job. This job offer generally provides information about job description, reporting authority, pay particulars, and leave eligibility.

Once suitable candidates are identified at the end of the selection process, the organization would proceed with the issue of job offers to the selected candidates. Normally, the candidates respond by accepting or rejecting such job offers. Box 5.2 outlines the selection process of select companies.

Now we shall discuss in detail the various phases of selection process adopted by organizations to choose their employees. Figure 5.2 enumerates the steps involved in a selection process.

Employment Application Forms/Blanks

The purpose of an application form is to collect the necessary information about an applicant in a short span of time. These bits of information are extremely useful in determining the suitability of the applicants for the job and also in predicting their likely job performance,

Box 5.2	The Selection Process for Choosing the Most Suitable Candidates

Different organizations may adopt different selection processes to choose suitable candidates for job openings. Even within the same organization, the length of the selection process may differ, depending upon the nature and number of job openings. It is not necessary to go through the entire length of the selection process every time and for every job. A curtailed selection process may be enough for certain jobs while others may require an exhaustive process.

For instance, Larsen and Toubro (L&T)'s selection process for campus recruiting comprises written tests to measure the intelligence and engineering aptitude of candidates and a technical interview to choose bright engineering graduates from the applicants' pool created through campus interviews. The selection process of Intergraph, a Hyderabad-based software company, consists of resume screening, followed by a technical test and two rounds of interviews. In normal circumstances, the whole process of selection from the time of the decision to appoint someone to the final selection could last about 45 days.

Adapted from: www.hinduonnet.com and www.larsentoubro.com.

Step 6 →	Job offer
Step 5 →	Physical exam
Step 4 →	Reference checks
Step 3 →	Selection interviews
Step 2 →	Selection tests
Step 1 →	Application forms/blanks
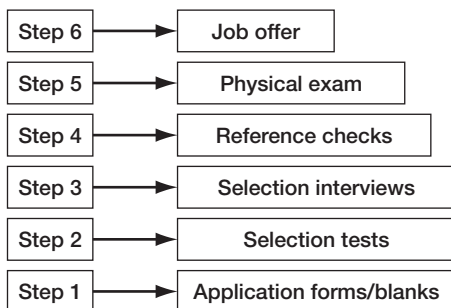
Figure 5.2

Steps in the Selection Process

if chosen. Therefore, the information collected must be relevant, reliable and accurate for decision-making. To achieve this, the application form must be prepared carefully and reviewed regularly to ensure the reliability and validity of the information gathered.

Some organizations use weighted application blanks to gather relevant information and also to predict the chance of success for a candidate in the job. This is possible when the organization is aware of the statistical significance of the relationship between the bio-data characteristics and the chances of success in the job. Suppose an organization is convinced that the presence of certain characteristics or skills in a candidate contributes to his/her success in job performance. Then, that organization may give more weightage to such characteristics in its application blanks. Such application blanks are known as weighted-application blanks. For instance, if an organization is convinced that good communication skills in sales personnel contribute to their success in selling, then, it may give more weightage to this particular skill in its application form.

Application forms normally solicit the following information from the candidates:

a) **Biographical information** includes the name of the applicant, father's name, date of birth, age, gender, nationality, physical features (height, weight, and so on), marital status, identification marks, and family details.

b) **Educational qualifications** such as courses completed, year of passing, subjects studied, and percentage of marks secured, division or rank obtained, name of the educational institutions, and scholarship awarded.

c) **Work experience** like positions held, tenure in each position, nature of job, pay and other benefits, details about the present and previous employers, explanation for break in employment.

d) **Pay and other perquisites** such as information about candidate's expectation about salary and other benefits.

e) **Additional information** like participation in sports, games, cultural activities, nation-building activities such as NSS, NCC, and honours obtained.

f) **References** Names and addresses of a few references that have knowledge about the applicant and who may be contacted by the organization, if required. Box 5.3 lists the guidelines used for evaluating an application form.

Box 5.3	Guidelines for Evaluating an Application Form

While evaluating an application form, adherence to the following guidelines can ensure that all the relevant information about the candidates are procured to decide whether the applicant's case is fit for further evaluation by the HR department:

1. Finding out why the applicant left the last job
2. Assessing the applicant's educational background
3. Examining the application to assess his self-reliance
4. Determining whether the applicant exhibits adequate intelligence while responding to the questions
5. Looking for clues regarding the applicant's attitude and behaviour
6. Evaluating the applicant's employment records
5. Ascertaining the quality of applicants' writing
8. Making use of the application details to decide on the nature and content of the interview

Adapted from: "Recruitment", *Personnel Journal* (January 1989): 22–24.

Box 5.4	Definitions

"A psychological test is a standardized measure of behaviour."[7]

—Wayne F. Cascio

"A test is a sample of an aspect of an individual's behaviour, performance and attitude".[8]

—Milton M. Blum

"A test is a systematic procedure for comparing the behaviour of two or more persons."[9]

—Cronbach

Selection Tests

Since there are differences in the abilities, aptitudes, interest and personality traits of individuals, it is essential to measure these differences effectively and accurately to determine their suitability for the jobs. This may be done with the help of selection tests, also called psychological tests. The term *test* is used here as a standardized measure of behaviour (for example, attitudes, interest, and aptitude) of the applicants. There are several definitions of a test. Box 5.4 lists these definitions.

We may define a test as a standardized assessment of a sample but critical behaviour of candidates to determine their suitability for the job. One of the common ways to test candidates is to test them psychologically.

Characteristics of Psychological Tests

The common characteristics of psychological tests based on the definitions listed in Box 5.4 may be summed up as follows:

Objectivity   Objectivity in tests refers to the validity and reliability of the measuring tools. Reliability in tests refers to their consistency. A reliable test is one in which the scores are consistent even if a person takes the same test on different occasions or takes two alternate forms of the same test. The validity of a test refers to the correctness of the inferences made on the basis of the test results. It ensures that the test is job-related and the test performance is the real predictor of the subsequent job performance of a candidate. These two aspects together determine the objectivity of a test.

Standardization   Standardization means that there is uniformity in the procedure followed in conducting the test and in the terms and conditions associated with the test, such as time limit, instructions, the tester's state of mind and health, and the availability of required facilities.

Sample of Behaviour   It refers to test contents that should predict the representative sample of eventual behaviour of the candidates since a total replication of reality in any testing condition is impracticable. Thus, the behaviour predicted through a test need not strictly resemble the actual behaviour that the test is supposed to predict.

Uses of Psychological Tests   Psychological tests are useful for HR managers in several ways. These tests are essential for

- Selecting and placing employees
- Determining their career plan

- Assessing their job performance and potential
- Counseling them in conflicting situations

Obviously, different situations need different kinds of tests, depending upon the nature and requirements of a job. Each test must have norms to compare and contrast the performance of the candidates. However, in practice, many organizations lack clear-cut norms for judging the performance of these candidates.[10]

Types of Psychological Tests   Now we shall discuss in detail the nature and utility of tests and also their applicability in different situations under four broad categories—ability test, personality test, interest test, and honesty test. As specified in Figure 5.3, an ability test is further classified as intelligence test, aptitude test and achievement test.

Ability test— Ability refers to the capacity of a person to do a particular job. The ability of a person commonly denotes the combination of mental ability (like memory and inductive reasoning), physical ability (like stamina, body coordination and physical strength) and motor ability (like finger dexterity and reaction time). To measure these abilities, an organization may resort to any one or more of the following tests:

Intelligence (IQ) test— The aim of an intelligence test is to measure the general intellectual abilities of a person. This test assesses the memory, vocabulary, verbal comprehension, thought fluency, inductive reasoning, and numerical skills of a candidate. The uniqueness of this test is that it measures several abilities of the candidate and derives the intelligence score. This score is then compared with the average intelligence score of the organization to determine whether the candidate is above or below the average. To know the Intelligence Quotient or IQ of a child, the equation

$$IQ = (\text{Mental age/actual age}) \times 100$$

may be used but it has little relevance for adults.
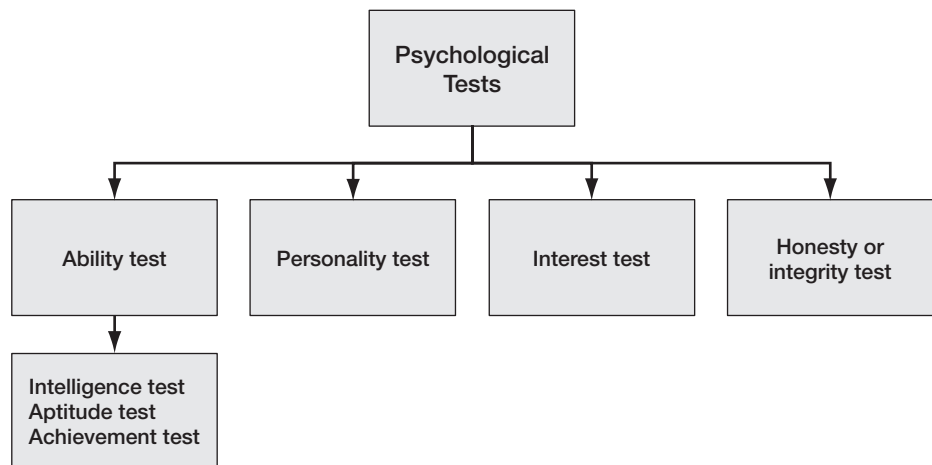
Figure 5.3

Types of Psychological Tests

Aptitude test—An aptitude test measures the latent talents of a person that may be crucial to performing the job successfully. This test is normally given to those applicants who have no previous experience in that field. Hence, aptitude tests are appropriate for predicting the future ability and/or performance of the candidate. These tests are found to be more effective for jobs requiring mechanical and spatial relationships like those of engineers, designers and machinists. Box 5.5 highlights the status of psychometric tests in India**.**

Achievement test—The aim of an achievement test is to measure the knowledge gained by a person in his/her job. It evaluates the claims made by the job holders regarding their performance and skills acquired in the job. It is also called proficiency test, performance test or trade test. A typing test is an example of achievement test as it intends to measure the speed and accuracy of a typist in his job. The tests that measure the subject knowledge of pupils at schools and colleges are also examples of an achievement test. Similarly, organizations test the job knowledge of their employees to determine their suitability for future promotions and also for salary fixation.

Personality test—Personality refers to the sum of the characteristics of a person which reflect on his/her response to a particular situation. The characteristics may include, among other things, introversion, inter-personal skills, motivation, stability, self-belief, courage, attitude and temperament. A personality test proposes to assess and predict these basic characteristics of a person. Its results are useful in predicting the future performance of the candidate. Projective tests are ideal for evaluating the intangible characteristics that make up the personality. Through these, the psychologists measure the response or reaction of the candidates, for example, to confusing stimuli (input) in the form of a distorted picture, incomplete information or even a simple ink dot. The response reveals the candidates' inner qualities, which are then correlated with the job requirements. Rorschach Blot Test (RBT), Thematic Apperception Test (TAT), Minnesota Multiphasic Personality Inventory (MMPI) and Myer-Briggs type indicator (MBIT) are some of the popular forms of personality tests. In countries like France and Israel, many companies are using graphology—the analysis of handwriting—as a tool for personality measurement.

Box 5.5	Psychometric Tests in the Selection Process

Psychometrics is concerned with the measurement of psychological variables such as aptitude for various kinds of jobs. The fundamental objective of a psychometric test is to help screen candidates at the initial stage of recruitment. It is a tool to help understand the personality of the potential candidates at the selection stage, and to exploit his latent qualities to his and the organization's advantage at a future stage. In fact, adding a psychometric test to the selection process can increase the accuracy of the candidate's assessment to 85 per cent.

Though several top companies like TCS, InfoTech, Escosoft Technologies, UB, Bharti and LG have incorporated psychometric tests in their selection process, this concept is yet to gain recognition as a prominent selection tool in India. This could be due to the negative perception among the companies that there is no immediate benefit available to the employers from the psychometric test, which measures the latent talents of the candidates. Thus, they attach more importance to measuring technical knowledge of the candidates rather than to assessing the psychological aspects.

Adapted from: www.itpeopleindia.com/
20030120/cover.shtml.

Interest test—A person's mental and physical abilities are not sufficient to achieve a desirable job performance. Apart from these, the person must have a strong and inherent interest for that job. The aim of the interest test is to know the interest, attitude and preference of a person towards the job offered. Its purpose is to identify the interest of a person, say, in marketing, accounting, mechanical, computational, and clerical activities to determine the job best suited for him. The Kuder Preference Record and Strong Vocational Interest Blank are some well-known interest tests.

Honesty or integrity test—Organizations may feel a need to ascertain the honesty of the candidates to ensure that they have not furnished any false information in the application form and also to safeguard themselves from frauds and misappropriation. In an honesty or integrity test, the questions are asked in such a way that the attitude and actual behaviour of the candidates can be found out. However, the reliability and validity of the honesty tests have not been conclusively proved and they are rarely used in India.

Evaluation of Psychological Tests   Organizations consider psychological tests an important tool to evaluate and hire employees. This is due to the fact that these tests can help the employers to get that information which may not be accessible in other phases of selection process. We shall now see a brief description of the merits and limitations of psychological tests. Box 5.6 outlines the relevance of web-based recruitment efforts of an Indian IT company.

Merits—Psychological tests offer variety of advantages to an organization. These are listed as follows:

*Objective in evaluation—*Selection tests are reliable and impartial tools to measure and choose the best candidate for a job. When compared with other selection techniques like interviews, the tests are free from personal bias and prejudice.

*Ideal for large groups—*The inherent advantage of a selection test is that this can be simultaneously administered to a large number of applicants. When suitable candidates are to be chosen from a big pool of candidates, selection test is the only time-saving and cost-effective technique.

Box 5.6	Web-based Tests at Wipro Technologies

Web-based tests are also called online pre-employment testing programs. They are gradually replacing the conventional form of paper–and–pencil tests. Through this method, the applicants are tested for mental ability, analytical skills, aptitude, and interest. Information technology firms, especially call centres, are applying this method effectively to test the job aspirants. The case of Wipro Technologies is worth mentioning here.

Wipro Technologies adopts different techniques for recruiting the best talents in the company. One such technique is the utilization of services of professional recruiters to get the required talents from the labour market on a time-bound basis. Wipro has a web-based recruitment process called "Synergy" to attract and empanel these professional recruiters termed as "Resource Partners". In fact, Wipro uses Synergy effectively for empanelling professional recruiters, who would in turn provide the best of talents to the organization. Throughout the recruitment process, Wipro remains in touch with the resource partners through Web-based techniques.

Adapted from: http://careers.wipro.com/consul_ps_story.asp.

Predictor of intangible talents—Selection tests are capable of predicting the talents and skills that are invisible and abstract in nature. They can measure not only the performance but also the potential of the prospective candidates.

Goal-specific and target-oriented—Employers have the option to choose from a variety of selection tests to measure the specific quality of an applicant. For instance, achievement tests may be used to identify the existing performance of the applicants while aptitude tests are appropriate for measuring the future performance.

Record for future—The records pertaining to the selection tests can be preserved for future references and researches. The analysis of the results may provide way for further improvement in the content and conduct of the test. The effectiveness of a test can be understood by comparing the actual job performance with the test performance of the employees.

Limitations—Though selection tests enjoy several advantages, they suffer from a few limitations. For example, tests can be used only as supplements rather than as a substitute for other methods of selection like application forms and interviews. The other limitations are:

Lack of flexibility—Since the content of the selection tests are predetermined, it can not be altered often to suit the changing situation. Further, as it is an impersonal technique, it may overlook the critical individual differences vital to the job performance.

Unsuitability for smaller groups—Selection tests are not cost-effective for choosing the best candidate if the number of applicants is small. It requires a lot of time and money to prepare these tests and check their validity and reliability.

Developing a Test Programme

Since the purpose of a test is to predict how the applicant would perform if selected for the job, organizations need to make a strategic decision regarding the development of a testing programme. They must begin the preparation for planning, development and administration of the testing programme with due care and diligence. The steps given below are necessary for a successful testing programme:

Determining the Job and Skills Requirements   The first and foremost step in the process of developing a testing programme is to predetermine the qualities and skills that are essential for an effective job performance. Job description specifies the duties and responsibilities associated with the job while job specification mentions the human qualities necessary to perform the job. It is also essential to identify the human qualities that can predict success on the job. These human qualities are called predictors.

Deciding the Types of Test   Once the human qualities essential for the successful performance of a job are identified, the next step is to determine the series of tests to be undertaken to measure these qualities. While choosing the tests, the reliability, validity and relevance of the results of the tests are important considerations. Depending upon the requirement, the organization may develop its own testing tools or it may make use of the published testing tools available.

Developing the Success Criteria

The next course of action is to select the relevant criteria for each job. Criteria are nothing but the standard of success. These criteria must envisage the likely success of the candidates in the job. The organization must determine what constitutes success on the job. For instance, factors like the quantity and quality of the goods produced, absenteeism, attrition rate, accident history, and the length of service may determine the success and can become the criteria.

Rodger has developed a seven-point plan for determining the criteria for candidate selection.[11] The plan covers

1. **Physical make-up:** Health, physique, appearance, bearing and speech
2. **Attainments:** Education, qualifications and experience
3. **General intelligence:** Fundamental intellectual capacity
4. **Special aptitudes:** Mechanical skills, manual dexterity, and facility in the use of words or figures
5. **Interests:** Intellectual, practical, constructional, physically active, social and artistic
6. **Disposition:** Acceptability, influence over others, steadiness, dependability and self-reliance
7. **Circumstances:** Domestic circumstances, and occupations of family.

Alternatively, Roberts has suggested a competency-based approach in which core competencies required for the job are used as a framework for the selection process. He mentions that "the benefit of taking a competencies approach is that people can identify and isolate the key characteristics which would be used as the basis for selection … The competencies therefore become a fundamental part of the selection process."[12]

Administering the Test

Having decided the human traits to be measured, the types of tests and the success criteria, the next step is to administer the test to the candidates. The candidates may be outsiders seeking employment in the organization or the existing employees looking for promotion. As far as possible, the testing conditions must be near normal.

Evaluating the Results

In the next stage, the results are matched with the success criteria to determine whether the applicant succeeded in the test. The significance in the relationship between the scores of the applicant and the performance criteria should be continuously studied to see whether the applicant eventually emerges as a high, low or average performer. Now that we have discussed the phases of selection, let us look at the next step in the selection process—the selection interview.

The Selection Interview

The selection interview is one of the most widely used means of collecting necessary information about applicants. In fact, it is an indispensable part of any selection procedure. It provides an opportunity for the employer to have a face–to–face interaction with the candidate. It is used for gathering information that has not been collected through other selection

tools. The organization may require one or more interviews for an applicant, depending upon the nature and number of job vacancies. Let us now see how different authors have defined the term *interview*.

An interview can be defined as "a selection procedure designed to predict future job performance on the basis of applicants' oral responses to oral inquiries."[13] Or, "as a purposeful exchange of ideas, the answering of questions and communication between two or more persons."[14]

In other words, an interview is a face–to–face conversation to collect information from a candidate to determine his suitability for a job.

Objectives of an Interview

Though the primary purpose of an interview is to predict an applicant's likely performance in the job, it helps the organization in several ways. Some of the main objectives of interview are:

- It fills the information gap in the personnel selection process. In other words, it can supplement application forms and selection tests effectively by gathering additional information necessary for determining the suitability of a candidate for the job.

- It enables an organization to establish a direct and personal contact with the applicant to verify the information obtained through other sources.

- It facilitates a two-way communication process. The organization can mutually exchange information with the candidate to reach a better understanding and an enduring relationship.

- It provides a platform for the organization to create goodwill in the labour market by offering good hospitality, courtesy and personal care to the applicants.

Kinds of Interview

Interviews have the capability to serve different purposes of different persons. For instance, they are useful not only for selecting an employee but also for knowing the reason for an employee leaving the organization (exit interview). The common forms of selection interview, listed in Figure 5.4 are as follows:

Structured Interview   Structured interview, also called directive or patterned interview, is a popular form of interview technique. In this method, the interviewer predetermines the questions to be asked. He merely follows the same template to ask the interviewee a series of questions with little or no deviation. This method ensures uniformity in the interview process and facilitates easy comparisons among the candidates. It also enjoys better reliability and validity.

Unstructured Interview   This method is also known as non-directive or free interview. In this type of interview, the interviewer does not pre-plan the questions to be asked. In fact, he decides on the questions as the interview proceeds. The purpose of this method is to allow a free discussion on any topic as it emerges. Interviewers generally avoid asking the same or similar questions. Qualities like analytical skills, presence of mind, and motivation are tested. However, this kind of interview usually suffers from lack of uniformity and objectivity.
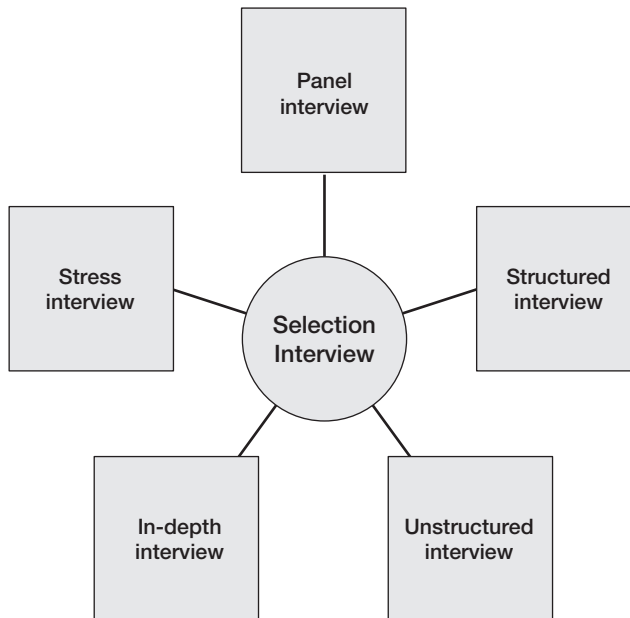
Figure 5.4

Kinds of Selection Interviews

In-depth Interview   As implied by the term *in-depth*, the purpose of this interview is to discuss the information concerning the candidate in detail. The intention of this exhaustive interview is to ensure that no information vital to decision making is missed out. This method normally covers the subjects of mutual interest like specialization, motivation, qualification and career plan of the candidates on one hand, and the firm's offer on the nature of job, pay and perquisites, career opportunities on the other. This method is more appropriate for executive cadres.

Stress Interview   The purpose of a stress interview is to put the candidate in an uncomfortable situation to see his/her ability to handle stress. The intention of the interviewer here is to identify the sensitive candidates who have low-stress tolerance. This may be done by identifying the area of weaknesses of the applicant in advance and repeatedly questioning him about it. This may annoy or frighten the applicant, forcing him/her to lose his patience. The other ways of creating stressful situations are—asking rude questions, criticizing the interviewee for his/her answers unreasonably, disturbing the candidates with frequent interruptions, and asking the applicant impolitely and repeatedly to pick up the objects placed on the floor. However, the success of a stress interview depends upon the skilful handling of the situation by the experienced interviewers. Box 5.7 shows the essence of a stress interview.

Panel Interview   In this method, the applicant is interviewed by more than one interviewer. A panel of two or more interviewers is formed to interview the candidate. The interviewers are generally drawn from different fields. They ask questions from their respective fields and award marks. These marks are finally consolidated into a panel score. Panel interviews are normally comprehensive in nature. They are considered more reliable than

Box 5.7	Stress Interview: A Game to Test Forbearance

In a stressful corporate world where employees are under constant pressure to complete the projects on or ahead of time schedules in order to beat the deadlines, organizations are looking for stress-proof employees who can perform in all-weather situations by effectively tackling stress-causing factors. When an employee is bogged down by stress, he may not be successful in his job and, in that case, his other skills may prove to be futile. Hence, it is absolutely essential for the employers to measure the ability of the candidates in handling stressful situation. This is where stress interviews come in handy. The selection process for those jobs that require frequent interaction with the public usually includes stress interviews. These interviews are widely used for selection in banking, insurance, pharmaceutical and IT sectors. They are also found to be apt for filling positions in marketing fields.

The purpose of a stress interview is to create anxiety and trouble for the candidates at the time of the interview. The basic idea is to put the candidate in a spot just to ascertain how he tackles stress without losing his cool. A panel of interviewers plainly shoots all sorts of questions at the candidate just to provoke him. In the course of the interview, the candidate is intimidated, challenged, treated shabbily and spoken to rudely. Often, his basic knowledge is questioned, with no time to think and plan the answers carefully and then explain them. Obviously, in a stress interview not only are the quality and content of the responses scrutinized but also the style of response, including facial expressions. At the end, the panel decides whether the candidate is capable of handling a high-pressure job.

Adapted from: www.hinduonnet.com/jobs/0709/2007092650040800.htm.

individual interviews (where only one person interviews the applicant) as the personal bias and prejudice would have less effect on the panel score.

Computerized Interview   Computerized interviews are slowly gaining momentum in India. Many organizations are now resorting to this kind of interview to choose suitable candidates. In this method, the applicant is asked computerized oral questions and his oral or computerized replies are recorded. Computerized interviews are often used as preliminary interviews. Those who are successful in the computerized interview are considered for face–to–face interview. This kind of interview can spare the HR and other line managers from interviewing too many candidates, thereby saving their precious time.

Strategy for an Effective Interview Process

A successful interview requires meticulous planning on the part of the interviewer. The following steps can enhance the effectiveness of an interview process:

Becoming Familiar with the Information Available

The first step in the interview process is that the interviewer acquaints himself with the information already collected about the applicant. This will help the interviewer gather from the interviewee only what is further required. The interview will also be more productive as duplication of work is avoided.

Getting Ready with an Interview Plan

Keeping the requirements of the job in the background, the interviewer has to finalize the interview plan. The plan may include, among others, determining the interview method,

the skills to be tested, the questions to be asked and the clarification required. The interviewer should also decide on the criteria for evaluating the interviewee's responses.

Creating a Supportive Environment

Undoubtedly, an interview is an emotionally stressful event for a candidate. It is therefore essential to provide a helpful and encouraging physical setting to the interviewee to make him feel at ease and confident. In order to ensure this, noise- and interruption-free private room, proper ventilation, light, and comfortable furniture are helpful.

Conducting the Interview

This is an important phase in the interview process. All the plans regarding the interview are executed at this stage. The interview should be smooth and systematic from the beginning to the end to produce the desired outcome. Every effort must be made to gather the maximum information from the candidate.

Ending the Interview

It is the responsibility of the interviewer to properly finish the interview. At the end, the candidate should be given an opportunity to say or seek information, if he desires so. It will be fine if the interview ends on a positive note.

Reviewing the Performance

Once the interview is over and the candidate leaves the room, the interviewer should begin the process of evaluating the performance of the candidate immediately. This will help the interviewer to recall and record his impression of the performance of the interviewee clearly and award the marks or grades objectively. After the interview is over for all the candidates, the interviewer should rank the candidates on the basis of their overall performance.

Weaknesses of the Interview Method

Although interviews are used extensively as a selection tool, there has been a debate going on about the usefulness of interview as an effective predictor of the applicant's job performance. This is because the selection interviews suffer from the following limitations:

Lack of Objectivity

In interviews, there is always a scope for personal bias and prejudice, and this may affect the objectivity of the whole exercise. The interviewer may tend to overemphasize the facts and characteristics with which he is familiar. He may also inadvertently favour those candidates who are similar to him in personality traits, qualities, gender and educational or social background.

Halo Effect

This problem arises when the interviewer attempts to judge the personality of the interviewee on the basis of a single or a few dominant characteristics. For instance, an interviewee's age, qualification, experience, and striking physical feature may individually or collectively

create a halo effect. The interviewer should not be swayed by a few traits and should assess the candidate in his entirety.

Inadequacy of Time

Another criticism of interview is the lack of adequate time to evaluate the interviewee. It is definitely difficult to assess the skills and traits of the candidate accurately within such a short duration. This may in turn affect the efficiency of the interview.

Lack of Uniformity

When the interviews for job aspirants are conducted by two or more interviewers, the evaluation of the candidates may not be uniform. This is because the marks or grades are usually awarded by the interviewers on the basis of their personal judgment. This can affect the final rankings of the candidates. The uniformity of interviews is a prerequisite for a meaningful comparison of the candidates' job-related traits. In contrast to the interviews, the selection tests can ensure perfect uniformity as all the candidates appearing for identical jobs take the same test.

Absence of Training for the Interviewers

The absence of training for the interviewers in interviewing skills is the important reason for many of these defects in interviews. In fact, organizations are devoting little time and resources for training their managers in interview techniques. The inexperience and lack of training may seriously impair the judgment of the interviewers, making the whole exercise useless. Instead of depending too much on interview techniques, organizations can also develop alternative methods to assess the presence of critical factors relevant for the successful performance of the applicants in the jobs offered, if selected. [15]

Reference Checks

The next step in the selection process is checking the references furnished by the candidates. Many organizations have reference columns in their application forms. They instruct the applicants to mention a few names as referees. The purpose of collecting such references is to cross-check the information provided by the candidates in the different stages of selection process. The persons known to the candidates are normally cited as referees. They may be the friends, relatives, previous employers, faculty of educational institutions where candidates studied or any other prominent persons familiar with the candidate. However, this is not an effective selection tool in India as the referee's reports here are hardly objective and productive. Box 5.8 describes the growing relevance of reference checks.

Physical Examination

Physical examination is the penultimate stage in the selection process. The aim of this examination is to ensure that the selected candidate meets the physical requirements of the job. Physical examination can also protect organizations from employing persons with pre-existing ailments. However, organizations in our country have no uniform policy regarding physical tests. Some organizations believe in comprehensive medical tests for their candidates while others are not serious about these tests.

Once these steps have been carried out, the last phase is that of the job offer.

Box 5.8	Outsourcing Reference Checks: Need of the Hour

Reference check remained a neglected area of the selection process for a long period in India, perhaps because it involved a lot of time and resources for the employers. A proper reference check also lengthened the selection process of an organization. For those organizations that worked under tight deadlines and client pressure to finish the projects, reference checks proved to be a stumbling block. All these factors discouraged the HR managers from undertaking a full-fledged reference check.

However, the surfacing of large-scale fake CVs, especially in the IT sector, proved to an eye-opener for the organizations and for the HR people in particular. Industrial surveys for the IT and ITES sectors revealed that nearly 30 per cent of resumes contained misappropriation of facts. In a number of cases, candidates forged the records to cover up the gaps in their employment or to increase the duration of their earlier employments.

Organizations may outsource reference checks by employing professional agencies to carry out these checks. Though it may be a costly proposition to engage external parties to verify the antecedents of the candidates, not checking these may prove to be even more costly for the organizations in terms of financial loss, misuse of the position by fraudulent persons, and loss of credibility to the company. Many IT companies are now outsourcing their reference checks to prevent or minimize their future losses and embarrassments.

Adapted from: www.itpeopleindia.com/20020304/management1.shtml.

Job Offer

The last step in the process of selection, in practice, is intimating the candidates about their provisional selection. A job offer (an appointment order specifying the terms and conditions of employment) is issued to the candidates who have been successful at the end of selection process. Once the employee positively responds to the offer of employment, the process of integrating that employee into the job is set in motion. However, an applicant's decision to accept or reject a job offer is influenced by the presence or absence of the following factors:

- Alternative job opportunities available, including the number and nature of alternative opportunities
- Job attraction like the nature and extent of supervision, work schedule, and the amiability of co-workers
- Positive features of the company such as pay and benefits, advancement opportunities in career, and the company's reputation as a good place to work
- Recruitment activities like the manner in which the candidate is recruited and in which the information is conveyed to the candidate.

Let us now look at the selection process in India.

The Selection Process in India

The selection process in India is paradoxical. On the one hand, large organizations are continuously developing and standardizing a rigorous selection process to choose the best possible employees for their organizations. On the other hand, small firms mostly satisfy themselves with a mediocre process to select their employees. In fact, quite a few small organizations

appoint employees for unskilled cadres without putting them into any of the formal steps in the selection process.[16]

The selection process in large Indian organizations is normally systematic and in compliance with the overall HR policy and philosophy of the organization. However, the selection techniques may vary, depending upon the number of applicants and the nature of job offered. When there is a large number of applicants for the job offered, psychological tests invariably become part of the selection process to choose the candidates suitable for further consideration, especially in public sector industry.[17]

Further, the selection process is usually exhaustive and rigorous for managerial jobs, and this may involve steps like meticulous screening of application, several rounds of interviews including preliminary and final, and group discussions to test the attitude, personality, subject and general knowledge, clarity of thought and logic, persuasiveness, leadership qualities and communication skills of the candidates. But, these organizations normally adopt a shorter selection process for non-managerial positions. This process may involve steps such as application scrutiny, selection tests (if necessary) and interviews.

Smaller organizations in India, in contrast, adopt a simple process for selecting their employees. For instance, trade test (proficiency test) and interviews are the preferred selection tools for technical jobs while interviews are used to choose the appropriate candidates for managerial positions.[18] It is to be understood clearly that the selection policy and process will vary from one organization to another, even from one situation to another, depending upon the number and categories of job positions, the exigency of the situation and the overall HR policy of the company.

Summary

1. Selection is a systematic process of identifying suitable candidates for the jobs available in the organization from the available applicant pool.

2. The process of selection begins once the applicant pool is assembled through the recruitment process.

3. The various stages of the selection process are employment application forms/blanks, selection tests, selection interview, reference checks, physical examination and job offer.

4. Employment application forms/blanks are used to collect biographical information, educational qualifications, work experience, pay and other perquisites, and other relevant information of the candidates and also a few references.

5. The selection test is a psychological test for comparing and contrasting the behaviour of two or more persons on the basis of a standardized measure of behavior.

6. The selection test must ensure objectivity, standardization and sample behaviour. The types of tests are the ability test, intelligence (IQ) test, aptitude test, achievement tests, personality test, interest test, and honesty or integrity test.

7. A selection interview is a face–to–face conversation to collect information from a candidate to determine his suitability for a job.

8. The kinds of interviews are structured interview, unstructured interview, in-depth interview, stress interview, panel interview, and computerized interview.

9. A reference check is a process of cross-checking the information provided by the candidates in the different stages of the selection process.

10. A physical examination is a medical test to ensure that the selected candidates meet the physical requirements of the job.

Review Questions

Essay-type questions

1. Evaluate critically the steps in the selection process.

2. Discuss the characteristics and types of psychological tests.

3. Analyse the merits and limitations of psychological tests as a tool of measurement.

4. How will you develop a test programme? Describe the precautions that should be taken in the case of psychological tests.

5. Explain briefly important interview techniques used for selecting supervisory and managerial staff.

6. What are the various hurdles in a selection procedure?

7. Enunciate the meaning and kinds of selection interview with examples.

8. Discuss the role of psychological tests in the selection process. Work out a classification of psychological tests and describe each category, keeping their utility in view.

9. "An interview is the least valid and reliable method of selection, yet it is most widely used." Comment.

10. State the strategies for an effective interview process.

11. "Selection is indeed an elimination process." Elaborate.

12. Evaluate critically the strengths and weaknesses of interview as a selection tool.

13. What organizational consequences might result if recruitment and selection are not done well? Illustrate with suitable examples.

Notes

1. Sunit Arora, "How to Hire for a Fit," *Business Today*, 7–21 January 1996, pp. 68–70.

2. Dale Yoder, *Personnel Management and Industrial Relations* (New Delhi: Prentice Hall of India, 1972), p. 229.

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Orientation, Socialization and Placement

CHAPTER OBJECTIVES

After reading this chapter, you should be able to:

1 List the objectives of an orientation programme
2 Enumerate the requisites of an effective orientation programme
3 Understand the process of an orientation programme
4 Differentiate between the different types of orientation
5 List the problems faced by employee orientation
6 Enumerate the steps for an effective orientation programme
7 List the process of socialization
8 Differentiate between the various types of socialization strategies
9 Understand the problems faced by placement

Abbott India Limited, a subsidiary of Abbott Laboratories, has its head office in Mumbai. It is engaged in the production of healthcare products and is well known for its quality. The Abbott Group has employed nearly 65,000 people all over the world with Abbott India accounting for over 1,000 employees. The core values of this company are Pioneering, Achieving, Caring and Enduring (PACE).

The HR philosophy of this company is "respect people" and it aims to achieve this through value-based management. It emphasizes developing teams work and creating an affable and professional work environment for its employees. The uniqueness of its HR approach is that it accepts experiential learning by employees and views mistakes as part of the learning process.

The company appreciates cultural differences and permits its employees to bring their best value and cultures to the organizations and accepts alternative views on any matter. Every two years, the company conducts a performance-culture survey on a global scale to evaluate the cultural attitude of its employees. Based on the results of the survey, it establishes new and broad cultural benchmarks for all its employees. This process of reassessing the culture and realigning it with the corporate values is known as the cultural health metric. The company utilizes the culture survey to develop action plans in the form of culture and diversity management programmes, and training and orientation programmes in order to achieve the core business objectives. As part of its Abbott "Promise for Life" programme, the Abbott group conducts a series of

values' workshops to align the employees' behaviour with the corporate core values and culture. Given this example about the importance of orientation and socialization for an organization, this chapter looks at the various aspects of orientation and socialization programmes.

Introduction

Employee orientation or induction is a crucial stage in the hiring process of an organization. The newly joining employees get the first impression of the organization through the orientation programmes. It is thus necessary for any organization to have a meticulously planned and well-executed orientation programme to educate the employees about the various aspects of the organization. Orientation programmes are useful in making the new employees feel assured, happy and at ease with the new environment. They can also ensure a smooth transition and integration for the employees without any initial shock and unpleasant surprises. The duration of employee orientation may vary from a few hours to several months, depending upon the job requirements and the policy and philosophy of the organization. In orientation programmes, employees are usually briefed about the history of the organization, its culture, values and attitude, the expectations of the management, the job and department details, and the product or service information.

While orienting employees to their job and organization, the organizations normally provide details of all their HR practices that concern them. For instance, the employees are given information about pay scales and incentive schemes, probationary period, the nature and duration of training, working hours, overtime rules, safety rules and procedures, promotion policies and opportunities, and leave facilities. In many organizations, new employees are usually taken around the office or factory premises and shown the different facilities available within the campus. A well-planned orientation usually reduces the likelihood of committing initial mistakes and achieves better understanding between the employer and the employees. As a result, it helps the organization in gaining substantial improvement in productivity, quality, cooperation, and industrial relations.[1] In contrast, the lack of orientation programmes might lead to employee alienation and dissatisfaction, a higher rate of attrition, and an increased cost of recruitment and selection.

Informing new employees about what they should do, how they should do it, and who they should report to are some of the issues that constitute the essence of orientation. Box 6.1 lists some of the definitions of orientations.

Box 6.1	Definitions
"Orientation is the process of receiving and welcoming employees when they first join a company and giving them the basic information they need to settle down quickly and happily and start work."[2] —Michael Armstrong "Orientation is the process of planned introduction of employees to their jobs, their co-workers, and the organization."[3] —Robert L. Mathis	"Orientation is a procedure for providing new employees with basic background information about the firm."[4] —Gary Dessler

We may define employee orientation as the systematic process of offering the essential information to new employees to make them feel comfortable in the organization and also in the job.

Purpose of Employee Orientation

Earlier, organizations depended merely on the printed materials and other impersonal methods to orient their employees. In fact, organizations were not too concerned about orienting the employees. However, the changing characteristics of the labour market, the increasing demand for skilled labour, the availability of simple and appropriate technology for storing and presenting information, and the employees' explicit demand for information about the organization have all forced organizations to pay serious attention to employee orientation. There is also a growing realization among the organizations that the process of orientation can sustain and improve the new employees' initial enthusiasm. We shall now see the important purposes served by employee orientation.

Formally Welcoming Employees

Many organizations view orientation programmes as an occasion for the management to welcome new employees formally and procedurally.

Overcoming Initial Uneasiness and Hesitation

The new employees normally suffer from initial anxiety about the organization. When this anxiety is not properly handled, it might lead to the formation of negative perception and eventually cause dissatisfaction and alienation. Orientation could help in quickly overcoming the initial nervousness and hesitation.

Exchanging Information

Orientation provides a platform for the organization to transfer knowledge about the job, department, organization and people to the new employees. For instance, the organization can provide information about the growth prospects available to the employees and also the training and development programmes undertaken by it for improving their career prospects. The organization, too, gets to know about the employees, their background and individual career plans.

Assessing Employees

Although the selection process has already evaluated the training requirements of the employees, the orientation provides one more opportunity to do so.

Acclimatizing Employees

Orientation programmes enable the organization to teach the employees the basics of the job and the safety measures to be adopted, and acquaint them with the other facilities available in the premises.

Controlling the HR Cost

In the absence of orientation programmes, employees are normally left to learn everything on their own, and this might push up their learning cost to the organization in the form of

resource wastage and work disturbances. Similarly, when the employees fail to match their expectation with the reality, they might leave the organization eventually. This could also increase the HR cost associated with recruitment and selection.

Developing the Team Spirit

When the orientation programme is conducted for a group of new employees, it helps in promoting team spirit among the peers. Besides, the ability of each member to work in a group can also be assessed through mock teamworks in orientation programmes.

Socializing Employees

Socialization refers to inculcating suitable values, standards and beliefs among the employees so that they integrate themselves not only with the formal organization but also with the informal groups. Orientation programmes help in developing the necessary beliefs, values and attitudes among the employees which should help the organization in achieving its core business objectives.

Types of Orientation

Based on the number and nature of the new employees and its policy towards orientation, an organization may decide on a specific method of orientation. Some organizations may complete the orientation quickly by providing just a gist of the job and the organization to the new employees. Others may use it as an important occasion to create a positive perception about the organization. They may also utilize the orientation programmes to boost up the chances of retention of these employees not only in the short term but also in the long term. Thus, the perception about the organization regarding the relevance of the orientation programme can also count a lot in choosing its specific type. We shall now see the important types of orientation programme.

General-idea Orientation

This may also be called overview or summary orientation. In this type, some general information about the organization is provided to the employees. For instance, information about the common policies and procedures, rules and regulations like the timings, attendance and discipline is provided. Similarly, details of safety provisions like emergency exits, fire extinguishers and first aid are also provided. The organization may also provide information about emoluments like pay particulars, incentive schemes and benefits to the new employees. Usually, specific information pertaining to the job and the department are avoided here. The organization may entrust the orientation programme to the HR department, which would conduct it for all new entrants, irrespective of their departments. Box 6.2 outlines the essence of the general-idea orientation programmes for Indian companies.

Job-specific Orientation

The purpose of this orientation is to inform the employees about the various aspects of the job and other things related to it. For instance, the details of the duties, responsibilities and accountabilities associated with the job, and the specific safety and other measures required in the performance of the job are provided. Similarly, employees are also briefed about

Box 6.2	Overview of the Orientation Programme at Dabur India Limited

Indian companies are employing several excellent HR practices to limit the employee turnover and control the hiring cost. They view employee orientation as an HR practice capable of stemming employee attrition, especially in the initial stages of employment. In fact, the employee turnover is usually quite high within the first few months of employee placement. During the initial stage, the new employees require special attention and close guidance. When these are not available to them, they may feel estranged and frustrated. These employees may eventually leave the organization, regretting their decision of having joined it. However, some organizations have developed the requisite efficiency in the art of conducting programmes in a professional manner to achieve the objective of stemming employee orientation. The example of Dabur India Limited deserves a mention in this regard.

Dabur has been making sustained efforts to align its HR policies and practices perfectly with corporate strategies to meet the growing needs of its business. Recently, the company introduced an identical, standardized and structured induction process for all its business units located in different parts of the country. The company also organizes intranet-based identical post-induction programmes for all its new employees. The company makes the orientation programmes available to all recruitment centres of the company. Besides the general induction programme, the company also conducts job-specific induction programmes for its management trainees under the Young Manager Development Programme (YMDP).

Adapted from: www.dabur.com/en/Investors1/Annual_ reports/2006-07/finalannula2007.pdf.

Box 6.3	Job-specific Orientation Programme at Bajaj Electricals Limited

Many companies depend crucially on the orientation programmes to present the positive aspects of the job and the organization to the new employees. They consider the orientation programme as a unique opportunity to help the employees understand their responsibilities in the job and the importance of the job to the organization. It is an occasion for the company to develop employee commitment and efficiency and also the desired work culture. The companies also use it as an occasion to understand the desires, expectations and values of the new employees. Normally, they develop their own style of orientation programmes based on their objectives. Bajaj Electricals Limited is an ideal case for discussion.

Bajaj Electricals has a well-defined job-specific orientation programme for every new employee joining the organization. The purpose of its orientation programme is to help the employee familiarize himself with the internal environment of the organization. It facilitates his understanding of the duties, responsibilities and

accountabilities associated with the job. It also enlightens him about the need for and techniques of working well in the challenging environment. Of course, these programmes help in overcoming the initial nervousness of the new recruits and make them feel confident and comfortable. The HR policy of the company stipulates that the conduct of the orientation programmes is the joint responsibility of the HR head and the business unit for which the employee has been chosen.

Besides the orientation programmes, the company has several internal and external training programmes to constantly upgrade the competencies of the employees. Besides the routine skill-enhancement programmes, it also has behavioural training programmes for enhancing interpersonal relationships, team-building, personal effectiveness and goal-setting.

Adapted from: http://www.bajajelectricals. com/t-trd.aspx.

department-specific matters, relevant rules and regulations, organizational structure and plant layout details. The HR department normally organizes these orientations for the new employees by involving the supervisors or managers of the concerned department. Box 6.3 shows the relevance of job-specific orientation programmes for an organization.

Traditional and Modern Orientation

Based on its purposes and content, orientation may also be classified into traditional orientation and modern orientation. When the organizations employ the general and oft-repeated materials to orient employees, it may be called traditional orientation. In this method, orientation is viewed as a ritual and one-time exercise by the organization. It primarily aims at engaging the employees on the first day and helps them overcome the initial nervousness. In the case of modern orientation, the organization views it as the beginning of a continuous process to convert an employee into a precious asset. Besides attending to the first-day concerns of the employees, it takes care of their training and career needs on a sustained basis. The modern orientation programmes aim at increasing the team spirit, enhancing productivity and achieving better employee satisfaction and retention. Organizations are now including even mentoring and on-the-job training as part of the orientation process to enhance its effectiveness.[5]

Process of Orientation Programme Development

With increasing globalization and the resultant labour mobility, organizations are determined to make the optimum use of the orientation programmes to get closer to the employees and establish a permanent bond with its workforce. This calls for systematic and scientific development of the orientation programmes. Though an organization can follow any process for designing its orientation programme, the one in Figure 6.1 is suitable for any kind of organization with necessary modifications. As illustrated in the figure, the steps involved in the orientation programme development process are (i) ascertaining the organization's policy, mission, and expectations relating to the orientation programme; (ii) determining the objectives of the orientation programme; (iii) determining the type of orientation programme; (iv) deciding the mode of delivery; and (v) gathering the participants' feedback. We shall now see these steps in detail.
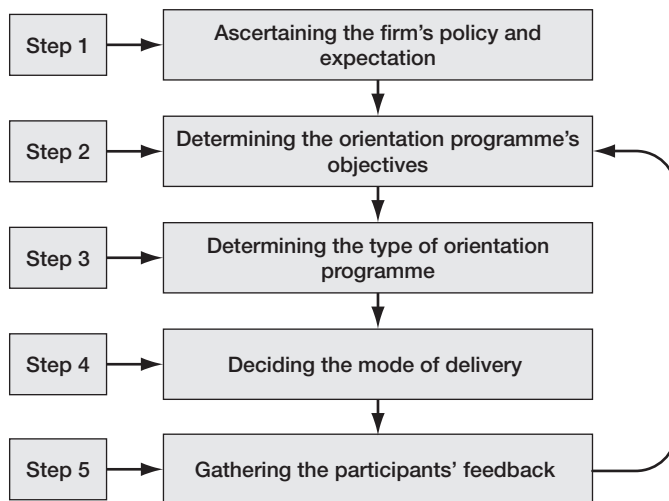
Figure 6.1

Steps in the Orientation Programme Development

Step 1: Ascertaining the Organization's Policy and Expectations Relating to the Orientation Programme

In the first stage, the HR department should analyse the policy, mission and vision statements of the organization to determine what it expects from the employees and also what qualities and characteristics it wishes to emphasize among them. The HR department should also ascertain what information different departments like those of accounts, welfare, computer and security require about the new recruits. Similarly, if these departments want to provide information to the new employees, the HR department should find out this information from these departments.

Step 2: Determining the Objectives of the Orientation Programme

Once the information requirements of different departments have been ascertained, the next step is the determination of objectives for the orientation programme. An organization can have multiple objectives for its orientation programme. For instance, removing employee fear and anxiety, conveying what the management expects about employee behaviour and performance, introducing the employees to their supervisors, peers and subordinates, providing them information about the duties, responsibilities and accountabilities involved in the job and orienting them with the rules, regulations and policies are a few objectives.

Step 3: Determining the Type of Orientation Programme

On the basis of its policy or past practices, an organization may decide to conduct one general programme or several job-specific programmes. While deciding the type of programme, it is necessary for the organization to consider factors like the objectives of the programme, the nature of information required, and the financial support available for the programme. If the organization decides to conduct different orientations for different categories of employees, then a need to collect information will arise about the participants, including their positions and departments. In the case of job-specific programmes, the organization may conduct separate programmes for managerial and non-managerial personnel and also for technical and non-technical personnel. In such a scenario, the organization must get ready with the required number and variety of orientation programmes to cater to the needs of the assorted categories of participants.

Step 4: Deciding the Mode of Delivery

At this stage, the organization should finalize its plan regarding the method to be adopted for information delivery. Usually, factors like the number of participants, the nature of information to be shared, infrastructure availability, and the category of participants are considered for deciding the manner of delivery of the requisite information. The method of delivery may include, among others, classroom-based orientation, multimedia-based orientation and on-the-job orientation. Besides determining the mode of delivery, an organization should also develop the necessary brochures and instruction manuals to be given to the participants.

Step 5: Collecting the Participants' Feedback

Since orientation programmes are conducted continuously in an organization, it is essential to review the relevance and efficacy of these programmes periodically. The organization

should take the feedback from the participants about their level of satisfaction with the various aspects of the programmes. In the feedback process, an organization may find out from the participants whether they have received satisfactory responses for their questions. For instance, they may have questions like

- What are my duties, responsibilities and accountabilities in the job?
- Who should I contact for getting things like the stationery?
- What are my office/factory hours, including breaks and overtime?
- Who are my immediate authorities and subordinates?
- How would my performance be evaluated in the organization?
- When and how would I get my pay and other benefits?
- Where are the facilities like canteen, parking lot, restrooms, first-aid room and toilets located in the premises?

Depending on the participants' level of satisfaction at the end of the orientation programme in obtaining the information needed, the efficacy of the programme may be determined. Based on the feedback, future orientation programmes should be adequately modified and improved to make them more appropriate for the time and situation and also for accomplishing the programme objectives.

An Effective Orientation Programme

Since the orientation programme is crucial to the management from the employee motivation and retention perspective, every effort must be made to make it effective and successful. The following measures might help the organization achieve the desired effectiveness:

Framing Clear-cut Objectives

The organization should frame the objectives of its orientation in unambiguous terms. It should decide clearly whether the orientation has a single objective or multiple ones. Similarly, it should make proper need assessments of the different departments to ensure that all their information expectations would be fulfilled through the identified objectives. The participants' status and information requirements should also be considered for determining the objectives. In any case, the objectives are capable of providing a clear direction to the whole orientation programme.

Determining the Roles of Departments and Personnel

The organization should determine clearly the department and persons responsible for conducting the orientation programme. It must have strong reasons for choosing a specific department for organizing the programme. The responsibility for orientation is assigned to the HR department normally. In some organizations, however, the training departments are assigned the task of conducting orientation programmes. This is because they are continuously involved in the training of the new employees at various stages of their employment. The services of the training department can also be used for educating the supervisors and managers about the methods of and need for the orientation programmes.[6]

Assessing the New Employees' Information Requirements Accurately

An effective orientation programme must be able to fully address the first-day concerns and general information requirements of the new employees. Its success lies in making the new employees feel assured and positive about their new organization and the job. Normally, the new employees would be saddled with questions like "Have I joined the right organization?", "Could I do this work?" and "Would I be accepted by my boss, colleagues and subordinates?". It thus becomes imperative for the orientation programme to identify and clarify all the likely doubts and questions of the participants, whether they have been expressed or not. Certainly, the greater the new employees' satisfaction with the outcome of the orientation process, the faster his integration into the job and the organization.

Selecting Appropriate Methodology, Techniques and Programme Content

The organization should also be judicious in designing the content (curriculum) of the orientation programme. It should not attempt to include everything in the programme content. It should decide exactly what the employee should know initially and what information can wait for future presentations. It should never overburden the new employees with information. Thus, it is essential to ensure that the programme content flows from the objectives and also works towards their attainment.

Having decided the content, the organization should choose the most appropriate delivery technique for information presentation. The nature and size of the content, the length of the programme, and the number and nature of the participants normally influence the selection of the delivery tools. The delivery techniques may include instructor-led teaching, learning by doing the job, one-to-one conversation with the supervisor, and allowing participants to raise questions. The technique that matches the learning and perceptual abilities of the participants should be selected. For instance, some categories of employees may be good in quickly grasping the information presented while others may be slow in understanding such information. An organization may use one or more of delivery techniques like visual (video), print (written form), aural (classroom teaching), interactive (group discussion), tactile (demonstrative form like model-building) and kinesthetic (role plays, games),[7] depending upon the situation and the participants. Thus, the delivery system should be developed properly to meet the requirements of each participant. In any case, it is important to ensure that the interest and enthusiasm of the employees are sustained by these programmes and not destroyed.

Creating a Positive Environment for New Employees

The organization should strive to create a positive environment for its new employees. Even before the beginning of the orientation sessions, arrangements must be made to receive these employees and guide them to their predetermined places. They should never suffer from the feelings of haplessness and alienation. The organization should make every possible effort to make their first day the most memorable in their career. The whole orientation programme should be designed in such a way that the participants completely enjoy their participation in it.

Providing Continuous Review and Effective Feedback

As employee orientation is a continuous process in an organization, it is necessary to develop appropriate instruments to evaluate the effectiveness of such programmes. Evaluation techniques should measure the extent of learning achieved though orientation programmes. They should specifically measure the different learning aspects like cognitive learning (knowledge development), affective learning (attitude development) and behavioural learning (skill development).[8] On the basis of the results of the feedback, the organization should carry out necessary improvements in the objectives, content, delivery techniques and evaluation process.

Problems in Orientation

Normally, organizations entrust the development of the orientation programme to the HR department and its execution to the supervisors and managers. When the organizations fail to plan and execute the orientation properly, it may not fulfil the desired objectives. Consequently, the time and resource spent on programme development and execution might go waste. We shall now see the problems affecting the efficiency of the orientation programmes.

Data Overload

The purpose of an orientation programme is to orient the employees with the basic information sufficient for initial survival in the organization. New employees should not be overloaded with a large amount of information as they may not be able to absorb it all at once. It is, therefore, necessary to spread out the information so that the employees have time to receive, analyse and assimilate it. Unfortunately, overenthusiastic organizations and HR people in particular dump a huge chunk of information on the very first day of an employee's arrival. This may frighten the panic-gripped employees further.

Problems of Boredom and Rigidity

When an organization conducts the orientation programme in a formal and rigid manner, just like a ritual, it may not achieve the purpose of making the employees feel at ease. It is necessary to conduct the programme in as lively and interactive a manner as possible. The employees should be encouraged to participate in the orientation programme voluntarily and actively. This may call for good interpersonal skills among the facilitators who conduct the programme. Many organizations lack facilitators with the requisite interpersonal skills and expertise. Moreover, the orientation programmes should be interspersed with games and stories to kindle the participants' interest. In a nutshell, organizations should make the orientation an enjoyable exercise and not a punishment for the employees who have just arrived.

Lack of Adequate Time and Training for Facilitators

When an organization entrusts the role of facilitators of an orientation programme to the supervisors and line managers, they may not have adequate experience and training to handle the orientation programmes effectively. Besides, they may also be too busy to prepare for the programme in advance and this may eventually affect its efficacy. They might also attempt to undermine the importance of the participants' position in the organization and overemphasize their own authority on the participants' job. As a result, the participants may feel threatened by the attitude and behaviour of the existing employees.

Risk of Failure and Counter-effects

A well-planned orientation programme is capable of enhancing the retention rate of the employees and, thus, reducing the attrition, especially in the initial years. However, a poorly planned and hastily executed orientation programme could be counterproductive for the organization. It may unintentionally force the new employees to develop negative perception about the efficiency of the organization and also about its attitude towards them. This may eventually force employees to leave the job abruptly out of fear and anxiety about the future.

Lack of Diversity in the Orientation Programmes

People have different levels of learning abilities and perceptual skills. Some people may have better grasping abilities than others. Similarly, merely listening to the presenter may be sufficient for some people to comprehend the subject matter, while others may require video presentation and demos for a clearer comprehension of information. However, many organizations often adopt a common method and identical delivery system in orientation programmes for all new employees, irrespective of their skill levels and educational backgrounds. This may impact the efficacy of the orientation process.

Absence of Evaluation and Follow-up

Orientation programmes are definitely an important HR function and a recurring activity for any organization. It is thus essential for the organizations to evaluate the efficiency of the orientation programmes by collecting their feedback from the participants. They should also promptly follow up the feedback process by incorporating the necessary improvements in the programme to make it up to date. However, many organizations hardly undertake a serious evaluation of their orientation process and even when they do this, they do not follow up the evaluation with necessary actions.

Socialization

Socialization is the process of introducing or integrating the new employees into the organizational culture. In simpler terms, it is the process by which the new employees learn the organizational culture. While orientation and placement are concerned with the smooth integration of the employees into the job, socialization aims at inculcating suitable values, culture and behavioural standards in them. Generally, employees who attend socialization programmes are found to be performing better in their jobs than those who don't; they also record low attrition rate.[9] However, socialization is a much longer process than orientation. In spite of the comparatively long period of socialization required for achieving the results desired, some organizations have developed an excellent socialization process for improving the performance and loyalty of the employees. For instance, firms like Procter & Gamble and IBM have achieved excellence in the socialization process.[10]

Facilitating the employees to share the organizational values and culture is the core of socialization programmes. The definitions in Box 6.4 highlight the different interpretations of socialization.

We may define socialization as the process of exposing the new employees to the organizational culture systematically and integrating them into it eventually.

Box 6.4	Definitions of Socialization

"Socialization means the process used by the companies to expose new employees to their culture and way of doing things."[11]

—Randall S. Schuler and Ian C. Macmillan

"Socialization is the ongoing process of instilling in all employees the prevailing attitudes, standards, values, and patterns of behaviour that are expected by the organization and its departments."[12]

—Gary Dessler

"Socialization is the manner in which an individual learns (the) behaviour appropriate to his positions in a group through interaction with others who hold normative beliefs about what his role should be and who reward or punish him for correct or incorrect actions."[13]

—Orville G. Brim

Differences Between Orientation and Socialization

Though orientation and socialization are often seen as the two sides of the same coin and as interchangeable terms, there are a few definite differences existing between the two terms. These differences have been listed in Table 6.1.

The Socialization Process

The process of socialization of employees takes place in two phases. These are socialization by organization and personalization by individuals.[14] In the first phase, the organization makes efforts for the socialization of the new employees. This is done through orientation

Table 6.1   Differences between Orientation and Socialization

Orientation	Socialization
Orientation is usually a formal and structured process of learning the organizational reality by the newcomer.	Socialization is typically an informal and spontaneous process of learning about the organizational culture by the newcomer.
The first way or occasion the newcomer experiences the organization is normally through orientation.	The socialization process normally begins during or after the orientation. However, the subsequent orientation for the newcomers is often influenced by the outcome of the socialization process.
Orientation is a short-term and time-bound activity.	Socialization is generally a long-term and gradual process.
The HR department generally takes the primary responsibility for the orientation process.	The line management normally takes the primary responsibility for the socialization process.
The aim of orientation is to introduce the newcomer to the organization itself.	The aim of socialization is to introduce the newcomer to the organizational culture, attitudes, standards, values, and behavioural aspects. It also involves introducing the newcomer to the work environment.
It is usually a one-time event organized at the beginning of an employee's career in the organization.	It is an ongoing process in which the employees continuously learn about their organizational culture.

and training programmes. In the second phase, new employees do their best to personalize their relationship with the organization. The employees assume responsibility for changing their attitudes, behaviour and values and conform to the prevailing organizational culture.

The organizational socialization process usually comprises three stages (see Figure 6.2). These are (i) anticipatory socialization, (ii) organizational socialization and (iii) socialization outcomes. However, these stages are interdependent because the result of one stage acts as the input for next stage. We shall now see these three stages of the socialization process.

Anticipatory Socialization

This is the first stage in the socialization process but is normally completed even before the actual entry of the employees into the organization. It refers to the values, attitudes and other behaviours already acquired by the new employees before their entry into the organization. They have acquired these behaviours through their experiences in earlier jobs and educational institutions. The organization attempts to find out these behaviours of the employees through the selection process. It normally selects those who exhibit appropriate behaviour.

Organizational Socialization

In this stage, the organization undertakes the necessary efforts to gradually expose the new employees to the prevailing organizational culture. This is done by facilitating the employees to learn the relevant values, beliefs and attitudes. When the pre-acquired values of the employees and the organizational culture are similar, the socialization process becomes simple as it can easily help the employees assimilate the organizational culture and values. In contrast, the socialization programme becomes critical when there are divergences in the new employees' values and the organizational culture. Organizations may employ a formal or an informal socialization process or both to educate the employees about the organizational culture. In the case of a formal socialization process, employees are taught about the new values and the required behaviour through orientation programmes, training and development programmes and work assignments.[15] In an informal socialization process, the superiors, subordinates and peer group members are made responsible for the socialization of the new employees in an informal environment by adopting a casual approach. Organizations may combine both formal and informal socialization methods for achieving effective and faster results.

Socialization Outcomes

The final stage of the socialization process is the achieving of the objectives of the socialization efforts. Since it is difficult to measure attitude, behaviour, commitment, motivation and values, as these are abstract terms, the organization may keep its objectives in terms of productivity, performance and other measurable terms. When the outcomes are positive, the socialization process is normally viewed as effective.

Figure 6.2
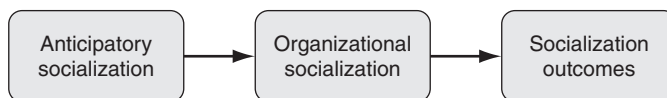
The Socialization Process

Dimensions of Organizational Socialization Strategies

The socialization plans of organizations can be classified into seven categories. These are formal or informal, individual or collective, fixed or variable, sequential or non sequential, serial or disjunctive; tournament- or contest-oriented, investiture or divestiture.[16] We shall discuss these strategies briefly.

Formal or Informal Strategy

When the organizations use formal training programmes for the socialization of the new employees, it is a formal strategy in socialization practice. Normally, the infrastructure available for training programmes is used for organizing formal socialization programmes. In case of informal socialization programmes, the new employees are left to learn everything by themselves and that too in an informal environment. For instance, the colleagues and other employees would help the new employees learn the culture of the organization.

Individual or Collective Strategy

When socialization programmes are conducted collectively for a group of new employees, it is a collective strategy. In contrast, socialization programmes are conducted on a one-to-one basis in an individual strategy. For instance, a supervisor may be assigned the task of educating a new subordinate about the values and culture of the organization.

Fixed or Variable Strategy

In the case of a fixed strategy, organizations predetermine the time and duration for each activity to be undertaken as part of the socialization programmes. A clear-cut schedule is developed for carrying out socialization programmes. On the contrary, no such precise time-table is prepared for socialization in a variable strategy. The convenience of the facilitator and the participators is more important.

Sequential or Non-sequential Strategy

If the organization requires its employees to complete a specific stage in the socialization programme before moving on to the next position in the organization, it is called a sequential strategy. When the organization does not insist on the completion of such sequential stages in the socialization programme while allowing its employees to move to a position, it is called a non-sequential strategy.

Serial or Disjunctive Strategy

When the experienced superiors conduct the socialization programme for the new employees before they are placed in the organization, it is called a serial socialization strategy. In contrast, the employee can join the designated position without even attending the socialization programme in a disjunctive strategy.

Tournament- or Contest-oriented Strategy

In a tournament-oriented strategy, the new employees are grouped on the basis of their skill levels and educational backgrounds for the purpose of socialization. Separate socialization

programmes are then conducted for each of these groups. In contrast, no such groups would be made for the new employees of the same cadre on any basis in the case of a contest-oriented strategy.

Investiture or Divestiture Strategy

When the socialization programme aims at reinforcing the values and beliefs brought in by the new employees, it is called an investiture strategy. This strategy is usually adopted when there is compatibility between the individual culture and the organizational culture. In contrast, the socialization programme attempts to modify or even annul the values and beliefs of the new employees in the case of a divestiture strategy. This strategy is employed when there is an incompatibility between the organizational culture and the individual's values and beliefs.

Organizations can choose any combination of strategies for accomplishing the objectives associated with their socialization programmes.

Placement

Placement is the process of finding an appropriate fit between the people and the positions in an organization. It is actually the determination of the job which an accepted candidate is to be assigned to, and his assignment to that job.[17] When the organization chooses an exact number of candidates for the specific vacancies available in the organization, placement is simple and easy. In contrast, placement becomes crucial when the organization selects the candidates in a general manner and then places them in the jobs at a later stage. This kind of situation arises when the organization recruits management trainees, graduate trainees and engineer trainees. Organizations have to devote a lot of time and energy in choosing the right jobs for the selected employees.

Once the employee completes the stipulated orientation and/or training successfully, the next step is his placement in the job. Based on the employees' work performance and behaviour in the orientation programme, organizations choose not only the appropriate jobs but also the appropriate supervisors for placing the employees. In fact, the growing attitudinal problems and the high level of attrition arising out of incompatibility between the new employees and their supervisors compelled the organizations to adopt a careful approach in deciding the superior–subordinate pairs.[18]

On many occasions, organizations utilise the orientation programmes for identifying the behaviour, knowledge and attitude of the new employees. This information is then used to choose the appropriate placement for the employees. Similarly, organizations also use long and extensive training programmes for identifying the aptitude of the employees before placing them in suitable positions, especially in the case of managerial placements.

Placement is usually the last stage in the recruitment and selection process of an organization. The organization should find a proper balance between the job requirements and the employee's qualifications. Understandably, job description and job specification greatly assist the organizations in successfully completing the process of placement. The process of job placement also involves reassigning the jobs among the existing employees.

Challenges in Placement

Though placement appears to be a simple function for an organization, it is not so in reality. Quite a few issues can cause the placement efforts to fail in the organization. The

failed placement may lead to increased attrition, thus pushing up the cost of recruitment and selection. It is therefore essential for the organizations to identify and overcome these challenges to improve the efficiency of the placement process. A few of these challenges are:

Cultural and Behavioural Incompatibility In the case of placement, organizations generally consider the job requirements and the employee's qualifications. They often overlook the behavioural requirements in the placement process. However, the organizations should consider the behavioural compatibility between the superiors and the freshly joining subordinates. They should ensure the fitness of the whole man for the job and not his skill alone. If they attempt to ensure an alignment between only a few aspects of the new employee and the job, it may become a piecemeal approach towards placement with significant chances of failure. Finally, cultural compatibility should also be considered in placement. This is because the culture differs within the organization and also from department to department.

Nature of Job The nature of job can also cause problems in placement. Jobs can be classified into independent and interdependent ones. Independent jobs are the ones that are performed by the employees with little help from others. Obviously, placement for these jobs is simple and straightforward.[19] In the case of interdependent jobs like assembly-line jobs in the production department and pooled jobs involving teamwork, job placement is a difficult exercise. This is because the organization should consider many factors before placing an employee in these jobs. For instance, the skills of socialization and leadership should also be taken into consideration to determine the match between the job and the employees.

Level of Adaptability When the employees exhibit a high degree of flexibility and openness, it can facilitate the process of placement. In contrast, placements become difficult when the employees exhibit stiffness. In such cases, the organizations should be more careful in finding the placements for these employees.

Summary

1. Employee orientation is the systematic process of offering essential information to new employees to make them feel comfortable in the organization and also in the job.

2. The purposes of orientation are formally welcoming employees, overcoming initial uneasiness and hesitation, exchanging information, assessing the employees, acclimatizing the employees, controlling the HR cost, developing team spirit, and socialization.

3. The types of orientation are general-idea orientation and job-specific orientation. It can also be classified into traditional and modern orientation.

4. The steps in the process of orientation programme development are (i) ascertaining the organization's policy, mission, and expectations relating to the orientation programmes; (ii) determining the objectives of the orientation programmes; (iii) determining the type of orientation programme; (iv) deciding the mode of delivery; and (v) gathering the participants' feedback.

5. The strategies for making an effective orientation are framing clear-cut objectives for the orientation programme, determining exactly the role of different departments and personnel in the orientation programme, assessing accurately the new employees' information requirements, selecting the appropriate methodology, techniques and programme content, creating a positive environment for the new employees, and continuous review and effective feedback.

6. The problems in orientation are data overload, boredom and rigidity, lack of adequate time and training for facilitators, the risk of failure and counter-effects, lack of diversity in orientation programmes and the absence of evaluation and follow-up.

7. The challenges in placement are cultural and behavioural incompatibility, the nature of job and the level of adaptability.

8. Socialization means the process of exposing the new employees to the organizational culture systematically and integrating them into it eventually.

9. The steps in the socialization process are (i) anticipatory socialization, (ii) organizational socialization and (iii) socialization outcomes.

10. The dimensions of organizational socialization strategies are formal or informal, individual or collective, fixed or variable, sequential or non-sequential, serial or disjunctive, tournament- or contest-oriented, and investiture or divestiture.

Review Questions

Essay-type questions

1. Discuss the purposes of employee orientation with relevant examples.

2. Elaborate the various kinds of employee orientation programmes with suitable examples.

3. Enumerate the steps involved in the orientation programme development process.

4. What strategies would be adopted by you in making the employee orientation effective?

5. Explain the challenges facing the employee orientation process. Also state your suggestions for tackling such challenges.

6. What do you mean by job placements? What are the challenges faced by organizations while placing employees in the organizations?

7. Describe the stages involved in the socialization process with live examples.

8. Illustrate the different dimensions of organizational socialization strategies using examples.

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CHAPTER

7

Career Planning and Guidance

CHAPTER OBJECTIVES

After reading this chapter, you should be able to:

1 Define the objectives, features and process of career planning

2 List the steps needed to improve the effectiveness of career planning

3 Discuss the role of career guidance

TVS Motor Company of Chennai has an annual turnover of U.S. $1 billion. It is one of the top ten automobile companies in the world. This company is engaged in the production of a wide range of two-wheelers like mopeds, scooters and motorcycles. It has a strength of nearly 5,000 employees. It has adopted several HR practices to promote employee well-being. In fact, it has not lost even a single day to industrial disturbances for several consecutive years.

TVS Motor believes in offering to its employees not just jobs but careers with long-standing companionship. The HR practices of the company are strongly oriented towards addressing each employee's aspiration to grow professionally and personally through efficient career development programmes. The company employs continuous training and development programmes as an HR strategy for attracting and retaining the best talents. For instance, it has institutionalized the leadership development programmes as part of the career development for senior executives. It also conducts career development workshops to recognize individuals with high-growth prospects periodically. Its organizational career planning activities are supported by healthy career progression options with due recognitions and rewards.

As part of its long-term career development programmes, TVS Motor has developed tailor-made master's degree programmes in collaboration with the premier educational institutions in India. Similarly, it ensures periodic job rotation for its employees to help them develop varied perspectives. The systematic career development efforts of TVS Motor indicate the importance of career planning for the success of an organization in terms of employee performance and commitment, and we discuss it in detail in this chapter.

Introduction

An individual's career signifies the positions held by him throughout his work life. An evaluation of a career would show the extent to which one has accomplished the specific career goals in life. A career can be viewed from two perspectives: objective and subjective.[1] An objective

perspective of career deals with the past positions held by an individual. In contrast, a subjective perspective looks at the career of an individual from the perspective of the future positions he is likely to hold. However, the basic assumption in any career perspective is that individuals exercise some sort of control over their future and can ensure optimum utilization of the available opportunities.[2] Organizations are expected to support employees in accomplishing their career and life goals through career planning activities. Career planning is the collective responsibility of the organization and the concerned individual. The process of evaluation of the different aspects of an employee like work performance and efficiency, self-worth, personality, lifestyle and career goals form the major part of career planning. The main aim of career planning is to help employees achieve career progression within the organization.

In a changing labour market environment with increasing demand for skilled labour, organizations are increasingly viewing career planning as a viable option to attract and retain an efficient workforce. When the employees are aware of the future plan of their organization for them, they may be more interested in continuing in the same organization. Moreover, those firms that actively involve their employees in career planning usually enjoy better patronage from them. Thus, career planning is an important technique for achieving better employee retention and cooperation. However, career planning is not a one-time activity for an organization. Rather, it is a continuing process of assessing the employees' performance and potential and throughout their career fulfilling their requirements on a regular basis.

The essence of career planning is the attainment of the employee's career and personal goals. The definitions in Box 7.1 encase these points.

We may define career planning as the process of identifying and accomplishing the employees' career objectives through a systematic way of skill identification, assessment and development.

Features of Career Planning

Based on the interpretation of the definitions in Box 7.1, the following features of career planning have been developed:

- Career planning normally follows a bottom-up approach in which the process begins with the individuals, works upwards, and ends with organizational interventions.

- It is not a one-time affair but an ongoing process by which an employee identifies the needs and also the methods to fulfil those needs on a regular basis.

- It aims at matching the individual's career goals with the opportunities available.

Box 7.1	Definitions
"Career planning is the set of policies and practices an organization uses to provide for its human resources requirements."[3] —J. A. Sonnenfeld et al.	"Career planning is the deliberate process through which someone becomes aware of personal skills, interests, knowledge, motivations, and other characteristics; and establishes action plans to attain specific goals."[4] —Gary Dessler

- It is a means of achieving employee progression and organizational efficiency and not an end in itself.
- It is the collective responsibility of both the individual employee and the organization.
- It is normally made in a dynamic environment where the changes in the demand for and supply of labour, the characteristics of labour, technology, competitive conditions and market strategies are rapid and often radical.

Objectives of Career Planning

The primary purpose of career planning by the employees is to develop their career goals strategically and then achieve success by utilizing the available opportunities. The individual employees attempt to achieve career success by employing relevant skills and knowledge. In the case of organization, it is an opportunity to show its interest in and commitment to the well-being and growth of the employees. Of course, the organization also seeks to achieve optimum employee efficiency and loyalty. The primary responsibility for career planning lies with the employees but the supervisors, the line managers and the HR department have a collective responsibility in designing and developing realistic career plans. We shall now see the important objectives of career planning.

- Career planning facilitates the employees to develop not only their career goals but also the ways to achieve these goals.
- It helps individuals to remain competitive in the labour market by constantly upgrading competences as part of goal fulfilment efforts.
- It acts as the basis or standard for tracing the career progression achieved by an employee throughout his work life.
- It forms the basis for succession planning in the organization. It helps the organization in its preparation for the future by identifying and developing people for critical positions.
- Through career planning, an organization can attract and retain its best people for a relatively longer period of time.
- Career planning is viewed as an effective technique by the organization to limit the labour turnover and achieve better employee efficiency and commitment.
- It provides an opportunity for the organization to assess the strengths and weaknesses and also the area of development of the employees for the purpose of career planning and development.
- It forms the basis for determining the training and development requirements of each employee in the organization.

Box 7.2 outlines the role of talent management in career planning.

Important Terminology Used in Career Planning

Familiarization with the following terms is essential for a better understanding of the working of career planning and development process.

Box 7.2	Talent Grooming at the Aditya Birla Group: A Career Development Initiative

Career planning and development is a lifelong process for the employees. In fact, organizational career planning begins immediately after the placement of an employee. In many cases, even orientation programmes become the starting point of the career development of the employees. However, the important prerequisite in any career-planning programme is that each employee must have a personal career goal. Further, this personal career goal must be in agreement with the organizational career plans. It is also to be ensured that the organizational career planning efforts contribute to the fulfilment of the career objectives of the individuals. The organization should ascertain the career goals of the employees before placing them under any of the organizational career-development activities. In the absence of personal career objectives for the employees, the organization should help them in developing their own career objectives. The Aditya Birla Group is a case in point.

The basic assumption of the career planning programme of the Aditya Birla Group is "talent is ubiquitous".

Certainly, each employee is gifted with some talents and it is an obligation on the part of the organization to identify and develop them. Once the existing talents of the individual employees are recognized by the organization, career development efforts begin through a talent management process. Training and development programmes are organized to leverage their strengths and focus on the areas of development. As part of the career development initiative, the Aditya Birla Group conducts programmes like developmental assignments, classroom training, coaching and participation in special project teams to enable employees to learn and develop skills and achieve career goals. Its specific programmes for the development of managers are rotational training, role changes, assignment matches based on the corporate goals and the individual's interests, strengths and development needs.

Adapted from: http://www.adityabirla.com/careers/talent-management.asp.

Career

Career, in general, is a sequence of upward movements in the career ladder achieved by an employee. It is normally accompanied by enhanced earnings, power and social security. It may also be described as "a series of separate but interrelated job activities that offer stability, order and meaning to an individual's life".[5]

Career Path

Career path refers to the systematic and deliberate advancement made by an individual in his career in the entire work life. It indicates the way in which one's career has progressed. Of course, the career path is shaped by factors such as an individual's knowledge, skills, ability and the opportunities actually available.

Career path can be classified into a general career path and individual career path. In the case of a general career path, the organization prepares different career paths for each job in the organization structure. This is done by analysing the position of the job in the organizational structure. In the case of the individual career path, the organization carries out employee analysis to determine the career path of each individual in the organization. It prepares an individual career plan for each employee.

Career System

The term *system* normally means a set of inter-dependent parts with the required interaction forming a whole. Career system refers to the creation of an integrated employee development

system for supporting the career aspiration of the employees. Career information and assessment, career counselling, mentoring, and career guidance are the essential components of the career system. There are two types of career system, namely, a person-based career system and a position-based career system. Finally, when technology is used extensively in a career system for gathering, processing, storing, utilizing and disseminating information relating to career planning and management, it is called a career information system.

Career Management

Career management is usually divided into personal career management and organizational career management. Personal career management means self-management of career by an individual. The individual becomes responsible for designing and executing his career goals. The organization takes limited or no responsibility for the career management of the individual. Obviously, personal career management is also called career self-management. In the case of organizational career management, the organization adopts a paternalistic approach towards the career management of the employees. It plays a dominant role in the development and execution of the career plans of its employees.

Career Counselling

Career counselling is the guidance given by experts to the individuals about the path to be adopted by them in accomplishing their career goals. The career counsellor assists the employees in discovering their potentials and weaknesses. He also answers their queries about their career prospects and plans.

Career Anchoring

Career anchoring refers to the factors that influence the selection of the individuals' career choices. It is normally based on an individual's own perception of his competencies and abilities called drives. For instance, the drives that influence an individual to take up a specific career are technical and managerial competencies, security and stability, creativeness, autonomy and independence.[6]

Career Cluster

Career cluster refers to the categorization of different occupations. Jobs of similar nature are usually brought together under a career cluster.

Career Success

The term *career success* differs in meaning from one individual to another, depending upon their perception of success. However, career success can broadly be classified into three categories: (i) the ability to live a good life outside the work; (ii) a fine performance in the job; and (iii) growing continually in the profession and also performing a demanding work.[7]

Process of Career Planning

The career planning process involves the assessment of the factors influencing the career options in order to make an informed choice about career goals and its execution strategy. The steps involved in a career planning process are (i) self-assessment by the individual;

(ii) evaluation of the career opportunities available; (iii) undergoing career-oriented skill development exercises; (iv) matching and decision-making; and (v) implementation and review. These steps, shown in Figure 7.1, will now be discussed in detail.

Self-assessment by the Individual

In the first step of the career planning process, the individual employee must make a realistic assessment of himself from the career planning perspective. This helps him know where he stands as of now and where he intends to move from here.[8] This self-assessment normally involves the identification of one's strengths, weaknesses, interests and desires. In specific terms, an employee must do a self-introspection to ascertain his skills levels, motivational levels, personality, values and beliefs, socialization skills, adaptabilities, personal and work-related preferences, and short- and long-term needs. This list may not be exhaustive but the employee should not miss out on any factor that could influence his career decision. An accurate self-assessment helps in making the right choice of job or profession.[9] The employee may also seek the assistance of his friends, colleagues, superiors and subordinates in assessing himself. Similarly, an organization can also assist the employees in the self-assessment process by conducting career planning workshops and individual career counselling, providing self-assessment material, establishing development centres and organizing mentoring programmes, besides outplacement programmes. [10]

There are several techniques available for the self-assessment of individuals. These include the strength and weakness balance sheet, the likes and dislikes survey, the Myers-Briggs Type Indicator (MBTI) assessment technique, and type focus assessment. A brief explanation about each of these techniques is provided as follows.

The Strength and Weakness Balance Sheet   A balance sheet is made up of two opposite sides, namely, liabilities and assets. Similarly, an employee can also prepare a balance

Figure 7.1

The Career Planning Process
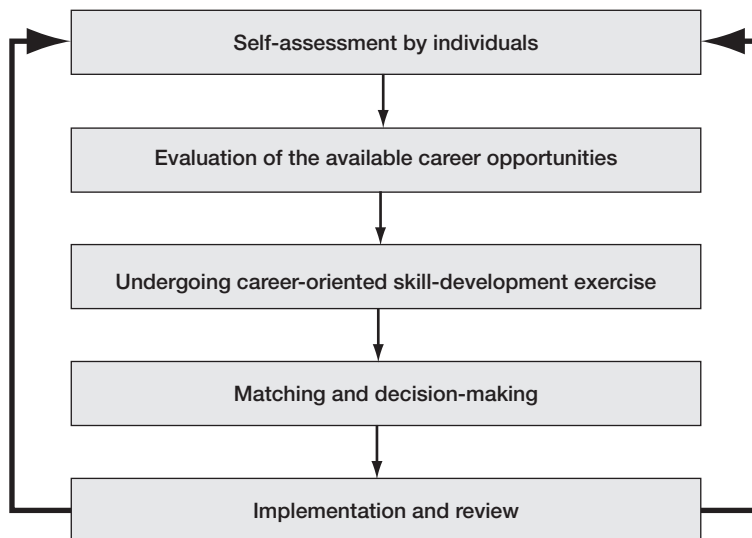
sheet with strengths and weaknesses as its two opposite sides. The list of the strong points of an employee assessed on a self-evaluation basis is shown on the strengths side. In contrast, the list of weak points is included on the weaknesses side. An evaluation of this balance sheet reveals the strengths that can help the employee in the career progression and the weaknesses that might restrict his career options and progression. The weaknesses would help him focus on the areas of development.

The Likes and Dislikes Survey   This is a technique that enables an employee to be aware of his likes and dislikes in his work life. This would enable the employee to choose a career goal that suits his preferences. It can also help the employee comprehend the extent of restriction placed on his career options by his own attitude and behaviour. For instance, some people may not like to leave their hometown due to personal commitments. Similarly, people may have a special liking or disliking for nations, regions, demography size, culture, language, and so on. When the employee is absolutely clear about what he likes and dislikes in life, the chances of making erroneous career decisions would be fewer.

The Myers–Briggs Type Indicator (MBTI) Assessment Technique   The purpose of this questionnaire is to identify the psychological preferences and personality of an employee. In fact, it helps employees in understanding his behaviour, attitude and preferences. This assessment technique would help an employee know whether he is an extrovert or introvert, whether he has a judging (decisive and logical) or a perceiving (open-ended and random) attitude, and whether he prefers an objective or a subjective analysis of information. This technique helps the employee assess his psychological characters in a highly systematic manner.

The Type Focus Assessment   This technique helps in understanding the nature and type of personality of an individual. It enables the individual to gain insight into his own personality and the knowledge of it would enable him to decide his profession and also bring improvement in his behaviour.

Evaluation of the Available Career Opportunities

Based on the self-assessment, the employee now attempts to connect himself with the career opportunities existing within the organization. As a first step in this stage, the employee makes an attempt to identify the career options available to him. For this, the employee must look to both conventional and unconventional sources to identify suitable career choices. From now on, career planning becomes the collective responsibility of both the individual and the organization. The organization normally gets involved in the process of identifying the future positions for which an employee can be considered. It also involves the manager, supervisors and subordinates in the process of helping the employees identify their career opportunities. Some organizations may begin this process immediately after an employee joins the organization or completes his orientation.

The organization may conduct performance evaluation periodically to identify the strengths, weaknesses, and the existing efficiency levels of the employees. This evaluation report may form a basis for identifying the appropriate future positions for the employees. However, in this stage, only a provisional selection of career opportunities is made with the limited aim of determining the training and development requirements of the employees. An elaborate and meticulous evaluation of job fitness and matching for employees would be done at a later stage.

Undergoing Career-oriented Skill-development Exercises

In this stage, the employees become aware of their competency requirements from the career growth perspective. When the employees clearly discover their training and education requirements for achieving career goals, they should promptly begin to search for the appropriate sources for learning. The organization should take up the responsibility of providing the necessary learning to the employees to help them achieve career progression. It may employ the most suitable technique for facilitating effective employee learning. It may use any of the methods like self-learning, on-the-job learning, distance learning, e-learning, work-based learning and action learning.[11] The HR and training departments usually organize target-specific programmes for employees in skill enhancement exercises. However, some organizations may provide necessary training and education at the transition stage alone, i.e., at the time of promotion or transfers, while some others may provide training and education at periodic intervals.

Matching and Decision making

Once the employees have worked on their problems, issues and concerns that could restrict their career progression, they would make the final comparison of the available career opportunities and their career goals. They develop a variety of possibilities that fit their career plans through brainstorming. An employee may finally settle for a strategy that best suits his career aspiration. Similarly, organizations may develop future opportunities for the employee through programmes like succession planning. In fact, career plans act as the basis for succession plans of a firm for filling the key positions in the future.

Implementation and Review

Once the employees choose the career opportunity that suits their career goals best, they formulate specific strategies to accomplish the career goals. At this stage, the employees adopt a step-by-step procedure to successfully attain their career goals. Organizations usually develop career paths for employees and gradually move them on those predetermined career paths through promotions, transfers and, in some cases, demotions. There are many kinds of career paths available within an organization for the employees to move up the career ladder. These are conventional career paths, dual skill path, lateral career path, and network career path. We shall now see the different kinds of career path briefly.

Conventional Career Path   In a conventional career path, employees move up from one job to another ranked immediately higher than their present job in the organizational hierarchy. It is actually a vertical mobility achieved through promotion. It is based on the assumption that each preceding job is a training ground for the succeeding job. However, this career path is often disturbed by external recruitment and employee attrition.

Dual-skill Path   This refers to a situation in which the employee enjoys an option to decide between two career paths available in the firm. In case an employee is not willing to get promoted to a managerial position due to the additional responsibilities involved and the new skills required, he may opt for some other non-managerial position with increased duties and rewards. Often, people with sound technical knowledge and limited managerial skill make use of this type of career path. Other employees can, however, follow the normal career path existing in the firm.

Lateral-career Path   This is a horizontal movement in the career path of an employee. To overcome the problems of job boredom and provide variety, an organization may provide lateral movement to its employees. Normally, such a movement is not accompanied with any pay hike. The aim of a lateral career path is to provide intrinsic satisfaction to the employees.

Network-career Path   This is a combination of lateral and vertical movements. This method is adopted when the employee requires multi-skills and diverse experiences before being considered for any promotion in the future. In such a scenario, an organization may move the employee to different positions in the organization structure horizontally. A senior clerk in an insurance company may be posted to different sections—the accounts section, the claims section, the policy issuing section, the audit section and the business section, before being promoted to the post of the assistant administrative officer.

Since career planning is a continuous process for an organization, it is essential to conduct a proper review of career plans in terms of career outcomes and career success. The review enables the organization to understand the efficacy of the existing career planning system. The defects in the existing system should be identified and eliminated to make the planning process effective and up to date.

Responsibility for Career Planning and Development

Though career planning is primarily the responsibility of the individual, the organization also has a duty in developing the career of its employees. An organization normally nominates the manager or the supervisor to assist its employees in career planning activities. Sometimes, it may seek the help of external experts for providing career guidance to its employees. Figure 7.2 shows the people responsible for career planning and development in an organization. We shall now see the role of these people in the career planning and development of employees.
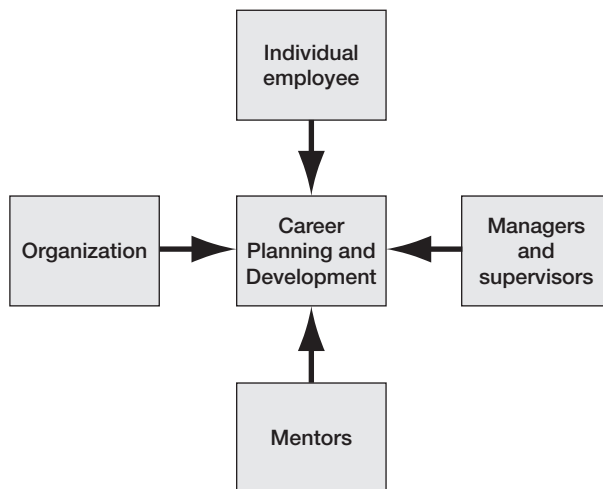
Figure 7.2

Responsiblity for Career Planning and Development

Individual Employee

The ultimate beneficiary of any career planning programme is the individual employee for whom the career plans are actually made. It is therefore necessary to involve the employees in the programme. Self-assessment is the method adopted by the employees to identify their strengths and weaknesses as part of career planning. These employees are usually helped in self-assessment exercises by their organization through workshops, group exercises and other counselling sessions. Of late, computer-aided guidance systems are also being used to facilitate their self-assessment activities.

Managers and Supervisors

The role of managers and supervisors in the career planning of their subordinates is crucial in an organization. Generally, managers are assigned to employees to help them in career planning. Employees have detailed discussions with these managers before finalizing their career plans. The managers offer guidance, counselling and other support to the employees with their expertise and efficiency. They also provide performance feedback to the employees.

Mentors

In certain cases, an organization may appoint mentors to assist the employees in career guidance. Usually, people with relevant expertise are appointed as mentors to give helpful advice to the employees in their career planning. They may be from within or outside the organization. For instance, the managers, supervisors or any other knowledgeable member of the organization may act as a mentor for the employees. Alternatively, the organizations may also seek the services of external experts to act as mentors for its employees. The relationship between the mentor and the protégé (employee) may be formal or informal. A few prerequisites for good mentors are that (i) they should have a good self-image; (ii) they must have expertise in motivational and communication skills; and (iii) they must have the time and willingness to engage the employees adequately.

Organization

An organization, through its HR department, may directly engage the employees in their career planning activities. It may establish training and development centres to educate them about the means and styles of career planning. It may also acquaint the employees with self-assessment procedures. These development centres can also provide feedback to the employees based on their performance in a simulated work performance.[12] The organization can also share information with its employees about the managerial philosophy, mission and policies for helping them understand the career opportunities available there. It may also provide them specific career information and career path details.

Employees may adopt one or more of the above mentioned methods for developing necessary career plans. Box 7.3 shows the career development initiatives of an organization.

Merits of Career Planning

The merits of career planning are quite a few. Some of these have been listed as follows:

- Career planning helps employees in developing career goals and also in accomplishing those goals in a time-bound manner.

Box 7.3	Career Development Initiative at Infosys: A Wide-Ranging Endeavour

Each organization develops its own technique for grooming the talents of its employees as part of the career development programme. For instance, a few organizations may endeavour to develop an enabling work environment for helping the employees achieve their full potential in work life. This environment should eventually help them in fulfilling their career aspirations. Some other organizations may leave the task of career-goal identification to the individual employees and facilitate the achievement of these career goals in a limited way. The degree of commitment towards the employees' career progression usually depends on the size of the organization, its financial strength, and its mission, vision and HR philosophy. The case of Infosys is an interesting example of career development measures.

Infosys believes in creating a favourable work environment that is committed to equipping the employees with skills and competencies necessary for their career and personal growth. It first establishes a best fit between an employee's career aspiration and its requirements. Then it develops several career streams for its employees to achieve their career progression and career goal accomplishments. These career streams are project management, customer interface, technical, programme management, consulting (enterprise solutions), and consulting (domain competency).

As part of the career development process, Infosys's education and research department (E&R) offers technical and project management training to the employees at the Global Education Center in Mysore. Similarly, the Project Management Center of Excellence (PMCoE) strives to improve the project management competencies of its employees through multiple interventions by constantly developing consultancy capability, mentoring structures, training modules, and best practices. Further, Infosys has the Infosys Leadership Institute (ILI) for bringing about the personality development of the employees by improving their leadership and behavioural skills. Finally, it has an ES academy for training managerial employees in domain technology, project management and quality processes, and leadership. Besides these internal development programmes, it also encourages its employees to pursue professional studies like MBA, MCA, and CFA as part of the external career development initiative.

Adapted from: http://www.rediff.com/getahead/2007/aug/03infy.htm and http://www.infosys.com/investors/reports-filings/annual-report/annual/Infosys-AR-08.pdf.

- It facilitates employees in identifying the career opportunities available within the organization.
- It helps the employees determine their training and development requirements based on self-assessment.
- It helps the organization in finding a fit between the job requirements and the employee's knowledge, skill and abilities to choose the right persons for the jobs.
- It provides an occasion for the organization to identify the strengths and weaknesses of its workforce.
- It assists the organization in HR policy formulation. For instance, it facilitates the HR manager in deciding between internal and external sources of recruitment.
- It helps the organization in achieving enhanced job satisfaction, efficiency and commitment for its employees.
- It aids the organization in controlling employee attrition and related hiring costs.
- It assists the organization in developing succession plans for the critical positions in the organization. Thus, it enables the organization to make long-term investments on their employees through succession plans.

- It provides an opportunity to the organization to express its interest in the well-being and future of its employees.
- It enables the organization to achieve cordial industrial relations and thus ensure better cooperation from trade unions.
- It helps the organization in building goodwill in the labour market and thereby attract the best talents with ease.

Limitations of Career Planning

Though career planning helps an organization in numerous ways, it has a few limitations that undermine the importance and relevance of career planning. These are:

Time Factor

Career planning is usually a long-term and time-consuming process. It is based on the logic of suffering short-term pain to get long-term gains. However, organizations may not be ready to spend a lot of time and resources on a process that would prove beneficial only in the long term.

Unsuitable for Large Workforce

It may not be possible for organizations with a large workforce to develop individual career plans for each and every employee of the organization. This is because the career plan process requires an in-depth analysis of each employee's strengths and weaknesses on a sustained basis.

Lack of Objectivity

Only those organizations which believe in strict observance of objectivity in promotion and transfers can succeed in career planning. In contrast, favouritism and nepotism in promotions often make career planning an unsuccessful exercise.

External Interventions

Government rules and regulations can also affect the career planning options of an organization. For example, the government may make it mandatory for the organization to adopt reservations in promotions, especially if it is a government organization or a public sector enterprise.

Lack of Knowledge and Awareness

Career planning by an employee is essentially a self-management process. It requires the employees to be aware of the basics of career planning and management activities. However, the employees at the lower levels of the organizational hierarchy may not be familiar with the career planning process.

Lack of Flexibility

Many organizations treat career planning as a ritualistic, rigid exercise. They often fail to consider the uncertainties caused to the career planning activities by the changes in the situation. In fact, the absence of dynamic career planning programmes may limit the applicability of the career plans in uncertain and changing situations.

Difficulty in Measuring Career Success

Since career success is an abstract concept, it is interpreted differently by different persons. Some may consider a good performance in the job as career success. Others may consider the quality of life as an indicator of career success. Still others may consider the vertical mobility in the organizational structure as career success. This divergence of opinions may cause confusion and vagueness in interpreting career success.

Measures to Improve the Effectiveness of Career Planning

Since career planning is basically a self-development exercise, the prime responsibility for career planning lies with the employees. But the organization cannot shirk its responsibility in the career planning and development of its employees. In fact, an effective career programme can help both the employees and the organization immensely. An organization can adopt the following steps to enhance the effectiveness of career planning.

Developing Career-related Attitude

An organization must encourage its employees to develop a career-related attitude. This would prompt them to explore their behaviour systematically by assessing their strengths and weaknesses.[13] It should also help its employees in determining their career values and goals. In the absence of a career focus, the employees may not equip themselves adequately for utilizing the future career opportunities. Therefore, the organization should conduct workshops and other educational activities to orient the employees to the relevance of career planning.

Achieving Flexibility in Career Planning

Career planning is an effective tool for an individual to accomplish his career goals. However, care should be taken to ensure that it does not become a rigid exercise. Too much rigidity can make the exercise ineffectual and unrealistic. This is because the environment affecting the career plans and prospects is built with uncertainty and changes. Thus, career planning should be sufficiently flexible to accommodate the changes in the environment.

Ensuring Cooperation of the Top Management

The important prerequisite of career planning success is the complete support and involvement of the top management. The management should view career planning as a means of expressing its support and commitment to the future growth of the employees. It should also realize that the employees' performance and loyalty can be enhanced through career development programmes. Hence, career planning and management should become a part of the management philosophy and vision.

Clarity in Career Goals

Many of the future activities of an organization and the employees are based on career goals. For instance, career goals and plans play an important role in determining the extent of training and development programmes required for an employee. Lack of clarity in career goals can distort the career decisions. It should, therefore, be ensured that the employees have

adequate clarity about their career goals and career opportunities, in addition to knowing their strengths and weaknesses, personality and work environment.

Proper Review and Feedback

A career is influenced by a variety of factors and often requires timely modifications, depending on the nature and extent of changes in the environment. Career planning and goals should be reviewed periodically to determine the relevance of career goals in the current context. Feedback should be collected from the employees to know the general efficacy of the career planning process of the organization. Feedback-based reviews can also help the organization in determining the measures required for further improving the utility and relevance of organization career planning. Therefore, the organization should develop effective ways to get feedback from all those associated with the career planning process.

Objectivity in Promotions and Transfers

When the employees are not sure about objectivity in managerial decisions concerning promotions and other HR decisions, they may not take the career planning activities seriously. This would also undermine the credibility of the organizational career plans for the individual employees seriously. The management should never be seen to be dithering in its promotional polices and their execution. Thus, the management should certainly avoid favouritism and nepotism in promotion and succession planning.

Establishing the Necessary Infrastructure

Organizational career planning often requires the organization to undertake extensive training and development programmes for its employees to make them fit for future promotions. In the absence of adequate training facilities, the employee may not gain any substantial benefit out of career planning activities. Therefore, the organization should develop adequate infrastructure for effectively implementing the career plans meant for the employees.

Developing Measurable Career Outcomes and Success

Since career satisfaction is an abstract psychological concept, it may be interpreted differently by different people. It is, therefore, desirable for each organization to develop a set of common metrics for measuring career success. This can also help the organization in reviewing the effectiveness of the career planning process.

Effective Mentoring as Part of Career Planning

Organizations often undertake mentoring to develop the skills and abilities of their employees. Thus, mentoring is an important part of many career planning programmes. Building a successful and committed mentoring relationship is essential for effective career planning and guidance. Organizations should make every effort to involve managers and supervisors effectively in mentoring programmes to improve the skills of the employees and to provide them career guidance.

Simplicity and Transparency in Career Planning Programme

An organization should ensure that its career plans for its employees are simple to understand and possess an easy-to-operate style. Every employee of the organization should be able to

understand the career planning process and programmes without any difficulty. Similarly, it should ensure complete transparency in the functioning of its career plans so that the employees have no grievance against them.

At this stage, a comparison of the three forms of career intervention programmes can facilitate better understanding of each of these—mentoring, coaching and counselling. Table 7.1 compares and contrasts the three important forms of career intervention.

Career Guidance

Career guidance refers to a series of processes aimed at assisting the employees to make informed career decisions and achieving career and personal development. The activities that usually form part of the career guidance programme are informing, advising, counselling, evaluating, enabling, advocating and providing feedback.[14] Any effective guidance or counselling provided as part of career guidance should fulfil a few basic conditions. These conditions have been listed as follows:[15]

- Career guidance must be in conformity with the purpose and general direction of an employee's career and, as such, this purpose and direction should form the basis for future guidance and counselling programme.

Table 7.1   **Three Important Forms of Career Intervention**

Basis	Mentoring	Coaching	Counselling
Type of intervention	Long term	Short term	Short term
Type of interaction	Informal	Structured	Informal
Outcome	Career and personal development of mentee	Understanding and resolving the developments and issues at work	Understanding and resolving long-standing performance problems/issues at work
Focus	Broader focus	Narrow focus	Broader focus
Nature of experience for the instructor	The mentor has direct experience in the mentee's job.	The coach need not have direct experience of the client's formal job.	The counsellor need not have direct experience of the client's formal job.
Type of goal	Achieving long-term future goals	Achieving specific and immediate goals	Achieving immediate goals but the effect of counselling can last longer
Type of issues	General issues	General issues	Psycho-social issues
Frequency of meetings	As and when required by the mentee	Conducted on a regular basis for a predetermined period	As and when required by the client

Adapted from: "Coaching and Mentoring – What's the Difference"; available at http://www.brefigroup.co.uk/coaching/coaching_and_mentoring.html.

- The fundamental aim of career guidance activities is to develop the skills and competencies of the employee through all possible ways. Certainly, skill development efforts would require a good understanding of the employee's personality and the actual conditions.

- Career guidance should be situation-oriented. It should be provided only in the context of the career opportunities available within the organization. Thus, it is purely context-based.

- Career guidance must consider the interest not only of the individual but also of the organization. It should be insisted that the employees would get career advancement only when they are really fit for future positions. Employees must be advised to equip themselves adequately through proper learning before seeking promotions. On its part, the organization should recognize the skills and abilities acquired by the employees appropriately and reward them duly. Thus, career guidance is fundamentally interactive in approach.

- Career guidance must consider both the past activities of the employees and their future potential for providing guidance and offering advice to them. Thus, career guidance considers the time perspective since the past forms the basis for the future.

- Career guidance should consider not only the ability of the employee in negotiating a better career opportunity for himself but also his ability to face and withstand uncertainties and unexpected outcome in such negotiations. Thus, the degree of endurance and flexibility of the employee must also be considered.

Summary

1. Career planning refers to the process of identifying and accomplishing the employees' career objectives through a systematic way of skill identification, assessment and development.

2. The steps in the career planning process are: (i) self-assessment by the individual; (ii) evaluation of the career opportunities available; (iii) undergoing career-oriented skill-development exercises; (iv) matching and decision making; and (v) implementation and review.

3. The self-assessment techniques are the strength and weakness balance sheet, the likes and dislikes survey, the Myers–Briggs Type Indicator (MBTI) assessment technique and the type focus assessment.

4. The types of career path are conventional career path, dual-skill path, lateral-skill path, and network-career path.

5. The responsibility for career planning lies with the individual employee, the manager and supervisor, the mentor, and also with the organization.

6. The limitations of career planning are: time-consuming process, unsuitability for a large workforce, lack of objectivity, external interventions, lack of knowledge and awareness, mechanical nature of the process, and difficulty in measuring career success.

7. The steps to improve the effectiveness of career planning are: developing a career-related attitude, achieving flexibility in career planning, ensuring top management's cooperation, clarity in career goals, proper career review and feedback, objectivity in promotions and transfers, establishing the necessary infrastructure, developing measurable career outcomes and success, effective mentoring as part of the career planning, and simplicity and transparency in career planning programme.

Review Questions

Essay-type questions

1. Evaluate critically the career planning process with relevant examples.

2. Enumerate the various techniques used for facilitating self-assessment by employees.

3. Discuss in detail the role of different persons in developing career plans and conducting career development programmes.

4. Evaluate critically the merits and limitations of career planning process.

5. Illustrate with examples the steps to be adopted for enhancing the effectiveness of career planning programmes.

6. Enunciate the conditions to be fulfilled for achieving effectiveness in career guidance programmes.

7. "Career planning is successful for the long-term survival of an organization." Discuss.

8. "Career planning and development are suitable and effective only for large-scale businesses." State your arguments.

9. Identify the relevance of career planning and development programmes for Indian industrial organizations.

10. How will you prepare a career plan for a new employee joining as the management trainee in finance department?

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CHAPTER

8 Employee Training

CHAPTER OBJECTIVES

After reading this chapter, you should be able to:

1 Understand employee training
2 Assess training needs
3 Learn the steps in an employee training process
4 Evaluate employee training programmes
5 Discover the issues in employee training
6 Explain an effective training programme
7 Present an overview of e-learning

Reliance Industries Limited is one of the largest private sector companies in India with a 24,000-strong workforce. This Fortune 500 company has won several awards for its training polices and programmes. For example, in 2007, it won the Golden Peacock National Training Award, the American Society for Training and Development (ASTD) Excellence in Practice Award and the CNBC–TV18-instituted Jobstreet.com's Jobseekers' Employer of Choice Award. The company believes in people empowerment through five scalable approaches—greater knowledge, opportunity, responsibility, accountability and reward.

Reliance Industries has spent almost a total of 160,253 man-days over the years to train its employees. Its training objective is to groom people both in the personal as well as professional capabilities. The company believes in achieving competitive advantage through consistently efficient human capital. It has a wide range of varied customized training

programmes to cater to the specific needs of the assorted workforce and meet its strategic goals. For instance, it has several target-oriented training programmes for its employees like the ones for competency development and soft skills learning. It also conducts 360 other programmes to meet the diverse skills needs of its employees. One such unique training programme for new recruits is called the Dronacharya Scheme. Under this programme, senior personnel (*Dronacharya*s) take charge of two to three new employees (the *Arjuna*s) and train them intensively for independent positions in three to six months. Through its different training programmes, the company seeks to develop competitive advantage through its human capital.

The example of Reliance showcases the significance of training programmes in the accomplishment of corporate goals. We shall now discuss the relevant aspects of employee training in this chapter.

Introduction

Training is, essentially, a value-addition activity undertaken by an organization to enrich the value of its core assets, namely, its people. It plays a vital role in enhancing the efficiency, productivity and performance of the employees. It is a learning process that helps employees acquire new knowledge and the skills required to perform their present jobs efficiently. Rapid technological developments and the resultant changes in the production process have compelled the management of various companies to treat training as a continuous process of the organization. In fact, the strategic goals of an organization usually form the basis for its training programmes. Training typically comprises predetermined programmes to achieve the desired performance efficiency at various levels—individual, group and organizational. In simple terms, training is all about making a difference between where the worker stands at present and where he will be after some point of time.

Training is usually a short-term skill-development exercise meant for non-managerial employees either to learn a job or to overcome their deficiency in the performance of the present job. The success of any training programme lies in recognizing the training needs within the organization and then designing and implementing training programmes based on those needs in order to carry out a continuous upgradation of knowledge, skills and employee attitudes. In fact, sustained training efforts by an organization usually lead to the creation of a highly competent and motivated workforce that is all set to take on the challenges of performance and productivity. Undeniably, organizations can think of achieving success in the globalized market only when they can ensure that their employees perform to their fullest potential.

Although training is defined variously by experts, the core element of any training is the skills acquisition by workers at the non-managerial levels (see Box 8.1).

To sum up, we can say that training is the process by which an employee acquires the necessary knowledge and skills to perform the job.

Significance of Employee Training

Today, Indian organizations have realized the importance of training as a tool to achieve their strategic goals. It is not viewed by the organization as a cost any longer but as an investment on one of its most dynamic assets, namely, employees. Many organizations consider training

Box 8.1	Definitions of Training

"Training is the creation of an environment where employees may acquire or learn specific, job-related behaviour, knowledge, skills, abilities and attitudes."[1]
—Terry L. Leap

"Training is the act of increasing the knowledge and skills of an employee for doing a particular job."[2]
—Edwin Flippo

"Training is the formal and systematic modification of behaviour through learning which occurs as a result of education, instruction, development, and planned experience."[3]
—Michael Armstrong

"Training is any process by which the attitudes, skills and abilities of employees to perform specific jobs are improved."[4]
—Michael J. Jucius

"Training refers to the methods used to give new or present employees the skills they need to perform their job."[5]
—Gary Dessler

as a strategic employee retention tool. It helps the organization create a smarter force capable of meeting any situation and challenges. We shall now discuss the significance of training in detail.

Enlargement of Skills and Competency

Training helps in enhancing the technical knowledge and skills of the employees at every level of the organization. It enables them to learn new skills and knowledge continuously so that they remain up to date. In fact, the improvement of skills is no longer optional for the organization but a matter of compulsion, due to the growth in technology and improved processes.

Effective Utilization of the Existing Human Resources

Training results in improved performance, which, in turn, facilitates optimum utilization of the available human resources. It also enables the employees to accomplish the organizational goals as well as their personal goals effectively. In fact, improved performance, being a bottom-line purpose of training, is a strategic goal for organizations.[6]

Enhancement of Customer Satisfaction

Almost everywhere, organizations are compelled to ensure superior quality, lower costs, and better services to their customers. To meet these challenges, they must enhance their overall performance continuously. The training of employees helps in improving upon the quality of work and in controlling costs.

Enhancing Competitive Advantage

One of the important competitive advantages of an organization in a competitive environment is its workforce. It can retain its core workforce competency and skills through continuous and systematic training of its labour force.

Enrichment of Team Spirit

Generally, training helps in the promotion of team spirit and inter-team cooperation among the employees. In fact, it enhances the spirit of a group and makes the members work harder to succeed as a group.

Ensuring Personal Growth

Training is an investment in people. It is emerging as an important technique to retain people. The process of skills acquisition helps not only the organization in achieving its goal but also the employees in ensuring their personal growth. Obviously, employees prefer those organizations that expose them to modern technologies and help them upgrade their skills and knowledge.

Enabling a Learning Culture

Training helps in creating a learning culture within the organization. Successful organizations recognize that well-structured and significant employee learning programmes connect well with their long-term strategic success.

Establishing a Positive Organizational Climate

Training enhances the interaction and understanding between the employers and the employees. It helps build a good labour–management relationship and ensures that the individual's goals align well with the organizational goal. Thus, it aids in creating a positive perception and feeling about the organization. The collective feeling of the employees about their organization is called the organizational climate.

Encouraging Better Health and Safety Measures

Training helps in improving the health and safety of the employees. Safety training teaches the employees about the safety measures to be followed and also the best and secure way of performing a job. It minimizes the problems of industrial accidents and sickness. Thus, it assists in the development of a healthy working environment.

Ensuring Organizational Growth and Development

Training aids in organizational development since it helps in developing leadership skills, motivation, loyalty, communication and other aspects required for successful employees. It facilitates the establishment of effective decision-making and problem-solving processes. It also helps in understanding and carrying out organizational policies. Box 8.2 outlines the significance of training as a long-term investment.

Assessing Training Needs

The assessment of training needs is an important job for the HR department. It is usually done at two levels. At the first level, the training needs of the individual employees are assessed. At the second, training needs are assessed for different groups in the organization. The training needs assessed at group levels are usually referred to as the organizational-need assessment. Normally, the employee skills inventory is prepared to identify the likely skills shortage in the organization. Skills inventory is an estimation of the kind of skills possessed by the employees while skills shortage is the situation where the required skills are more than the available skills. In fact, skills shortage is an indication of the need for training at the organizational level.

Box 8.2	Training for the Amplification of Skills: Tata Motors

Training is at the heart of the consistent efforts made by organizations to improve employee competency and organizational performance. Each organization adopts its own style and techniques for training its employees. However, the basic intention of any organization in conducting the training programmes is to create a cordial atmosphere for the employees to work, learn and grow.

It is pertinent here to see the training programmes of Tata Motors. It conducts rigorous programmes like in-house vocational training and apprenticeship to train its technicians. Further, it organizes structured training programmes, rotational assignments and cross-functional mobility programmes to help its employees gain expertise in multiple tasks. Tata Motors views its training programmes as long-term investments in its human resources.

Adapted from: www.tata.com.

The individual employee's training needs can be assessed by comparing the actual performance of the employee with the standard performance. The deficit in performance will indicate the nature and extent of the need for his/her training programmes. The individual employee may also require training at the time of transfer and/or promotion in order to learn the new job.

To determine the training needs of its employees, an organization should involve as many sources as possible and then decide on the best one that can provide reliable information. We shall now discuss each of these sources.

Performance Evaluation

Performance evaluation reports help in assessing the training needs at the individual levels. The current performance of an employee is an important indicator of his training requirements. Normally, those employees who perform poorly in the performance evaluation are identified for training.

In addition, an organization may review productivity reports, performance scores, absenteeism records and attrition reports to assess the actual performance of the employees. This information can provide vital inputs to determine the nature, type and extent of training for each of the employees. Box 8.3 shows the role of performance management in training needs assessment.

Job Analysis

Job description report and job specification report can be examined to decide the skills, abilities and knowledge required to perform the job effectively. They may form the basis for determining the training requirements of the job holders.

Attitude Survey

Attitude survey is a process of gathering information from the employees about the various aspects of the organization. The information about the attitude of workers towards their work environment, their level of awareness, and their views on the relevance of the existing

| Box 8.3 | Performance Management: A Tool for Training-Needs Assessment at ACC |

An assessment of training needs is a complex task for any organization simply because it has to be made for various categories of employees—new entrants, experienced employees—both at the managerial and non-managerial levels at different points of time and on a continuous basis. The objectives of training programmes can be accomplished only when the training addresses the real problems of the employees. However, the success of the assessment depends only on the accuracy of the information collected about the employees and the reliability of the utilized sources. Usually, organizations adopt multiple sources to gather such information.

The training-assessment technique of ACC Limited is a case in point. It keeps a specific provision in the performance management system called "Competency Assessment and Training and Developmental Needs" in which performance evaluators have to identify and assess the training needs of the employees. Based on the information generated, the company focuses on the functional and skills enhancement of the employees. The emphasis in the training is on skills and general performance enhancement, communication skills and the career development of the employees.

Adapted from: www.acc.co.in

training programmes and the future training requirements can be ascertained. The findings of these surveys can form the basis for assessing the training needs.

Advisory Panel

An organization may constitute panels comprising the representatives of the management and those of the employees to decide on the training needs. The panel has to assess the existing skills requirement before deciding on the number and nature of the training programmes required for a specific period. Based on its reports, the organization may take appropriate measures.

Ability Test Score

An organization can give ability tests to its employees to identify their existing levels of skills and abilities. The results can then be compared with the standard skills requirements to determine the need for and extent of the training programmes.

Feedback

The feedback from the customers, the employees and all others who are important to the business can help in determining the training needs. For example, customers can provide feedback about the product flaws, the performance deficit, and the employees' behavioural problems. Similarly, the employees who quit can provide vital clues to the weaknesses of the organization in general and its training programmes in particular at the time of exit interview.

Scope of Training

The reach-out of training programmes is far and wide. Depending upon the nature, duration and purpose of the training programmes, the trainees may acquire attributes like skills, knowledge, analytical acumen, concepts, attitudes, and ethical values. Let us see these attributes briefly.

Knowledge

The basic purpose of any training programme is to provide the participants with the requisite knowledge to achieve the goals of the job. Knowledge is generally developed through the processes of perception, learning and reasoning. The employees may require the knowledge of the machines to be operated, of the materials or equipment to be handled, of the procedures to be adopted, of the customers, the co-employees and their behavioural patterns. For instance, when the organization finds the existing skills and knowledge of the staff inadequate to achieve the strategic goals and objectives, training is considered.[7] Training imparts job-related knowledge to the participants and enables them to understand what they must do in their job and how they should do it.

Skills Acquisition

Skill is defined as an ability to produce solutions in some problem domain. It is developed progressively by persistent training and other practices. Employees may require one or more

skills like intellectual skills, management skills, social skills, motor skills, mental skills, technical skills and perceptual skills. In general training, employees learn those skills that are necessary to do the jobs on hand effectively and to apply their knowledge productively.

Attitude Formation

Attitude is the mental state of an individual concerning his beliefs, feelings, values and tendencies that influence him to behave in one way or the other. In an organization, the employees may have a positive or negative attitude towards the job, organization and people. A negative attitude may cause suspicion and mistrust in the actions of the organization and make the employees resist changes with all their might. Employee training programmes can bring about the desired changes in their attitude and instil in them a sense of cooperation, motivation, commitment and satisfaction.

Ethical Values

Ethics are the principles of right and wrong that are accepted by an individual or a social group. The management of human resources often calls for decisions involving ethics, fair treatment and justice. The presence of ethics policies and codes alone is not sufficient to ensure ethical behaviour among the employees. Organizations should supplement those policies with the necessary training on ethical practices. These trainings can help employees understand the presence of ethical dilemmas in situations requiring decision making, learn the techniques of using ethical codes to settle problems involving ethical dilemmas in a fair and just manner and, lastly, ensure the adoption of ethical values in every aspect of their dealing with the people.

Analytical Reasoning

Analytical reasoning refers to the systematic way of thinking to comprehend the problems, develop alternative plans of action, choose the best course of action and implement the selected plan to successfully resolve the problems. Continuous training programmes provide the necessary impetus to sharpen the analytical reasoning and problem-solving skills of employees.

Steps in an Employee Training Process

Changes in the internal and external situations are inevitable and, thus, training becomes a continuous process. The general purpose of any training process is to train employees to be able to look for and respond to changes in a successful way. As illustrated in Figure 8.1, the training process usually involves six steps. These steps have been explained briefly as follows:

Determination of the Training Needs

The first step in a training process is to identify the specific operational skills to be developed for performing a job. A methodical approach to identify the real needs must be undertaken. In fact, there are several sources available to an organization to assess its training needs (discussed earlier under the Section, "Assessing Training Needs"). Generally, to recognize the training needs of the employees, an analysis at one or more of the following three levels is undertaken.
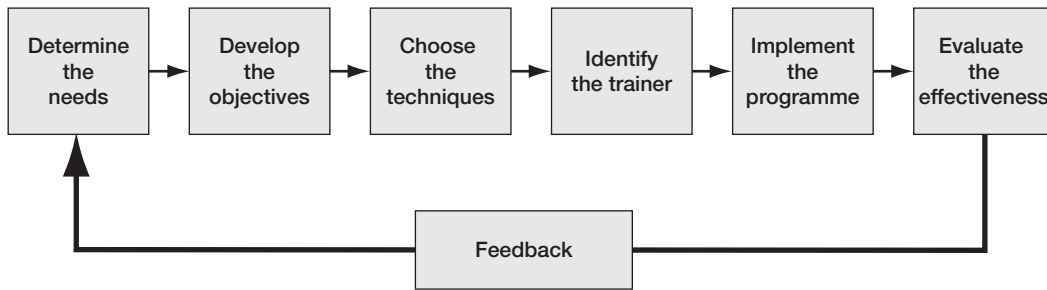
Figure 8.1

Steps in the Training Process

Organization Analysis   This focuses on identifying areas in the organization where training is needed. The aim is to connect the training needs to the achievement of the organizational goals. At this level, the strategic mission and vision, corporate goals and plans of the organization are examined carefully and then compared with the existing manpower inventory to determine the training needs.

Operation Analysis   This involves the proper examination of the work to be performed after training. It focuses on the tasks that are required to be performed to accomplish the organizational goals. It also involves the collection of information about the competencies required for effective job performance. An examination of the operating problems like customer grievances, downtime reports and quality issues along with the performance evaluation and the interview of the employees can offer information for the determination of the training needs.

Individual Analysis   This focuses on deciding about the individual training needs. The difference between the actual performance and the standard performance of an individual indicates the training needs. Actually, individual analysis deals with questions like who should be trained and what should be taught. It involves asking pointed questions to find out exactly what job knowledge and skills the person must have in order to perform well.[8]

Development of the Training Objectives

Once the training goals have been established, the next step is to determine the specific objectives of the training programmes. Each training programme can have its own objectives. However, these objectives must be directly related to the assessed training needs and should also focus on satisfying those needs. In essence, training programmes must have clear and concise objectives and must be developed to achieve organizational goals.[9] It is absolutely essential to have concrete and measurable goals; otherwise it would be difficult to evaluate the effectiveness of the training programmes. For instance, abstract goals stated in emotional terms like improving satisfaction and reducing anger are usually difficult to measure and, thus, render it almost impossible to measure the effect of the training programmes accurately.

Selection of the Training Techniques

The next step involves decisions regarding the training techniques to be used in the programme. Based on the training needs and goals, an appropriate training method should be chosen to achieve the desired results. Though there are several techniques available to train

the participants, each technique is unique and there are definite differences existing among these techniques about how well each one serves the various objectives. Broadly, these techniques are classified into two categories. These are: on- the-job training methods and off-the-job training methods. On-the-job training means imparting real-time training at the work spot, even while doing the actual job. Off-the-job training means training at a place away from the work spot and in formal classrooms. (The methods of training have been discussed later in the chapter in detail.)

Identifying the Trainer

Once the training method has been decided, the next important step is selecting and training the trainers for the programme. This is a critical step because the success of the whole training effort relies greatly upon the competency and ability of the trainers. The tasks of designing, organizing, implementing and pre- and post-assessment of the training process are usually entrusted only to these trainers. They must be adequately competent, knowledgeable and mature people with effective communication skills. They must also be familiar with the company's philosophy, objectives, structure, culture and the specific purposes of the training programme.

Implementing the Training Programme

Once the training methods and trainers have been decided, the next step is the actual implementation of the training programme. For successful implementation, some of the prerequisites are the convenience of location, the comfortableness of the training facilities, the quality and adequacy of the provided materials, and the timing and duration of the programme. Similarly, frequent interaction between the trainers and the trainees can also be encouraged to ensure their involvement in the training process.

However, the implementation stage is often fraught with a lot of practical difficulties. For instance, training is often viewed as a process to effect change and hence viewed with mistrust and suspicion by the employees. Besides, it frequently clashes with the full-time duties of the employees and this may pose problems in determining the training schedule along with the present work requirements. Obviously, the regular work schedule might be disturbed when the employees are away from work for training purpose. Another difficulty in the execution of the training programme is keeping appropriate records. Unless proper records of the performances of the employees are kept before and after the training programme respectively, it would be difficult to determine the net gains of the employees achieved through the programme.

Evaluation of the Training Programme

This is the final step in an employee training process. For an effective evaluation, it is essential to pre-assess the attributes to be emphasized in the training like the knowledge, skills and attitude of the employees ahead of the training programme. Understandably, an evaluation of these attributes after the training will facilitate a meaningful comparison to determine the effectiveness of the training programme. The absence of such facilities for comparison will make it difficult to evaluate the utility of the training programme for the trainees. Hence, it is imperative that the training efforts be documented to demonstrate that training provides a valuable service. (See the section on training evaluation.)

Methods of Training

A broad range of training methods is available to an organization to deliver training to its employees. Based on the training goals and need assessments, an appropriate method may be chosen. There are two options available to an organization while deciding on a training programme. It can either design its own programme or get an externally available package and make modifications in it to suit the purpose and requirements of its training programmes. As listed in Figure 8.2, training methods are broadly divided into two categories namely, on-the-job training and off-the-job training. We shall now discuss these training methods in detail.

On-the-job Training Methods

It is a method in which employees learn their job by actually doing it. This type of training is usually practised on a day-to-day basis along with or as part of the job. The basic idea behind the adoption of this kind of training is to transfer the skills and knowledge from a highly competent and experienced employee to a new one, while sustaining the productivity of both. Almost every new employee gets on-the-job training to become skilled at his job. In many organizations, on-the-job training may be the only one available.[10] The various kinds of on-the-job training have been explained as follows.

Apprenticeship Training   Several organizations practise this method to impart skills to their employees. It is commonly used to train people for various crafts jobs like those of an electrician, a fitter, a turner, a plumber, a carpenter, a machinist and a printer. In this method, the superior, who is usually a highly skilled employee, becomes the instructor and imparts knowledge to the trainee (called an apprentice) at the work spot. Apprenticeship programmes can last for a few months to several years, depending on the nature and complexity of the jobs. The main motivating factor for the trainees here is the awareness that they are acquiring the exact knowledge needed to perform their jobs. This is a combination of classroom instruction and on-the-job training.

Job Rotation   The purpose of this method is to expose employees beyond the scope of their present knowledge. The employees are moved from one job to another just to widen their skill, knowledge and experience. Job rotation training programmes are frequently applied by organizations to promote effective teamwork.[11] Job rotation aids the employees in comprehending a variety of jobs and in acquiring multi-skills to manage these jobs comfortably. It also presents the organization with wide options to effect personnel changes to achieve the desired productivity and strategic goals. Organizations practise rotational programmes primarily for entry-level jobs to impart skills to the new employees that will enable them to perform multiple jobs.

Internship and Assistantship   Internship is concerned with gaining supervised practical experience, especially by a medical graduate. Lately, it has been gaining acceptance in business organizations as well. As a training technique, it permits the participants to combine the theory learned in the classroom with the business practices. In fact, it is a unique kind of recruitment-cum-training that calls for positioning a student in a temporary job without any obligation for the company to hire him permanently after training. Similarly, there is no obligation for the student to agree to the job offers of the company after finishing his studies.
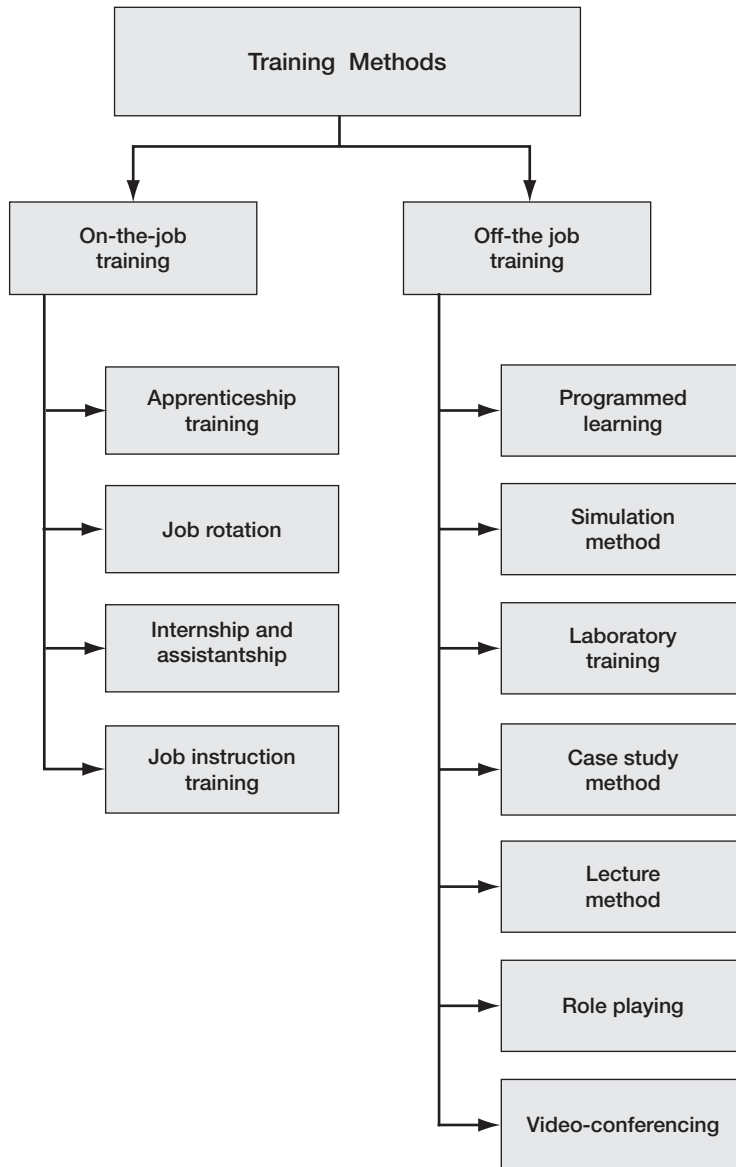
Figure 8.2

Assessing Training Needs

Internship is usually beneficial to both the parties. For instance, the interns help the organization do the needed tasks and, in turn, gain hands-on experience with the job and first-hand knowledge about the prevailing business practices. If the participant accepts the job offer of the company that provided internship, the company actually gets a trained person to perform the offered job. The best feature of an internship is that it lets the employers try out future employees prior to making a job offer.[12] Box 8.4 shows the relevance of internship as one of the training methods.

Box 8.4	Industry and University Cooperation: Internship Programmes at HUL

Internship is today viewed as a recruitment-cum-training process by many organizations. The organization allows students in higher education to work for it as part of their academic requirement even while pursuing their studies. The purpose of internship is to help the students apply their theoretical knowledge in real-time work situation. This concept has gained importance in Indian industrial organizations and many of them are offering opportunities to students to do their internship programmes with them.

Hindustan Unilever Limited (HUL), a popular fast-moving consumer goods (FMCG) company, has been offering internship for several of its functions like marketing, finance, supply chain management, systems and HR for several years. In HUL's professional internship programme, the interns normally work as part of a small cross-functional team, on a demanding live business project and in an actual business environment.

Adapted from: http://www.hul.co.in/careers/campus_ recruits_ypip.asp.

Box 8.5	Training at Bajaj Electricals

Many organizations consider their employees as an enduring competitive advantage in a highly competitive environment. This is because every other asset available to the organization can be replaced. For instance, products, brands, services, assets and even infrastructure can be replicated but not human resources. Thus, organizations endeavour to develop a capable and competent workforce. Through continued training activities, the competencies, skills, knowledge and capabilities of the employees can be sharpened and focused.

It is pertinent to see the case of Bajaj Electricals that has an effective HR policy. The company has a well-defined, job-specific induction programme for its new employees which is administered jointly by the HR head and the concerned department. It provides tailor-made training programmes for various functions like sales and customer relationship. In addition, it provides behavioural training programme to the existing employees on inter-personal relations, team building, personal effectiveness, and goal setting, to name a few.

Adapted from: www.bajajelectricals.com/t-trd.aspx.

Job Instruction Training   The step-wise process of imparting training to the employee is called job instruction training. In fact, the execution of any job involves a step-by-step performance of the various tasks of that job. Obviously, these jobs can be taught effectively in a step-by-step manner. Under this method, all the necessary steps in the job, together with brief write-ups about each step, are compiled sequentially. Each step would have a corresponding self-explanatory note. Each note would explain what needs to be done in that step, why it has to be done and how it has to be done. In this way, the job instruction training sheet for each job can be prepared and provided to the trainees. This method will enable the trainee to learn the job practically with the minimum guidance of the trainer.

Box 8.5 outlines the essence of a job induction training programme.

Off-the-job Training Methods

It is a method in which workers are imparted training at a place away from their usual workplace. This place could be a classroom or training centre. The purpose of off-the-job training methods is to minimize the distractions to the trainees. These methods are ideal for teaching the theoretical aspects of the jobs. Off-the-job training methods become critical when on-the-job training involves potential risk to the trainees and others. The following training methods are broadly regarded as instances of off-the-job training methods.

Programmed Learning   This method is also known as scheduled learning or programmed instruction method. Under this method, the trainees are made to reply to the job-oriented questions, problems, concepts, cases and facts as part of learning job skills. As soon as this process is over, the trainees are provided with feedback that details the accuracy of their answers. The learning may be a conventional one, with textbooks, paper and pencil as tools of learning. It can also be a computer-enabled one, with the use of computer terminals, video discs, light pen, touch screens, mainframe, mini and micro computers.[13]

The basic purpose of this method is to give sufficient information to the learners and then test the trainees' authority over the subject matter. The trainees' progress towards the subsequent steps depends upon the quality of their response to the questions of the previous step. The essence of this method is that it emphasizes frequent questions, small steps, and specific, understandable, immediate and accurate feedback.[14]

The major benefits of this technique are: (i) It can shorten the training time. (ii) It allows the trainees to learn the subject matter at their own speed as they learn individually. (iii) The use of computers facilitates the storing and presentation of an extensive variety of learning situations to the trainees. The major argument against this method is that although this method reduces the duration of the training process, there is no conclusive evidence available to show that it enhances learning and retention rates among the trainees as compared to other methods.

Simulation Method   This method is employed when it is impossible or risky to provide the trainees on-the-job training. Simulation is a technique that creates a situation which, as nearly as possible, replicates the real one. In fact, it refers to any equipment that attempts to provide a realistic decision-making environment for the trainees.[15] In this method, the trainee gets trained either on the actual or on the simulated equipment that are employed in the job but only in an off-the-job mode. The trainers review the performance, prepare the reports and make them available to the trainees. The examples of simulation training are flight simulators used to train the pilots, simulated sales counters and automobiles. Computers are used extensively in the simulation technique, especially in sophisticated business simulations.

In recent times, Internet-based instruments like learning portals and computer-based training have emerged as popular modes of training. The merits of this method are: (i) The safety of the trainees is ensured as the dangers of on-the-job training are not there. (ii) The cost of training is reduced as only simulated environment and equipment are used. (iii) Learning effectiveness improves as repeat performances are possible without any disturbance to routine business activities. (iv) It is possible to create unusual or potentially dangerous and rare situations that are critical to the process of training and help prepare the trainees.

Laboratory Training   This method is also called sensitivity training or T-group training. This training is typically organized for a small group of trainees who are normally not familiar with one another. It is organized under the supervision of seasoned trainers, who may play the role of careful observers, in a neutral venue away from the place of work. Sessions are organized to let trainees meet personally to share their feelings, opinions, attitude, perceptions and values.

The merits of this training are manifold. (i) It facilitates a better understanding among the members by breaking the rigidity in their relationships. (ii) It can improve the behaviour of the members by knowing more about themselves and others. (iii) It increases the trainees' capability to resolve the conflicting situations by developing alternatives and problem-solving techniques instead of manipulation, intimidation and compromise.[16] The limitation of

this method is the absence of continuance of trained behaviour in the actual work conditions in many cases. This affects the endurance of the benefits of the training programme.

Case Study Method   In this method, trainees are provided the necessary information in a case study format and they are expected to come up with decisions based on their understanding of the given cases. In fact, each case study presents elaborate information about a specific series of real or imaginary incidents. The case studies may deal with the activities of an organization or with the specific problems faced by it during the course of its operation or during the interactions among its members. The trainees should evaluate the cases carefully, understand the problems objectively, identify the causes appropriately, develop possible solutions optimally, and choose and implement the best solution finally. The merits of this method are: (i) It can improve the analytical, lateral and judgemental skills of the trainees. (ii) Since case studies mostly deal with real-life events, it enables the trainees to face the challenges of real-life difficulties confidently.

Lecture Method   This method is also called the chalk-and-talk method. It is a traditional method of imparting knowledge to a large number of trainees at the same time. It is a verbal form of delivering information in a classroom environment. This method is appropriate when a large amount of information is to be provided within a limited span of time. A knowledgeable trainer can make the whole process effective by planning and preparing meticulously and delivering the lectures in a systematic and exciting manner. When the trainer is competent enough to capture the imagination of the class, he can excite the trainees who desire to learn.

The merits of this method are: (i) It is an easy, simple and quick method to share information with a large chunk of trainees. (ii) It is usually an economical method as the cost of training is distributed among several trainees, thereby reducing the cost per trainee.

However, this method also suffers from a few limitations: (i) It is predominantly a one-way mode of communication with little scope for interactions. (ii) Personalized and individual-specific flexible training is missing. (iii) It may not be ideal for highly technical and skill-oriented jobs. (iv) Problems like the trainers' fatigue, the non-availability of experienced trainers, and the dissimilarity in the performances of the trainers can impact the quality and continuity of the programmes. In spite of all these criticisms, the lecture method remains the most commonly used technique in many organizations.[17] Although there is no conclusive evidence to decide about the effectiveness of the lecture method, studies have shown that lectures can really be effective, even though some perceive them as boring and ineffective.[18]

Role-playing   Role-playing refers to acting out a particular role. This method is simply the learning-by-doing technique. The trainee, instead of merely listening to the trainer's instructions regarding the ways and means of solving a problematic situation or discussing them, responds to that particular problem by acting out real-life situations. Typically, a trainee assumes the role of a specific personality relevant to the given situation and responds to the problems of that situation in that role. The role may be that of a superior or a subordinate or any other.

The merit of this method is that (i) it is often used to impart the skills necessary for conducting interviews, handling grievances, performance evaluation and disciplinary proceedings. (ii) It helps enhance the interpersonal relations, problem-solving ability, motivational skills and leadership techniques of the trainees. (iii) It can vastly improve the empathetic quality of the employees. Along with films and case studies, role-playing is among the more commonly used techniques for both technical and management development.[19]

Video-conferencing   This is one of the distance learning methods for training. It is best suited when the trainer and the trainees are separated geographically. It allows people in one location to communicate live via audio-visual aids with people in another city, country, or with groups in several cities.[20] It is mostly interactive in nature and offers enough flexibility. The merits of this method are: (i) It can bring down the cost of delivering training programmes as it cuts the cost of travelling of the trainers, especially from distant locations, and also as simultaneous training of many employees can be conducted. (ii) It facilitates the standardization of training materials and methods and improves accessibility to quality training. The limitation of this method is the high initial cost of installing the necessary equipment.

Audio-visual Aids in Training

Audio-visual aids such as television, audiotapes, videotapes, films, video-conferencing and presentations are effectively and extensively used in training to enhance the efficacy of the training process. These techniques make a wide variety of realistic illustrations of job conditions and situations available to the trainees within a short span of time. For instance, the Ford Company extensively uses audio-visual techniques while conducting dealer training sessions to simulate problems like customer complaints and sample reactions to such problems.[21]

The merits of technology-based training are: (i) It is more interesting and appealing to the trainees than the conventional training methods because of its multimedia effects. (ii) The quality and substance of the presentation will remain the same for all training groups. (iii) Such training is free from the problems of trainer fatigue or availability. (iv) The preparation of the subject matter and materials is usually a one-time affair. The limitations of this method are: (i) Audio-visuals are usually more costly than the traditional training methods. (ii) It may cause problems of one-way communication, monologue and listener boredom. (iii) It lacks the flexibility and personal relationship normally found in the training process.

Evaluation of a Training Programme

Evaluation is the last stage in the process of a training programme. It is an integrated part of training. Evaluation implies the comparison of training objectives with the learning outcomes of the trainees to determine the extent of the accomplishment of goals. It is necessary for any organization to assess the learning outcome of the training programme systematically. A provision must exist in the training process to evaluate its efficacy systematically. This is because the training process involves significant cost commitment on the part of the organization and requires financial evaluation in cost–benefit terms. Besides, training, being a continuous process, requires regular interventions for improvements and changes in order to achieve better efficiency. Finally, evaluation ensures better control over the whole process since it enables the organization to decide whether to continue the training programme in the future. The main purposes of the evaluation of training are listed as: (i) deciding if a programme should be continued, (ii) deciding if a programme should be modified, and (iii) determining the value of training.[22]

The evaluation process is explained as "any attempt to obtain information (feedback) on the effects of a training programme and to assess the value of the training in the light of that information".[23] A proper evaluation requires sufficient information to assess the trainees' performance and progress in the course of training accurately. In the first stage, an organization should decide how it should gather the necessary information. It is also called designing of the evaluation process. Box 8.6 illustrates an example of training evaluation techniques in a company.

Box 8.6	Evaluating Training: The Tata Business Support Services Model

The major concern of the HR managers today is to evolve tools to measure the human resource functions, including training. Of course, it is essential for managers to evaluate the effectiveness of training to justify the cost and utility of the training programmes. However, the basic questions that arise at the time of training evaluation are: What is to be measured? How is it to be measured? And when is it to be measured? Each company may address these questions in its own way.

As far as Tata Business Support Services is concerned, it adopts Jim Kirkpatrick's framework for the evaluation of its training programmes. It evaluates training efficiency by analysing trainee feedback, and evaluating performance scores, productivity levels, quality scores and actual knowledge and skills gained at the time of mock calls or through on-the-job training.

Adapted from: www.tata-bss.com/people2.htm.

Design of Evaluation Studies

As far as the designing of evaluation study is concerned, an organization has two alternative designs. These are time series design and pre-test–post-test design. Both methods are explained briefly.

Time Series Design

In this design, the process of evaluation starts even before the beginning of the actual training programme. It involves a series of measures before and after the training programme. This process necessitates the conduct of pre-test and post-test of the skill and behaviour of the trainees to collect comparable information. Under this design, predetermined criteria of training like the skills and knowledge of the trainees are assessed before the training programme. After the training, the same criteria are assessed once again to evaluate the trainees' skills acquisition during the training. This comparison can provide an initial reading of the effectiveness of the training programme.[24] The limitation of this design is that the influence of other events or changes occurring during the same time as that of training, on the performance of the trainees can not be ruled out.

Pre-test–post-test Control Group Design

This method is an extension of the previous one. In this method, the inter-period (before and after training) and the inter-group (between the experimental group and the control group not subjected to any training programme during the same period) comparisons of performance are done to assess the effectiveness of the training programme. The purpose of the inter-group comparison is to eliminate the possibility of the influence of some other events that occur at the same time as the training. This method assesses the pre- and post-training performance of not only the experimental group (that receives the training) but also the control group (that does not) for the same period, that is, exactly after the corresponding work periods. This design makes it possible to determine the extent to which any change in the performance of the experimental group resulted from the training rather than from some organization-wide change like a pay hike that would have affected employees in both groups equally.[25]

An organization has to choose between any one of the designs to gather information about the performance of the trainees. However, the time series design is a more practical one to evaluate effect of the training programme.

Effects to be Measured in Evaluation

In evaluating training programmes, an acclaimed model for evaluation has been suggested by Jim Kirkpatrick. There are four levels in this model and these levels have been explained as follows.

Participants' Impressions

At the first level, the training programme is evaluated by seeking the participants' opinion about it. The opinion may be in the form of the trainee's response to the various aspects of the training or of suggestion for improvements. This is the easiest and quickest way to evaluate the training efficacy with the least expense. However, there is a possibility of bias in the response of the trainees as they may be influenced by some other factors like the extent of freedom, the location and the timing.

Learning Level

At this level, tests are conducted for trainees to decide what they learned from the programme. The tests should measure the extent of knowledge, skills and concepts acquired by the trainees during the programme. Organizations may use time series design or the pre-test–post-test control group design as an evaluation procedure.

Behavioural Improvements

In the next level, training is assessed by finding out whether the training has made any impact on the trainees' on-the-job behaviour. It evaluates the extent of transfer of the newly acquired skills and knowledge to the job. The best expression of value of training occurs when the learning translates into lasting behavioural change.[26] For example, a manager attending a training programme may appreciate the concept of participatory decision making, but after returning to the job, he may continue with unilateral decision-making practice. Performance appraisal techniques like the 360-degree feedback method are appropriate for measuring behavioural changes after training.

Accomplishment of Training and Development Objectives

In the final phase, training programmes are evaluated to determine the extent to which they have accomplished the specific training objectives and also to know the cost-related behavioural outcomes and their final impact on the performance. This phase also involves ascertaining the final results achieved in terms of training goals. For example, when the industrial safety of the employees becomes the objective of a training programme, the number of industrial accidents before and after training would indicate the extent of accomplishment of the training objectives.

Issues in Training

Although training is an effective tool to create a superior workforce, there are several challenges which impair the quality and outcome of the training programmes. These challenges have been listed as follows:

- The **absence of corporate commitment** towards training is a major problem. Many organizations do not spend anything at all on training. Even if they do, it is mostly for the managerial personnel only and there is hardly any concern for the training requirements of the workers.

- Many organizations, especially smaller business concerns, avoid training to upgrade the skills of the employees out of the fear that these **trained employees will be lured by the competitors** with promises of better pay jobs and scales.

- The **cost and infrastructure requirements of training make it unaffordable** for the small and medium-sized organizations to offer training programmes to their employees.

- **Accounting rules generally treat training as expenses** only and not as an investment. This also acts as a disincentive to the training efforts of the organizations.

- At the macro level, **lack of adequate financial support from the government** for undertaking the training and retraining of those workers who are ousted by downsizing, restructuring and other economic necessities also prevents the optimum utilization of training benefits.

- The **low availability of employable graduates with adequate skills** also strains the training efforts of the organizations as they have to undertake training even to teach basic skills.

- **Lack of university and industry cooperation on a sustained basis** creates a gap in the communication and exchange of mutual requirements. While the educational institutions remain indifferent to the needs of industry, the organizations do not communicate their labour and skill requirements properly to the academic institutions.

Conditions Necessary for an Effective Training Programme

There are several critical factors which positively influence the success of the outcome of the training programmes. These factors are explained briefly in this section.

Top-management Support

The training efforts require the support and understanding of the highest level of the management. Indeed, the top management must be committed to training and development.[27] It should treat training as an important segment of the corporate culture. It must commit itself to investing the necessary resources and time for the training programmes.

Receptive Mindset of Trainees

It is necessary for the organization to nurture a positive mindset among its trainees for its training programmes. Without an open and receptive mindset, it would be difficult for the trainees to learn the new ideas, skills and knowledge quickly and efficiently. To achieve the training goals completely, the organization must develop a confident and self-motivated mindset, an analytical mindset, an open, proactive and flexible mindset, and also a mindset for continual improvement among its employees.

Adoption of a Continuous Process

Organizations should adopt a comprehensive, continuous and systematic approach to meet the training needs of their employees. It is essential to develop training strategies that support

the accomplishment of corporate strategies and goals on a sustained basis. Organizations should evolve a system to analyse and identify organizational and occupational training needs. An ad hoc approach to the training process may not enhance training effectiveness. Thus, in every organization, training and retraining must be done at all levels on a continuous, ongoing basis.[28]

Technological Advances

Technology has a decisive influence on the planning, execution and delivery of training programmes. The mass entry of computer and the Internet has dramatically changed the way business functions are conducted today. These developments have necessitated changes in the training process too. Obviously, the advent of e-training and e-learning has re-shaped the way knowledge is delivered to trainees today.

Form and Timing of Training

An ideal time to learn is the time when the training is helpful to the employees. Increased global competition and technological advancements have forced the organizations to carry out the training programmes on a timely basis. The type of training is normally based on the assessment of training needs and the identification of training objectives. Organizations should constantly scan the external environment to look for opportunities and threats in order to decide the type and timing of training.

E-learning—An Overview

E-learning is generally related to the planned use of networked information and communications technology in learning. It is known by several names such as online learning, virtual learning, network Web-based learning and distributed learning. It is also called just-in-time training as training is provided anytime, anywhere in the world when it is needed.[29] E-learning is commonly referred to the intentional use of networked information and communications technology in teaching and learning.[30] It means the using of electronic applications and processes to learn. Its applications and processes include Web-based learning, computer-based learning, virtual classrooms and digital collaboration. E-learning content is delivered via the Internet, intranet/extranet, audio or video tape, satellite TV, and CD-ROM.[31] A high-speed internet connection is an essential prerequisite for widespread e-learning.

E-learning is one of the successful training programme delivery systems. Since it is an Internet-based learning programme with online instruction, trainees in the e-learning mode are not constrained by the problems of space and distance. The features of animation and multimedia can make the demonstrations vibrant and attractive. Virtual reality is a distinct feature of e-learning that allows the trainees to see the objects from a perspective otherwise impossible or impracticable. Most of the e-learning is self-paced. It is the fastest growing medium of training as the workforce becomes more educated and versatile. In fact, the global market for e-learning must have reached U.S. $21 billion by 2008, according to a survey by International Data Group Inc.[32] Although e-learning is not only inexpensive but also convenient, it remains only as a supplement for classroom lectures and demonstration in training programmes in India. Box 8.7 depicts the role of e-learning as a training delivery technique.

Box 8.7	E-learning: A Training Technique at the Aditya Birla Group

Though the adoption of e-learning as a training tool is less in India as compared to the international trend, many organizations have begun to realize the versatility of e-learning as an important training technique to impart knowledge and skills to their employees. In fact, it enables the trainees to choose the most convenient time and place to learn the relevant skills. The effectiveness of e-learning can also be increased substantially by making use of graphics, animation and interactive videos. E-learning, as an online instruction method, is a handy tool to train the educated and empowered employees of today. A growing number of companies in India are extensively using Web-based learning kits to help their employees get trained in a self-paced and individualized fashion.

The well-known Aditya Birla Group is a case in point. It has been employing the e-learning techniques effectively to prepare its employees for better performance and higher assignments. In addition to e-learning, it has adopted on-the-job training and structured classroom training to train its employees.

Adapted from: http://www.adityabirla.com.

Types of E-learning

E-learning is not a stand-alone term. There are several related terms which are broadly referred to as e-learning. A brief description of these terms is given here.[33]

Online Learning   Online learning refers to the learning and other supportive resources that are available through a computer.

Web-based Training   Web-based training is a training based on the learning resources available on the intranet, extranet or Internet.

Technology-based Training   Technology-based training refers to any form of training based on technologies like computer, television, audio tape and print, i.e., training other than that given in conventional classrooms.

Computer-based Training   Computer-based training means presenting courses on a computer. In this case, the computer is not linked to any network or to learning resources outside the course.

Further, depending upon the requirements and goals of the training programme, an organization can choose a style of e-learning appropriate for the situation. Som Naidu has identified four styles of e-learning.[34] These are as follows:

- **Individualized self-paced e-learning online,** where the learner gets access to the learning resources online via an intranet or the Internet.
- **Individualized self-paced e-learning offline,** where the learner is not connected to intranet or Internet but depends on a computer-assisted learning package like CD or DVD, while working offline.
- **Group-based synchronous e-learning,** where a team of learners works online in real time, using an intranet or the Internet through video-conferencing or real-time chat.
- **Group-based asynchronous e-learning,** where a team of learners works through an intranet or the Internet but not in real time, as information exchanges happen with a time delay like in the case of e-mailing or text-based conferencing.

Merits of E-learning

Although the organizations realize very well the need for continuous training to keep the employees well-informed and multi-skilled, they are often constrained by the non-availability of trainers, the absence of infrastructure, production schedule disturbances, the distance barriers between the trainer and the trainees, the cost of training, the inability to mobilize the adequate number of employees at the time for training, and so on. In this regard, e-learning comes in handy. It enables the employees to widen their knowledge and skills and also ensures learning on demand. The main advantages of e-learning are as follows:

Substitute for Instructor-based Learning   E-learning, as a learner-based training, effectively replaces instructor-based learning as it can be changed according to the learner's job requirements, career goals, existing knowledge and individual preferences.

Flexibility of Time and Place   It ensures the flexibility of time and place of study as access to information and resources are as per the suitability and convenience of the individual learners instead of those of the instructor and the organization.

Storage of Information   With the help of information technology, it ensures storage of information in the form of print-outs, recordings in CD/DVD, and so on. This enables the learner to choose the learning environment and time.

Application of Multimedia Tools   E-learning systems can make use of multimedia to improve learning with audio, animation, graphics, and interactive video.

Simulated Real-Time Experience   E-learning is based mostly on the concept of learning by doing and, as such, provides a simulated real-time experience. It introduces a creative style of simulating the learning experience with content and ideas provided in the e-learning material.

Personalized Learning Practices   E-learning ensures personalized learning practices. It becomes the responsibility of the employees to plan and implement their career goals. E-learning also leads to enhanced employee empowerment and confidence. It is a cost-effective method as the organization will save the cost on the trainer's travelling and on expensive arrangements for trainings. In fact, creating an e-learning module is three times less expensive than to create an instructor-led class.[35]

Absence of Notional Cost   Organizations can also save on the "opportunity cost" of the time spent on training since the training can happen after office hours or on holidays. In other words, the notional cost of production disturbance due to workers' participation in the training programmes during working hours will be almost zero.

Better Measurement of Effectiveness   Compared with the traditional training methods, it is easy to measure the results of Web-based e-learning effectively in terms of knowledge gain and behavioural changes and performance improvement.

Learning on Demand   E-learning stresses sustained learning and supports "just-in-time training" and "just enough" learning, an advantage for active managers and professionals.

Limitations of E-learning

Even though e-learning has several strengths, it has a few significant limitations. These are:

- The complexities of technology make e-learning difficult for unskilled workers.

- E-learning is used more as a supplement for conventional instructor-led training than as its substitute.

- The application of training is somewhat limited as it may not be suitable for region-specific efforts like implementing cultural changes and attitudinal changes.

- There are no adequate research findings available on the learning effectiveness of e-learning as compared to that of traditional training methods.

- The introduction of e-learning entails an initial investment and an upfront cost, which may be high.

Summary

1. Training may be termed as the process by which an employee acquires the necessary knowledge and skills to perform the job.

2. Training is significant as it helps the organization in the form of enlargement of skills and competency, effective utilization of existing human resources, enhancement of customer satisfaction, enhancement of competitive advantage, enrichment of team spirit, ensuring personal growth, enabling a learning culture, establishing a positive organizational climate, encouraging better health and safety measures, and enduring organizational growth and development.

3. The sources of assessing the training needs are performance evaluation, job analysis, attitude survey, advisory panel, ability test score, and feedback.

4. The steps in a training process are the determination of training needs, the determination of training objectives, the selection of training techniques, identifying the trainer, implementing training programmes, and evaluation of the training programme.

5. The methods of training are broadly classified into on-the-job training and off-the-job training. On-the-job training methods include apprenticeship training, job rotation, internship and assistantship, and job instruction training.

6. Off-the-job training methods include programmed learning, simulation method, laboratory training, case study method, lecture method, role-playing and video-conferencing.

7. The challenges in training at the micro level are: the absence of corporate commitment, the risk of poaching, the unaffordable cost of training, and the treatment of training as expenses by the accounting rules; those at the macro level are: lack of adequate support from the government, the absence of candidates with adequate skills, and lack of cooperation between the university and the industry in research programmes.

8. The conditions necessary for an effective training programme are: top-management support, a continuous process, technological advances, and the form and timing of training.

9. E-learning means the using of electronic applications and processes to learn the relevant skills. The elements of e-learning are online learning, Web-based training, technology-based training and computer-based training.

10. The merits of e-learning are: a substitute for instructor-based learning, the flexibility of time and place, storage of information, application of multimedia tools, a simulated real-time experience, personalized learning practices, the absence of notional cost, a better measurement of effectiveness, and learning on demand.

Review Questions

Essay-type questions

1. Evaluate critically the different steps involved in an employee training process.

2. Discuss in detail the on-the-job training methods with relevant examples.

3. Enumerate the off-the-job training methods with suitable illustrations.

4. Identify and explain the training methods suitable for

    (a) IT companies

    (b) pharmaceutical companies

5. Explain the meaning, designs and levels of evaluation of training in an organization.

6. What are the challenges that affect the quality and outcome of training? How will you improve the effectiveness of training programmes?

7. Explain critically the merits and limitations of e-learning as a training programme.

8. "Training programmes are effective means to prevent workforce obsolescence." Discuss.

9. If you were to be engaged as a consultant to advise an organization dealing in the production and marketing of durable goods, what steps would you adopt to prepare a training package and why?

10. Examine the importance and methods of training in a multinational corporation.

11. "Training is not an expense but a long-term investment on people." Discuss.

12. Why is training important for improving employee motivation and organizational efficiency?

13. Develop a broad framework of a training package for the sales personnel of an FMCG company.

14. Explain the various metrics for evaluating a training programme.

15. Illustrate with examples how you would go about identifying training needs.

16. Describe how you will use any five training methods.

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9

Management Development

After reading this chapter, you should be able to:

1 Understand the significance of management development

2 List the steps in a management development process

3 Explain the methods of management development

4 Evaluate the needs and benefits of management development

5 Discuss the role of management succession planning

Wipro Technologies is an India-based IT multinational company that provides IT solutions and services to several renowned global clients. It has the rare distinction of being the first level-five-PCMM (People Capability Maturity Model) and SEI CMM (Software Engineering Institute's Capability Maturity Model) level-five–certified IT services organization in the world. Wipro's HR philosophy revolves around three core doctrines, namely, "intensity to win", "act with sensitivity", and "unyielding integrity". In fact, this company has won several awards for its HR practices. For instance, it has won the prestigious *The Midday* and DAKS Awards for HR Excellence for its HR practices in technological recruitment and staffing practices. Similarly, it became the first Indian company to win the prestigious Dale Carnegie Global Leadership Award for 2007.

Wipro has several unique leadership development practices. It has a unique leadership life-cycle programme for developing the competencies of different categories of managers. It offers the entry-level programme (ELP) for junior managers, the new leaders' programme (NLP) for employees in the HR field with managerial potential, the Wipro leaders' programme (WLP) meant primarily for middle-level managers, the business leaders' programme (BLP) meant for senior managers with overall business responsibility, and the strategic leaders' programme (SLP) for top-level managers.

As a first step in the leadership development process, Wipro undertakes a 360-degree survey for recognizing and enhancing the leadership competencies of its managers. Based on this survey, a personal development plan (PDP) is prepared for each manager. Then, these managers are brought under the appropriate development programme in the leadership life cycle.

The Wipro leadership initiative vividly illustrates the relevance of the innovative management development programmes for the success of an organization. In this context, we shall now discuss the different dimensions of management development programmes in organizations.

Introduction

The future of an organization rests firmly on the competencies and dynamism of its managerial people. The managerial job often involves decision making that calls for knowledge of the latest developments in the related fields and excellent analytical skills. Managers cannot afford to adopt a trial-and-error approach while making their choices in decision-making. This is because their decisions may have a profound influence on the survival and growth of the organization. Thus, the sustained development of the capabilities of the managers is essential for implementing the present and future strategies of the business. In this regard, management development programmes can help organizations develop the knowledge, skills and abilities (KSA) of their managers so that they become better equipped for the existing and future managerial positions. As such, management development is a process of upgrading the competencies of the managers through relevant learning experiences.

However, management development is a long-term development process as compared to workers' training. It focuses more on developing the general capabilities of the existing and future managers than on solving their small but recurring skill deficits in performance. An organization can undertake a management development programme for various purposes like enhancing the managers' job performance, executing management succession plans, and offering opportunities for the individuals' career planning and progress. Management development programmes may take the forms of university courses and degrees and job rotations, especially for the lower managerial ranks.[1] They may also involve attending workshops or seminars by managers on domains like strategic management, motivation, time management, stress reduction strategies, problem-solving abilities, management theories, leadership styles and human relations.[2]

The end result of any management development programme is the enrichment of the competencies of the managers for successfully accomplishing the objectives of the organization and the individual. The definitions in Box 9.1 highlight these facts.

We may define management development as a long-term process by which the managers' conceptual knowledge and competencies are developed to make them more suitable for the present and future responsibilities.

Box 9.1	Definitions

"Management development is all those activities and programmes which, when recognized and controlled, have substantial influence in changing the capacity of the individual to perform his assignment better and in doing so are likely to increase his potential for future management assignments."[3]

— National Industrial Conference Board

"Management development is any attempt to improve managerial performance by imparting knowledge, changing attitudes, or increasing skills."[4]

— Gary Dessler

"Management development simply means training reserved for those who currently are, or who are about to become, managers."[5]

— Terry L. Leap et al.

"Management development is the process by which managers acquire not only skills and competency in their present jobs but also capabilities for future managerial tasks of increasing difficulty and scope."[6]

— Edwin B. Flippo

Significance of Management Development

Managers often operate in an uncertain environment as managerial positions involve taking decisions for an uncertain future. When the decisions fail, the manager has to bear the responsibility for such a failure and it may even result in losing one's position. Globalization of business operations, technological developments, and intensified competition have further increased the risk factors for the managers. Thus, there is a growing need for all-round development of the managerial personnel. In fact, an organization requires management development programmes for the following purposes:

- to make certain that every level of management is aware of the latest and best managerial practices, measurement methods and work techniques
- to ensure better leadership behaviour by improving the managers' leadership styles, communication skills, motivational skills and commitment
- to help the managers in prioritizing and optimizing the resources of the organization so as to achieve its goals effectively
- to make sure that the attitudes, values and beliefs of the managers match the core values and strategy of the organization
- to assess and develop the skills of the managers systematically so that they can, in turn, attract, develop and retain the talented employees of the organization
- to assist the managers to build on their strengths and work on their weaknesses so that they achieve their individual career aspirations successfully
- to help the managers cope with the rapidly changing and complex business environment
- to keep in place a proper management succession plan in order to ensure that the organization has a sufficient number of managerial personnel to fulfil the future business requirements
- to help the managers understand and share the corporate philosophy, mission and values of the business

Goals of Management Development

The primary goal of management development from the organizational perspective is to accomplish the short-term and long-term goals of the organization. However, when seen from the individual's perspective, the goal is to help the managers achieve their own career aspirations. The goals of the development process may also be classified as anticipatory, reactive and motivational.[7] An anticipatory goal refers to undertaking development programmes in anticipation so that managers can effectively contribute to the accomplishment of long-term objectives. A reactive goal refers to those development programmes that aim at resolving the present performance difficulties or at averting the likely performance problems. Finally, a motivational goal refers to those development efforts that focus on the self-development of the individual managers.

An organization can conduct management development programmes to fulfil the following goals:[8]

- accomplishing the corporate goals of the organization
- ensuring internal consistency in the organizational philosophy

- helping the process of better integration of various human resources activities
- promoting transparent, dynamic and democratic management practices

Steps in a Management Development Process

Once the organization decides to make changes in the job of an employee, it begins the preparation for the planning and execution of some management development programmes. For instance, it may choose to promote employees to higher positions, consider them for additional responsibilities, entrust challenging assignments to them or develop their existing performance. In most of these cases, a need-based and target-oriented management development programme becomes essential. As shown in Figure 9.1, a management development process involves three steps. These are (1) assessing the company's strategic needs, (2) evaluating the skills and competencies of the managers, and (3) evolving strategies for the development of managers.

Assessing the Company's Strategic Needs

The first step in a management development process is the evaluation of the future managerial requirements of an organization on the basis of its business strategies. For instance, business strategies like new product introduction, market expansion, merger and acquisition (M&A), a strategic response to the competitors' actions and the introduction of new technology usually necessitate the development of new skills and knowledge among the managers. However, it is difficult for an organization to determine precisely the quantity and quality of the skills needed by the managers for the future. This is because the business strategies are developed mostly as immediate, incremental and intuitive responses of an organization to the developments in external environment rather than as a planned and deliberate reaction.

Evaluating the Skills and Competencies of the Managers

In the next phase, the existing skills and abilities of the managers are assessed in line with the future strategies of the organization. At this stage, key competencies like what the manager can do at present and the behaviour and competency necessary to complete the job effectively are assessed.[9] The competency levels and skill gaps of managers are usually assessed with the help of performance evaluation techniques. The skill gaps found in managers normally forms the basis for framing the management development programmes. While assessing the skills and competencies, it should be ensured that the assessment process discovers the specific development requirements of the managers not only for the present situation but also for the future.

Figure 9.1

Steps in a Management Development Process
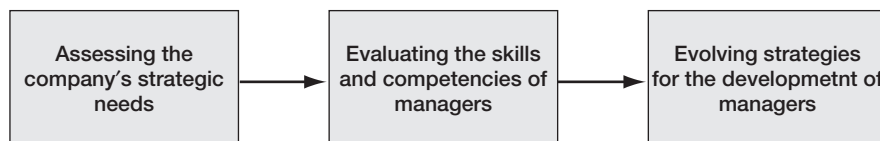
Evolving Strategies for the Development of Managers

In this final phase, the organization decides about how it should proceed with the process of developing the managers to meet its future management requirements. It decides about the key aspects of the development programmes like their objectives, mode of delivery, place and duration, cost and benefits, and assessment techniques. Often, the management development activities are influenced by the size and nature of the organization, the prevailing environment, the level of technology and the management philosophy.

The nature, requirements and process of management development are usually individual employee-centred. They may also be unique and different for each organization. For instance, some organizations may prefer to follow a premeditated routine development programme with result-oriented assessment systems. In contrast, some others may just ensure that their managers get ample opportunities and support to develop themselves in their profession with the least concern for the formalities and rituals.

In the same way, there may also be a difference in the learning skills of the managers and the opportunities available to them. For instance, some managers may be endowed with better managerial abilities and motivation to learn quickly as compared to others. Similarly, some managers may have effective superiors who may be good at developing others. But, others may not be as fortunate in their job and get adequate opportunities and favourable environment to learn on their job. Thus, it becomes imperative for an organization to assess the development requirements of the managers from the individual and situational perspectives.

Methods of Management Development

The management development programmes can also be classified into "on the job" and "off the job" management development techniques. As illustrated in Figure 9.2, the development programmes for managers include, among others, job rotation, internships, programmed learning, simulation method, laboratory training, case study, lecture method, audio-visual methods, role-playing, mentoring, business games, coaching, behaviour modelling, in-basket training, action learning, university-based programmes, executive coaches, in-house development centres and executive orientation (refer to the chapter on training for discussion on
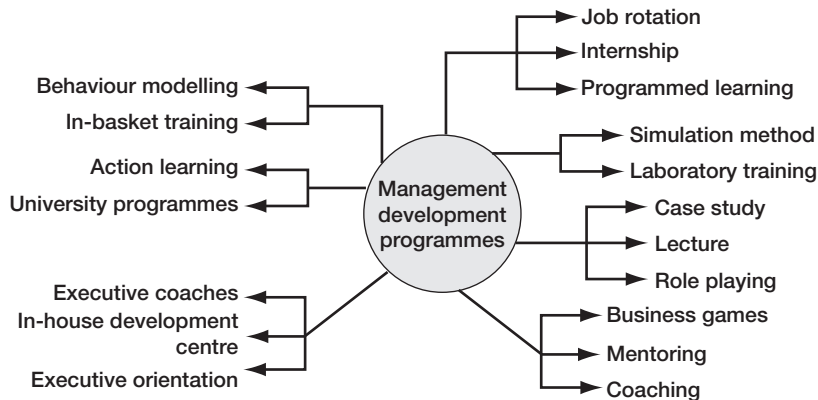
Figure 9.2

Management Development Methods

methods common to workers' training and managers' development. Other methods are being discussed in this chapter.) We shall now see these development methods in detail.

Mentoring

Mentoring refers to the teaching by an intelligent and trusted guide and advisor. In recent times, it has emerged as an important technique to develop future managers. It is a one-to-one teaching–learning process. Mentors are usually the role model for trainee managers. Mentoring, as a concept, aims at enhancing the personal and professional competencies of trainees through the process of advising and coaching. It concentrates on those skills that help the recipients to work to their highest potential and achieve career advancement.[10] Mentors may or may not be from the same organization but should be experienced, competent and mature. In the course of mentoring, mentors provide coaching, counselling, and challenging assignments, besides offering personal support and encouragement. They also safeguard the rights and interests of trainee managers.

Mentoring has the following merits for managers: (i) it improves and extends their career skills, (ii) gets them career advancements, (iii) obtains higher pays and other benefits, and (iv) enables them to find more interest and motivation in the job. However, it suffers from a few limitations: (i) Ego and personality clash between the manager and his mentor may affect the effectiveness of mentoring. (ii) Senior managers are usually hard pressed for time and may find it very difficult to spare time to coach trainees. (iii) The conservative attitude of the senior managers may discourage them from accepting the task of mentoring.

As a recent phenomenon, a few organizations have introduced reverse mentoring in their organizations. Reverse mentoring refers to a process where senior managers tend to learn from younger ones. When the new employees are knowledgeable and the seniors require such knowledge for prolonging their career, the latter may choose reverse mentoring. Box 9.2 outlines the leadership initiative of a software company.

Box 9.2	**Leadership Development: An IBM Endeavour**

Each organization develops its own style and approach in attracting and retaining the best talents. Some organizations showcase their creative management development practices as one of their distinct HR practices to draw the best candidates from the labour market and also from the rival organizations. They also realize that the leaders provided with up-to-date skills and competencies through comprehensive management development programmes alone can deliver more value to the customer and also develop resilience to tackle changes in the external environment. Many Indian companies are now offering several challenging leadership assignments and international career as part of management development programmes to strengthen the quality and depth of their managerial workforce. In this regard, the IBM leadership initiative is worth mentioning.

IBM considers its 3C (capability, climate and culture) approach towards employees as the key to its success in attracting talented people. Capability refers to developing global leaders and fostering employee talents, climate stands for flexibility at work and employee wellness programmes, and culture stands for workforce diversity. As a leading international company, IBM has several specific programmes for developing the professional capability and career prospects of its managers across technological and functional domains. In tune with its management development strategy, it helps its employees develop their competencies through mentoring, study assistance plan, leadership development and individual development plan, and certifications like IBM Certified Professionals.

Adapted from: http://www-07.ibm.com/in/careers/choice.html.

Business Games

People have a natural desire and involvement in games. This method makes use of business games to create an interesting environment for the trainees to learn their business lessons. The primary goal of business games is to ensure the involvement of the trainees in the learning process. In the business games technique, the trainees form teams and assume managerial roles in two or more imaginary but rival companies. These teams operate in a realistic but simulated situation and compete against one another by manipulating the controllable variables like price, product volumes, advertising cost and so on. Computer programs are extensively used to generate and manipulate different decisions and results normally replicating the real business situation. The advantage of this method is that the trainees learn to take decisions without the fear of the consequences of a wrong decision. Similarly, they are able to evaluate the impact of their decisions on others and others' response to their decisions. Besides, this method can improve the problem-solving abilities and leadership skills, and promote cooperation and teamwork.

Coaching

Coaching refers to teaching and supervising someone. In the coaching method, senior managers are made responsible for coaching and developing the trainees who work directly under them. Coaching can take place in the organization formally or informally. The trainees would learn immensely out of the experience or expertise of the coach. One of the purposes of coaching is to make the trainees fit to eventually replace the senior managers in those positions. The process of development may be formal or informal. Nevertheless, coaching is a comprehensive technique to develop managers and executives.[11]

Behaviour Modelling

Under this method, the managers learn by imitating the behaviour (called a model) of others. The behaviour model lets the trainees learn the right way of approaching and behaving in different situations. It is considered to be an ideal method for acquiring relevant skills and knowledge from others. Behaviour modelling can be used to improve the skills of managers in performance management, grievance handling, conflict resolution, overcoming the employees' resistance to changes, tackling health and safety issues. Here, the trainees are first introduced to the correct way of performing a task. Then they are encouraged to do the work in the same manner. Finally, a review is carried out and feedback is provided to them. This management development technique, today, is an extensively used, well-researched, and very much appreciated psychologically based training intervention.[12]

In-basket Training

In-basket refers to a wood or metal container placed on the managers' desk to hold their incoming material. In-basket training is a development technique which educates the trainees about the need for and techniques of prioritizing the situations that await their responses. It helps the managers in prioritizing the numerous business papers, reports, emails and telephone messages before acting on them. Though not presented in any specific order, some of these messages may be urgent while others may be routine. In this training, the trainees are first asked to establish priorities for each given situation before making any decisions regarding the handling of these messages. This form of development technique is found to be very accurate in predicting performance success in management jobs.[13]

Action Learning

It is a development technique that allows trainee managers to work on the problems of some other departments and not on those of their own department. On a full-time basis, a group of trainees analyse the real-world problems of a department and make recommendations. The basic idea behind this technique is to help the managers widen their spheres of knowledge and get expertise in different fields. The usual steps involved in this training are: (i) picking up a team of trainees, (ii) allotment of ambitious business problems which exceed the normal areas of the trainees' capability and knowledge, (iii) providing an intense planning time during which the teamworks on the business problems, (iv) assigning adequate time to discuss the problems and make recommendations, and (v) finally, the senior managers or experts reviewing those recommendations and sharing their opinions with the trainees. Several global organizations like Samsung and GE are using action learning to develop their managers.[14] This method helps the organizations to improve their in-house transfers and promotions of the managers.

University-based Programmes

In this method, managers seek to develop knowledge by joining the programmes offered by the universities, colleges and centres of excellence like the IIMs and the IITs. Certainly, educational institutions play an important role in training management executives in India. For instance, the IIMs offer the managers of industry an opportunity to pursue numerous practical-oriented management development programmes. Management development programmes offered by the universities and colleges are becoming increasingly popular among the managers. Moreover, the Open University and distance learning programmes are also available to managers to upgrade their knowledge and skills in their relevant fields. These institutions use case studies, lectures and growth stories to provide up-to-date management skills and practices to the managers. As a result of globalization, many foreign universities are now setting up bases in India to launch programmes that can help the managers strengthen their managerial skills. Box 9.3 indicates the role of universities in the management development programmes of the corporate sector.

Executive Coaches

Executive coaching is gaining acceptance as an important management development technique necessary for training managers, who will be the future organizational leaders. It is a programme of one-to-one collaboration between a certified external coach and a manager. Through executive coaching, the manager improves his leadership skills, gains new perspectives and reaches maximum potential. Executive coaching is acknowledged as an important element of standard leadership development programme for top-ranking executives. Usually, executive coaching focuses on three features, namely, strategy, organizational change, and behavioural coaching. Executive coaching develops leaders in the context of their current jobs without removing them from their day-to-day responsibilities.[15] The main benefit of executive coaching is that coaches can help executives develop new ways to tackle recurring problems. It is also very useful, especially in times of change, for managers in the form of promotions, additional assignments, and other new challenges. Many companies have realized the stimulating role that this method can play and are employing executive coaches to develop the performance and capacities of their middle and top management. For instance, The Centre for Executive

Box 9.3	**Industry–University Cooperation in the Management Development Programme at Reliance Industries Limited**

Indian organizations have now fully realized the importance of continuously building on their managers' knowledge and managerial competencies to enhance job performance and help these managers climb up the career ladder. Many organizations are making use of the facilities offered by the universities and premier institutions to train their workforce in various domains of knowledge and skills. This industry–university collaboration in management development often works to the mutual advantage of both. Institutions offer excellent development programmes to companies for fees. Universities offer their educational services in two forms: one, enrolments for regular programmes at their campuses in specific fields such as human resources, marketing, IT, finance and logistics management, and, two, providing programmes at the company premises itself. In the latter form, institutions normally offer tailor-made programmes to meet the specific organizational requirements.

Reliance Industries strongly believes in providing the right environment that constantly nurtures the talents of its people. Its human resource philosophy is predominantly based on the belief that ordinary people can usher in extraordinary performance if provided with proper environment and necessary support. As regards its management development programmes, it has judiciously combined the "in-house home-grown programmes" and university-based educational programmes. For instance, it employs in-house competency and soft skill development programmes for its accountants and engineers. On the other hand, it ties up with management and engineering institutions to develop the specific competencies of its employees. It has developed management development programme (MDP) level 1 and level 2 with IIM Bangalore for its high-growth managers. Similarly, it conducts MPRE (Management Programme for Reliance Engineers) in association with IIM Bangalore and a Reliance Certified Engineering Course with IIT Mumbai for its science graduates. In association with Sardar Vallabhbhai National Institute of Technology (SVNIT), Surat, it also conducts Reliance Instrumentation Engineering Programme for its Science Graduates.

Source: http://www.ril.com/aboutus/humanresource.html.

Education (CEE) at the Indian School of Business (ISB) recently hosted an executive coach training programme which was attended by participants from companies such as Raymond, Aditya Birla Management Corporation Ltd, Godrej India and HDFC Bank.[16]

In-house Development Centres

In-house development centres are also known as corporate universities. It is an emerging management development technique. Large companies are establishing their own in-house development centres to develop the required skills and knowledge among its employees. It is a technique for exposing future managers to practical training courses so that they can enhance their managerial competencies. In-house development centres usually makes available those courses and programmes that exactly support the management development requirements of the organization. Many companies are often working jointly with academic institutions, training and development programme providers, and Web-based educational portals to construct packages of programmes and materials suitable to their employees' requirements.[17] Box 9.4 shows the relevance of in-house development centre in management development.

Executive Orientation

This method is also called the on-board development method. In fact, orientation is an initial training effort to inform the new managers about the company, the job and the work group.

Box 9.4	In-house Development Centre for Competency Enhancement at Infosys

A few organizations in India have developed their own unique in-house development centres and conduct full-fledged management development programmes for their employees belonging to different categories. The chief advantage of the internal development centres is that these centres can meet the specific requirements of the organization by offering tailor-made programmes to its employees. Further, in-house development programmes enjoy better flexibility, adaptiveness and convenience. However, organizations normally get external expertise for developing the course content, instruction material and teaching methodology for these centres. The success story of Infosys needs to be mentioned here.

To ensure the availability of adequate skills to meet the talent needs at all levels, Infosys has established a comprehensive training and development centre called the "global education centre" (GEC) at Mysore in Karnataka. The competencies required for the employees are identified and developed along multiple dimensions like technology, domain, leadership and management. Infosys has also launched a "competency certification programme" aimed at certifying its employees in various industry domains, technologies and project management processes. These certifications are now compulsory for the future promotions of employees, especially to managerial cadres.

Adapted from: http://ia.rediff.com/money/2006/jun/22infy.htm

Executive orientation is the technique adopted by an organization to assist its new managers in learning the firm's structure, culture, and practices quickly so that they can begin to contribute to the organization as soon as possible.[18] The major purpose of this method is to keep a close focus on the new executives, especially during the initial phase of their employment. The primary purpose of executive orientation is to educate the new managers about the intricacies of administration, clarify their roles and responsibilities, and familiarize them with cultural norms and practices. If necessary, follow-up meetings can be conducted to check their growth, experiences and challenges.

Evaluation of the Development Programme

Development programmes cost an organization in term of resources and time. Naturally, every organization would tend to know the worth of its development programmes. In this regard, it should develop a clear-cut criterion for measuring the efficiency of management development programmes. It may evaluate the development programmes in the form of its (i) contribution to the accomplishment of the organizational goals such as the efficient use of resource and verifiable improvement in quality, (ii) contribution to the increased performance of managers, and (iii) other traceable returns on development investment. Though the returns on a development programme differ from person to person, it is worth ensuring that the value of the output from development is greater than the value of the input in every case. In management development programmes, behavioural competencies are mostly considered as the learning outcome of the development process.

As regards evaluation, an organization can develop its own purpose and procedure for evaluating the performance of the trainee managers. However, there are four general purposes available for undertaking the evaluation of a management development programme. These are proving, controlling, improving, and learning.[19] A brief description of these purposes is provided as follows.

Proving

An evaluation can be undertaken to prove conclusively that something has happened as a result of the development programme. In other words, the aim of the evaluation is to prove the worth and impact of the development exercise. It would enable the organization to know whether the development programme created the desired impact. Similarly, it would help them decide whether it is worth continuing the programme in the future.

Controlling

It refers to ensuring that the development programmes are conducted according to the pre-determined specifications. Quantitative rating scores are used for measuring the comparative performance of the trainees.

Improving

It refers to the continuous enhancement of the tools and techniques used in the development programmes. For instance, the course content, the infrastructure arrangements and the training process are to be evaluated with the help of the participants. Their opinions may be used for making further improvements in programme structure and design.

Learning

It means measuring the actual quantity and quality of learning taking place among the participants. A formal assessment of participants may be done in the form of examination and project works to measure the efficiency of the development programmes.

There are several issues involved in evaluation, especially with regard to a development programme. For instance, measuring the long-term effect of a development programme is a difficult task for an organization. Of course, an organization usually adopts some techniques to evaluate the immediate effect of these programmes. However, studies on evaluations of training and development have found worryingly low levels of correlation between training and results.[20]

Management Succession Planning

A change in executive leadership at some point of time is unavoidable for an organization. It is also a critical and tough exercise for an organization to find the right replacement for those in the top echelons of the management at the right time. An effective succession plan can facilitate the organization in being prepared for planned or unplanned absences of its top managers and also in guaranteeing stability in its business operations. The purpose of a management succession plan is to ensure that, to the extent possible, the firm has a sufficient number of competent managers to meet the future business needs.

Succession planning is actually a process through which an organization plans for and appoints top-level executives. It usually requires suitable managers to fill the vacancies caused by retirement, promotion, death, resignation and transfer of the existing managers. By implementing a succession management programme that is transparent and equitable, an organization forms an environment for the employees to expand their skills in anticipation of future possibilities. This also enables a workplace to position itself to adequately face any situation that might arise in the organization on account of management changes. Further, succession planning is also capable of reducing performance variations in key roles, reducing

attrition among top performers, encouraging high internal recruitment and enhancing motivation levels of managers.

The concept of succession planning has gathered momentum in Indian companies. Many top companies have chalked out systematic plans for identifying and grooming talents which would eventually take over the top positions in the company. For instance, a few years back, L&T, one of India's leading engineering companies, declared the top 10 per cent of its executives as stars and developed fast-track career paths for them. In course of time, these executives replaced the senior managers when they retired.[21]

Need for Succession Planning

In a globalized economy, the scarcity of people qualified for important leadership positions has become one of the foremost challenges facing the management today. Companies are having an acute shortage of talent, especially at the top levels of the management. This is because the demand for able and experienced managers often exceeds their supply. There are several factors that have contributed to this situation. These have been explained in the following paragraphs.

Growth of Organizations A typically growing organization will require additional leaders to fulfil its ambitious organizational goals and objectives. The expansion schemes of the companies and the tight labour market conditions may combine to create an acute shortfall in executive talent. This would in turn influence the organizations to undertake succession programmes more seriously and on a priority basis.

Early Retirements Even though employees can remain in their jobs for a longer duration, especially in private firms, top managers are of late quitting the firms early to take up lucrative consultancy services. As a recent phenomenon, even those employees who are in their early- or mid-50s quit their job to take up career in other fields where they can make more money. These developments have further enhanced the importance of succession planning for an organization.

Coping with Multiple Competency Requirements The present-day organizations with a complex network and global presence are seeking to fulfil their higher levels of management with executives having multiple competencies. For instance, companies are now looking for managers who can excel at collaboration and partnering, understand and handle vast ambiguities, and deal with global business issues. They should also be familiar with matters like business start-ups, mergers and acquisitions, management of change, the ability to manage new technology, and foreign assignments.

Of course, these managers should possess these skills in addition to the conventional skills and knowledge such as leadership skills, communication, behavioural skills and motivational skills. But, it is difficult for the organizations to get a sufficient number of good managers with these qualities. Thus, the organizations depend critically on succession planning to develop managers with complex skills and abilities.

Poaching To deal with leadership scarcity, some organizations try to attract the managers of their rivals with attractive job offers. When the efforts of these organizations succeed, the organization losing the employee might face a tight situation, especially in the short run. To avoid such a predicament, it is necessary for organizations to develop and implement management succession plans.

Requisites for Successful Succession Management

Organizations should understand clearly that succession planning cannot function in isolation and, in order to achieve success, it should be properly integrated with the corporate goals and plans. Similarly, it should get the full-fledged cooperation of all the stakeholders, namely, the trainer, the trainee manager, the management and the HR people. The following are the basic requirements in succession planning for developing the leadership that delivers business results and assures stability:

- The succession planning programme should have the complete support and patronage of the top management.
- The management should forecast with maximum possible precision the skill requirements for the immediate and distant future.
- The organization should revise the list of jobs critical to it periodically and bring them under the succession planning programme.
- The organization should systematically identify the employees with potential managerial competence for developing their skills and knowledge.
- There should be a proper alignment between the HR strategy and the succession plans. While determining HR activities like training and development, and performance evaluation, the succession plan requirements should also be considered.
- The knowledge, skills and abilities of the prospective employees must be developed on a sustained basis.
- A proper mechanism should be put in place to provide constant feedback to the potential successors about their performance and progress. There must also be a system for evaluating the efficiency of the trainers in succession planning.
- The organization should adopt a strategic and holistic approach towards succession planning and leadership development.

Impediments to Effective Succession Management

Organizations often fail to identify the factors undermining the success of their succession plans, and these factors eventually affect the efficiency of these programmes. It is thus essential for the organizations to concentrate on the identification and elimination of those factors that impede the effectiveness of the succession planning. We shall now see the major impediments to succession planning process.

Lack of Criteria for the Identification of the Successor   Many organizations care little for developing unambiguous and objective criteria for selecting the potential successor for filling the future positions. Moreover, many senior managers identify their successor through chance observation of people and their skills. An inaccurate identification can keep out the talented and deserving but less visible employees from the succession programme.

Presence of Traditional Replacement Systems   In many organizations, the replacement planning process targets specific persons instead of identifying specific positions for succession planning. This people-oriented succession planning often ends up with the identification of a few subordinates by the senior managers for inclusion in the succession planning. Instead, the organization should first identify the critical positions to be included

in the succession planning. Then, it should develop a pool of high-potential candidates for inclusion in the planning process. Thus, a position-based replacement system is required for the success of the succession programme.

Improper Diagnosis of Development Requirements   Often, organizations make a wrong assessment of the skills requirements of the potential successors. When the skills requirements are misjudged, it often leads to inaccurate selection of training and development techniques and performance evaluation methods. It is, therefore, essential for an organization to evolve scientific methods to identify the skills and knowledge requirements for its future positions and also the skill gaps of the trainee managers.

Inadequate Focus on Interpersonal Skill Requirements   On many occasions, organizations emphasize more on developing the technical skills and competencies of the future leaders and simply overlook their interpersonal and team-building skills. Consequently, these succession programmes pay no attention to leadership, motivational, communication and socialization skills of the participants. An organization should, therefore, develop a comprehensive succession programme by including both hard and soft skills components in the development programmes for its prospective future leaders.

Too Little Importance to Lateral Mobility   Quite often, organizations consider the vertical mobility of the immediate subordinates to higher positions as the only option available in succession management. They simply ignore the prospects of lateral mobility, which considers other employees also for higher positions as an alternative in the succession planning. Any narrow approach towards succession management would reduce the scope of succession planning in the organization. Thus, the management should include lateral mobility also as a part of succession management strategy.

 Lack of Sufficient and Timely Sharing of Feedback   The absence of the availability of the feedback about the current performance and future assignments may drive the potential successor out of the organization. When the prospective employees remain ignorant about what their management plans for their future, they may tend to quit the organization in search of better prospects elsewhere. Thus, it becomes important for the organization to ensure that the information about the career plans concerning the employees is shared with them without any delay**.**

Lack of Follow-up Action   In many organizations, succession plans often remain in the plan stage and in paper form. These organizations lack the sustained enthusiasm and motivation required to follow up the plans with necessary actions. In some organizations, the management simply fails to take succession management to its logical end, which is posting the identified and trained successors to the vacant positions. This occurs when the management changes its preference for the identified position and dumps the person groomed for that position through the succession planning process.

Absence of Managerial Initiative and Support   The critical prerequisite for the success of any succession management programme is the active support and constant encouragement from the top management. Many organizations never provide the importance that it deserves in the strategic planning. This is because the management is concerned more with its immediate future and short-term goals. It is important for the management to realize the benefits of succession management and it should strive to support this concept on a sustained basis.

Insecurity of the Boss Managers often feel threatened when succession issues are discussed with them. They view the move as the beginning of the end of their career with the organization. In such a situation, an insecure boss may display disinterest and even apathy in sharing his skills and knowledge with his potential successor. Obviously, the top management should enlighten the managers about the purpose and intentions of succession planning and dispel the apprehensions they may have about the whole programme.

Summary

1. Management development is a long-term process by which the managers' conceptual knowledge and competencies are developed to make them more suitable for the present and future responsibilities.

2. The goals of management development are: (i) accomplishing the corporate goals of the organization, (ii) ensuring internal consistency in the organizational philosophy, (iii) helping the process of better integration of various human resources activities, and (iv) promoting transparent, dynamic and democratic management practices.

3. The steps in a management development process are: (1) assessing the company's strategic needs, (2) evaluating the skills and competencies of managers, and (3) evolving strategies for the development of managers.

4. The methods of management development are job rotation, internships, programmed learning, simulation method, laboratory training, case study, lecture method, audio-visual methods, role-playing, business games, coaching, behaviour modelling, in-basket training, action learning, university-based programmes, executive coaches, in-house development centres and executive orientation.

5. The reasons for the growing importance of succession planning are: growth of the organizations, early retirements, coping with multiple competency requirements, and poaching.

6. The hurdles to succession management are lack of criteria for successor identification, presence of a traditional replacement system, presence of traditional replacement system, improper diagnosis of development requirements, inadequate focus on interpersonal skill requirements, too little importance given to lateral mobility, lack of sufficient and timely sharing of feedback, lack of follow-up action, absence of managerial initiative and support, and insecurity of the boss.

Review Questions

Essay-type questions

1. Discuss the strategic role of management development programmes in the growth of an organization in detail.

2. Evaluate critically the steps in a management development process.

3. Illustrate on-the-job training and development methods with relevant examples.

4. Describe any five modern development programmes adopted by Indian industrial organizations.

5. Examine the purposes and process of evaluation of a management development programme.

6. "Succession planning greatly enhances the stability of business operations." In the light of this statement, discuss the need for a succession management process.

7. "Management development is nothing but guided self-development." Discuss.

8. Compare and contrast any four management development programmes widely practised in industrial organizations in India.

9. Identify the nature and kind of management development programmes implemented by Indian organizations.

10. "Management development programmes are the privilege of a few large and elite organizations." Present arguments for and against this.

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C H A P T E R

10

Performance Evaluation and Job Evaluation

C H A P T E R   O B J E C T I V E S

After reading this chapter, you should be able to:

1 Understand the meaning and objectives of performance evaluation

2 Present an overview of performance management

3 Understand the process of performance evaluation

4 List the issues and challenges that are faced by performance evaluation

5 Enumerate the steps that make performance evaluation programmes effective

6 Understand the meaning and benefits of job evaluation

7 Discuss the various methods and stages used for job evaluation

8 Understand the process of job evaluation

9 List the steps needed to make a job evaluation programme effective

The Aditya Birla Group is a large business conglomerate, with 100,000 employees encompassing 25 different nationalities. It has vast and diverse business interests and operates in more than 20 countries across 17 businesses. The group has several innovative HR initiatives that aim at treating the employees as group resources. Acknowledging employees through the Aditya Birla awards for outstanding achievement has been one of its major employee engagement programmes. In 2007, the group was adjudged the best employer in India and among the top 20 in Asia by a Hewitt Associates study for its HR policies and schemes in India.

The group views a transparent performance management and job evaluation process as a vital employee retention tool. The main features of its performance management process include predetermined goals and key result areas (KRAs) to enable the employees to know what is expected of them, a mid-year review, an annual performance appraisal process, which includes self-assessment, supervisor assessment and a skip-level review, an assessment of the individual on values compliance and demonstration, and, finally, a documentation of career aspirations along with the developmental requirements to achieve those aspirations. The Aditya Birla Group proves that companies can make rapid strides with an efficient performance management and job evaluation process and we shall discuss these in this chapter.

Performance Evaluation: An Introduction

Performance evaluation is one of the crucial steps in the process of human resource management. Through performance evaluation, an organization seeks to know what is done by an employee. Performance evaluation is concerned with the evaluation of the individual and group performance of the employees of an organization. Each organization can have its own way of appraising the performance of its employees. The mode of appraisal may be formal or informal. In any case, an organization requires effective appraisals to ensure that the employees' efforts are goal-directed. In the absence of a reliable and objective performance evaluation of employees, an organization might suffer in the form of high labour cost, underperformance of its workforce, low productivity and underutilization of available resources. [1]

Performance evaluation is a careful and predetermined way of assessing an employee's performance during a given period of time. It involves the process of measuring an employee's present actual performance with the estimated standard performance. The idea behind performance evaluation is to continuously enhance the employees' performance and also to plan for their future. It helps an organization to identify and eliminate deficiencies in the performance of its employees. It, indeed, reveals the keenness of an organization in the growth of its employees. However, the eventual beneficiaries of performance evaluation are both the individual employees and the organization. This is because the objective of any evaluation process is to enhance the employees' performance and through that the performance of the organization.

Performance Evaluation: An Overview

Although performance evaluation is basically a procedure used for ascertaining, examining and recording information about the relative worth of the members of an organization, it has been defined differently by various authors. Box 10.1 lists some of the definitions relating to performance evaluation.

We may define performance evaluation as an objective review and rating of an employee's performance in comparison with the relative performance standards.

Box 10.1	Definitions
"Performance evaluation is a formal system of review and evaluation of individual or team task performance."[2] —R. Wayne Mondy "Performance appraisal is a systematic, periodic and impartial rating of an employee's excellence in matters pertaining to his present job and his potential for a better job."[3] —Edwin B. Flippo	"Performance evaluation means evaluating an employee's current and/or past performance relative to his or her performance standards."[4] —Gary Dessler "Performance evaluation is a systematic evaluation of the individual with regard to his or her performance on the job and his potential for development." [5] —Dale S. Beach

Performance Management: An Overview

While performance evaluation is limited in its scope and confined to reviewing the performance of employees, performance management is a much wider process. It is, in fact, a total and integrated process comprising activities like goal-setting, training, evaluation, and rewarding of employees. It is a goal-based process aimed at guaranteeing that organizational processes produce the expected performance on the part of both the employees and the organization. It begins with the task of setting performance standards for employees followed by training and development. It finally ends with performance appraisal and thereby fixing rewards for employees in a fair and objective manner. Performance appraisal is a one-time event each year whereas performance management is a dynamic, ongoing, and continuous process.[6]

The foremost task of performance management is fixing goals in alignment with the strategic needs of an organization. Performance management constantly focuses on the effort of each employee towards the achievement of organizational goals. It may involve daily or weekly interactions to ensure continuous improvement in the employee's capacity and performance.[7] When the employee's existing skills and knowledge are found to be insufficient and require improvement during the performance management process, training and development exercises are usually undertaken to achieve the required effectiveness. Besides, compensation may also be linked directly to attaining organizational goals. For instance, employees who are able to effectively contribute to the achievement of the organizational goals could be well rewarded.[8]

The crux of performance management is ensuring frequent interactions with employees in order to enhance their level of and capacity for performance on a sustained basis. This core feature is included in many of the definitions of performance management. Box 10.2 lists some of the definitions.

Objectives of Performance Evaluation

Every organization practices some form of performance evaluation to achieve the pre-specified objectives. However, these objectives usually differ from organization to organization. Sometimes, they may vary even within the same organization from time to time depending upon the prevailing requirements. The common objectives of performance evaluation are:

Box 10.2	Definitions

"Performance management is a strategic and integrated approach to delivering sustained success to organizations by improving the performance of the people who work in them and by developing the capabilities of teams and individual contributors."[9]

—Michael Armstrong

"Performance management can be defined as a process that consolidates goal setting, performance appraisal, and development into a single, common system, the aim of which is to ensure that the employee's performance is supporting the company's strategic aims."[10]

—Gary Dessler

"Performance management means goal-oriented processes directed toward ensuring that organizational processes are in place to maximize the productivity of employees, teams, and, ultimately, the organization."[11]

—R. Wayne Mondy

Identify the Performance Gap

Performance evaluation helps in determining the gap between the actual performance of the employee and the performance expected or desired by the organization.

Provide the Basis for Promotion, Transfer and Termination

Performance evaluation facilitates the process of identifying in an objective manner the employees who deserve promotions, transfers or even terminations.

Aid in Designing Training and Development Programmes

The results of performance evaluation can be used to identify the specific skills required to be developed for each employee and thus can help in developing the training and development programmes.

Assist in Wage and Salary Administration

Performance evaluation helps in determining compensation packages like wage fixation, rewards allocation, and incentives for the employees on a scientific basis.

Help in Increasing Employee Effectiveness

It facilitates the organization in improving the effectiveness of its employees by helping them identify their strengths and eliminating their weaknesses.

Improve Interpersonal Relations

It helps in building a cordial industrial relationship by encouraging good contact between the management and the labour. It acts a mechanism for communication between the superiors and the employees.

Identify Employees' Grievances

It helps in identifying and recognizing the grievances of the employees at the earliest and thereby removing factors responsible for such grievances.

Uses of Performance Evaluation

An organization may have several reasons to appraise its employees. For instance, HR managers require performance evaluation to provide feedback, support the performance enhancement drive, make valid decisions, justify terminations, recognize training and development needs, and defend any personnel decisions.[12] In fact, the given uses of performance evaluation influence the decisions regarding the design and execution of performance evaluation technique. For instance, a particular performance evaluation technique suitable for determining training needs of employees may not be ideal for deciding the pay scales of employees.

However, a comprehensive evaluation system can overcome this problem to a great extent. A properly designed evaluation tool can find a use in every stage of the human resource management process. Obviously, the information obtained through performance

evaluation can help the HR managers in several ways. It can be used to convert strategic goals of the organization into the employees' goals, to devise or revise its HR plans, to revisit the employees' career plans, and to enhance individual and organizational performance. The following are some of the HR operations where the results of performance evaluation are widely utilized:

Human Resource (HR) Planning

HR planning involves forecasting and determining the manpower requirements of an organization to meet its strategic goals. With the help of a performance evaluation, the organization can assess its available manpower effectively and plan its future HR programmes based on the anticipated labour requirements. Through performance appraisal, it can also plan and prepare a profile of its HR strengths and weaknesses to support its strategic missions and goals. Box 10.3 outlines the goals of the performance evaluation system at ACC.

Recruitment and Selection

The purpose of any selection tool is to predict the likely performance of candidates when offered jobs. The scores from the various selection devices administered to candidates at the time of selection are usually correlated at a later stage with their actual job performance to determine the efficacy and validity of the selection tools. In fact, performance evaluation offers a way for validating both internal (promotions and transfers) and external (employing new people from outside sources) selection programmes.[13] Performance evaluation ratings are good at predicting the performance of candidates. However, when not enough attention is given to the appropriate evaluation of the employees' performance, the time and money spent on the designing and development of selection tools are simply wasted.

Employee Training and Development

Performance evaluation can easily identify a worker's specific needs for training. This is because shortages in performance are usually the direct outcome of the absence of adequate knowledge or skills on the part of the workforce. In fact, performance evaluation results can be used to decide whether an employee or group of employees will require additional training and development.[14] Inadequacies in the performance of the employees can be identified

Box 10.3	Performance Evaluation System: An HR Effort Aimed at Recognizing Good Work

Almost all organizations have some means of evaluating their workforce performance. The means of evaluation may be a formal or informal. Though the basic objective of any evaluation is to improve individual and organizational performance, it serves different purposes for different organizations. For instance, some organizations may link pay and promotional decisions to evaluation results while others may use it just to know the deficiency in their employees' performance. The interesting aspect of performance evaluation is that its results are potentially valuable for practically every human resource functional area.

The performance evaluation system at ACC is worth mentioning here. It is used as the basis for determining performance-linked incentives, good work awards, letters of appreciation, special increments, promotions, and nominations to external training programmes in India and abroad, public felicitation and appreciation.

Adapted from: http://www. acclimited.com.

through evaluation and training programmes formulated accordingly so that employees can build on their strengths even while removing their deficiencies.

Compensation Decisions

Performance evaluation provides reliable information for determining the pay scale of the employees. In fact, compensation decisions, to varying degrees, are based on the results of an employee's performance appraisal.[15] Performance evaluation helps the organization to reward behaviour that contributes directly to the accomplishment of the organizational objectives. Thus, it is essential to design and execute a dependable performance evaluation system to reward the most efficient workers and groups appropriately. A recent study showed that two-thirds of the companies use performance reviews to determine pay increases, and almost half use them to calculate bonuses.[16]

Career Planning and Development

Performance evaluation is useful in determining the career plans of employees. Any organization would like to promote only the best qualified employees to the higher levels. In this context, performance evaluation data is vital in evaluating an employee's strengths and weaknesses and also in deciding the employee's potential. An organization may decide about transfers, lay-offs, and so on, based on the results of the performance evaluation. Finally, the HR professional can help employees in developing and implementing their career plans on the basis of performance evaluation. Box 10.4 shows the online evaluation practice at the Indian Oil Corporation.

Grievance and Discipline Issues

Performance evaluation information is also used frequently for decisions relating to promotion, demotion, termination, layoff and transfer.[17] Performance evaluation results can be used to initiate the necessary action against incompetent employees faring poorly in the performance evaluation, provided the process of evaluation is flawless and standard. Performance evaluation data can also be used as an important source of documentation for formal grievances that are filed in connection with employee disciplinary actions.[18]

Box 10.4	Performance Evaluation: A Basis for Career Growth

Performance evaluation is an ideal option for an organization to determine the ability of an individual employee to accomplish his tasks. An effective evaluation system must focus on the individual employee and his development, in addition to facilitating him to achieve the desired performance. A good performance evaluation system should focus not only on the organizational objectives, but also on the individual and the mutual ones.

For instance, Indian Oil Corporation, a national oil company, has an online performance measurement system in place. The performance and potential of the employees decides their promotion and career plan and progress. In fact, the career growth opportunities in this company are based on the individuals' performance and their contribution to the common goal of sustained growth assessed through appraisals.

Adapted from: http://iocl.com/PeopleCareers.aspx.

Feedback

Employees are usually interested in knowing the results of the performance evaluation. This is because they may be curious to know how well they are performing at present and how much improvement is required to attain the desired performance. This feedback enables them to have a clear idea about their standing in the organization as related to performance rewards like promotion, or merit pay. An objective and timely feedback can benefit the employees in terms of motivation and satisfaction; it can benefit the management in terms of increased cooperation, productivity and support from the employees.

Determining the Criteria for Performance Evaluation

The determination of the criteria for performance evaluation often involves the tricky question of what aspects of employees' performance are to be evaluated. The note of caution here is that the criteria selected should be purely job-related and well within the control of the workers. Also, they should be clearly defined and have no ambiguity. As far as possible, performance evaluation that is based on a single criterion is to be avoided. The job analysis report can help in identifying the criteria for each job. Normally, performance evaluation criteria involve individual traits, behavioural characteristics, goal accomplishment, scope for improvement, and competencies. We shall now discuss these criteria briefly.

Individual Traits

The employees' attributes like attitude, outlook and initiative can be the basis for the performance appraisal. However, it is to be ensured that the subjective elements in these traits are controlled carefully and defined properly, otherwise, they can cause inaccuracy in evaluation. For instance, subjective elements like leadership qualities, appearance, personal conduct, attitude towards life, ethical practice, imagination, mental alertness, and reliability can cause bias and prejudice in evaluation.

Behavioural Characteristics

Behaviour is the aggregate of the responses, reactions or movements made by a person in any situation. Although the individual's response on a particular occasion is difficult to determine, organizations may evaluate the standard task-related behaviour or competencies. For instance, leadership styles, teamwork, commitment, and customer care are some of the desired behaviours normally included as criteria to evaluate the employees. Organizations tend to recognize and reward those behaviours that can contribute to the overall growth of the organization.

Goal Accomplishment

The successful accomplishment of goals can become a criterion for evaluating the performance of employees. The outcome of those goals that contribute to the success of the organization can be an ideal appraisal criterion. They may be financial goals like profit, cash flow or marketing goals like the desired sales, achieving the target market share or standing in the market, maintaining the time schedule, and total quality management. However, it is imperative that the management involve the employees in the process of fixing goals for evaluation.

Scope for Improvement

Performance evaluation criteria may focus on assessing the future potential of employees. A proper evaluation of the potential of employees can help in deciding their career plan and prospects systematically. It is to be noted here that the performance evaluation report would become mere historical documents with little use if the focus of the evaluation does not shift from the past to the future performance of the employees.

Competencies

Competency is the quality of being well-qualified physically and intellectually. Performance evaluation can attempt to assess those job-related skills, knowledge, qualities, ethical values, flexibility and sense of judgment that contribute to job success. Susan Meisinger identified five key areas that require the application of specific competency and skills and contribute significantly to the success of an organization in general and HR management in particular. These are:[19]

- **Strategic contribution**: Connecting the organizations to their markets and quickly aligning employee behaviour with the organizational needs
- **Business knowledge**: Knowing how businesses are run and translating this into action
- **Personal credibility**: Demonstrating measurable value; being part of an executive team
- **HR delivery**: Providing efficient and effective service to customers in the areas of staffing, performance management, development, and evaluation
- **HR technology**: Using technology and Web-based means to deliver value to customers

It is to be understood clearly that there is no available set of job-related criteria that can be universally applied for performance evaluation. The criteria usually differ, depending on the nature of job, purpose, and situation. Similarly, the criteria discussed here are not mutually exclusive. In fact, each appraisal tool can have a unique permutation and combination of these criteria. Finally, it should be ensured that irrelevant criteria, which can undermine the seriousness of the evaluation, are not included in performance evaluation.

The Process of Performance Evaluation

The entire ethos of performance evaluation should start at the top and be built into the strategy of the firm. It should be embodied in the values of the company. The performance evaluation process should strengthen the working relationship between the managers and their employees. It should also contribute to the long-term success of the organization. The entire process should be a rewarding and satisfying experience not only for the organization but also for the individual employees. An ideal performance evaluation process should provide the basis for managing the business of today and for developing it in the future.[20] Figure 10.1 illustrates the steps involved in a performance evaluation process. We shall now discuss these steps in detail.

Setting the Performance Evaluation Goals

The first step in the process of performance evaluation is setting specific goals. These goals are usually set jointly by both the superiors and the employees. The goal-setting process
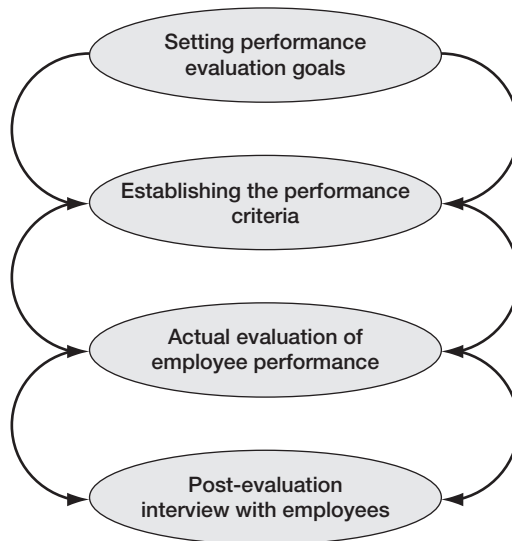
Figure 10.1

The Performance Evaluation Process

ensures that every employee knows what is expected of him and how the achievement of the goal contributes to the overall success. Organizations should select only those goals that are most important and realistically achievable. Stephen Williams specified the following three types of objectives for a performance evaluation programme:[21]

   (i) **Key result areas:** The objectives which contribute to the achievement of the business goals of the unit.

  (ii) **Performance standards:** The objectives which contribute to the improvement in the performance of the individual job.

 (iii) **Performance development:** The objectives which contribute to the development in the performance of the individual.

Undoubtedly, the effectiveness of performance appraisal depends on the efficiency of the objectives being framed.

Establishing the Performance Criteria

The second step in the process is deciding the criteria for evaluation. These criteria are the basis for comparison. It is actually a reference point in terms of which other things can be evaluated. An organization has to decide what characteristics of the employees are to be evaluated. The criteria should be job-related, specific, and within the control of the employees. They may include, among others, the traits, behaviours, cost-related outcomes, competencies, goal achievement, and scope for further improvement. There should be joint discussions between the superiors and the employees regarding criteria formulation. Once the performance criteria are established, these should be communicated to all those concerned.

Actual Evaluation of Performance

At this stage, the employee's performance is evaluated actually on the basis of predetermined criteria. The evaluator and the employee review the latter's job performance jointly and appraise it against established performance standards. This appraisal assists in determining to what extent employees have met these standards, ascertaining the reasons for any deficiencies and preparing a plan to correct the problems.

Post-evaluation Interview with Employees

As a final step in the formal evaluation process, the superior can have a meeting with the appraised employees to discuss the results of the evaluation, once the appraisal is over. At this stage, the evaluator can ascertain from the employees the reasons for their high or low level of achievement against pre-determined objectives. Further, the evaluator can help the employees consolidate their strengths and improve their relative weaknesses. At this meeting, goals can also be set for the next evaluation period and the process goes on. Box 10.5 depicts the elements of performance evaluation process at J. K. Lakshmi Cement.

Selection of the Evaluator for Conducting the Performance Evaluation

In any evaluation process, the most important issue is deciding who should evaluate the employees. The person who is the evaluator is called the rator while the person who is being evaluated is called the ratee. One desirable factor for a person to be a rator is that he should have enough opportunity to take note of the employee's (ratee's) work performance over a period of time. Performance appraisal should be conducted by those who are most knowledgeable about an employee's work performance and are able to closely monitor his job behaviour.[22] In any case, it is the responsibility of the rator to ensure that there is no bias in the evaluation process. Let us now examine the different kinds of evaluators who usually undertake the performance evaluation process in an organization.

Immediate Supervisors

It is usually the immediate supervisor who is the most conversant with the activities of the employee being evaluated. Similarly, the immediate supervisor is in a better position to

Box 10.5	Performance Evaluation Process: Role of KRAs

To achieve the pre-determined objectives, an organization may develop a variety of performance appraisal methods. However, the ultimate choice of a specific method would depend on the organizational philosophy, its strategic objectives, size, product and technology. Whichever method be adopted, the eventual aim of the management is to ensure that the performance and achievement of the employees do not go unnoticed.

The performance appraisal system of J. K. Lakshmi Cement is an example of performance evaluation.

Individual performance targets are set in the form of the key result areas (KRAs) at the start of the year through consultations with the reporting managers. At the end of the year, each employee's performance is evaluated against the predetermined KRAs. Finally, each employee is provided with an opportunity to discuss his/her achievements during the given period and also told to focus on improvement areas.

Adapted from: http://www.jklakshmi.com.

effectively correlate his employee's performance with that of his own unit and also with the overall performance of the organization. Further, the role of the performance evaluator can also strengthen the authority and control of the supervisor over the employees. Obviously, the employee's immediate supervisor becomes the most preferred choice for his employee's performance.

However, the negative aspect of involving the immediate supervisor is that he may tend to emphasize more on a few aspects while ignoring other job-related factors. For instance, if the supervisor is basically a technocrat, he may have a tendency to provide undue importance to the technical competence of the employees while neglecting their other skills. There is also a possibility that the supervisor may approach the whole process of evaluation with a preconceived notion about an employee's performance, thereby vitiating the whole exercise. This problem can be overcome by involving the employees closely in the process of determining the evaluation criteria and also by constantly reviewing the evaluation process after getting a feedback from them about the fairness of the exercise.

Peer Groups

A peer is a person who is of an equal standing with another in a group. Of late, the evaluation of an employee by his peers is emerging as the more popular form of evaluation. The foremost strength of employing peers to evaluate an employee's performance is that they work intimately with the ratee and probably have an undistorted view on typical performance, particularly in team assignments.[23] The major advantage of this method is that it is best suited for group projects. Co-workers can evaluate certain aspects of an employee's performance more sincerely than supervisors. For instance, factors like trustworthiness, communication skills, initiative, socialization skills, and inter-personal effectiveness can be evaluated more effectively by the co-workers. The difficulty in peer evaluation is that co-workers may not be willing to criticize one another especially when they work as a team. Besides, the possibility of unfair evaluation by a co-worker due to peer rivalry cannot be ruled out.

Employees

Many organizations are serious about the evaluation of the superiors by the employees. There is a growing realization among the organizations that employee ratings are especially valuable when used for developmental rather than evaluative purposes.[24] Typically, employees are better placed to observe their superiors' managerial efficiency. This process can also make the supervisors more sensitive about the work group's expectations and more mindful of the need for consensus in decision-making. This practice is more popular in educational institutions where teachers are evaluated by their students. The major problem in this method is the fear of victimization by the superior and that is why employees often prefer to evaluate their superiors in an anonymous manner.

Committees

Organizations are now employing rating committees to evaluate the employees. These committees are normally balanced with the inclusion of a few supervisors, including the immediate supervisor. These multiple evaluators' committees can overcome the problems of bias, prejudice, and preconceived notions. The composite ratings are also more dependable, just and valid. Further, evaluation can also be comprehensive with different evaluators assessing different aspects of an employee's performance.

Self-evaluation

There has been controversy surrounding the usefulness of self-evaluation as the employees may tend to rate themselves higher than what they are evaluated by their superiors and co-workers. This method is normally used more for gathering useful and vital data about the employees than for evaluating them. Employees can provide details about their achievements and contributions over the review period. From the evaluation perspective, its value is significantly less, as a survey on the self-evaluation of one's performance showed that nearly 40 per cent of the employees performing different types of jobs placed themselves in the best category (in the top 10 per cent) and almost all the remaining employees placed themselves in the well-above-average category (in the top 25 per cent) or in the above-average category (in the top 50 per cent).[25] There is also a general feeling that self-evaluation data is just self-serving and, by itself, cannot present a valid picture of employee performance.[26]

However, the self-evaluation process can act as an instrument to motivate the employees as they can see it as an occasion to bring to the notice of the management their contribution toward the accomplishment of organization goals and gain recognition and appreciation. As a balance for other methods, self-appraisal helps superiors who are primarily concerned in ensuring employee participation and development.

Customers

Many organizations have realized of late that it is in the interest of the organization to let the customers evaluate the performance of its employees. This is because the customers' satisfaction and behaviour play an important role in the success and endurance of the organization. Besides, this can also exhibit the inclusive culture, the commitment towards customers, quality-consciousness, the employee's accountability for action, and the dynamism of the organization. This process can be used to enhance the quality and efficiency of the employees in public relations and continuously improve the satisfaction levels of the customers. However, it is essential to make sure that the evaluation criteria be well within the control of the employees and they be adequately involved in the goal-setting process. This process may help the organization in achieving specific objectives like timely and proper after-sales service, maintaining the delivery schedule, and gradually reducing the number of unsatisfied customers.

Performance Evaluation Methods

The decision regarding the selection of a particular type of evaluation usually involves answering questions like what aspects are to be evaluated and how they should be evaluated. Nevertheless, the purpose of evaluation is the major guiding factor for such decisions. For instance, traditional methods like rating scales, paired comparisons and other similar methods are appropriate when the purpose of evaluation is identifying suitable employees for promotions and compensation, whereas collaborative methods like evaluation by employees, peers, customers and self-evaluation are more suitable for developing the employees. Thus, managers have to carefully choose from the number of evaluation options available to them (Figure 10.2 lists the methods). We shall now see the important performance evaluation methods available to an organization.
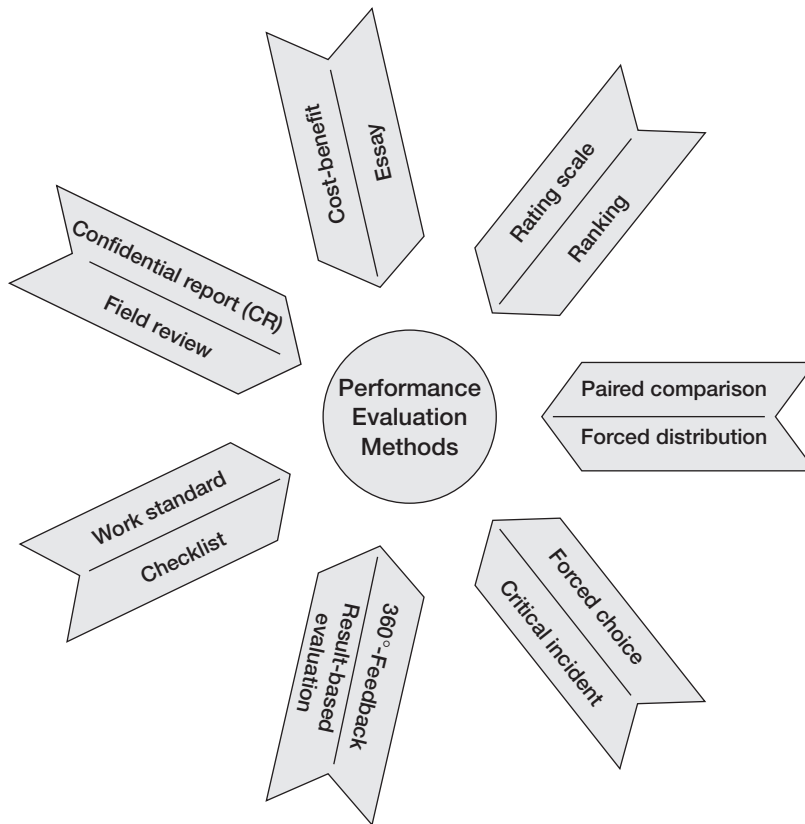
Figure 10.2

Performance Evaluation Methods

The Rating Scales Method

In this method of performance evaluation, employees are rated according to pre-specified factors. This method is simple and clear-cut and it allows prompt evaluation of several employees at a time. In this method, evaluators record their assessments of the performance of the employees on a scale. A scale actually lists a group of traits and a range of performance expected for each trait. These traits are usually job-related factors like the quality and quantity of job and personal factors such as reliability, interpersonal skills, and adaptability. The scale may have various scores representing outstanding, average, improvement required, etc. The supervisor evaluates an employee by circling in the evaluation form a scale of each factor that best describes his or her performance. Finally, the assigned values are summed up for each trait.

Organizations are now allotting a space in the appraisal form for the evaluator to comment (say, a written justification) on the particular rating given for each factor. The aim of this exercise is to focus on rectifying the deficiencies and discourage a subjective and hasty

evaluation. Though this method is ideal for evaluating an employee, the limitation of this method is the possibility of the existence of the evaluator's bias and prejudice.

The Ranking Method

This is one of the oldest and easiest methods of evaluating the employees. Each employee is ranked by the evaluator on the basis of their relative worth to the organization, as compared to other employees. Each evaluated employee secures a place in a ranking order ranging from topmost to the worst for selected characteristics. In brief, the best employee in the list is ranked the highest, and the poorest one is at the bottom for the same traits.

Though this method enjoys the benefit of ease of administration and explanation,[27] it suffers from several defects. For instance, it provides scope for the evaluator's bias and prejudice. This could be due to halo and recency effects. (Both of these have been discussed later in the chapter.) Besides, it is not very suitable for evaluation involving a large number of persons. Nor can this method be ideal when the employees have dissimilar behavioural qualities.

The Paired Comparison Method

This method is only a variant of the ranking method but its ranking system is generally superior. In this method, two employees of a group are considered as a unit or pair. On the basis of predetermined criteria such as total performance, one employee is compared with another. This process of comparing a pair of employees continues till all the employees have been compared. Finally, the employee with the greatest number of favourable responses in inter-person comparison gets the highest ranking. This method can be illustrated better with a numerical example.

Suppose six employees in a group are to be evaluated under the paired comparison method. The maximum number of pairs can be calculated with the help of the formula

Maximum number of pairs $= [n(n - 1)]/2$.

In the given example, the maximum number of pairs will be

$$[6(6 - 1)]/2 = 15$$

This maximum number of pairs indicates the maximum possible alternative comparisons. A worker who emerges better than others in as many comparisons yields the best score. However, the major defect of this method is that it may not be appropriate when a large number of employees are to be compared in a short span of time.

The Forced Distribution Method

In this method, the evaluator is forced to assign the employees to various performance categories like excellent, good, average, and poor, each with a predetermined percentage. For instance, the evaluator must have to distribute 10 per cent of the employees to the excellent performer category, another 10 per cent to the poor performer category, and the remaining to in-between performer categories. Forced distribution is emerging as a popular method as more organizations are beginning to use it due to an increased focus on pay for performance.[28]

The merit of this method is that it forces the weak managers to act against the poor performers, who would otherwise escape corrective action. However, this method is unpopular in many organizations as it usually keeps the employees in constant fear of their future. For instance, in a survey of HR professionals, 44 per cent of the respondents felt that the forced ranking system prevalent in their organization damaged the morale of the employees

and generated a mistrust of leadership.[29] This method can also cause potential damage to employee loyalty and cooperation as the employees may suspect it to be an exercise to get rid of them.

The Forced Choice Method

In this method, the evaluator has to evaluate the employees with the help of a series of statements (or list of traits). The series may contain both favourable and unfavourable statements. Each statement would carry weights or scores, which may not be known to the evaluator. Now, the evaluator has to choose the most appropriate statement, which best represents the individual being evaluated. This method objectively evaluates an employee as an evaluator will not know the scores of each statement. Further, there is an in-built mechanism available in this method that compels the evaluator to ascertain both negative and positive traits of the employees. The limitation of this method is that the preparation of forced-choice instruments is usually a time-consuming process.

The Critical Incident Method

In this method, the supervisor is required to keep a written record of positive and negative work-related actions of the employees. For instance, when a critical incident relating to the behaviour of the employee affects the unit's or the department's functioning, positively or negatively, the superior should record it. During the evaluation, these records can supplement other data effectively in evaluating the employee's performance. The major advantage of this method is that it provides live and real examples of good and bad performance of an employee. It helps the employees in identifying the fundamental areas in which they are strong or weak. It also points out specifically what is to be done by an employee in order to eliminate deficiency in his performance. Further, this method ensures that evaluation is a continuous process and not a one-time affair in a year. Finally, it facilitates better counselling of the employees by their superiors. However, the limitation of this method is that the superiors may find it difficult to record the incidents involving their employees on a regular basis.[30]

The Essay Method

In this method, the evaluator writes a short description of an employee's performance. The evaluator has to provide a narrative of the employee's strengths, weaknesses and potentials. This method focuses less on the employees' regular day-to-day performance and more on their extreme behaviours at work. However, the efficiency of this method depends greatly on the evaluator's writing skills and objectivity. The merit of this method is its simplicity as it does not require any complex preparation or training. It has, therefore, found wide acceptance as a good performance evaluation technique. However, the defect of this method is that it provides scope for manipulation by the evaluator if he has excellent writing skills. For instance, the evaluator can project a mediocre worker as an excellent performer through his sheer writing skills.

The Cost–benefit Method

The essence of this method is that it focuses on the financial returns the organization obtains through an employee. In this method, the management evaluates the cost of retaining an employee in the organization and also the benefits accruing to it through that employee. Finally, a cost–benefit comparison is made as part of performance evaluation to determine

the real contribution of that employee to the organization. The following factors provide essential guidelines for evaluating the performance:[31]

1. Value of goods or services produced by the employee

2. Quality of such goods or services produced

3. Indirect cost associated with goods or services produced

4. Abnormal loss arising out of accidents, spoilage, wastages, and damage to machines

5. Appearance, manners, and sociability skills of the employee

6. The cost of supervision needed for the present employee performance

The Work Standard Method

In this method, the evaluator compares the performance of the employees against the standards established in the form of expected output. The standard output is usually established on the basis of the normal performance of an average employee. F. W. Taylor's work study, including time study and work sampling, can be used to determine the work standard. The main advantage of this method is that the there is very little scope for the evaluator's bias as the standards are fixed scientifically and objectively. Although this method can be applied to almost all types of jobs, manufacturing jobs usually get greater attention.

The Checklist Method

In this method, a checklist containing a series of statements on the traits of the employees is prepared and presented to the evaluator, usually the immediate supervisor. The checklist has both positive and negative statements. Each statement is to be answered in the "Yes" or "No" format. It carries a score based on its importance to the overall evaluation. Once the evaluator completes the evaluation by ticking the appropriate columns that best represent the employee, the checklist is sent to the HR department for further processing like assigning predetermined scores, and totalling such scores.

The main advantage of this method is that it is a simple, objective, time-saving and cost-effective evaluation tool. Similarly, it does not require any specialized training on the part of the evaluator. The limitations of this method are many. For instance, there is a scope for the evaluator's bias in this method. Similarly, ambiguous statements in the checklist can cause confusion and are liable to misinterpretation. Besides, the focus of the evaluation is mostly on personality factors rather than on performance factors. Further, it is normally difficult in the checklist method to assemble, analyse and weigh a number of statements about the employees' traits and contributions.[32]

The Field Review Method

In this method, the evaluation of an employee is done by someone other than his own superiors. The purpose of this is to avoid any possibility of the evaluator's bias and prejudice. Normally, evaluation is done by the HR people, who scrutinize the records of those employees who are being evaluated and conduct interviews with them and their superiors. This method facilitates inter-person comparison of the managerial personnel in different places. It is also appropriate for choosing employees for future assignments. The major defect of this method is that it does not allow continuous evaluation of employees and that there is only an all-at-once approach to the process of evaluation. Besides, the superiors may view this as interference in their work.

The Confidential Report (CR)

Confidential report is a kind of evaluation practised predominantly in government and public sector organizations. It is called this because the evaluation records are kept strictly confidential and are accessible only to the pertinent officials. The evaluation report is prepared by the immediate superiors, usually on the basis of the continuous observation of employees over a period of time, say, in a year. The confidential report follows a predetermined format for gathering data relating to employee's skills, ability, knowledge, initiative, leadership skills, attitude, integrity, scope for improvement, aptitude for learning, area of concern, and weaknesses. The report helps in determining the promotion, transfers and financial incentives of employees. The merit of this method is that it permits the continuous evaluation of employees by their superiors and also facilitates better control over them. The disadvantage is that there is a risk of the evaluator's bias and prejudice.

The Result-based Evaluation System

This is a variation of the Management by Objectives or the MBO model (explained in the later part of this chapter). Under the result-based system, the superior and the employees work together on setting goals for the subsequent evaluation periods. On the basis of consensus, the employees agree to achieve the goals set for them. For instance, they may agree to bring down the cost of production by, say, 5 per cent through productivity enhancement and reduction in wastages.

Now, let us look at the some other methods that are a combination of the methods we just discussed.

The Behaviourally Anchored Rating Scales (BARS) Method

The Behaviourally Anchored Rating Scales (BARS) method is a combination of the positive features of several other methods like critical incident, essay method and rating scales. In this method, the different performance levels of employees are shown by the side of the scale, with each level described in terms of specific behavioural example, either good or bad performance. This method specifies the various dimensions to be rated in behavioural terms and makes use of critical incidents to explain the various levels of performance. It helps the evaluators with a uniform frame of reference for evaluating the employees. A model BARS for judging the specific competency of an employee is presented in Table 10.1.

The following steps have been suggested to develop BARS:[33]

1. **Developing critical incidents:** Identifying the persons having the knowledge of the job (job holders and/or supervisors) in order to know from them the specific illustrations (critical incidents) of effective and ineffective performance.

2. **Formulating performance dimensions:** Asking these persons (job holders and/or supervisors) to cluster the critical incidents into a smaller set (of 5 to 10) of performance dimensions, and then defining each dimension, such as "skill in human relations".

3. **Reassigning the incidents:** Another group of people who also know the job shall then reallocate the original incidents. They get the cluster definitions and the critical incidents and must reassign each incident to the cluster whom they think it fits best. When some percentage (say, 50 per cent to 80 per cent) of the second group assigns the same cluster to a critical incident as did the first group, that critical incident is to be retained.

Table 10.1 **A Pro Forma BARS for Judging a Specific Ability—the Salesman's Competency to Create a Positive Image of the Product Marketed by the Organization**

Outstanding Performance	Creates a brilliant impression on the prospective buyer of the product. Marvellously handles the prospective buyer questions and creates a very positive image of the product.
Excellent Performance	Builds a fine impression of the product. Doubts are clarified absolutely and a positive image of the product is created.
Good performance	Creates a reasonably fair impression of the product. The prospective buyer's doubts are clarified satisfactorily and a good impression of the product is created.
Average Performance	Sincere effort is made to make a good impression of the product. The prospective buyer's doubts are clarified mostly but at times information needs to be sought from other sources to clarify the customer's doubts.
Poor Performance	Sometimes creates a poor impression of the product. Occasionally provides inaccurate or even false information while clarifying the prospective buyer's queries.
Deplorable Performance	Creates a negative impression of the product. The prospective buyer's queries are messed up. A very poor image of the product is created.

4. **Rating the incidents:** This second group should then rate the behaviour described by the incident as to how effectively or ineffectively it represents the performance on the dimension (7- to 9-point scales are typical).

5. **Evolving a final instrument:** Finally, six or seven of the incidents are chosen as the behavioural anchors of the dimension.

The merits of this method are:

- The BARS method enjoys better trustworthiness and accuracy since it is devised only by those who have complete knowledge of the job.
- It offers superior and impartial evaluation of the employees as compared to other methods.
- It can have better acceptance as the employees are usually involved in its development.
- The inclusion of critical incidents for the evaluation of performance makes it easier to clarify the doubts of the employees about the rating procedure.
- The evaluations based on this method seem to be relatively consistent and reliable, as different rators' evaluations of the same person tend to be similar.[34] Further, among all the evaluation techniques, the BARS method is perhaps the most highly defensible in court because it is based on actual observable job behaviours.[35]

The defects of this method are that each job will require separate BARS, which make the whole process a costly affair. It is also a time-consuming process as different groups of persons are to be involved in developing the performance dimensions.

The other popular method is the 360-degree feedback method. Let us look at this in detail.

The 360-degree Feedback Method

The 360-degree feedback method is gaining popularity as a comprehensive technique to evaluate the performance of employees. The uniqueness of this method is that all those who interact

with an employee in any capacity will prepare an evaluation report on him, and this may include senior managers, supervisors, employees, peers, team members, internal or external customers and even the employees themselves.[36] The 360-degree feedback is also differently described as a multi-source assessment, multi-perspective rating, multi-rater feedback or full-circle feedback as this method collects evaluation inputs from multiple levels both within and outside the organization. In fact, P. Ward defines the 360-degree feedback as "the systematic collection and feedback of performance data on an individual or group derived from a number of the stakeholders on their performance."[37] The main purpose of the 360-degree feedback method is to ensure a rather objective and comprehensive evaluation of a person's performance.

Critical information about performance in a 360-degree feedback process is normally gathered about the employees from their superiors to whom they report, their peers or co-workers (who work as their team members or equal cadres in other departments), their external and/or internal customers, and also from self-evaluation reports of the appraised employees. Figure 10.3 shows the various evaluators of an employee's performance.

Uses of the 360-degree Feedback Method   Organizations generally use the 360-degree feedback to make evaluations available for traditional uses. However, of late, this feedback has been utilized even for non-conventional purposes like professional development, succession planning, and performance management. Let us now discuss these uses.

- The organization can use the 360-degree feedback report as a critical input for determining the remuneration and other incentives of the employees.

- It can act as an effective tool to determine the nature and type of training and development programmes required for the employees.
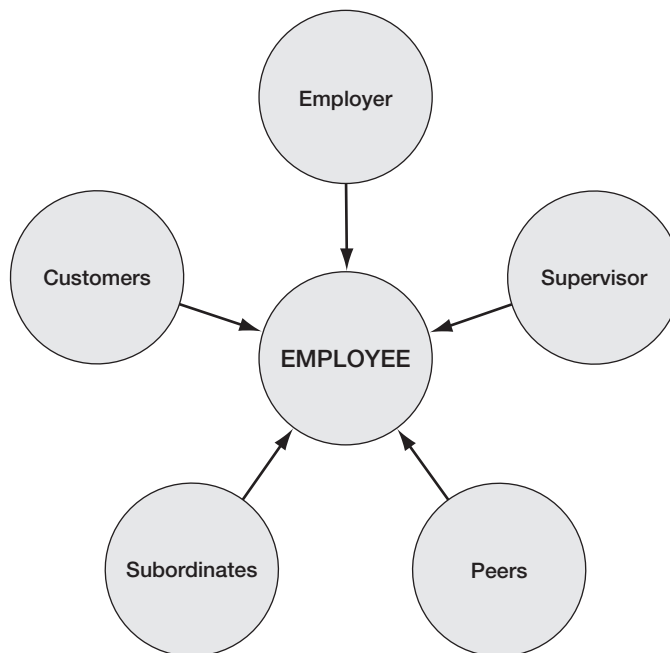
Figure 10.3

Evaluators of the 360-degree Feedback Method

- The feedback can be used as a major source for any succession planning schemes evolved by the company.

- It can help employees become aware of both their areas of strengths and weaknesses in their performance sphere.

- The organization's core values can be strengthened by linking the individuals' performance with such core values and then providing feedback to them on how they should attune themselves to such core values.

- The feedback can be used by the organization as an input to performance management system.

- It can promote teamwork and employee empowerment as employees also get an opportunity to evaluate their skills and the behaviours of their superiors.

Box 10.6 outlines a new performance evaluation practice at Maruti Suzuki.

Steps in the Development of the 360-degree Feedback Method An organization should adopt the following steps in the process of developing an instrument for the 360-degree feedback.

Determining the objectives—The first step in the process is determining the exact objective of the whole programme. The objectives may be one or more of the following: (i) identification of training and development needs of the employees, (ii) determination of the pay package, (iii) performance management, and (iv) succession planning.

Deciding the receiver and giver of feedback—Once the objective of the programme has been finalized, the organization should decide about the employees whose performances

Box 10.6	The 360-degree Appraisal System in India

The unique feature of the 360-degree appraisal system is the all-around evaluation of an employee by a group of evaluators. Since the list of evaluators includes supervisors, employees, peers, and internal or external customers, many HR managers view this system as a decisive step towards the democratization of the performance appraisal process. It is also seen by them as an effort to make the evaluation process as fair and equitable as possible by moving away from the traditional top-down approach to the employee performance appraisal.

However, for a long time, many Indian companies were not quite enthusiastic about the 360-degree appraisal system as an evaluation system due to wide and varied factors like troubling the conventional hierarchical structures, fear of eroded authority by the supervisors, and fear of victimization by employees. In recent times, there has been a change in the attitude and perceptions of organizations towards the 360-degree appraisal system, and an increasing number of organizations are showing a keen interest in adopting the 360-degree appraisal system as part of their employee performance evaluation system.

Maruti Suzuki and Ernst & Young have developed a 360-degree feedback system for assessing the senior leaders of the former company jointly. To start with, Maruti has covered the top managerial personnel like chief general managers and general managers under this evaluation system. That means that their performance will be assessed on the basis of the feedback from their peers and junior management employees within the same department. As part of the system, the peers and employees are asked to respond online to the questionnaire prepared by Ernst & Young, which had compiled the list of leadership competencies required for managerial people.

Adapted from: http://www.thehindubusinessline.com/2007/02/05/stories/2007020502890100.htm.

are to be evaluated under this system. Similarly, a decision will also have to be made about who will be the evaluators. It may be a 360-degree feedback with the ratee's superior, peers, self-evaluation reports, and internal and external customers being involved. A decision is also required about the anonymity of the feedback reports as the source may or may not be anonymous.

Establishing the performance criteria—At this stage, a decision should be taken about the area of work or behaviour on which feedback will be gathered. In this regard, the organization can use the available models like competency models or evolve a new model that fits the values, culture and nature of the work performed in the organization. However, the compatibility of the model with the software should be ensured as software packages are now essential for processing.

Determining the mode of collecting the data—The organization has to develop a questionnaire based on its purpose and requirements. The company can design the questionnaire itself or outsource it from external sources. The outsourced questionnaire can then be modified later to make it fit for the internal conditions.

Finalizing the method of data analysis and presentation—Since most of the organizations adopting this method usually depend on software packages for analysing the collected information, the organization has to decide whether to develop its own software or buy a ready-made package from the software companies. Large business concerns prefer to have their own software developed in-house while the smaller ones purchase it from outside.

Trying a pilot scheme—A pilot scheme refers to clarifying the whole programme with examples or dry runs. It is better to pilot the whole programme, preferably at higher levels, so as to understand the efficacy of the feedback process. The pilot scheme can also be used to explain the objectives of the feedback process to all the evaluators, besides indicating the role of each participant. Finally, on the basis of the response of the participants in the pilot scheme, the required modification can be made to the feedback process.

Execution of the feedback process—Once the necessary corrections have been made in the feedback process, it should be initiated after briefing the participants and allaying their fears about the whole exercise. The entire process should be supervised closely by the HR department till its completion.

Evaluation and communication—Once the process is over, the data collected through feedback should be analysed carefully and reported to all those concerned. This is a crucial process and may face resistance from the evaluator, especially when the results are unfavourable. Since it is a continuous process, the experience can be effectively utilized for improving the whole process further. Box 10.7 shows a 360-degree feedback form template.

Factors Enhancing the Effectiveness of the 360-degree Feedback Process   An organization can improve the efficacy and success of the 360-degree feedback vastly if it ensures the presence of the following factors:

- Securing the involvement and support of the higher levels of management in the feedback process.
- Guaranteeing that all participants are aware of the evaluation criteria, the methods of gathering and summarizing the feedback, and the purpose for which the feedback is collected.

Box 10.7	A 360-degree Feedback Form Template

Feedback Form Headings and Instructions: ratee's name, date, feedback responder's name, position (if relevant) plus local instructions and guidelines for completion.

Key skill/capability area	Skill/capability element	Question number	Feedback question	Feedback score
		1		
		2		
		3		
		4		
		5		

Optional section: For additional feedback and comments about the ratee

- Ensuring the genuine commitment of the participants in the process since the 360-degree feedback can be corrupted as it is possible that people say good things about one another, resulting in only good ratings.

- Assuring that the feedback questionnaires are easy to understand and simple to fill up with necessary instructions. It should be confirmed that the feedback fits the work and behaviour of the employees.

- Confirming that comprehensive communication and training programmes are provided to all the participants.

- Maintaining the confidentiality of the feedback process to ensure that the participants feel comfortable that the information they give and receive is completely anonymous.

Benefits of the 360-degree Feedback   The 360-degree feedback has the following benefits:

- As an all-around rating process, it is a modern and creative alternative to the traditional top-down evaluation process.

- Organizations and individuals can have a broader view of the performance of the employees as multiple sources are involved in the feedback process.

- As more than one person is responsible for the evaluation, many of the common evaluation errors and rators' biases can be reduced or eliminated, resulting in a more objective measurement of an employee's performance.

- Since computer software packages are used extensively in the feedback process, a lot of time is saved as the evaluators can do the ratings rapidly and conveniently through online evaluation instruments.

- The perception of feedback as a sincere, well-expressed, honest and objective exercise enhances the acceptance of the results of the process.

- It enables the managerial personnel to have a reliable feedback of their performance and be aware of their own developmental requirements.

- This process is legally better defendable as multiple evaluators are involved in the process.

Defects of the 360-degree Feedback   The 360-degree feedback suffers from the following limitations:

- It is a costly and time-consuming process as it involves numerous evaluators and multiple sources.
- The lack of honesty and impartiality in the evaluators can distort the feedback data, thereby making it vulnerable to criticism and failure.
- Too much reliance on technology and bureaucracy can hamper the feedback process as the whole process becomes a mechanical exercise due to the intransigency of participants and the rigidity of the system.
- When the participants are not sure of the confidentiality of their feedback report, they may tend to hide the realities while sharing or receiving feedback information.

Another method that is gaining popularity is the 720-degree appraisal. Box 10.8 showcases this method.

Management by Objectives (MBO)

Management by Objectives (MBO) is a popular method that counts on joint goal-setting to formulate and achieve objectives for the organization, the department and the individual. The uniqueness of the MBO method is that it enables the employees to get involved in the evaluation process by setting their own goals. Basically, MBO involves setting specific measurable goals by the managers in consultation with the employees and, subsequently, examining the latter's progress towards those goals. Tosi and Carroll justify MBO as a form of performance appraisal, saying it involves the establishment of performance objectives and an assessment of how well those objectives are fulfilled.[38] In a broader sense, an MBO programme involves the following phases:

1. **Projecting the goals:** Employees are asked by their supervisors to propose their own preliminary goals for a given period of time, in harmony with the organizational and department goals.

Box 10.8	720-degree Appraisal: An Emerging Evaluation Technique

The 720-degree evaluation is emerging as a possible alternative appraisal technique. Organizations are slowly but steadily realizing the need for this new system, which is better than the existing 360-degree evaluation, especially in terms of the focus of the evaluation and the involvement of the evaluators in the process. For instance, the 360-degree appraisal facilitates the formal assessment of an employee by the evaluators like the customer or the employee, possibly with the help of appraisal forms. But the 720-degree evaluation goes one step further and insists on a better focused, personalized and in-depth review of the employees occupying managerial positions. The evaluation of the employee is usually done through detailed personal interviews with the performance evaluators.

The 720-degree evaluation concentrates more on what matters the most for an organization. For instance, it could be the clients' views and perceptions of the performance of the employees. The merit of this method is that it makes both the evaluator and the employee happy and comfortable. While the clients would appreciate a company which is more responsible and serious in knowing their opinions, the appraised employee would feel happy to be evaluated and appreciated by the clients they serve.

2. **Discussing the goals:** The supervisor and the employees elaborate on the goals and, if necessary, modify them before reaching an agreement regarding the specific goals.

3. **Developing yardsticks:** The supervisor in consultation with the employees develops yardsticks for measuring performances to determine how far the objectives have been met.

4. **Executing performance reviews:** The employee's actual as well as agreed performance is reviewed periodically to assess the progress and problems in accomplishing the goals.

5. **Providing feedback:** After assessing the employee's progress, the supervisor discusses the ways and means for improving performance, if needed, with the employees.

Though MBO is a complete system of planning and control and a complete philosophy of management,[39] it suffers from a few limitations. These are: (i) It is a time-consuming process since it involves continuous goal-setting, frequent reviews and constant feedback. (ii) This method is better suited for only managerial jobs since goal-setting is usually not feasible at the non-managerial levels for employees.[40]

Issues in Performance Evaluation

Performance evaluation is a crucial exercise not only to the organization but also to the individuals who are evaluated. This is because the employees are aware of the fact that their future rewards and career prospects are virtually tied to the results of such evaluation. Obviously, these expectations make the evaluation process a highly sensitive issue. The success of the performance evaluation process depends on the quality, credibility, and unfailing nature of the process. However, performance evaluation methods, particularly rating scale techniques, are often susceptible to problems like the lack of objectivity, halo effects, central tendency, leniency/strictness, bias, recency effects and employee resistance. We shall now discuss them in detail.

Absence of Objectivity

Objectivity refers to judgment based on observable phenomena and uninfluenced by emotions or personal prejudices. The main weakness of the traditional evaluation methods like rating scales is the absence of objectivity. For instance, factors like creativity, quality, attitude, personality traits, and appearances are abstract in nature and are hard to evaluate objectively. It is also difficult to justify their inclusion as job-related factors. The inclusion of these factors, though necessary, can undermine the fairness of the evaluation.

Halo Effects

Halo effects occur when the supervisor's admiration for any one of the employee's positive traits (like appearance, behaviour and competency) is carried over to his evaluation of all other aspects of that employee's performance. The halo effect can then lead to an unduly higher rating. In fact, Andrew Solomonson describes halo effects as the influence of a rator's general impression on the rating of specific ratee qualities.[41]

On the other hand, a supervisor may carry over his negative impression of one trait to all aspects of the evaluated employee's performance. This reverse occurrence is known as the horn effect.

Central Tendency

Central tendency refers to rating all employees as average. This problem occurs when the evaluator tends to place the majority of employees in the average or middle of the scale without any justification. The evaluator resorts to this middle path especially when he is required to provide a written justification for extremely high or low ratings. Understandably, this defect usually undermines the usefulness of the evaluation for deciding the promotion, reward and development of the employee.

Lenient Attitude

This problem occurs when the evaluator awards unjustifiably high ratings to employees. When the evaluator desires to stay clear of any controversy over the evaluation, he may adopt this behaviour. For instance, sometimes, the process may require the evaluator to share the evaluation results with the employees. Again, the purpose of evaluation can also cause extreme attitudes like leniency or strictness. For example, while appraising employees for administrative reasons such as pay hikes, a superior may be inclined to be more lenient than when evaluating performance to achieve employee development.[42] In rare cases, the supervisor can also be excessively critical of an employee's work performance. This too can affect the fairness of the whole exercise.

Bias

When the evaluator is too concerned about the personal characteristics of the employees without focusing on the real performance, there is a real possibility of a bias in the evaluation. In fact, this problem surfaces when the supervisors allow individual differences such as gender, race or age to affect the ratings they give. Certainly, any biased behaviour will have an adverse influence on the outcome of the evaluation, thereby affecting the objectivity and fairness of the evaluation. Studies have confirmed that biases account for the biggest percentage of the observed variance in performance evaluations.[43]

Recency Effects

Recency refers to a time immediately before the present. Recency effects occur in an evaluation when the evaluation process is distorted by the events happening just before the evaluation. This kind of recent events may have an unbalanced impact on the evaluators at the time of evaluation. This can be compared to a black dot on an otherwise plain paper. When the employees know the timing of the performance review, they may tend to present their best behaviour and improved productivity just ahead of the scheduled evaluation. For instance, a salesman may come up with an important order just before the evaluation to boost up his otherwise average annual performance and influence the evaluator.

Employee Resistance

Any exercise that will impact their future development causes a typical uncertainty among the employees. The evaluation process may also cause apprehension in the minds of the employees as the results may decide the promotion, financial rewards, future responsibilities, and increased compensation for them. Employees normally view the evaluation as an opportunity for the supervisor to highlight their negative aspects. Obviously, this kind of fear can cause disquiet among the employees, leading to an outright resistance against the whole concept.

Steps to Overcome the Problems in the Evaluation Process

A defective evaluation can produce more harm to an organization than the absence of an evaluation process. An unfair evaluation of employees can cause strain in superior–employee relations, absenteeism, and high labour turnover. It may also breed inefficiency in the organization. However, most of the problems mentioned are not inherent to the evaluation process; rather, they reflect improper implementation. Let us now see what can make the evaluation process more effective and credible.

- Proper training of the evaluators can help them observe the employee's behaviour accurately. It can also solve problems like those of a lenient attitude, central tendency, and halo effects, especially those relating to rating scale errors.

- While evaluating the employees, the evaluator must cover the entire evaluation period and not just the events that have occurred immediately before the evaluation. A continuous evaluation process by the supervisor can help overcome the problem of recency effects. Diary-keeping by the supervisors to compile and record both positive and negative critical incidents can help in avoiding the recency effects.

- A careful study of the purpose of the evaluation and the merits of each appraisal tool before determining the right tool for evaluation is also essential.

- Anticipating the possible problems in evaluation and developing their remedies can also ensure the smooth execution of the process.

- An adequate opportunity should be provided to the evaluators to learn the job of evaluation by offering them sample jobs for trial evaluation.

The Post-performance Evaluation Interview: An Overview

An essential part of the evaluation process is the post-performance evaluation interview conducted with the evaluated employees, usually at the end of the process. The evaluation process normally creates high expectation among the employees. For instance, the employees are very interested in knowing where they stand in the organization and what will they get out of the process. This information is made known to them only at the time of the evaluation interview. Though the post-performance evaluation interview is crucial to the final outcome of the evaluation process, many organizations are under-prepared for it and remain unaware of its usefulness. Simple tips for evaluators like preparing seriously for the interview, carefully piecing together the relevant facts and figures, getting the employees ready for the interview by giving them adequate notice, and carefully choosing the data can definitely enhance the quality and fruitfulness of the interview process. A few steps like the following can contribute to the effectiveness of the interview process:

1. Training the supervisor, who will conduct the evaluation interview with the employees, about the procedure to be adopted while conducting the interview.

2. Planning and organizing the interview meticulously to ensure that sufficient time is available for discussing different topics with the employees at different times. For

instance, factors like rewards, promotions and transfers can be discussed in one phase while issues relating to training and development can be dealt with separately.

3. Determining the order of discussion for each phase of interview in order to cover all the criteria followed in the evaluation process. There should also be a pre-planned beginning, middle and end to an interview process.

4. It is very essential to encourage the employees to speak in the interview to make it a two-way communication process. Ideas, suggestions and explanations can be obtained from them for individual as well as organizational developments.

5. The evaluator should avoid getting too personal while sharing the information. Inter-person comparisons should also be avoided to the greatest extent. A right combination of appreciation and admonition can yield positive results.

6. Lastly, the interview should be conducted in a polite, conducive and supportive manner.

Job Evaluation

Job evaluation is a technique used for determining the relative worth of each job in the organization. The primary purpose of assessing the value of each job against another is to fix up the pay scale for each of these jobs. Job evaluation provides a critical input for the grading of jobs in the organization in an orderly and acceptable form. Job grading in turn helps the organization in determining the pay grades for different categories of jobs. The essence of job evaluation is the assessment of the efforts required to perform the job. Usually, jobs are evaluated on the basis of the duties, responsibilities, work pressures and contribution of each job to organizational goal accomplishments.

Generally, job evaluations are conducted in two ways. These are analytical and non-analytical job evaluations.[44] In case of analytical job evaluation, the extent of the presence of certain defined factors in a job decides its value in the organization. As regards non-analytical job evaluation, the total job is measured and matched with other jobs to determine its overall rating within the organization.

The essence of many definitions of job evaluation is the determination of the comparative value of each job in the organization. We shall now see a few definitions of job evaluation in Box 10.9.

Box 10.9	Definitions

"Job evaluation is a systematic process for defining the relative worth or size of jobs within an organization in order to establish internal relativities and provide the basis for designing an equitable grade and pay structure, grading jobs in the structure and managing relativities."[45]

—Michael Armstrong et al.

Job evaluation is an attempt to determine and compare the demands which the normal performance of a particular job makes on normal workers, without taking into account the individual abilities or performance of the workers concerned."[46]

—ILO report

We may define job evaluation as a systematic technique used for deciding the relative worth of the job based on its comparison with other jobs.

Characteristics of Job Evaluation

Based on these definitions, job evaluation has the following characteristics:

- Job evaluation is primarily concerned with the determination of the worth of the job within an organization. It is not concerned with the external worth of the job, i.e., the worth of the job in the labour market.

- It is non-personnel in approach as it does not consider the abilities and skills of the job holders while evaluating a job.

- Job characteristics like duties, responsibilities and accountability often form the basis for the determination of the relative worth of the job.

- In job evaluation, jobs are allocated to grades or levels, depending upon their performance or scores in the job evaluation process.

- Determination of fair and equitable pay scales for jobs is the driving force behind the job evaluation process.

Objectives of Job Evaluation

The following are the objectives of the job evaluation exercise in an organization:

- to rank the jobs in the order of importance based on the job duties, responsibilities and other relevant factors

- to develop job grades and pay grades for facilitating simple and efficient wage and salary administration

- to institutionalize the system of pay scale fixation in order to ensure consistency and uniformity

- to determine the pay scales of the employees in a systematic and scientific manner based on the relative worth of the jobs

- to avoid or eliminate the employees' grievances against the bias and prejudices in the determination of the pay scales of the employees

- to enhance the ability of the organization in attracting and retaining the best talents

The Job Evaluation Process

It is essential for an organization to develop a systematic and objective evaluation process to gain the confidence of the employees in the process. This is necessary because the results of job evaluation would form the basis for the sensitive exercise of pay determination. An organization can have its own process of conducting job evaluation. However, the following process can find acceptance in any form of organization with necessary organization-specific modifications. As illustrated in Figure 10.4, the steps in a job evaluation process are (i) identification of jobs to be evaluated, (ii) gathering relevant information about the jobs,
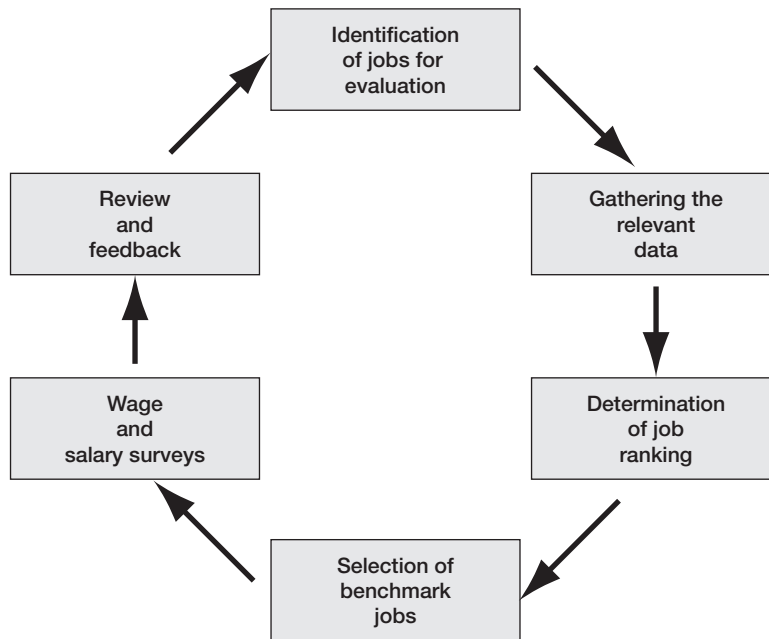
Figure 10.4

Steps in Job Evaluation Process

(iii) determination of job ranking, (iv) selection of benchmark jobs, (v) wage and salary surveys, and (vi) periodic review and feedback. We shall now see these steps in detail.

Identification of Jobs to be Evaluated

The first step in a job evaluation process is the determination of jobs to be covered under the evaluation process. It is usually difficult for an organization to evaluate all the jobs of the organization. It, therefore, chooses a few key jobs which can represent a group of similar jobs for job evaluation purpose. Once the jobs are identified for evaluation, the next step is the determination of the factors to be evaluated in a job. The evaluator may evaluate one or more of the job factors like physical efforts, mental efforts, concentration, communication and leadership skills, education and experience, job complexity and pressure. However, the need for job factor identification may not arise if the evaluator settles for paired comparison in which "whole man to whole man" comparison is done.

Gathering Relevant Information about the Jobs

The next phase of the job evaluation process is the collection of necessary information about the jobs being evaluated. For this, the evaluators may adopt data collection techniques like interviews, questionnaires, and observation, besides job description statement, for gathering relevant information. At this stage, the evaluator should completely satisfy himself about the adequacy of information available for assessing the worth of the job. Then, the evaluators should do a thorough analysis of all the information available with them.

Determination of Job Ranking

After analysing all the information relating to the jobs, the evaluator assesses the extent of the presence of the chosen factors in the jobs. Based on the result of such an assessment, the evaluator determines the ratings for each job. Since similar factors are assessed in an evaluation process, the ratings reflect the relative worth of a job in comparison to other jobs in the organization.

Selection of Benchmark Jobs

The primary purpose of job evaluation is the development of pay grades for each category of jobs. In this regard, it is necessary for an organization to know what the other organizations are paying for similar jobs. However, it may not be feasible for an organization to ascertain the comparative pay scales of all the jobs in the organization. Due to this reason, the evaluators may select a few jobs which are normally found in every organization and are comparable in nature. These jobs are usually called benchmark jobs and serve as yardsticks for determining the pay scale of all other jobs in the organization.

Wage and Salary Surveys

In this stage, an organization conducts a survey of pay scales of the benchmark jobs in other organizations in the industry. Salary surveys may be conducted by an organization in a formal or informal way. Similarly, an organization may either conduct a direct survey to gather relevant information or use the published reports of professional agencies or magazines. Based on such survey, the monetary value of each job is determined. Many organizations often use informal sources like telephones, newspapers and the Internet for conducting salary surveys.[47]

Periodic Review and Feedback

Developments in the external environment influence the organizations continuously and also cause changes in the internal factors. For instance, technological changes influence the job characteristics and requirements profoundly. Consequently, organizations are forced to review the jobs at periodic intervals to determine their worth in the changed context. Feedback should also be collected from different stakeholders like job holders, supervisors, managers and unions about the various aspects of job evaluation to constantly improve the job evaluation process. Box 10.10 outlines the role of external HR experts in the job evaluation exercise.

Methods of Job Evaluation

Job evaluation methods are usually classified into analytical and non analytical methods (see Figure 10.5). The analytical job evaluation methods are point ranking method and factor comparison method. The non-analytical methods are ranking method, paired comparison method, job grading method, and market pricing. We shall first discuss the analytical methods of job evaluation.

Analytical Methods

In an analytical job evaluation, jobs are compared on the basis of a few well-defined factors. The presence or absence of these factors in a job determines its worth in the organization. We shall now discuss the analytical job evaluation methods.

Box 10.10	The Hay Group and the Reliance Group: Joint Job Evaluation Initiative

Job evaluation is a useful technique employed by an organization to evaluate the worth of a job relative to other jobs. It forms the basis for determining the internal worth of a job. Organizations may either develop their own system or employ the services of external experts for evaluating the internal rankings of jobs. They generally depend on two basic methods for evaluating the jobs. These are job ranking and point ranking methods of job evaluation. The major contribution to the development of point ranking was made by the Hay group management consultants. Today, the Hay group has developed the Job Evaluation Manager (JEM), which is a Web-enabled application that assists the organization in the consistent and continuous evaluation of jobs across different business units and geographic locations. One of the prestigious clients of the Hay group in India is Reliance Industries Limited. Let us see the joint initiative of the Hay group and the Reliance group on the job evaluation front.

Reliance has completed the "end-to-end" job evaluation exercise for its jobs in petrochemicals business with the assistance of the Hay group. It is planning to decide all its HR-related activities like organization structuring, career planning, compensation, and benefits planning on the basis of the results of the job evaluation done by the Hay group. The company has also decided to extend the services of the Hay group to the remaining business units of the group.

Adapted from: http://www.ril.com/html/aboutus/ human_resource.html; and http://www.financialexpress.com/news/ril-engages-hewitt-hay-group-for-hr-initiatives/312603/.
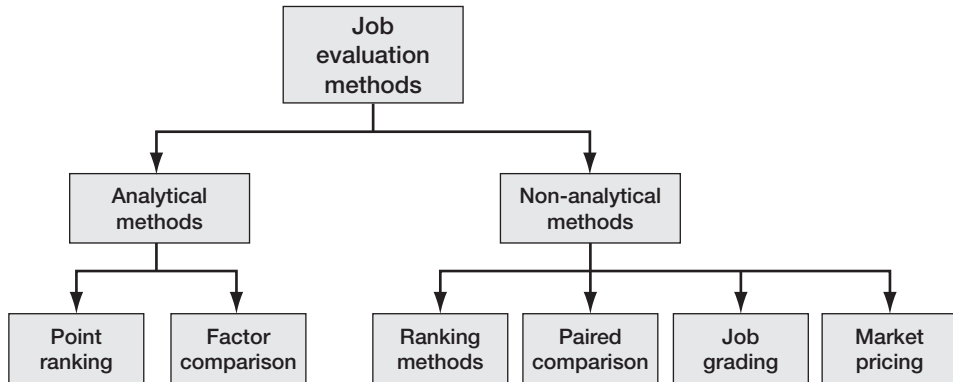
Figure 10.5

Methods of Job Evaluation

Point Ranking   It is one of the quantitative methods in job evaluation. In this method, the worth of a job is determined on the basis of the extent of the presence of some defined factors in that job. These factors are usually called compensable factors. They may include any key factor like skills, knowledge or efforts that are compensable in monetary terms.[48] The following steps are taken in the point ranking method:

1. The evaluators first determine the factors to be evaluated and then assign points for each of these factors, depending upon its importance.

2. After that, they evaluate each job against these compensable factors and award appropriate points.

3. The jobs with a high concentration of these compensable factors get higher points.

4. Finally, these points are aggregated for each job and, based on the overall scores, jobs are ranked.

The efficiency of the point ranking method depends critically on determining the compensable factors and assigning points to each of these. The evaluators may assign more weightage to some factors if they consider them as decisive for the performance of a job. They may also decide on different factors for different jobs. Similarly, they may attach different weightages to different compensable factors. Education, experience, working conditions, physical or mental efforts, responsibility, work hazard and mental stress are a few examples of the compensable factors.

The merits of this method are: (i) Being a quantitative method, it is more objective and accurate than the non-analytical methods. (ii) It is usually more convincing to the employees in accepting the pay scale developed by the organization. (iii) It is an exhaustive evaluation method as jobs are broken into compensable factors, and each factor receives due attention of the evaluators. The limitations of this method are: (i) It is a complex and time-consuming process to develop weights and points for the compensable factors. (ii) It is difficult to explain this method to the average worker as he may differ with the evaluators' criteria for choosing the compensable factors and the system of weights. (iii) It may not be ideal for jobs which require more of non-quantifiable traits like mental dexterity or acumen.

Factor Comparison   Factor comparison is another quantitative method extensively used in job evaluation. This method is widely seen as an improvement over the ranking method. In this method, a set of factors common to all jobs are identified and assigned points. The five universal job factors are mental requirements, physical requirements, skills, working conditions and responsibilities.[49] Then, each job is compared with others for each one of these factors. Understandably, each job undergoes multiple comparisons with other jobs. For instance, a job may be compared with another for a specific factor like job responsibility and get ranked for that. In the next stage, the same jobs are again compared but for another factor, say, for problem-solving skills. In this way, every job is compared with every other and ranked for all the defined factors. Finally, the points secured by a job for all common factors are totalled and its overall rating is determined. We shall now see the steps in the factor comparison method.

Identifying the jobs to be evaluated—At the first stage, the team of evaluators should identify the benchmark jobs for evaluation. These jobs must be capable of representing all others in the organization.

Selecting the compensable factors—At this stage, the evaluators gather all the relevant information about the benchmark job through sources like job description and job specification statements. This information is then used for identifying the key factors called compensable factors. These factors must be very important for the successful performance of the job. Once the compensable factors are identified, the evaluators should clearly define each of them in order to achieve consistency in evaluation.

Assigning weights for each selected factor—Based on the assessment of the key factors, the evaluators should assign weights as per the significance of these factors to the jobs. For instance, when the evaluators decide that physical endurance is most important for the job, they should assign the highest weightage to that factor. Similarly, the second-most important factor would receive the second-highest weightage, and this goes on till all the compensable factors are assigned due weightages.

Evaluating and ranking jobs—This is the crucial stage in the factor comparison method. At this stage, the evaluators actually assess the benchmark jobs in terms of the presence of key factors. The evaluators use the job description and job specification statements extensively for assessing the key compensable factors. Each job gets a final rating based on the degree of presence of these key compensable factors.

Expressing ranks in wage terms—In the last stage of the factor comparison method, the evaluators should assign wage rates in monetary terms for each of the compensable factors. Based on the degree of presence of the compensable factors, each job gets rated in wage terms. Finally, all the jobs are ranked relatively on the basis of their financial value.

Non-analytical Methods

In the non-analytical methods of job evaluation, the whole job is taken up for evaluation. Obviously, jobs are not broken up as parts or elements for evaluation. As such, this method is concerned with job matching and not job analysis. The important non-analytical job evaluation methods have been discussed here.

Ranking   In this method, each job is ranked after its comparison with all other jobs in the organization. Based on their worth to the organization, jobs are placed in a vertical order. An important prerequisite for the job ranking method is job analysis and the resultant job description statement for each job under consideration. On the basis of the job description statement, the evaluator identifies the most critical factor required for successful performance of the job. For instance, persuasion skills may emerge as the decisive factor for the marketing jobs. Based on that single factor, the total job is evaluated and ranked relatively.

 The merits of this method are: (i) It is the simplest and least expensive method. (ii) It is also less time-consuming and flexible. However, it suffers from a few limitations. These are: (i) It may overemphasize the relevance of a single factor in a job while totally neglecting other important factors. (ii) It does not indicate the extent of the difference between any two successive jobs in the rank order. (iii) It is a subjective evaluation method as the whole job is evaluated and ranked without any reference to its distinct characteristics.

Paired Comparison   In this method, each job is individually compared with every other in the organization. If, during the comparison, a job is found to have more value than another, it is assigned some reward points. If it is considered less important, it gets no points. In this way, each job accumulates points, and at the end of the multiple comparisons, rankings are done on the basis of the aggregate scores. In the paired comparison method too, a job description statement is an essential document for determining the relative worth of each job.

 The merits of this method are: (i) It is simple and easy to compare one job with another. (ii) Each job gets equal attention in the multiple pair comparisons and, thus, better consistency is established in job grading. The limitations of this method are: (i) it is a subjective process as the whole job is compared with another whole job and, as such, the unique job characteristics are overlooked in the comparisons. (ii) It is difficult to apply this method if there are a large number of jobs as multiple comparisons would involve numerous computations.

Job Grading   In this method, jobs are grouped on the basis of the similarities found in their characteristics and values. In other words, jobs with characteristics in common are assembled into groups. This kind of grouping of similar jobs is usually called job classification. Generally, jobs within each job group or class are eligible for the same pay scale or

grade. In addition to the job description statement, this method also requires the preparation of the class description statement. A job description indicates the job characteristics while class description specifies the group characteristics. The class characteristics may include, among others, the problem-solving skills required, the communication and persuasion abilities needed, demand for creativity, the physical or mental efforts required, and the difficulty and stress involved in the job. After the class description statement is prepared, each job is evaluated against the class description. When a job is found to have characteristics similar to the class characteristics, it is included in that job class.

The merits of this method are: (i) This method is more practical than job ranking as job classifications are essential for pay grading or classification. (ii) It is neither complicated nor expensive. (iii) It simplifies the wage and salary administration as jobs within a group or class are similar in characteristics. Moreover, this kind of classification of job groups results in groups that are also usually fewer in numbers in the organization. The defects of this method are: (i) The preparation of a class description is a difficult and time-consuming process. (ii) The absence of a credible justification for the inclusion of jobs in a job class may cause employee grievances and strain industrial relations. (iii) The classification of jobs may cause subjectivity in evaluation.

Market Pricing   Job evaluation ensures internal equity in the fixation of pay scales for different jobs. However, internal equity alone is not sufficient in compensation management. It is also essential for an organization to establish external equity in the pay scales for a job. External equity refers to bringing the pay scales for jobs in the organization on par with the pay scales of similar jobs in other organizations. That is why organizations often conduct salary surveys to know the relevance of their own pay scales to the market conditions. Sometimes, the organizations may, knowingly or unknowingly, overpay or underpay their employees for their job efforts. When an organization overpays its employees, it would be a financial burden for it. In contrast, if it underpays them, it would find it difficult to attract and retain the best talents. To avoid such circumstances, organizations may adopt market pricing as a method of job evaluation.

In the market pricing method, the wages prevailing in the labour market act as the basis for job evaluation. The organization conducts an extensive salary survey for all the benchmark jobs. Based on that survey, jobs are evaluated and pay scales are fixed appropriately. At this stage, the evaluators should take a decision about whether to the fix the pay scales above the market rate or on a par with it. However, when similar jobs are not available in other organizations, it would be difficult to frame the market-based pay scales. In such cases, the organization can adopt the ranking method to determine the pay scales based on the available information.[50]

The merits of this method are: (i) It is a simple and flexible method. (ii) It is an objective method of job evaluation as the evaluators' judgment is not required. (iii) It does not demand any special skills or training on the part of the evaluators. The limitations of this method are: (i) It may be difficult to get survey data for all benchmark jobs. (ii) Even temporary conditions in the market may influence the salary survey and also the pay fixation process. (iii) Any downward revision of the pay scales on the basis of the market conditions can affect the labour–management relations.

Benefits of Job Evaluation

An objective job evaluation can offer wide and varied benefits to an organization. These benefits are:

Basis for Developing Job Grading and Job Family Structure

Job evaluation provides the basis for developing or reviewing job grading in the organization. It also helps in creating job families by grouping jobs having similar characteristics.

Basis for Fair Pay Policy

Job evaluation enables an organization to develop a systematic and scientific basis for the determination of equitable pay and other incentives.

Facilitates Better Financial Management

Since pay scales are fixed on the basis of the relative worth of the job to the organization, the possibilities of overpayment to jobs get reduced. As a result, job evaluation enables an organization to save HR cost and achieve better financial planning and control.

Ensures Harmonious Industrial Relations

The employees' perception of fairness and transparency in decisions involving job evaluation and pay fixation can avoid their dissatisfaction over pay and benefits. Obviously, this would enable the organization to keep labour turnover and absenteeism well under control. In the long run, the organization would enjoy high goodwill in the labour market and would also be able to attract the best talents with ease.

Basis for Training Need Identification

As job evaluation studies the job characteristics and job demands in terms of the efforts and skills required, it can also be used to determine the training and development requirements of the job holders.

Basis for Career Planning and Development

Since job evaluation considers the behavioural, motivational and personality requirements of a job in addition to the job characteristics, it provides the basis for determining the career plans and succession plans of the organization.

Limitations of Job Evaluation

Job evaluation is a basic requirement for determining the pay scale of employees in a systematic and objective manner. However, the objectivity in determining the compensation suffers due to the defects in the planning and/or execution stages of job evaluation. We shall now see the limitations that affect the efficiency of job evaluation:

- None of the methods in job evaluation is considered to be completely objective as some amount of subjectivity is involved in the selection of benchmark jobs and key compensable factors.

- Job evaluation does not usually consider the influence of external factors on the jobs. When a job gets higher pay in other organizations, it would be difficult to fix anything less than the prevailing wages even if job evaluation recommends so.

- Due to the faster pace of changes in external factors like technology and labour market characteristics, job characteristics and requirements undergo changes in quick

succession. This makes job evaluation results relevant for a short period only. Thus, organizations are often under pressure to undertake job evaluation frequently. This may push up the HR cost of the organization.

- Conventionally, job evaluation means higher pay scales for the employees and additional financial commitment for the organization. Consequently, organizations are averse to the job evaluation exercise.

- The determination of employee compensation is often influenced by the bargaining power of the employees and their unions. However, the job evaluation process never considers this factor while deciding the pay scales for the jobs.

- Traditionally, organizations consider the experience, seniority and commitment of the employees while fixing their salary and other benefits. But, there is no in-built provision for these factors in performing the job evaluation while arriving at pay scales for different jobs.

- Since job evaluation is usually a time-consuming, complex and costly process, small and medium organizations give little importance to it while fixing the pay scale.

Measures to Enhance the Effectiveness of Job Evaluation

Pay scale fixation is a sensitive exercise for any organization as it can influence employee satisfaction, commitment and performance decisively. The need for objectivity in pay scale fixation apparently enhances the significance of the job evaluation exercise in an organization. Through careful and methodical measures, the organization can enhance the effectiveness of the job evaluation process. The measures required for improving the effectiveness of job evaluation are:

Gaining the Confidence of the Employees

It is necessary for an organization to involve the employees in job evaluation by educating them about the need for and the purpose of the evaluation exercise. All their doubts about job evaluation must be clarified promptly.

Adequate Training for the Evaluators

The evaluators for the exercise should be chosen carefully and trained adequately. They must be experienced and mature persons with a good standing among the employees.

Ensuring Top Management Support

The purpose of undertaking job evaluation is justified only when its report is considered seriously by the management for pay scale fixation. Thus, the attitude of the management determines the real worth of any job evaluation exercise. It is, therefore, necessary to ensure the commitment of the top management not only for the job evaluation exercise but also for the implementation of the evaluation report.

Defining the Job Factors Clearly

The evaluators must develop a clear-cut criterion for the selection of benchmark jobs for evaluation. Similarly, they should choose the job factors properly and define them

unambiguously. Further, they should assign weights to these factors after considering all the relevant information duly.

Distinguishing the Job from the Job Holder

The evaluators should never be influenced by the performance and behaviour of the job holders. They should strictly confine themselves to the requirements and conditions of the jobs alone. They must rank the job and not the job holders.

Ensuring the Accuracy and Reliability of the Source Documents

Job evaluation depends largely on the job description statement and, to some extent, on the job specification statement. Thus, it is necessary to ensure the accuracy and relevance of these documents before using them for the job evaluation exercise. The job evaluation may go wrong if these documents are outdated and inaccurate.

Recognizing the Role of Trade Unions

It is important to consider the views of the trade unions while developing the pay scales for different jobs. The organization must have some provision in the job evaluation process for considering the unions' views on jobs before finalizing the job evaluation reports.

Summary

1. Performance evaluation is an objective review and rating of an employee's performance in comparison with the relative performance standards.

2. Performance management is a total and integrated process comprising goal-setting, training, evaluation, and rewarding of employees.

3. The objectives of performance evaluation are identification of the performance gap, providing a basis for promotion, transfer and termination, aid in designing training and development programmes, assistance in wage and salary administration, help in increasing employee effectiveness, improvement in interpersonal relations, and identifying the employees' grievances.

4. Performance evaluation is widely used in HR activities like human resource planning, recruitment and selection, employee training and development, compensation decisions, career planning and development, grievance and discipline issues, and employee feedback.

5. The important criteria used for determining standard performance are: individual traits, behavioural characteristics, goal accomplishment, scope for improvement, and competencies.

6. The steps in a performance evaluation process are: setting performance appraisal goals, establishing performance criteria and informing the employees about them, actual evaluation of performance, and discussing the evaluation results with the employees.

7. The potential evaluators for performance evaluation are the immediate supervisor, the peer group, employees, committees, self-evaluation, and customers.

8. The performance evaluation methods are rating scales, ranking method, paired comparison, forced distribution, forced choice, critical incident, essay method, cost–benefit, work standard, checklist, field review, confidential report (CR), and result-based evaluation system.

9. Behaviourally anchored rating scales (BARS) method is a combination of positive features of several other methods like critical incident, essay method and rating scales.

10. The uniqueness of the 360-degree feedback method is that all those who interact with an employee in any capacity will provide an evaluation report on him. The steps in the development of the 360-degree feedback are determining the objectives, deciding the receiver and giver of feedback, establishing the performance criteria, determining the mode of collecting the data, finalizing the method of data analysis and presentation, trying a pilot scheme, execution of the feedback process, and evaluation and communication.

11. Management by Objectives (MBO) counts on joint goal-setting to formulate and achieve the objectives of the organization.

12. The problems in performance appraisal are the absence of objectivity, halo effects, central tendency, lenient attitude, bias, recency effects and employee resistance.

13. Post-evaluation interview is the interview conducted with the evaluated employees, usually at the end of the evaluation process.

14. Job evaluation is a systematic technique used for deciding the relative worth of a job based on its comparison with other jobs.

15. The steps in job evaluation process are: (i) identification of jobs to be evaluated, (ii) gathering relevant information about the jobs, (iii) determination of job ranking, (iv) selection of benchmark jobs, (v) wage surveys, and (vi) feedback.

16. The non-analytical methods of job evaluation are ranking method, paired comparison, job grading, and market pricing; the analytical methods are point ranking method and factor comparison method.

17. The steps in the factor comparison method are: identifying the jobs to be evaluated, selecting the compensable factors, assigning weights for each selected factor, evaluating and ranking jobs, and expressing ranks in wage terms.

18. The benefits of job evaluation are: forms a basis for developing job grading and job family structure, forms a basis for fair pay policy, facilitates better financial management, ensures harmonious industrial relations, a basis for training need identification, and forms a basis for career planning and development.

19. The measures to enhance the effectiveness of job evaluation are: gaining confidence of the employees, providing adequate training for the evaluators, ensuring top management support, defining the job factors clearly, distinguishing the job from the job holder, ensuring the accuracy and reliability of the source documents, and recognizing the role of the trade unions.

Review Questions

Essay-type questions

1. Explain critically the traditional methods of performance evaluation.

2. Describe in detail the various steps involved in the performance evaluation process.

3. Write about each of the possible evaluators in a performance evaluation process.

4. Discuss the role of the performance evaluation system in an organization.

5. Evaluate critically any five performance evaluation methods.

6. Enumerate the meaning, merits and limitations of the 360-degree feedback method.

7. What are the challenges facing performance evaluation today? How will you overcome them?

8. Discuss the relevance of performance evaluation to the various HR functions of an organization.

9. Illustrate with examples the most suitable methods for evaluating the employees of public sector organizations.

10. "Performance evaluation discourages creativity." Do you agree with this statement? Justify your stand.

11. Evaluate critically the attitude of Indian organizations toward the concept of performance evaluation.

12. Trace the developments that contribute to the growth of performance evaluation as an important HR tool.

13. Examine the meaning, characteristics and objectives of job evaluation.

14. Explain critically the steps involved in the job evaluation process.

15. Enumerate the analytical job evaluation methods with relevant examples.

16. Discuss in detail the non-analytical job evaluation methods with pertinent examples.

17. Evaluate critically the merits and limitations of job evaluation.

18. What are the challenges facing job evaluation in an organization? How will you overcome such challenges?

19. "Job evaluation improves employee satisfaction, performance and commitment." Discuss.

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Compensation Administration

CHAPTER OBJECTIVES

After reading this chapter, you should be able to:

1 List the objectives, steps and challenges of compensation administration
2 Explain the elements, types and theories of compensation
3 Explain the concept of wages
4 List the kinds of pay structure
5 Elucidate the objectives of remuneration
6 List the elements and criticisms of executive compensation

As on 31 December 2008, steel conglomerate Arcelor–Mittal had nearly 316,000 employees and 66 factories in 20 countries. Its compensation strategy aims at motivating the employees towards organizational goal accomplishment, encouraging them to develop their skills and competencies continuously, retaining those who achieve performance standards and forcing the low achievers through pay-performance sensitivity to improve their performance.

Arcelor–Mittal views its employees as its most valuable assets and adopts four key steps to achieve the required production efficiency. These steps are aligning the organizational structure with the company's goals, ensuring the right people for the right roles, succession planning and development, and effective incentive programmes. The basic elements of Arcelor–Mittal's compensation plans are: (i) the basic salary, which is competitive with similar organizations and also in the median of the market pay range, and (ii) the above-market bonus

as a reward for its employee in the years that have good results. The company also offers an Employee Share Purchase Plan (ESPP) to all its employees in different countries along with the bonus reward. To enhance the effectiveness of the compensation plans, Arcelor–Mittal ensures complete transparency and internal equity in pay fixation by adopting a group methodology in job evaluation. It also relates pay with performance to achieve the desired performance and efficiency.

Further, the executive compensation plan of Arcelor–Mittal consists of a fixed annual salary, short-term incentives like performance-related bonus, and long-term incentives such as stock options. In addition to these rewards, its executives are also eligible for perks like company cars, insurance policies, and pension plans.

Now that we have discussed the compensation schemes of one of the largest companies in the world, we shall now discuss the relevance of compensation for organizations in general.

Introduction

Compensation administration is always a vexing issue for the HR managers in the management of human resources. They always strive to develop compensation packages that satisfy the interest of both the organization and the employees. But, it is a tough and challenging task for any HR manager as there is an inherent conflict of interest between the management and the labour over the sharing of the earnings of the organization. For instance, the management's goal is to limit the cost of production by controlling labour costs whereas the employees' aim is to earn more from their profession. However, modern management no longer views compensation as merely a reward for the energy, expertise and time expended by the employees. It considers compensation as an effective tool to accomplish both the organizational and individual needs in a systematic and satisfactory manner. For many organizations, compensation is a vital instrument to attract and retain the best talents and motivate them to give their best for them.

Human resources are unique and precious for any organization. In fact, this is the only resource that is involved in each and every activity of an organization. Certainly, the survival and growth of an organization is critically linked to the performance and commitment of its workforce. It is, thus, necessary for the organization to keep the employees satisfied and motivated on a sustained basis. Effective compensation policies and practices constitute a major HR-oriented approach for achieving the desired level of employee morale and organizational effectiveness. The term *compensation* is generally a broad concept covering incentives, allowances, and benefits, besides the basic salary.

Rewarding the employees for their job efforts is the focus of the definitions of compensation. Box 11.1 lists a few of its definitions.

We may define compensation as the sum of the rewards for the job-related efforts of the employees and also for their commitment to and involvement in the job.

Objectives of Compensation Administration

Although talent attraction and retention is the primary objective of compensation administration, it also serves several other purposes. We shall now discuss the important objectives of compensation administration in detail.

Equity in Compensation

The primary objective of compensation administration is to ensure internal and external equity in the payment of salary and other benefits to the employees. Internal equity refers to the

Box 11.1	Definitions
"Compensation is a broad term pertaining to financial rewards received by persons through their employment relationship with an organization."[1] —Terry Leap "Compensation means all forms of pay or rewards going to employees and arising from their employment."[2] —Gary Dessler	"Compensation is the total of all rewards provided to employees in return for their services. The overall purposes of providing compensation are to attract, retain, and motivate employees."[3] —R. Wayne Mondy

payment of equal compensation for jobs of similar nature and worth within the organization. The organization should determine the worth of each job through a job evaluation process. Through job evaluation, jobs with similar characteristics could be brought under a single job grade for the purpose of fixing the same pay grade. External equity refers to the payment of compensation to the employees at par with the wages and salary paid by similar companies for similar jobs in the industry. For this, organizations usually undertake industry-specific salary surveys in the labour market to determine the average salary offered for jobs of a similar nature.

Enhancing Individual and Organizational Efficiency

Achieving the desired level of individual and organizational efficiency is also an objective of compensation administration schemes. Every organization considers compensation as an effective instrument to fulfil the organizational goals and objectives by enhancing the productivity, performance and commitment of the employees. Organizations normally achieve the desired level of employee efficiency by including an incentive component in the compensation payable to the employees. Generally, these incentives are linked to the performance of the employees and the profitability of the organization. An organization may offer individual and/or group incentives to its employees as part of the compensation package in order to ensure effective goal accomplishment.

Employee Motivation and Retention

Retaining the existing employees is another objective of the compensation programmes. A well-designed compensation scheme motivates the employees and facilitates the retention of the best employees for a long time in the organization. In this way, it helps the organization in keeping the labour turnover and the related HR costs under control.

Goodwill in the Labour Market

Encouraging the best candidates to apply for the job vacancies and to make them accept the job offers issued by the organization after successful selection is another objective of compensation administration. Through an effective compensation policy, an organization can create a highly positive image of itself in the labour market. The goodwill created in the labour market should enable the organization to get the required number of suitable candidates with ease.

Adherence to Laws and Regulations

Complying with the prevailing laws and legislation of the country of operation is another objective of the compensation administration system. A sound compensation system would normally consider the challenges and constraints imposed by the government on compensation management. A good compensation plan would operate effectively without violating any of the legal provisions governing the computation and payment of wages and other incentives and benefits to the employees.

Controlling the HR Cost

Any compensation administration aims at keeping the HR cost well under control. Certainly, a good compensation policy would neither overpay nor underpay its employees. In fact, an

effective compensation policy would reasonably satisfy the divergent needs and aspirations of both the employees and the employers.

Improving Industrial Relations

An effective compensation administration scheme intends to improve the labour–management relations in the firm. In many organizations, compensation is the major source of conflict between the management and the labour unions. However, a well-designed and transparent compensation plan would enable the organization to prove its interest in the well-being of its employees. It, thus, helps the firm in improving the employer–employee relations.

Types of Compensation

Typically, an organization provides compensation to its employees in two forms. These are: direct and indirect compensation. Depending upon its size and the compensation policy, an organization may determine the compensation packages for various categories of jobs. Small organizations usually restrict the number of components in a compensation package and also give more weightage to direct cash compensations like basic pay and variable pay. In contrast, large organizations may include several components in a compensation package. They may also offer different kinds of compensation packages for different categories of employees. We shall now discuss the direct and indirect compensations.

Direct Compensation

Direct compensation normally includes the amount payable to the employees as direct cash rewards for the work extracted from them. This may include any form of monetary benefit payable to the employee at periodic intervals. The basic pay and variable pay are the important components of direct compensation. We shall now discuss them in detail.

Basic Pay   This is the basic salary received by the employee as a direct compensation for the work done by him. It is a fixed component in the compensation and it often forms the basis for the computation of variable components like bonus and other benefits. It does not usually include any incentives or allowances. The basic pay in a compensation package actually reflects the worth of a job determined through job evaluation. Generally, the compensation policy of an organization and the external labour market conditions influence the determination of the basic pay for a job.

Variable Pay   This is a pay which is basically linked to the performance of the individual, group or the organization. Organizations normally offer a portion of the compensation in the form of variable pay to its employees. Variable pay may include incentives, commissions, profit-sharing, gain-sharing, and bonuses. It can be defined as an alternative compensation scheme that correlates the pay with the business results and promotes a participative management process.[4] We shall now discuss a few components of the variable pay.

Profit-sharing—In this variable type of pay, an organization distributes a part of its profit to its employees. An important form of a profit-sharing plan is the bonus plan, in which the employees get a share of the profit at the end of the year. However, some organizations may defer the payment of the shares of profit till the expiry of a specific period. Till such time, the deferred profit share would be in the account of the employees but maintained by the company.

Gain-sharing—In gain-sharing, compensation is determined on the basis of the group or organizational performance. Normally, savings in costs, increase in quality, productivity, and customer satisfaction are the measures used for sharing the gains made by the organization.

Equity plans—Equity stock option plans (ESOPs) offered by the companies are also one of the direct compensation schemes. The purpose of ESOPs is to create an ownership interest for the employees in the organization. In this form of direct compensation, employees stand to gain from the overall performance of the organization. This can also help the employees in integrating their individual interests with the organizational interest.[5]

Indirect Compensation

Indirect compensation includes the benefits enjoyed by the employees but paid by the organization. Usually, indirect compensations are available to all the employees irrespective of their performance in the job. Mostly, the decisions relating to indirect compensation are influenced by the employees' length of service and eligibility. Besides, indirect compensation decisions are normally guided by the policies and benefits offered by similar organizations.[6] Typically, the components of indirect compensation are health-care schemes like Mediclaim, insurance schemes, leave travel concessions, retirement benefits and other social security schemes. An organization may also offer facilities like club membership, car, and vacation at holiday resorts as part of indirect compensation. Box 11.2 outlines the role of compensation strategy in talent attraction and retention.

The primary objective of the compensation plans is to satisfy the employees' needs. These needs may be classified as monetary and non-monetary. The monetary needs are satisfied through direct and indirect cash compensation. The non-monetary needs are satisfied through non-monetary rewards.

Non-monetary benefits include such benefits provided by the organization to the employees that do not entail any cash expenditure. These non-monetary rewards in general

Box 11.2	Compensation Administration Programme of L&T

Compensation fixation is understandably the most challenging task for the HR department. This is because there is an inverse relationship between the cost for an organization and its profit. Moreover, the labour cost usually constitutes a major portion of the total cost for an organization. Therefore, the compensation plans should be developed in such a way that they not only enhance the efficiency of the employees but also help retain the efficient ones in the business for a relatively longer period of time. A compensation package must have several internally consistent components to achieve multiple objectives. It is pertinent to cite here the compensation theme of Larsen & Toubro Limited (L&T).

L&T is one of the reputed companies engaged in engineering and construction business. The primary objective of its compensation is the general well-being of the employees. The company views its employees as a source of definite competitive advantage. Through its compensation programmes, it looks to attract and retain talented employees. Its compensation motto is to offer salary and benefits which are the best in the industry. With regard to perks, the company offers medical insurance schemes, retirement benefits, free transportation and part-furnishing of accommodation at different project sites. In addition to getting all the benefits available to the employees, the executives of the company are also entitled to company cars and loans for furniture, housing and children's higher education. The company extends financial credit to them to buy personal computers. It also enables them to secure membership of superannuation scheme and reimburses their club membership expenses.

Adapted from: http://www.lntecc.com/HR/benefits.asp.

help the organization in ensuring better cooperation and commitment from the employees. These may include, among others, job rotation, job-sharing, and flexi hours, e-commuting, free parking, reduced supervision, and promotions or transfers without any monetary benefits. Non-monetary benefits normally provide intrinsic satisfaction to the employees and keep up their motivation and morale.

Theories of Compensation

To gain a deeper knowledge of compensation, it is important to know a few relevant theories of compensation. We shall now see these important theories.

The Equity Theory

The equity theory is an important contribution of John Stacey Adams, a behavioural psychologist. According to this theory, ensuring a fair balance between an employee's contributions to the job and the rewards he receives in return from that job is important for developing a mutually beneficial relationship with the employees. When the employees believe that their rewards in the form of salary, incentives, and benefits from the job are greater than their job efforts, they would be satisfied with the job. They would also be motivated adequately to perform better in their jobs. On the other hand, these employees would be frustrated and de-motivated when they believe that their contribution to the job is greater than their reward from it.

This theory traces the cause of employees' satisfaction and dissatisfaction in the job to their perception of fairness or unfairness in the balance between their job efforts and job rewards. It is, therefore, necessary for the organization to develop a fair balance between the job efforts called input and the job rewards called output. The following illustration would highlight the working of Adams' equity theory. Table 11.1 outlines the working of equity theory process.

The Expectancy Theory

Vroom's expectancy theory is another important guiding factor in understanding employees' psychology concerning work and reward. According to this theory, employees work hard

Table 11.1 **The Working of the Equity Theory Process**

Input	Output	Result
• Effort • Trustworthiness • Hard Work • Commitment • Involvement • Knowledge • Ability • Dynamism • Flexibility • Perseverance • Determination • Keenness • Sacrifice of individual goals	• Monetary rewards (salary, incentives and benefits) • Non-monetary rewards (recognition, reputation, self-responsibility, achievement, appreciation, recognition, sense of advancement, job security)	Input greater than output Outcome Low employee satisfaction and motivation Output greater than input Outcome High employee satisfaction and motivation

Source: http://www.mindtools.com/; reproduced with permission.

in the job when they are sure of positive outcomes in the form of attractive rewards from the job. Employee motivation is the function of three factors, namely, effort, performance and outcome. Employees work with zeal when they are certain about achieving superior performance and positive outcome in the job. Thus, positive expectations about the eventual job outcomes create high employee motivation in the organization. As per this theory, an organization must constantly reinforce the belief of the employees that their efforts would get them good rewards. It should be ensured by the organization that the sincere efforts of the employees result in a high performance, which, in turn, gets them a good reward.

The Contingency Theory

According to this theory, different compensation strategies act equally well in different circumstances. As such, there is no single compensation strategy available for all conditions. The effectiveness of compensation strategy certainly depends on the congruence among the firm, the environment and the compensation strategies. Thus, it is possible to know the importance of compensation only when other job properties are provided.[7] This theory can be understood better through the following example. A promising candidate, owing to family reasons (like children's education), is not willing to leave his location (city or country). In fact, he prefers to settle in a local job even if the compensation is not rewarding. In this case, compensation becomes a secondary factor for the prospective candidate since the location of the organization becomes a primary factor. In such a situation, it is necessary for the organization to ascertain the additional monetary compensation required to persuade the prospective candidate to give priority to compensation with respect to other factors. The essence of this theory is that the importance of compensation varies from one market to another, depending upon the presence or absence of other job properties.

The Agency Theory

The agency theory views the employer as the principal and the managers as the agents. Usually, the managers never own complete responsibility for all the decisions made by them since they are not the owners of the business. Therefore, it is necessary for the organization to use compensation as an effective means for creating ownership interest among the managers. To achieve this, it is necessary to align the interest of the employees to that of the owners through unique compensation schemes. In this regard, there are various options (stock options and performance shares) available for the organization to increase the stake of the employees in its overall well-being. Finally, this theory insists that the organizations develop labour-market-oriented and performance-linked contractual relationship with the managers to motivate them constantly to achieve the organizational goals.

Compensation administration system can be classified into two kinds—behaviour-oriented system and outcome-oriented system. In the case of behaviour-oriented compensation system, employees are eligible for merit-based compensations. In contrast, the outcome-oriented compensation system provides for performance-based compensation like stock options, profit-sharing, gain-sharing and managerial commission. The agency theory supports ideally the concept of outcome-based compensation for enhancing the employees' commitment and involvement. This theory also induces the employees to take better responsibility for their decisions. Agency compensation like employee stock options are perceived as less expensive by the organization as it does not entail any cash outlay for the firm.[8]

Concept of Wages

Wages are one of the important factors of production in any organization. It is also an important determinant of the price and profit of the product. It is, therefore, necessary to know the various wage concepts used in the determination of employee compensation. We shall now see these concepts briefly.

Real Wages

When the income earned by the employees as a reward for their job efforts is expressed in real purchasing power, it is called real wages. The actual goods and services which wages can buy constitute real wages. These real wages are usually adjusted for the prevailing rate of inflation. Any fall in real wages normally indicates the diminishing purchasing power of employees and reduced consumption. The consumer price index acts as the basis for calculating such real wages of the employees. The economic growth of the employees ultimately depends on the real wages received by them. Thus, the real wages are the indicator of the changes in the economic well-being of employees over a long period of time.

Minimum Wages

Minimum wages refer to the legally permissible minimum compensation payable to the employees for their job efforts. In India, the Minimum Wage Act, 1948, fixes the minimum rates of wages for certain jobs. The Committee Report on the Working of the Minimum Wages Act, 1948, has defined minimum wages as "the wage which must provide not only for the bare sustenance of life, but for the preservation of the efficiency of the worker too. For this purpose, the minimum wage must provide for some measure of education, medical requirements and amenities."[9] The purpose of minimum wages is to ensure the payment of fair wages to the employees to preserve their efficiency. The goal of providing minimum wages is to assist the employees and their families achieve self-sufficiency in life. Besides meeting the basic requirements of life like food, clothes, rent, fuel and lighting, the minimum wages should enable the employees to take care of their medical, educational and minimum recreational expenses. Since the payment of minimum wages is a statutory requirement, the organization must pay such wages, irrespective of its financial ability and the labour market conditions.

Fair Wages

Fair wages are the wages which are usually positioned above the minimum wages but below the living wages. In the case of fair wages, the organizations should not fix any wages below the minimum wages as fair wages. However, they can consider the industry's ability to pay for determining any wages above the minimum wages. Usually, an organization considers the productivity, the location of the industry, the level of national income and the pattern of its distribution, and the wage levels prevailing in the same area for determining the fair wages. Normally, fair wages relate with fair workload and the needs of a standard family.

Living Wages

Living wages is defined by the committee on fair wages as the "highest level of wages that should enable the earner to provide for himself and his family not only the bare essentials

of food, clothing and shelter but a measure of frugal comfort, including education for his children, protection against ill-health, requirements of essential social needs and a measure of insurance against the more important misfortunes, including old age."[10] The purpose of living wages is to ensure that the employees get an income which is sufficient for meeting their present and future necessities and contingencies. The living wage may be described as an ideal wage for an employee as it takes care of all his needs and those of his dependents adequately. However, the living wages must be based on the national income and the ability of the industry to pay such living wages.

Pay Structure

Pay structure refers to the various levels of pay existing in an organization for different categories of jobs. An ideal pay structure creates a logically designed framework, which, in turn, facilitates the fixation of equitable and fair employee compensation.[11] The purpose of developing a pay structure is to achieve an effective differentiation of pay based on knowledge, skills, abilities, commitment, performance and productivity of the employees. Generally, organizations consider the job evaluation report and the conditions prevailing in the labour market while framing the pay structure. A pay structure helps in determining the promotion and succession plans of an organization. Depending upon its compensation philosophy and policies, the organization may decide whether to opt for a single pay structure or a multiple pay structure.

Kinds of Pay Structure

It is essential for an organization to have a need-based pay structure with the right mixture of flexibility and stability. An organization can choose an appropriate pay structure from the different pay structures available. We shall now discuss the kinds of pay structure briefly.

The Narrow-graded Pay Structure   The narrow-graded pay structure is also called the traditional pay structure. Organizations normally have several pay grades in the pay structure. Each pay grade comprises several pay levels or scales. It consists of a group of jobs with similar internal worth and market considerations. It also has the lowest and highest limits within which the pay may be fixed for an employee. The traditional pay structure provides multiple pay-raise opportunities for the employees and also facilitates a faster pay progression from one pay grade to another.

   The merit of this method is that it avoids ambiguity and ensures better clarity as each pay grade consists only of jobs with exactly equivalent worth. The limitations of this method are: (i) The presence of several pay grades might lead to difficulty in pay revisions and compensation management. (ii) There is a risk of employees reaching the peak stages of pay grades faster than they actually deserve. The narrow pay grade has been illustrated in Figure 11.1. Each pay grade in the figure consists of only three pay levels and the employees can quickly move to the next pay grade in this pay structure.

The Broad-graded Pay Structure   In a broad-graded pay structure, the number of pay grades is kept to the minimum. Even if an employee gets several pay hikes in this form of pay structure, he would remain within the same pay grade for a relatively longer period of time. Usually, there would be few restrictions and conditions imposed for pay progression within a pay grade. However, the organization may enforce necessary conditions for the movement of employees from one pay grade to another. In this way, an organization can ensure better
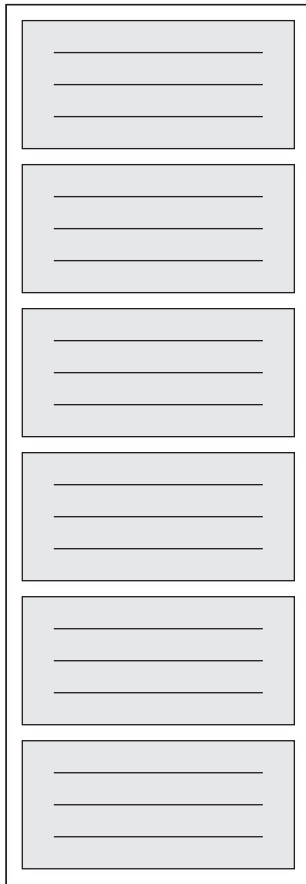
Pay level or scale

Pay grade

Figure 11.1

A Narrow-graded Pay Structure
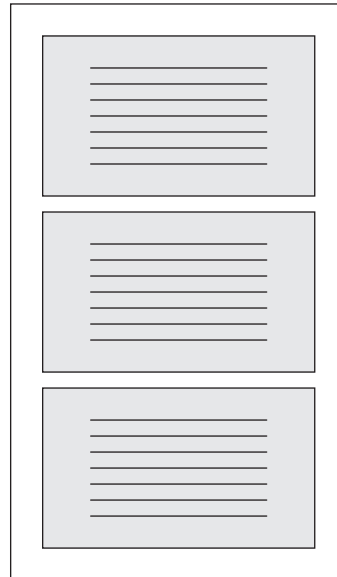
Pay level or scale

Pay grade

Figure 11.2

A Broad-graded Pay Structure

control over compensation management. Similarly, an organization can link pay rise with performance, skills and experience effectively. Figure 11.2 shows six pay levels in each pay grade, which means that the employee would move to the next pay grade only for his seventh pay hike in the existing pay grade. This structure would obviously keep the employees within a pay grade for a longer period.

The Job Family Structure   The job family structure refers to the classification of jobs on the basis of discipline, occupational category, or functional areas in an organization that defines the nature and type of performed work. The organization may have distinct job families for different departments like production, marketing, finance, purchase, and research and development (R&D). Each job family can have its own set of salary ranges that are usually based on pay trends in the relevant labour market. For instance, one pay grade can be offered for the marketing department while another can exclusively deal with the R&D wing of the

organization. Within each pay grade, the employees of the same department may be fixed in different pay levels, depending upon predetermined criteria like experience, education, responsibility and competencies. The number of pay levels in each pay grade may be decided on the basis of the nature of the department, the complexity of the jobs, labour market conditions, and organizational policy. Typically, a university may have distinct job families for administrative services, facilities services, information technology services, media/public relations/alumni services, research/science services, safety and security services, and student/academic services.[12] Figure 11.3 shows the pay grades for a job family structure.

The Career Family Structure   A career family structure is similar to a job family structure except that the focus here is on career path and development. In the career grade, each employee gets a career progression (moves to higher pay scales) in a career hierarchy but remains within a single pay grade. Obviously, each employee would be aware of his career growth prospects in the organization and also of the financial prospects associated with his career growth. Career grades can help the organization get the best talents from the labour market because there would be clarity and firmness in the career growth and development for every position in the organization. A career grade also facilitates the decisions regarding the training and development requirements of the employees. However, it should be ensured that the progression within the career grade is based only on the requirements of the job and not on the skills and personal attributes of the employee.

Essentials of a Sound Pay Structure

A sound pay structure is critical for effective compensation management by an organization. It improves employee satisfaction, commitment, motivation and performance. It can also enhance the co-operation between the employer and the employees. We shall now see the main ingredients of an effective sound pay structure.

Alignment with the Business Objectives and Needs   While determining the pay structure of the employees, it is essential to consider the objectives of the organization. These objectives are capable of providing directions to the entire business. They can also guide all the pay decisions

| 1 | 2 | 3 | 4 | 5 | 6 | 7 |

Administrative services (number of pay scales—7)

| 1 | 2 | 3 | 4 | 5 |

Academic services (number of pay scales—5)

| 1 | 2 | 3 |

Information Technology Services (number of pay scales—3)
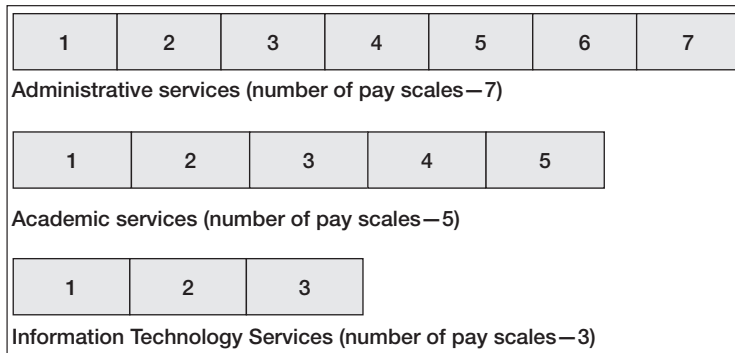
⎯⎯ Pay level or scale

☐ Pay grade

Figure 11.3

The Job Family Structure for an Educational Organization

of the organization. An organization may have specific objectives in terms of profit, customer satisfaction or expansion programmes. Different pay structures may be ideal for accomplishing different organizational objectives and needs. For instance, the marketing department may find a traditional pay structure suitable for its employees while the production department may opt for a broad-graded pay structure. The organizations may settle for a single or multiple pay structure, depending on their business needs, objectives and characteristics.

Internal Equity   A sound pay structure ensures fairness and equity in the determination of pay levels for its employees. There must be equal pay for jobs of similar nature based on job evaluation. To achieve genuine equity in pay scale determination, there must be an objective evaluation of the job duties, responsibilities, difficulties and other factors connected with the job. The merit, seniority, and competencies of the employees should also be duly considered. There should be no discrimination in the fixation of pay levels on the basis of gender, caste, religion or region. The worth of the job should be the only guiding factor in deciding the pay levels and grades.

External Equity   In addition to ensuring internal equity in determining the pay structure, an organization should also make certain that there is an external equity in the pay fixation. External equity ensures that the employees' pay levels are comparable with those of employees in similar jobs in similar organizations. Pay parity with other organizations helps the organization in attracting, retaining and motivating talented employees. Organizations usually conduct salary surveys to identify the pay levels of the industry in general and the competing firms in particular. They can do a realistic assessment of the degree of external equity in the existing pay scales with the help of exit interviews and labour turnover rates. Although higher pays normally attract the best talents from the labour markets, this cannot be the only criterion for achieving external equity. This is because the employees give equal weightage to other factors like job security, organizational environment and non-monetary benefits, while deciding the degree of external equity in an organization.

Reward for the Desired Performance and Behaviour   Pay levels should be fixed in such a way that they reward the employees adequately whenever they come up with the targeted performance levels and behaviour. They should also be capable of sustaining the employees' willingness to continue with the same performance and behaviour in the future too. Similarly, there must be an in-built incentive available in the pay scale for encouraging high performance, high involvement and commitment among the employees.

Legal Compliance   The pay structure of an organization must be in compliance with the prevailing laws and regulations of the country. It should also implement the recommendations of the statutory wage boards in a time-bound manner. The organization should incorporate the relevant provisions of the Minimum Wages Act 1948, Payment of Wages Act 1936, Industrial Disputes Act 1947, Equal Remuneration Act 1976, and other relevant acts in its compensation policy. Finally, since the government may impose rules and regulations from time to time, the pay structure must be flexible enough to fit in these changes in its pay structure quickly.

Reconciling Individual and Organizational Interest   The pay structure should serve not only the interests of the employees but also the organizational interest. There must be due regard for the long-term interest of the organization while fixing the pay scale of

the employees. The pay structure must have the capacity to attract the right employees at a reasonable cost to the organization. To reduce the financial burden of the organization, a good portion of the employees' pay may be linked to their performance and productivity. Such an arrangement would enable the organization to control the labour cost effectively.

Factors Influencing Compensation (Wages and Salary) Administration

As illustrated in Figure 11.4, the nature and amount of compensation payable by an organization is influenced by a host of internal and external factors. But, the degree of influence of these factors might differ from one organization to another and also from one situation

Figure 11.4

Factors Influencing Compensation Administration
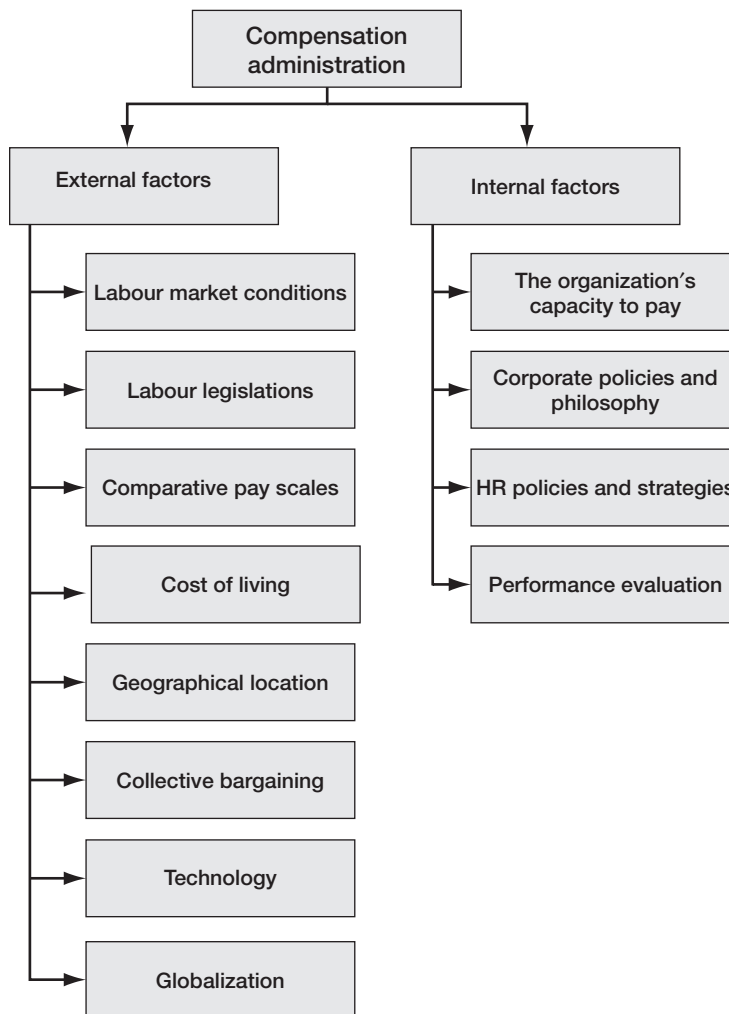
to another. In the globalized and intensely competitive market conditions, organizations continuously make varied efforts to achieve cost-effectiveness and need fulfilment through their compensation policies.[13] As mentioned earlier, the factors influencing compensation administration are classified broadly into internal and external factors. The external factors influencing compensation are (i) labour market conditions, (ii) labour legislations, (iii) comparative pay scales, (iv) the cost of living, (v) the geographical location, (vi) collective bargaining, (vii) technology and (viii) globalization. The internal factors influencing compensation are (i) the capacity of the organization to pay, (ii) corporate policies and philosophy, (iii) human resource policies and strategies, and (iv) performance evaluation. We shall now see these factors in detail.

External Factors

The external factors remain outside the purview of an organization and yet influence its compensation administration. In fact, most of the factors influencing compensation administration are external. We shall now see these factors in detail.

Labour Market Conditions   The difference between the demand for specific categories of employees and their supply in the labour market influences the compensation administration decisively. When the demand for labour exceeds its supply, there would be a labour shortage. In such a situation, the organizations are forced to offer higher rates of compensation to get the required number of suitable employees. This is because the people possessing the required skills would obviously demand more compensation for their services. In contrast, it would be sufficient to offer a minimum amount of compensation to employees possessing skills which are abundantly available in the labour market.

A paradoxical situation might also prevail in the labour market. On the one hand, there could be a short supply of skills which are desperately needed by the organizations. On the other hand, there could be an abundant availability of some other skills for which supply in the labour market may far exceed the organizations' demand. Such a paradoxical situation often leads to the pampering of some sections of labour like the technical and managerial people by the organizations and the exploitation of other sections like the low-skilled and unskilled people. In manufacturing organizations, the technical jobs at managerial levels are usually offered more pay as these jobs are often in short supply in the labour market, while the non-technical ones at non-managerial levels are paid lowly because of their excess supply in the labour market.

 Labour Legislations   Labour laws and regulations normally have a specific influence on the wages and salary administration of an organization. Generally, the legislations enacted by the central and state governments regulate the minimum wages and bonus payable to the employees, the workloads and the working hours. Some of the important labour laws guiding organizations' approach towards compensation payment are the Minimum Wages Act 1948, Payment of Wages Act 1936, Payment of Bonus Act 1965, Equal Remuneration Act 1976 and Payment of Gratuity Act 1972. The organizational policies concerning compensation must strictly adhere to all these and other relevant laws and regulations in force. Organizations should also comply with the recommendations of wage boards, tribunals and wage committees.

Comparative Pay Scales   Organizations should consider the wages paid by similar organizations in the industry for similar jobs. When an organization pays less than the

prevailing wages to its employees, its workforce strength would erode due to the high labour turnover. In contrast, when it pays more than the prevailing wages, it would be able to attract and retain the best talents. Thus, the prevailing wages critically influence the compensation policy of the organizations.

Cost of Living   At times of rising prices, the cost of living emerges as a major factor in determining the salary levels of the employees. When there is an upward movement in the cost of living, the real wages decline, affecting the purchase power of the employees. Due to the changes in the cost of living, organizations usually keep a portion of the employees' compensation (such as dearness allowance) in a variable form. The dearness allowance is fixed on the basis of the prevailing cost of living and it changes as the cost of living changes. For instance, seven major cities in India, namely, Mumbai, New Delhi, Chennai, Kolkata, Hyderabad, Pune and Bangalore, have seen a remarkable increase in the cost of living in the recent past, and this has pushed up the salary levels of the employees in these cities.[14] Though the dearness allowance is linked to the cost of living, it hardly reduces even when there is a decline in the cost of living, especially in the case of government jobs.

Collective Bargaining   The strength of the unions is one of the important influencing factors in compensation administration. When the unions in an organization are strong, the wage agreements are usually concluded in favour of the employees. This is because these unions exert strong pressure on the employers, both internally and externally, during wage negotiations. The unions may also ensure that the organizations strictly comply with the laws and regulations enacted by the government from time to time. In the case of non-unionized organizations, the employers enjoy more freedom in determining the wages of the employees and may tend to fix lower wages for them. However, some non-unionized organizations may fix higher wages voluntarily just to thwart the employees' need to have unions in their organizations. Industry-level wage agreements reached through collective bargaining between the employers' federation and the employees' federation also has influence on the pay levels of the member-organizations.

Technology   The level and sophistication of the technology available in the industry can also influence compensation administration. When the manually performed jobs are easily and effectively replaceable with the existing technology, the organization may not be inclined to offer higher wages for such jobs. When there is a skill deficit in such jobs, the organization might prefer automation rather than paying higher wages to the job holders. However, organizations may have to offer higher wages to the high-tech jobs which usually require multi-skills and technological prowess.

Geographical Location   The location of the organization is also a major factor influencing compensation administration. When the organization is located in cities or urban areas, it may have to hire employees for higher wages due to the high cost of living prevailing in these areas. In contrast, the organizations located in rural or semi-urban areas may pay less to their employees, taking advantage of the low living cost in these areas.

Globalization   Globalization has brought in several multinational companies to the country. The compensation policies and philosophies of these globalized companies have begun to influence and shape the HR and wages practices of the Indian companies. As a result, domestic firms are now offering several innovative compensation schemes on a par

with foreign companies to attract and retain the efficient employees. Major organizations are now designing and developing global compensation strategies in a centralized manner to achieve optimum effectiveness in human resource and compensation managements. Thus, globalization also influences the compensation administration of an organization.

Internal Factors

The internal factors influencing the compensation administration are also significant in number. We shall now discuss these factors in detail.

Capacity of the Organization to Pay Organizations may have the willingness to pay more compensation to their employees but they may not have the financial ability to do so. Understandably, the financial strength of the organization is one of the highly critical factors that determine compensation administration. For instance, when the organization pays higher wages to its employees, it normally pushes up the cost of production and prices of its products. High wage cost may also impact the turnover and profitability of the organization. In such a situation, small and medium-sized organizations may not be able to afford any hike in employee salary and wages. Ironically, low wage cost may be beneficial to the firm in the short period but it may affect employee satisfaction, performance and motivation in the long term. Low wages might also cause high absenteeism and labour turnover. In a nutshell, the organization must pay wages which are not only justifiable but also within its abilities.

Corporate Policies and Philosophy Corporate philosophy, mission and vision statements provide overall directions to the entire organization and this includes its compensation administration. Organizations may deliberately pay the industry's best wages and salary to attract and retain the high-calibre employees. Similarly, the corporate philosophy of an organization may aim at developing competitive advantage through its human resources. In such a situation, the organization may offer high financial incentives to the employees for developing their skills and competencies. Thus, the corporate philosophy and mission statements of the organization influence the compensation administration crucially.

Human Resource Policies and Strategies The HR policies of an organization which deal with various aspects of human resource management also influence compensation administration. They usually form the basis for the terms and conditions of the employment. For instance, the promotion policy which stipulates the number, nature and frequency of promotions for different categories of employees in turn influences the compensation policies of the organization. Moreover, the HR policies are revised from time to time, depending upon the developments in the environment of an organization. Such changes in HR policies bring about corresponding changes in the compensation policies of the organization.

Performance Evaluation Report Compensation administration is also influenced by performance evaluation results, job evaluation report, job description and job specification statements. The employees' performance assessed through performance evaluation techniques may be used for determining the wage levels of the employees. Similarly, the job evaluation report can be used for fixing compensation for different jobs. The job description, which specifies the job content and context, and the job specification, which spells out the job holders' skills and qualification, are also used for determining compensation.

Steps in Compensation Administration

The purpose of compensation administration is to compensate the employees satisfactorily and equitably and achieve the organizational goals effectively. Organizations usually develop their own compensation system for determining and computing the compensation schemes of the employees. As mentioned in Figure 11.5, an effective compensation programme involves the following steps: (i) analysis of the job, (ii) evaluation of the job, (iii) developing the pay structure, (iv) survey of wages and salary, (v) pricing of the job, and (vi) compensation revision and control. We shall now discuss these phases involved in compensation administration.

Analysis of the Job

The first step in the process of compensation administration is the analysis of the job. This should be done to determine the content and context of each job, including its duties, responsibilities and accountability. Job description, which is a written form of job analysis, is used as the basis for identifying and studying the characteristics of a job as part of compensation development measure.

Evaluation of the Job

After the jobs have been analysed on the basis of job description statements, the second phase of compensation administration involves the assessment of the worth of the jobs from the
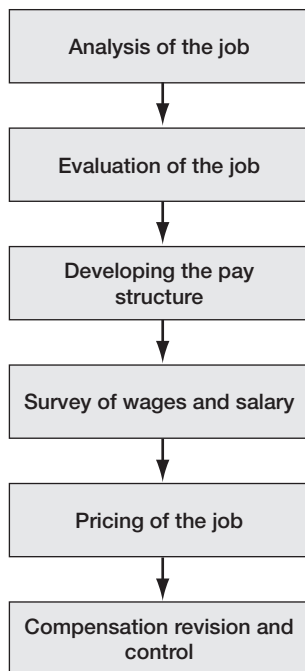
Figure 11.5

Steps in Compensation Administration

compensation perspective. An appropriate job evaluation technique is employed for ensuring internal equity in determining the compensation structure for different jobs. Job evaluation is indeed a process of evaluating the worth of the job on the basis of not only its context and content but also the necessary skills and responsibilities required for it. Organizations may employ methods like job ranking, job grading, paired comparisons, factor comparison and point ranking for evaluating the worth of the job.

Developing the Pay Structure

The pay structure determines what an individual is paid.[15] Once the internal relationship among the jobs based on their relative worth has been determined, the organization determines the pay structure and pay grades for jobs of similar importance and difficulties. The organization may choose to have either the narrow-graded pay structure or the broad-graded one for compensation administration.

Survey of Wages and Salary

At this stage, an organization conducts a wages and salary survey in the labour market to gather information about the compensation provided by similar organizations in the industry for similar jobs. The primary goal of conducting a salary survey is to ensure external equity while determining the pay scale of the employees. As part of the salary survey, the organization may gather necessary information pertaining to the prevailing wage rates for the jobs in the labour market, and also information about the cost of living and inflation. Typically, an organization has two options in a salary survey. It may either conduct its own survey to know the trend in the labour market or buy the survey results of the professional agencies.

Pricing of the Job

Job pricing refers to the determination of wage rates for jobs within the organization on the basis of the job evaluation and salary survey. As part of this process, the internal worth of the job is matched with the external worth to determine the price of the job. While finalizing the compensation for jobs, the guiding principle should be 'pay the job and reward the person'.[16] Paying the job means the payment of the right wages for the job depending upon its worth, while rewarding the person refers to rewarding an individual for his efficiency assessed through performance evaluation.

Compensation Revision and Control

In many organizations, employee compensation forms a major portion of the total operating expenses. It is, therefore, necessary to develop an appropriate mechanism for monitoring the labour cost effectively. Organizations may use techniques like budgeting, performance evaluation, and other appropriate ratios like the compa ratio for determining the efficiency of compensation programmes.

Budgeting is an effective technique of controlling the financial expenditures of an organization. It also helps in monitoring, controlling and coordinating the labour cost of the organization. Budgets actually set the standards for the organization in evaluating the financial expenditure-relating employee compensation.

The Compa ratio is a relevant accounting ratio to know the present efficiency of the compensation schemes and helps in achieving the targeted efficiency in salary fixation.

It facilitates the organization in knowing how close the present salary levels are to the targeted ones. This ratio helps the firm identify the mid-points in the existing pay grades, which, in turn, serve as standards for measurement of compensation efficiency. The compa ratio is calculated as follows:

Compa ratio = (average wage rate actually paid)/(mid-point range)

The range in this ratio refers to the minimum and maximum wage rates in the pay grade or classification. The mid-point refers to the exact halfway between the minimum and the maximum in a pay grade. The compa ratio is normally one.

When the result of compa ratio is more than one, it means the average salary paid by the organization in the pay grade is above the mid-point. If the target of its compensation programme is to pay the employees at the mid-point in the pay range, it should make efforts to bring down the salary levels. On the other hand, when the result of the compa ratio is less than one, it means the existing salary levels are less than the mid-point in the pay range. In such a situation, the organization may decide to either retain the salary at the same level or raise it to levels closer to the mid-point by effecting pay increases.

Challenges in Compensation Administration

Compensation administration is a highly sensitive and challenging job for the HR department. It ought to fulfil the divergent needs of both the employees and the employers justly and satisfactorily. However, organizations often face numerous challenges in developing effective compensation administration. We shall now discuss the important challenges in compensation administration.

Emergence of Innovative Job Designs

The growth of unconventional employment schemes like flexi hours, e-commuting and part-time jobs have posed new challenges to organizations in developing compensation administration. They find it difficult to develop clear, consistent compensation policies that are fair to both conventional (full-time) and unconventional jobs. For instance, they are not definite about extending the benefits available to full-time employees to other segments of employees like those in telecommuting and others. In the case of the flexi-hour system of employment, the supervisory time and the cost of supervision are exceptionally high. In such a situation, organizations would have to decide who should bear the cost of additional supervisions and other support service cost.[17] All these developments pose challenges to the organizations in developing suitable compensation packages.

Relevance of Money as a Prime Motivator

A growing number of behavioural scientists are questioning the relevance of money as a motivator. According to A. Kohn, the more the money used to motivate people, the more they tend to lose interest in whatever they had to do to get the rewards.[18] Thus, there is a need for the organizations to move beyond money as compensation and focus on other intrinsic factors as possible alternatives for achieving the desired employee performance, satisfaction and cooperation. However, many organizations still view monetary benefits as the only compensation for the employees' job efforts.

Lack of Objectivity in the Fixation of Pay Structure

Many organizations are employing subjective job evaluation techniques like job ranking, job grading and paired comparison for assessing the worth of the job. This may affect the objectivity not only of the job evaluation but also of the compensation administration. This is because job evaluation forms the basis for determining the compensation plans. Consequently, imperfections in the job evaluation may result in underpaying or overpaying of jobs.

Political and Legal Challenges

Changes in the provisions of the existing laws and regulations may require corresponding changes in the compensation plans of the organization. Whenever there are amendments in the laws concerning compensation and other benefits, it becomes imperative for the organization to implement those changes. At times, this may even necessitate a complete revision in the compensation plans. Similarly, the political ideologies and philosophies of the ruling party generally determine the government's attitude at the time of wage negotiations and industry-level collective bargaining. A labour-friendly government may pressurize the employers to concede higher benefits to the employees at the collective bargaining process. Thus, the change of government and policies affects the compensation policies of an organization.

Difficulties in Fixing Compensation for Distinct and Critical Skills

Organizations are now finding it necessary to develop tailor-made compensation packages to reward the unique and critical skills of talented employees. In a highly competitive and globalized environment, it is necessary to have highly flexible and individualized compensation plans to satisfy the reward requirements of highly skilled employees. Organizations are also under increasing pressure to develop competence-related and skill-based pay for encouraging the employees to improve their knowledge, skills and ability on a continuous basis. All these developments make compensation development and administration a much more complex task.

Balancing Organizational and Individual Needs

Organizational compensation plans must balance the needs of the organization and those of the individuals. But, from the compensation perspective, the needs of the employers and those of the employees are mutually exclusive in nature. When the employees' monetary needs are satisfactorily addressed, it would enhance employee motivation, satisfaction and retention but it could also push up the labour cost for the organization. On the other hand, when compensation policies favour the organization, it could improve the profitability of the business and the product performance in the market. However, such a compensation policy would discourage the talented employees from remaining for long in the organization; they might quit the organization and seek better fortunes elsewhere. Thus, the compensation plans must be devised ingeniously to fulfil the needs of both the organization and the individuals.

Ethical Issues in Pay Fixation

Beyond legal compliance in compensation administration, organizations are expected to abide by the ethical probity in decisions involving compensation fixation and administration. There must be a sense of fairness in the actions of the organizations relating to compensation planning and administration. Employers are expected to stick to the standards that show a strong sense of justice and equity and also a consideration for the interest of all

the employees of the organization.[19] However, the unevenness in the demand for and supply of labour in the market often forces the organizations to offer exceptionally high compensations to some employees with much needed skills. In contrast, these firms offer abysmally low compensations for those skills which are abundantly available in the market and thus easily replaceable. Organizations often face ethical dilemmas while fixing compensation for employees on the basis of demand and supply in the labour market.

Executive Compensation

Executive compensation refers to the compensation package offered to the managerial personnel of an organization. The managers' role and performance are always crucial to the survival and growth of organizations. It is, therefore, essential to offer them satisfactory compensation packages in order to attract and retain the talented executives. However, executive compensation is a matter of intense debate both inside and outside an organization. This is because the managers, especially those at the top levels, play a major role in developing their own compensation packages. Besides, executive compensation often forms a substantial portion of the total labour cost of an organization. Moreover, it is difficult to evaluate the performance efficiency of the managerial people objectively. A typical executive compensation package comprises the base pay, short-term and long-term incentives, and managerial benefits and perks.[20] Unlike wages and salary for workers, a major portion of the executive compensation is often tied to the performance of the company. Typically, an organization considers the extent of duties, responsibilities and risks involved in managerial positions for determining the executive pay packages.[21] Box 11.3 outlines the system of executive remuneration fixation in Indian companies.

Box 11.3	Executive Remuneration Packages the Modus Operandi at the Reliance–Anil Dhirubhai Ambani Group

In the recent past, Indian companies have seen remarkable changes in the remuneration payable to its executives who make critical decisions on their behalf. Since 1991, there has been a manifold increase in the compensation payable to the executives of Indian companies. Generally, these managers get their remuneration in the form of the base salary, short-term incentives (STI) and the long-term incentives (LTI). The base salary is often decided by the performance of both the individual executive and the company. Similarly, the short-term incentives are related with market practices and the performance of the company and the individual during a specific year. Normally, the seniority and experience of the executives are seldom considered in deciding the short-term incentives. Finally, the long-term incentives are influenced by the future potential of the executives to the organization, besides their contribution to its overall growth of the firm. Though organizations can have their own system for determining the executive compensation packages, some of the companies have an excellent mechanism for

evolving the executive compensation packages. The case of the Reliance–Anil Dhirubhai Ambani Group (ADAG) is worth mentioning.

The Reliance–ADAG has constituted a Remuneration Committee, which periodically assesses the efficacy of the overall compensation structure and policies of the organization. After careful assessment, this committee presents its suggestions to the management. The future remuneration payable to the executives is formulated on the basis of this committee's recommendations. The committee enjoys complete autonomy and faces no managerial interference. Indeed, the chairman of this committee is an independent director while the members are non-executive directors, of which most are independent directors. The committee also has the authority to seek professional advice on related matters, from within as well as outside the company.

Adapted from: http://www.relianceadagroup.com/ adportal/ADA/aboutus/corporate.html.

Objectives of Executive Compensation Packages

The driving force behind the development of executive compensation package is the organizational objectives and the human resource requirements of the business. It is essential for an organization to ensure that the compensation packages develop necessary ownership interest for the managers in the organization and also make them more responsible for their decisions. We shall now discuss all the objectives of executive compensation.

Aligning the Managerial Interest with the Ownership Interest Except the base salary, which is a fixed remuneration, the remaining components of the executive pay packages are usually variable in nature. Normally, these variable components of compensation are dependent on the organizational performance. The purpose of correlating a substantial portion of pay with the performance is to create a personal interest for the managers in the affairs of the company and to encourage them to be more sensitive to the needs of the organization.

Bringing in the Best Executives With an increased competition for talented executives in the labour market, the executive compensation plans play an important role in attracting the best talents to the company. They also help an organization retain its prized executives for a long term and protect them from possible poaching by the rival companies or by professional head-hunters.

Enhancing Employee Motivation, Involvement and Commitment The decisions of the managers can make or mar the future of an organization. Their responsibility for effective management of the business is greater than the responsibility of the non-managerial employees. Thus, there must be in-built elements in the executive compensation packages to motivate the executives on a sustained basis.

Promoting Managerial Efficiency Some of the components of an executive compensation package like managerial commission are meant directly for improving the competency and commitment of the managers. In fact, the net profit computed in financial accounts is an important indicator of the managerial efficiency. That is why managerial commissions are usually based on the net profit available to the business.

Ensuring Complete Financial Security Since managerial decisions carry considerable risk not only to the organization but also to the individual managers, it is important to offer financial security to the managers. Executive compensation must provide the necessary incentive and financial protection to the managers to encourage them to take reasonable risk in the decisions.

Encouraging Progressive Learning Executive compensation must aim at encouraging the managers to develop their skills and competencies on a continuous basis. The managers need to be up to date in their knowledge and skills in order to identify, understand and act on the challenges posed by the changes in the environment.

Elements of Executive Compensation

The major deficiency of modern-day companies is the separation of ownership and control.[22] In the company form of organizations, the ownership lies with the shareholders and the

control with the managers. As such, there is no incentive available for the managers to own complete responsibilities for the decisions made on behalf of the organization. To overcome such a lacuna, executive compensation plans are used creatively by the organizations to develop ownership interest for the managers in the organization. Organizations usually offer employee stock options, profit-sharing and gain-sharing schemes for linking ownership with administration and control. We shall now see these components in detail.

Basic Salary   The basic salary is the key component in the compensation packages offered to the executives. Since executive compensation emphasizes more on performance-based pay and incentives, salary is usually not the major portion of these pay packages. However, the basic salary often forms the basis for computing other components. For instance, the bonus and other variable compensations like the dearness allowance are usually expressed as a percentage of only the basic pay. Similarly, pension plans and other retirement benefits are also decided only on the basis of basic salary. Prior to deciding the base salary, organizations usually undertake job evaluation exercises for assessing the internal worth of the managerial jobs. However, the base salary of top managers is largely determined through extensive salary surveys. The size of the company is also a major influencing factor in determining the salary of the managers.

Annual Bonus Plans   Typically, a profit-making organization offers bonus schemes to its managers as part of the compensation package. The bonus is considered as a short-term performance-linked incentive scheme. It is computed and paid on the basis of the performance of a single year. Under a usual bonus plan, an organization may pay bonus to managers when they achieve the performance standards. They may not get any bonus till they achieve those specified performance standards.

   Bonus schemes can be classified on the basis of performance measures, performance standards and pay–performance relationship structure.[23] Organizations may use one or more performance measures for determining bonus. However, accounting profits (like EBIT, revenue growth and operating income) invariably form an important financial measure. Organizations may also use non-financial performances like goal accomplishments by the managers as the basis for determining bonus plans.[24] For the purpose of bonus computation, an organization may use various forms of performance standards like budget standards, past-year performance standards, discretionary standards (subjective standards set by the management), peer-group standards (based on performance of similar companies), and timeless standards (fixed performance standards).[25]

Stock Option Plan   It is a unique compensation plan in which the managerial personnel get the right to buy the stocks (mostly equity shares) of their company in the future at a price which may be equal or less than the price prevailing at the time of purchase. The stock option is normally a non-tradable long-term incentive available to the managers. However, the option to buy stock would normally lapse when the executive leaves the organization for any reasons.

   As discussed earlier, the stock option is an effective executive compensation scheme available to the organization to create ownership interest for the managerial personnel. The purpose of the stock option is to encourage the managers to accept increased responsibility for their decisions involving the future of the organization. The stock option is an effective motivational instrument for managers if there is a continuous increase in share prices. In contrast, it may not be as effective when there is a declining trend in the share prices.

The main advantage of this compensation scheme is that there is no direct or immediate cash outflow for the company when the manager exercises this stock option. It is also effective in ensuring the retention of efficient managers on a long-term basis.

Additional Long-Term Incentive Plans (LTIP)   In addition to stock option schemes, an organization may also employ other long-term reward schemes for enhancing the performance, involvement and commitment of the executives. The aim of LTIP is to enhance the performance–pay relationship considerably. Normally, organizations impose specific performance conditions on the managers for getting long-term incentives. LTIP can be computed on the basis of the cumulative performance of managers on a multi-year cycle (typically an average of three to five years). Performance unit or share is one of the popular forms of the long-term incentive plan. As per this incentive scheme, a manager would be entitled to get specific cash or shares as the reward in the event of completing the performance targets successfully. Though long-term incentives are generally tied to the overall organizational performance, they may also be linked to group performance within the organization.[26]

Box 11.4 outlines the role of LTIP in enhancing employee performance.

Managerial Commission   Commission pay is emerging as one of the important components of executive compensation packages. It is an annual performance–based incentive scheme. The commission payable to managerial people is viewed as an important technique in achieving the required level of motivation, involvement, and efficiency among managers. The primary purpose of managerial commission is to encourage the managers to keep the expenses under control and improve sales income. The commission payable to managers is normally computed in two ways. These are: commission payable on profit before charging such a commission, and commission payable on profits after charging such a commission. The ratios for these managerial commissions are:

Box 11.4	Long-Term Incentive Plan at the ING Vysya Life Insurance Company

Generally, an organization views its executive compensation as a decisive factor in achieving the desired level of executive retention. Attracting and retaining the most-talented executives for a long term is also central to ensuring stability in the mission, vision, philosophy and direction of the business. Companies always view long-term incentive plans as an effective tool in achieving the twin purpose of creating ownership interest among executives so as to take better responsibility for their decisions and improving their executive retention rate.

Regarding long-term incentive plans (LTIP), ING Vysya Life Insurance Company is a case in point. It is a part of the ING Group, one of the largest financial services providers in the world. The ING group has a top-level Remuneration and Nomination Committee for designing short-term and long-term incentives for the top senior managers. It pays short-term performance related bonus to its employees as part of STIP. The target short-term incentive plan pay-out is usually 100 per cent of the base salary. But the actual bonus amount depends upon the attainment of group financial targets and specific individual qualitative and quantitative objectives for each senior manager. The company also offers stock option and performance shares as part of the long-term incentive plan for these managers. LTIP is also determined as 100 per cent of the base salary for the senior manager. However, the final grant would depend upon the group's short-term incentive plan performance.

Adapted from: http://www.ing.com/xpedio/ annualreport2007/governance/remuneration_report/ remuneration_exec_board_2007.html.

Commission payable on net profits before charging such a commission
    = Net profit × Rate of commission/100
and
Commission on net profits after charging such a commission
    = Net profit × Rate of commission/(100 + Rate of commission)

Regarding managerial commission, the Companies Act 1956 states as follows: "Subject to the provisions of Section 198 and Section 309, a company having profits in a financial year may pay any remuneration, by way of salary, dearness allowance, perquisites, commission and other allowances, which shall not exceed five per cent of its net profits for one such managerial person, and if there is more than one such managerial person, ten per cent for all of them together."[27]

Executive Perks   It is a unique kind of benefit payable to the top managers as recognition for their contribution to the growth of the organization. An important prerequisite for deciding executive perks is determining the job worth of the executives. Usually, executive perks are allowed to a select group of key executives. Normally, executive perks involve, among others, luxurious residential apartments, company cars, special parking space at office, private dining rooms, membership in country clubs, sponsored vacation trips, interest-free loans, insurance schemes and annual health examination. In addition to providing perquisites to individual executives, organizations may also extend some of these facilities to their family members, for example, reimbursement of children's educational expenses and spouse travel. Some organizations use executive perks to let the executives stay connected to the office. For this, they provide laptops, cell phones and computers to its executives.

Criticisms of Executive Compensation

Executive compensation packages are surrounded by many controversies. Most of them revolve around the mode and quantum of payment to the senior managers. In fact, several countries, including India, have enacted specific legislations to limit the compensation payable to the top managers of the companies. We shall now discuss the merits and demerits of executive compensation from different perspectives.

Complaints of Over-payments   A common complaint is that of the top managers getting a pay excessive for their performance and disproportionate to the duties and responsibilities associated with the job. That companies are usually more generous in rewarding the managers than their workers is another charge against executive compensation. Critics complain that the executive compensations grow much faster than the non-executive compensations available for ordinary workers.[28]

However, there are several factors which support the cause of executives and justify the payment of higher compensation to them. These are:

- The nature of executive jobs is such that the managers often undertake risk by taking decisions relating to an uncertain and unknown future. Their decision may affect the future not only of the organization but that of themselves in the organization. Thus, they are justified in their demand for adequate reward for the risk involved in the managerial job.

- Compensating the highly qualified and skilled managerial people obviously requires payment of hefty compensation to these employees. When the organizations fail to respond positively and adequately to the demands of competent people, they may lose

to their rivals in the competition for the services of capable executives in the labour market.

- As regards executive retention, companies often face the prospect of their highly competent managers being lured and eventually poached by the competitors. They usually prevent such a situation by offering attractive short- and long-term incentives.

These factors necessitate the development of the best executive compensation packages to attract and retain the talented executives.

Undue Influence on Compensation Determination   Another criticism levelled against executive compensation is the role of top managers in the process of determining their own compensation packages. Usually, a compensation committee is nominated by the board of directors to develop compensation packages for the managers. Some critics believe that these compensation committees are unduly influenced by the top managers in the process of fixation of executive perks. This criticism is not true in majority of the cases since many compensation committees tie a large portion of the executive compensation to the organizational and individual performance goals.

Disregard for the Financial Health of the Organization   One more complaint against executive compensation is that there is a disregard for the financial health of the organization while determining the incentives, bonus and perks for the managers. Critics argue that the top managers must get generous rewards only when the company has done well. Now, as mentioned earlier, most of the executive compensation elements are connected only to the organizational performance. It is thus apparent that the top managers would be eligible for attractive rewards only when the company succeeds.

Secrecy Shrouding Executive Compensation   Since many organizations reward their managers mainly through executive perks and other not-so-visible schemes, critics complain that there is no transparency in the development and execution of executive compensation packages. They claim that many benefits and perks in compensation are hidden benefits and, therefore, need to be valued appropriately. In reality, specific provisions are available in existing laws like the Companies Act of 1956, to regulate the managerial remuneration payable to the employees.

Inequality of Incomes in the Organization   From a macro-level economic perspective, executive compensation packages are often criticized as ignoring the share of workers in the wealth and prosperity of an organization. Critics point out that this often leads to the uneven and unjust distribution of income within the organization. However, organizations normally provide due share in the organization's profit to the workers by declaring a certain percentage of profits as annual bonuses to employees.

Exorbitant Exit Fees   The Golden Parachute Scheme is a unique executive compensation plan in which a top executive is eligible for a severance pay in the event of his present company being taken over by some other company as part of a merger plan. Severance pay may also be paid to managers when their services are terminated for other reasons. Critics, however, complain that the top managers often get exorbitant exit fees for leaving the organization. They also complain that the top managers often block important merger-and-acquisition proposals in order to extract huge exit fees from the company. However, the severance pay normally forms part of retirement benefits, which are to be duly approved by the competent authorities.

Summary

1. Compensation is the sum of rewards for the job-related efforts of the employees and for their commitment and involvement in the job.

2. The objectives of compensation administration are (i) equity in compensation, (ii) enhancing individual and organizational efficiency, (iii) employee motivation and retention, (iv) goodwill in the labour market, (v) adherence to laws and regulations, (vi) controlling HR cost, and (vii) improving industrial relations.

3. Compensation can be classified as direct and indirect compensation. The elements of direct compensation are basic and variable pay, which includes profit-sharing, gain-sharing and equity plans. Compensation can also be classified as monetary and non-monetary.

4. The types of theories of compensation are equity theory, expectancy theory, contingency theory and agency theory.

5. The basic concepts in wages are real wages, minimum wages, fair wages and living wages.

6. The kinds of pay structures are narrow-graded pay structure, broad-graded structure, job family structure and career family structure.

7. The essentials of a sound pay structure are aligning with the business objectives and needs, internal equity, external equity, rewarding the desired performance and behaviour, legal compliance, and reconciling individual and organizational interest.

8. The external factors influencing compensation are (i) labour market conditions, (ii) labour legislation, (iii) comparative pay scales, (iv) the cost of living, (v) the geographical location, (vi) collective bargaining, (vii) technology and (viii) globalization.

9. The internal factors influencing compensation are (i) the capacity of the organization to pay, (ii) the corporate policies and philosophy, (iii) human resource policies and strategies, and (iv) performance evaluation.

10. The steps in compensation administration are (i) analysis of the job, (ii) evaluation of the job, (iii) developing the pay structure, (iv) survey of wages and salary, (v) pricing of jobs, and (vi) compensation revision and control.

11. The challenges facing compensation administration are: emergence of innovative job designs, relevance of money as a prime motivator, lack of objectivity in the fixation of pay structure, political and legal challenges in compensation administration, difficulties in fixing compensation for distinct and critical skills, balancing organizational and individual needs, and ethical issues in pay fixation.

12. Executive compensation refers to the compensation package offered to the managerial personnel of an organization.

13. The objectives of executive compensation packages are: aligning managerial interest with ownership interest, bringing in the best executives, enhancing employee motivation, involvement and commitment, promoting managerial efficiency, ensuring complete financial security, and encouraging progressive learning.

14. The elements of executive compensation are the base salary, annual bonus plans, stock option plan, long-term incentive plan (LTIP), managerial commissions, and executive perks.

15. The criticisms against executive compensation are: complaints of overpayment, undue influence on compensation determination, a disregard for the financial health of the organization, secrecy shrouding executive compensation, inequality of incomes in the organization, and Golden Parachute Schemes.

Review Questions

Essay-type questions

1. Discuss in detail the different types of compensations using relevant examples.

2. Evaluate the relevance and utility of various theories on compensation.

3. Enumerate the various kinds of pay structure with suitable examples.

4. Examine critically the factors influencing the wages and salary administration using examples.

5. Describe the different steps in a compensation administration process in detail.

6. Evaluate the challenges facing the compensation programmes in Indian companies.

7. Explain the meaning, objectives and problems of executive administration schemes.

8. Describe the various components of executive compensation packages in detail.

9. What are the various criticisms made against executive compensation plans? State how far these criticisms are true.

10. Enumerate the role of human resource managers in the development and administration of compensation programmes.

11. "Compensation must fulfil the intrinsic and extrinsic needs of the employees." Discuss.

12. "Compensation programmes must be fair to both the employers and the employees." Justify.

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CHAPTER

12 Incentives and Benefits

CHAPTER OBJECTIVES

After reading this chapter, you should be able to:

1 Understand the significance of incentive programmes
2 Understand the wage incentive planning process
3 List the prerequisites for good incentive schemes
4 Enumerate the different types of incentives
5 Evaluate wage incentive schemes
6 List the objectives of fringe benefits
7 List the forms of benefits

The Raymond Group is an India-based textile major operating at the global level. It is one of the largest integrated manufacturers of worsted fabric in the world and contributes to almost 60 per cent of the worsted suiting market in India. The HR objectives of Raymond get reflected in its vision which aims to make "Raymond the most desired workplace for the top talent."

As far as the fringe benefits are concerned, the company provides educational, housing, recreational and spiritual support systems to its people. The specific fringe benefits available in the company include employee staff quarters, guest houses, Raymond products at concession rates, company bus, and the Singhania School project, which ensures that the employees' children have the facility to enrol themselves in the schools run by the J. K. Trust at 50 per cent of the fees. In many cases, the children's education is provided absolutely free. Besides, the company contributes promptly to statutory fringe benefits like Provident Fund and

Employees' State Insurance. It also periodically conducts several fun-filled events to let the employees connect with one another on a regular basis.

For senior managers, the company organizes events like the annual "Raymond Interchange," an ongoing initiative that harnesses the collective views on business strategy, and the CEO Forum, which is conducted six times a year. It adopts the 360-degree feedback system that provides senior managers with valuable inputs through evaluations from their colleagues, subordinates and customers. The feedback system also facilitates the management in arriving at decisions concerning wage incentives and career plans for individual employees by understanding their real potential, interests and goals.

The success of the Raymond Group proves the important role of wage incentives and fringe benefits in contributing to an organization. Given this context, we shall discuss incentives and benefits from different perspectives in this chapter.

Introduction

Hard work pays is the simple philosophy behind wage-incentive programmes. Employees usually get wage incentives in addition to their base salary in the organization. Wage incentives enable an organization to present challenges and rewards alike to its workforce in order to make the employees enjoy their jobs more. The primary purpose of providing wage incentives is to enhance the organizational performance and employee productivity. Understandably, incentives constitute an important HR tool to achieve the desired performance goals within a reasonable cost. Performance-based incentive programmes enable an organization to keep its employees satisfied without producing any permanent rise in pay and/or benefits. Thus, wage incentive schemes help an organization establish a formal relationship between individual performance and remuneration. Wage incentives also motivate the employees to work harder in their jobs in order to get recognition in monetary and non-monetary terms.

However, when the rewards offered as a part of the incentive programme do not fulfil the exact needs of the employees, they cannot be considered as an incentive at all. The incentive programmes should be such that they should get and keep employees motivated by fulfilling their exact needs. Generally, incentives are provided to employees when their actual performance meets the performance standards set by the organization. Although organizations predominantly offer monetary rewards as a part of performance-related incentives, they may also offer non-monetary rewards to their employees. Finally, an important prerequisite for any effective incentive scheme is the presence of an objective performance evaluation procedure.

Terms like wage incentives, variable pay, pay for performance, incentive plans and contingent pay are used in organizations interchangeably.[1] Rewarding employees for reaching the predetermined performance levels is the essence of the definitions of incentives. Box 12.1 lists a few of these definitions.

We may define wage incentives as any form of performance-based financial and/or non-financial rewards payable to attract and retain the best talents without any permanent financial commitment for the organization.

Objectives of Wage Incentives

The primary objective of wage incentive schemes is to attract and retain efficient employees and induce them to work harder in the job. Through these schemes, organizations usually look to achieve the twin aims of getting the best out of their employees and ensuring

Box 12.1	
Wage incentives are defined as "variable rewards granted according to variations in the achievement of specific results."[2] —Milton L. Rock	"Wage incentive may be defined as the stimulation of efforts and effectiveness by offering monetary inducements or enhanced facilities."[4] —P. C. Tulsian
"Wage incentive (contingent pay) refers to payment related to individual performance, contribution, competence or skill or team or organizational performance."[3] —Michael Armstrong	"Wage incentives 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."[5] —National Commission on Labour

adequate rewards for employee efforts.[6] We shall now discuss the other important objectives of wage incentive schemes.

Developing an Ownership Interest

Wage incentive schemes aim at creating a personal interest among the employees in organizational affairs so that this would, in turn, improve the sense of responsibility of these employees.

Enhancing Employee Motivation

Organizations look at wage incentives as a viable option to increase and then sustain employee motivation through monetary and non-monetary rewards.

Improving Employee Retention

Wage incentives aim at controlling the labour turnover arising out of employee dissatisfaction due to the absence of merit recognition and poor pay. Thus, incentive programmes aim at enhancing the employee retention rate.

Facilitating a Greater Role for Employees in Pay Determination

Wage incentive schemes enable the employees to determine their own income by linking their pay with their actual performance. By varying their performance levels, they can earn the required incomes.

Increasing the Performance and Productivity

By establishing a link between the pay and the performance, organizations aim at increasing organizational performance and employee productivity to the desired levels.

Reducing the Labour Cost

Through productivity-linked incentive schemes, organizations seek to avoid a permanent raise in the pay levels of the employees. This is in contrast to the basic pay and other fixed employee benefits, which permanently commit the organization to a fixed labour cost, irrespective of its performance and profitability.

Reducing the Time and Cost of Supervision

Wage incentive schemes aim at reducing the supervisory cost and time by enhancing the sense of responsibility of the employees through linking their performance with pay.

The Wage Incentive Planning Process

Though each organization can have its own style of incentive plans to serve the needs of its employees, the incentive planning process illustrated in Figure 12.1 can be adopted by any organization with necessary modifications. We shall now see the steps in an incentive planning process.

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┌─────────────────────────────┐
│   Step 1 Setting objectives  │
│     for incentive programmes │
└─────────────────────────────┘
              │
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│ Step 2 Determining the nature of │
│  reward and the mode of payment  │
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│   Step 3 Sharing goals with  │
│        the employees         │
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│  Step 4 Evaluating the actual │
│ performance of the employees  │
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│  Step 5 Application of incentive │
│             plans            │
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│       Step 6 Feedback        │
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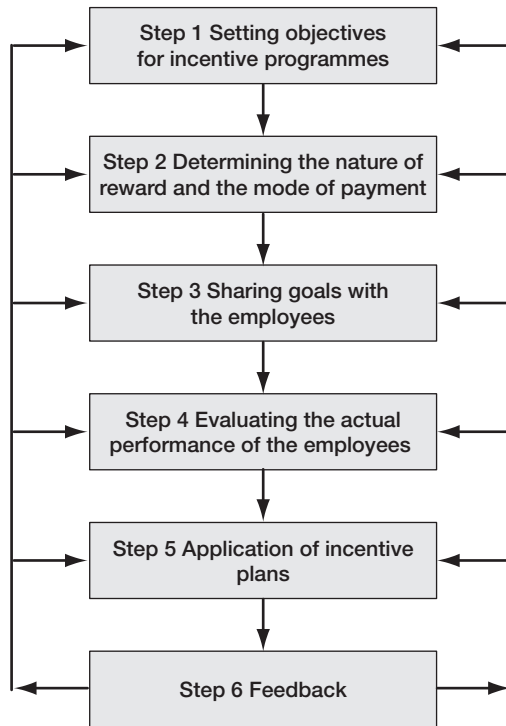
Figure 12.1

The Wage Incentive Planning Process

Setting the Objectives

The first step in the process of installing an incentive plan is the determination of goals for such incentive plans. Organizational objectives usually provide the basis for determining the goals of the incentive programmes. An organization must decide the specific goals it wants to accomplish through the incentive schemes and how its employees can contribute to those goals. It is only when the employees believe that the performance goals are attainable that they would put in the additional efforts required to accomplish them.[7] Depending upon the requirements, an organization may set individual or group goals as part of the incentive programmes. However, an organization should revise these goals periodically to ensure that there is a continuous improvement in the performance of the employees.

Determining the Nature of Reward and the Mode of Payment

Having formulated the goals to be accomplished through incentive plans, the next step is the determination of the type of incentives and the mode of its payment. An organization should first determine the total compensation payable to the employees for reaching specific performance goals. It should also choose between individual and group incentive plans to achieve the proposed incentive goals. Besides, it should decide between monetary and non-monetary rewards for compensating its employees. It should also weigh up the merits and demerits of different incentive plans before choosing an ideal plan for goal accomplishment.

Sharing the Goals with the Employees

In the next step, the organization should effectively communicate the objectives and nature of the incentive plans to all its employees so that they can understand their role and reward in the incentive plans clearly. All the features of the incentive plans should be explained to them and all their queries clarified. The organization should ensure that the employees believe that the rewards offered to them are worth the efforts put in by them in the job.

Evaluating the Actual Performance

At the end of a specified period, the organization must evaluate the employees' performance to decide whether they attained the performance standards and also the amount of incentives payable to each one of them. However, organizations do not evaluate the employees' performances only to determine the wage incentives. Usually, the performance evaluation system keeps incentive fixation as one of its several objectives. Depending upon the requirements, the organization may choose from the evaluation methods like rating scales, ranking method, paired comparison, forced distribution, forced choice, critical incident, essay method, checklist, field review and confidential report (CR) to evaluate the employees' performance.

Application of Incentive Plans

Once the performance of employees has been evaluated, the next stage is the application of appropriate incentive plans to determine the performance rating and pays of the employees. Typically, the employees at this stage get to know what their reward will be. In fact, the process of an incentive scheme begins with goal setting and ends with reward decisions. Organizations should ensure that the employees' performances are adequately rewarded and the incentive objectives accomplished.

Feedback

Sometimes, the employees may not be satisfied with the incentive plans, the performance evaluation process or the mode of payment of incentives. In such a situation, the incentive schemes may not only fail to motivate the employees but also dissatisfy them, causing increased labour turnover and absenteeism. To avoid such a situation, it is necessary for the organization to receive periodic feedback from the employees in order to know their views on the incentive schemes. An organization may undertake attitude surveys among the employees to decide the fairness and efficacy of the incentive programmes from their perspectives. Besides, it should have a proper procedure to permit the employees to appeal against the incentive pay in case they have any grievance. Box 12.2 outlines the various incentive practices prevalent in organizations.

Prerequisites for a Good Incentive Scheme

Only an effective incentive scheme can have a desired impact on the productivity and efficiency of the employees. The installation of a good incentive scheme requires meticulous planning and honest execution. Before installing an incentive scheme in an organization, it is necessary to conduct a survey to ensure that the environment is appropriate for its introduction. The organization should also make certain that the incentive schemes proposed to be introduced fulfil the following conditions:

Box 12.2	Incentive Plans at Ranbaxy: A Boost to Performance

Each organization should first ascertain the diverse needs of its employees before developing incentive plans and fringe benefit programmes. It should also consider its organizational objectives seriously as it could provide an overall direction to the HR people about how they should proceed in the compensation planning activities. Last but not the least, it should thoroughly study the HR problems before finalizing any incentive schemes. For instance, if executive attrition is the major issue in the organization, it should develop incentive programmes (like ESOP and deferred profit sharing plan) which retain the executives for long in the organization. On the other hand, when cost reduction is the focal point, it can develop a gain-sharing plan to control the cost of production. Similarly, when the organization is located at a remote place, the transport facilities become a major fringe benefit for the employees. In a nutshell, the needs of the organization and its members drive its incentive plans and fringe benefit schemes. However, there are a few organizations that may offer several incentives and facilities just to keep their workforce happy, efficient and productive. We shall now see the compensation practice of Ranbaxy Laboratories.

Salaries and other benefits in Ranbaxy are comparable with the best in the industry. Its incentive policy is such that it rewards its employees highly if their performance is consistently outstanding. As part of its fringe benefit schemes, it offers group life insurance, medical insurance and pension plans to its employees and their dependents with an adequate financial protection on a long-term basis. Stock ownership is another successful long-term incentive offered by this company to retain the managers and improve their income and investment. It encourages its employees to take up company stock in their early stages of career so that they can gain from the success and growth of the company through capital appreciation.

Adapted from: http://www.ranbaxy.com/career/Lifeatranbaxy.aspx.

Transparency

The foremost requirement for an effective incentive scheme is its transparency. The scheme must be comprehensible to all the employees who are part of this scheme. Even uneducated employees must be able to understand the working of the incentive schemes clearly. As far as possible, highly technical and complex computation procedures must be avoided. This is because simplicity and transparency can greatly improve the employees' trust in the incentive schemes.

Objectivity

The incentive scheme should keep subjectivity in the performance evaluation and incentive computation to the minimum. The greater the subjectivity in the incentive schemes, the larger the scope for charges of personal bias and prejudice in the determination of rewards for employees. When the employees suspect unfairness in the distribution of monetary rewards, they might remain indifferent to or even oppose the scheme. Thus, an effective incentive scheme must be equitable, objective and fair to all the employees.

Measurability

The next important prerequisite for an effective incentive scheme is that the scheme be quantifiable. The incentive scheme must be readily measurable. It should be based on rational and scientific work measurements. Organizations should not attempt to keep abstract terms like attention, required concentration and stress levels as the basis for determining the incentives. They should keep measurable terms alone as the basis for fixing the incentives for the employees.

Attainability

The performance goals fixed by an organization for computing the incentives should be practical and achievable. If they are too tough to be achieved by the employees, the latter may not be keen on accomplishing these goals. Eventually, the employees may develop an indifferent attitude towards the incentive schemes of the organization. By involving the employees adequately in the preparation of the incentive schemes, organizations can ensure that the goals and incentive schemes are attainable and practicable. Thus, a participatory and inclusive approach in the designing of incentive schemes would be a prerequisite for effective schemes.

Flexibility

An effective incentive scheme should be flexible enough to adapt itself to the changes in the internal and external environment. The organization must be able to effect changes in the scheme without too much delay. The administrators of the scheme should review its performance periodically and make necessary changes, as and when required. However, flexibility in an incentive scheme does not mean that the scheme or reward can be revoked at will. In fact, once the rewards have been computed and officially declared, they must be paid by the organization at all costs.

Comprehensiveness

An effective incentive scheme should have something to offer for all the employees of the organization. All the sections of the employees—from foremen and supervisors to helpers—must be covered under the scheme. The total cooperation of the workers, managers and unions must be obtained for the scheme. Covering only some employees under the scheme and rewarding only a few of them could prove detrimental to their unity and team spirit. Thus, a good incentive scheme should be comprehensive and inclusive in nature.

Cost-effectiveness

A good incentive scheme should not only be efficient but also economical in achieving the goals of the incentive programme. The purpose of linking pay with performance is to achieve cost-effectiveness in the management of the incentive scheme. In contrast, if the cost of maintenance of such schemes is more than the savings made through them, there is no point in continuing with such schemes. The organization should discontinue the schemes when their benefits are outweighed by the cost of their maintenance.[8]

Instantaneous feedback

As far as possible, the reward available to the employees must be paid immediately. This would make an incentive scheme more relevant and attractive to those who participate in it. Besides, the employees would be more determined in earning the reward if it is going to benefit them in the immediate future. Thus, an effective incentive scheme should pass on the rewards to the employees as quickly as possible.

To accomplish the goals of the incentive schemes effectively, their administrators must have periodic consultations with all the stakeholders of the scheme, namely, the employees, the management, and the trade unions.

Types of Incentive Schemes

Incentive schemes are also known as payment by results. The three factors which favour the payment of wage incentives to employees are: (i) The employees must be rewarded for their additional efforts in the job; (ii) The payment facilitates the earning of higher wages as an inducement for additional efforts; (iii) It improves productivity and organizational profitability.[9] The fairness of the outcome (reward) of an incentive scheme determines its ability to win the employees' cooperation with the scheme. However, the type of scheme is a critical factor in determining the quantum of reward available to the employees. Therefore, an organization must be prudent in choosing incentive schemes as the nature of a scheme has a direct bearing on its outcome. However, the organization must invariably ensure that the incentive scheme chosen must be easy to operate and simple to understand. Broadly, the incentive schemes are classified into four categories: straight piece rate, differential piece rate, task and time bonuses, and merit rating.

Depending upon its compensation policy and incentive goals, an organization may primarily choose from among the following four categories. A brief explanation of each of these categories has been explained as follows.

Straight Piece Rate

This is a simple method where incentives are computed and paid to the employees in direct proportion to their performance in the job. Under this method, the same rate of incentives is paid to the employees for each unit of goods produced by them. The incentive rate remains constant for all levels of production. It is essential to ensure that the incentive rates fixed are accurate and practical; otherwise the scheme would lead to overpayment or underpayment of jobs. In the long run, neither too low rates nor too high ones would help the organization in achieving the goals of the incentive programmes, such as employee satisfaction, organizational efficiency and profitability.

The prerequisites for the implementation of this scheme are: (i) The skill levels required in production must be similar. (ii) Production should be expressible in units or numbers. (iii) Production stoppage for which the employee is not responsible should be compensated adequately. The formula for computing the earnings is:

$$\text{Wage Earnings} = \text{number of units produced} \times \text{the piece rate per unit}$$

This method can be better understood through a numerical example. Let us say that there are two employees A and B working in the same department and producing identical products. The piece rate available for each unit of goods produced is Rs 12 per unit. At the end of the day, employee A produces 17 units and employee B 20 units. As per this scheme, the total earnings of A would be Rs 204 (17 units × Rs 12) and those of B, Rs 240 (20 units × Rs 12). Obviously, the extra efforts of employee B has been recognized and rewarded with extra incentives.

While fixing the straight piece rate, the organization must take into consideration the difficulty involved and the time required for performing the job, the quality of machines used, the safety requirements, and the quality standards. In a nutshell, the employee must get reasonable wages for reasonable efforts.

The merit of this method is that it avoids complex computation procedures. In fact, the employees themselves can work out their earnings. The limitation of this method is the non-availability of in-built measures to avoid excessive speed and quality compromises in performance.

Differential Piece Rate

Although the straight piece rate is simple to operate, it fails to recognize, motivate and reward the highly efficient employees in the organizations. It has no provision to sustain their motivation and energy levels on a continual basis. To overcome these defects in rewarding the employees, organizations apply a differential piece rate for determining the employees' earnings.

In the differential piece rate system, more than one piece rate is offered to the employees. As part of this system, the organization sets several standards of performance and also different wage rates for each standard. An employee reaching a particular standard of output gets his wages computed on the basis of the applicable wage rate for that category. Clearly, the wage rate increases as the output increases and the employees are strongly motivated to reach higher levels of productivity. We shall now see a general example of this system.

The standard output set by an organization for its employees in the production department is 60 units per day. As per its incentive plan, it offers Rs 2.50 per unit for the employees whose production exceeds the standard output and Rs 2 per unit for the employees whose production is less than the standard output. If employee A produces 60 units in a day, he would be eligible for Rs 150 (60 units × Rs 2.50) per day. If employee B produces 49 units, he would be eligible for Rs 98 (49 units × Rs 2 per unit). Under the differential piece rate system, employees are strongly induced to reach the standard output.

However, the major limitations of the differential piece rate system are: (i) It may be difficult to set accurate and agreeable standards of production. (ii) This method may result in the employees cutting corners in their bid to produce faster. (iii) It may create tensions and rivalry between the slow and the fast performers. (iv) The employees may complain of unfairness in the standard setting when they are not able to achieve it.

Task and Time Bonuses

This is a modified form of differential piece rate system. The purpose of this bonus plan is to reduce the wage incentive cost as the output increases.[10] As per this incentive scheme, once the employee reaches the standard output, his wage incentive will begin to decline. The purpose behind this move is to discourage haste in the production by the employees, understandably the major defect in the differential piece rate system. Under this system, organizations first set a standard time for each job and the hourly wage rates. Now, the employees who complete the job within the standard time get a bonus for the time saved (difference between the actual time taken and the standard time) in addition to the wage rates applicable for the time worked. However, the other employees, who do not complete the job within the standard time, get ordinary hourly wages for their actual working hours without bonus. We shall now see a simple example of task and time bonus plan.

The standard time fixed for performing job X is 5 hours and the hourly rate payable to the employees performing that job is Rs 10 per hour. The bonus available for the time saved in the job is 100 per cent. Now, employee A completes the job in 4 hours and employee B completes it in 5 hours. In this case, employee A would get Rs 50 (4 hours × Rs 10 per hour + bonus of Rs 10 for one hour saved) for four hours of actual work. Employee B would get Rs 50 (5 hours × Rs 10 per hour) for five hours of actual work.

The merit of this system is that it encourages the employees to work hard but never penalizes them for not reaching the standard time. The limitation of this method is that the organization may deliberately set tough standards for getting rewards so that it becomes simply impossible for the employees to obtain them.[11]

Merit Rating

This is another form of determining the wage incentives for the employees in areas of activities where these rates cannot be adopted. Merit rating aims at evaluating the relative worth of the employees in the organization before awarding them appropriately. In this method, the organization links a part of the employees' wages to their actual performance in comparison with the standards set by it. These standards may be in terms of critical job factors like competency, initiative, attitude, safety records, punctuality, regularity, health, dynamism, behaviour, reliability and adaptability. Depending upon the importance of these factors to the job, the organization may assign points to each of these factors. The employees' overall performance in the job is then evaluated to determine their aggregate scores, which, in turn, decide the incentives payable to them.

The merit of this method is that it can be applied even to those jobs which cannot be measured in terms of production units. In fact, it is found to be more relevant for employees performing administrative and technical jobs.[12]

Organizations in reality classify their wage incentive programmes on the basis of individual, group and organization-wide performance. Depending upon the objectives of the incentive programmes, an organization may decide to offer schemes for individuals, groups or for the organization as a whole (see Figure 12.2). If the management strongly believes that individual incentive programmes would promote inter-personal rivalry, thereby harming the team spirit of the members, it may decide in favour of group incentive schemes. If the management foresees inter-group enmity as a result of group-based incentives, it might settle for organization-wide incentive programmes. We shall now discuss the individual, group and organization-wide incentive plans in detail.

Individual Incentive Programmes

Organizations usually adopt individual incentive programmes when the performance of each employee can be measured with a fair amount of accuracy. Usually, a portion of the employee's pay is decided as a function of his performance. The aim of individual incentive programmes is to enhance the efficiency, commitment, involvement and personal satisfaction of the employees. Without doubt, there is a direct and specific link between employee performance and earnings and, as such, this link can be used to enhance the productivity.[13] Organizations usually pick one or more schemes from among straight piece rate, differential piece rate or merit rating methods to offer as individual incentive programmes to the employees. We shall now see the different types of individual incentive schemes.

Taylor's Differential Piece Rate Plan   F. W. Taylor is one of the pioneers to advocate differential incentive schemes for individual employees. The purpose of Taylor's differential piece rate is to encourage efficiency and discourage inefficiency among the employees. Under this piece rate plan, two wage rates are available to the employees. These are: (i) low piece rate for those employees whose performance is less than the standard; and (ii) high piece rate for any performance which is equal to or more than the standard. The standard performance is decided by the organization usually through work study comprising time study, motion study and fatigue study. In this method, the efficiency of the employee can be expressed as a percentage in terms either of the actual time taken for a job against the time allowed or of the actual output against the standard output. The merit of this method is that it grants attractive incentives for highly skilled and hard-working employees. Further,
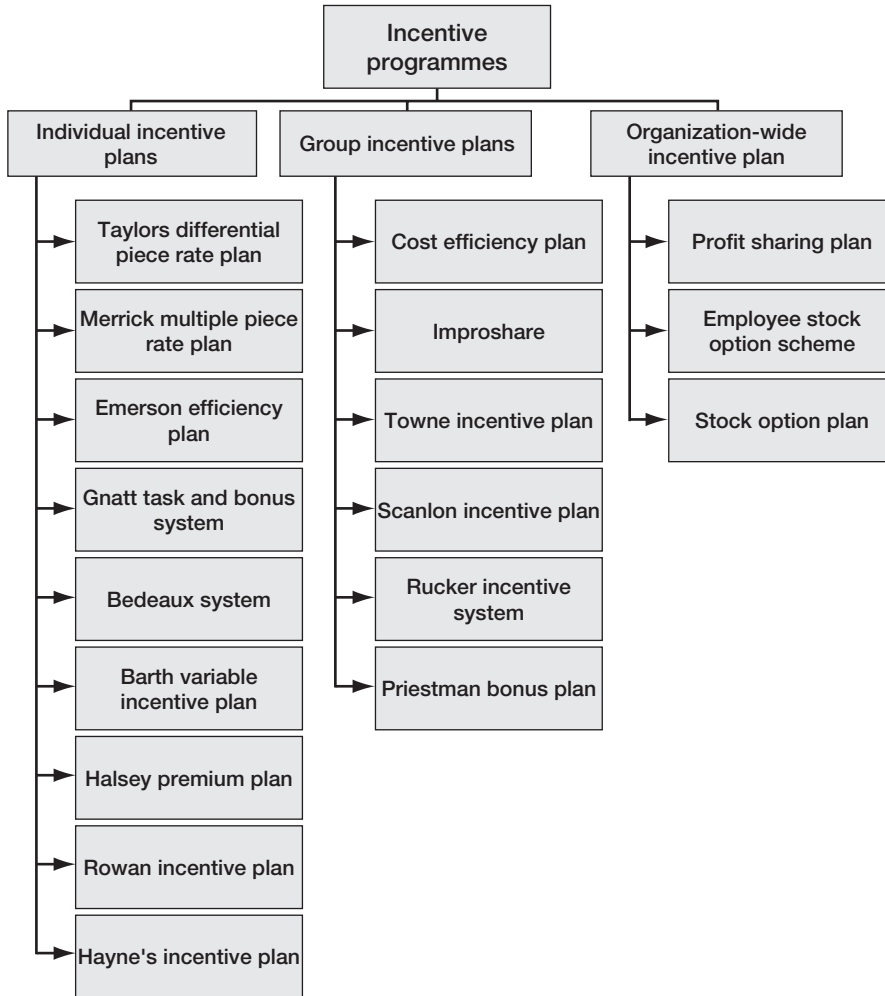
Figure 12.2

Types of Incentive Programmes

this scheme is easily understandable and executable. A classification based on Taylor's differential piece rate is presented in Table 12.1.

The formula for computation of earnings under Taylor's differential piece rate is

$$\text{Earnings} = \text{actual output} \times \text{the piece rate}$$

$$\text{Efficiency level} = \frac{\text{actual output}}{\text{normal output}} \times 100$$

We shall now see numerical examples for better comprehension of this method.

Example 12.1

Weekly working hours = 48; Hourly wage rate = Rs 7.50; Piece rate per unit = Rs 3; Normal time taken per piece = 24 minutes

Table 12.1   **The Classification Based on Taylor's Differential Piece Rate Plan**

Piece Rate Applicable	Output
80% of the normal piece rate	The actual output is less than the standard output.
120% of the normal piece rate	The actual output is equal to or more than the standard output.

Table 12.2   **The Classification Based on the Merrick Multiple Piece Rate Plan**

Piece Rate Applicable	Output
Normal piece rate	The actual output is less than 83% of the standard output.
110% of normal piece rate	The actual output is between 83% and 100%.
120% of normal piece rate	The actual output is above 100%.

Normal output per week = 120 pieces; Actual output for the week = 150 pieces

We shall now compute the earnings as per Taylor's differential piece rate.

$$\text{Efficiency level} = (150/120) \times 100 = 125$$

As per Taylor's differential piece rate, 125% means above normal, i.e., a 120% bonus is applicable.

$$\text{Piece rate} = \text{Rs } 3 \times 120/100 = \text{Rs } 3.60$$
$$\text{Earnings} = \text{Actual output} \times \text{Piece rate}$$
$$= 150 \times \text{Rs } 3.60$$
$$= \text{Rs } 540$$

The Merrick Multiple Piece Rate Plan   It is generally viewed as an improvement upon Taylor's piece rate plan. It contains three piece rates as against Taylor's double piece rates. It provides for gradually rising piece rates for the additional range of output produced by the employees. Like in Taylor's piece rate system, the standard hours for performing a job should be decided by the organization carefully. The merit of this method is its ability to reward the highly efficient employees adequately by keeping one more rate for these high achievers. Besides, the provision of an additional scale for employees performing below the standard output is more acceptable to all the unions since it does not penalize any employee. A classification based on Merrick multiple piece rate plans is presented in Table 12.2.

The formula for the various categories of output:

$$\text{Less than } 83\% = \text{actual output} \times \text{normal piece rate}$$
$$\text{Between } 83\% \text{ and } 100\% = \text{actual output} \times \text{normal piece rate} \times 110\%$$
$$\text{Above } 100\% = \text{actual output} \times \text{normal piece rate} \times 120\%$$

We shall now understand this method through a numerical example.

Example 12.2

Standard output = 120 units
Piece rate = Re 0.20
Case (i): Output = 100 units

Case (ii): Output = 150 units
Case (iii): Output = 75 units

Case (i): Output = 100 units

$$\text{Efficiency level} = 100/120 \times 100 = 83.33\%$$

As the efficiency level is more than 83% but less than 100%, we shall apply the '110% of the normal piece rate' category.

$$\text{Earnings} = 100 \times (110/100) \times 0.20 = \text{Rs } 22$$

Case (ii): Output = 150 units

$$\text{Efficiency level} = (150/120) \times 100 = 125\%$$

As the efficiency level exceeds 100%, we shall apply the '120% of the normal piece rate' category.

$$\text{Earnings} = 150 \times (120/100) \times 0.20 = \text{Rs } 36$$

Case (iii): Output = 75 units

$$\text{Efficiency level} = (75/120) \times 100 = 62.5\%$$

As the efficiency level is less than 83%, we should apply only the 'normal piece rate' without any bonus in the present case.

$$\text{Earnings} = 75 \text{ units} \times 0.20 = \text{Rs } 15$$

The Emerson Efficiency Plan The main feature of this incentive plan is the availability of guaranteed minimum wages for the employees irrespective of their output in a day. Another uniqueness of this method is the presence of a provision for rewarding the employees according to a graduated scale of improvement in production.[13] In the Emerson efficiency plan, a standard time is set for each job and then the hourly rate is determined. Finally, incentives are decided in the form of a bonus for different degrees of efficiency. As per this incentive plan, each employee is eligible for an hourly rate based on the actual working hours and also for the bonus calculated on the basis of his efficiency. This method has wide acceptance among both the employees and the employers. The employees prefer it because they are assured of minimum day wages and also get a bonus depending upon their efficiency. It is preferred by the employers because it encourages the employees to increase efficiency and achieves better employee cooperation. However, its main limitation is that it may not be very effective in inducing the employees to work hard as they are assured of their daily wages. Its incentives may not be sufficient to induce the employees to offer their best to the job. An Emerson plan classification is listed in Table 12.3.

Table 12.3　**The Classification Based on the Emerson Efficiency Plan**

Hourly Rate	Output
Only the hourly rate (guaranteed day wages) is paid.	Below 66 2/3% efficiency
The hourly rate and step bonus rates (20% of basic wages) are paid.	From 66 2/3% to 100% efficiency
The hourly rate and step bonus rate (20% of the basic wages) are paid along with an additional bonus of 1% of the hourly rate for every 1% increase in efficiency above 100%.	Above 100% efficiency

Example 12.3

Standard output = 120 units
Daily wage rate = Rs 80
Piece rate = Re 0.20
Case (i): Output = 70 units
Case (ii): Output = 120 units
Case (iii): Output = 140 units

Case (i): Output = 70 units

$$\text{Level of efficiency} = (70/120) \times 100 = 58.33\%$$

Since the output is below the 662/3% efficiency, the daily wage rate of Rs 80 would be paid.

Case (ii): Output = 120 units

$$\text{Level of efficiency} = (120/120) \times 100 = 100\%$$

Since the output is 'from the 66 2/3% to 100% efficiency', a daily wage rate of Rs 80 + a 20% bonus would be paid.

$$\text{Earnings} = \text{Rs } 80 + 20\% \text{ of Rs } 80$$
$$= \text{Rs } 96$$

Case (iii) Output = 140 units

$$\text{Level of efficiency} = (140/120) \times 100 = 116.67\%$$

Since the output is 'above 100% efficiency', the daily wage rate of Rs 80 + 20% bonus + 1% additional bonus for every additional unit produced above standard would be paid.

$$\text{Earnings} = \text{Rs } 80 + (20\% \text{ of Rs } 80 + 20\% \text{ of Rs } 80)$$
$$= \text{Rs } 80 + 40\% \text{ of Rs } 80$$
$$= \text{Rs } 112$$

The Gnatt Task and Bonus System   The basic feature of this system is that the employees are eligible to get the specific reward if they are able to perform the job within the standard time and then get an additional bonus if they are able to better that time. Like the other schemes, the basic necessity in this system is the accurate assessment of the time required for performing the job. This system takes into consideration the hourly rate, piece rate, and the bonus plan for deciding the wage earnings of the employees. This method guarantees the payment of minimum wages to employees irrespective of whether they reach the standard time. Table 12.4 presents a classification based on the Gnatt system.

Table 12.4   **The Classification Based on the Gnatt Task and Bonus System**

Remuneration Payable	Output
Minimum guaranteed time rate	The actual output is below the standard output (100%).
Time rate (100%) and bonus at the rate of 20% of the time rate	The actual output is equal to the standard output.
Higher piece rate (120% of the piece rate)	The actual output is more than the standard output.

Example 12.4

In a factory, a standard time allowed for completing a task (50 units) is 8 hours. The guaranteed time wages is Rs 20 per hour. If a task is completed in less than the standard time, a high rate of Rs 4 per unit is payable. We shall now compute the wages of the employees and the rate of earning per hour if the task is completed by employee A in 8 hours and by employee B in 6 hours.

In the case of employee A, the work is completed in 8 hours and thus both the time rate and bonus are applicable.

$$\text{Earnings for A} = (8 \text{ hours} \times \text{Rs } 20) + (20/100 \times 160)$$
$$= 160 + 32 = \text{Rs } 192$$
$$\text{Effective rate of earning per hour} = 192/8 = \text{Rs } 24$$

In the case of employee B, the work is completed in 6 hours and, therefore, the high piece rate is applied.

$$\text{Earnings for B} = 50 \text{ units} \times \text{Rs } 4 = \text{Rs } 200$$
$$\text{Effective rate of earnings per hour} = 200/6 = \text{Rs } 33.33$$

The Bedeaux System   The first step in the Bedeaux system is the determination of the standard time for various jobs. The standard time fixed in the Bedeaux system is usually expressed in terms of minutes, popularly called Bedeaux points (B points). Each B point is equal to one minute and each job has a standard number of B points. This can be explained numerically in this way. The standard time for completing job X is 4 hours, which should be expressed as 240 B points (minutes). Now, employee A completes the job X in 3 hours and 30 minutes, which is equivalent to 210 B points. Employee A saves 30 B points by completing job X within the standard time. Now, the B points are converted back into hours by dividing these B points by 60. As per the Bedeaux system, 75 per cent of the earnings from the time saved should go to the employee concerned and 25 per cent should go to the foreman who supervised the performance of the job. Thus, the employee gets final earnings as per the following formula:

Earnings = actual time taken × time rate + (75/100) × (B points saved /60) × hourly rate

Example 12.5

The standard time for a job is 480 B points and the actual number of points earned in eight hours is 560 B points. The rate of pay is Rs 8 per hour. As per the Bedeaux system, the earnings will be calculated as follows:

$$[\text{The B points in this example are } 80 \ (560 - 480)]$$
$$\text{Earnings} = (8 \times 8) + [75\% \times (80/60) \times 8]$$
$$= \text{Rs } 64 + 0.75 \times (80/60) \times \text{Rs } 8$$
$$= \text{Rs } 64 + 8$$
$$= \text{Rs } 72$$

The merit of this method is that the employees are eligible for guaranteed minimum wages regardless of whether they are able to reach the standard time or not. The limitation of this method is the difficulty in the conversion of minutes into B points and vice versa. Though it attempts to promote team unity by enabling the foreman to get a share in the employees' bonus, the attitude of the employees towards such an arrangement is critical. They may not be keen to share their rewards with their superiors if they are aware of the working of the incentive scheme.

The Barth Variable Incentive Plan   The distinguishing feature of the Barth plan is the absence of any guaranteed time rate for the employees. As per the Barth scheme, the rise in employee earnings need not be proportionate to the output. Empirically, this scheme is found to be better suited for trainees or learners. The merit of this method is that this method provides more earnings than the straight piece rate does for lower-level jobs and less earnings for the higher-level jobs. In this method, the employee earnings are calculated by multiplying the rate per hour with the square root of the product of standard hour and actual hour.

$$\text{Earnings} = \text{Rate per hour} \times \sqrt{(\text{standard hour} \times \text{actual hour})}$$

Let us see the illustration of this plan in an example.

Example 12.6

The standard time allowed for a job is 8 hours and the hourly rate is Rs 10. Employee A took 6 hours to complete the job while employee B took 10 hours. We shall now see the earnings of these employees under the Barth plan.

$$\text{Earnings of employee A} = \text{Rs} \, 10 \times \sqrt{(8 \times 6)} = \text{Rs} \, 69.28$$

Earnings per hour for A = Rs 69.28/6 = Rs 11.55

$$\text{Earnings of employee B} = \text{Rs} \, 10 \times \sqrt{(8 \times 10)} = \text{Rs} \, 89.44$$

Earnings per hour for B = Rs 89.44/10 = Rs 8.95

The Halsey Premium Plan   In the Halsey premium plan, the employee is entitled to get the incentive for the time saved by him in a certain proportion. Thus, the employees are induced to complete the work well ahead of the standard time. Besides, minimum wages are assured for the employees even if they fail to complete the job within the standard time. Thus, an efficient employee gets time wages for the actual work done and a bonus in certain percentage for the difference between the actual time and the standard time, i.e., the time saved. Although the bonus is normally fixed as 50 per cent of the time saved, the organization can also fix higher or lower ceilings for the bonus percentage.

   The merit of this method is its simplicity as it can be easily installed and operated. It encourages the efficient employees but never penalizes any employee on account of poor performance. It guarantees hourly wage rates even for the employees who are unable to meet the standard time. The limitation of this method is that the incentive available in it is not very attractive to induce the efficient employee to work hard on a continuous basis. The formula for this method is

Earnings = actual time taken × time rate + 50% of (time saved × time rate)
Time saved = difference between the actual time and standard time

Example 12.7

In a factory, the standard time allowed for producing 80 pieces of a product is eight hours. Employee A produced 80 pieces of that product in eight hours while Employee B produced 80 pieces of it in six hours. The hourly rate is Rs 4.

We shall now calculate the earnings of the employees under the Halsey plan.

A's earnings = 8 hours × Rs 4 + 50/100 × [(8 − 8) × 4]

$\qquad$ = Rs 32

B's earnings = 8 hours × Rs 4 + 50/100 × [(8 − 6) × 4]

$\qquad$ = Rs 32 + 4

$\qquad$ = Rs 36

Rowan Incentive Plan   In this method, an employee gets the time rate for the actual worked hours and also a bonus for the time saved if he completes the job within the standard time. On the other hand, the employee who is unable to complete the job within the standard time gets the time rate for the actual worked time. In this method, the bonus is computed as a proportion of the time rate. This proportion is arrived at by dividing the actual time worked by the standard time.

The merit of this method is that it guarantees the time rate for all the employees for the hours worked by them no matter whether they meet the standard time or not. It helps in eliminating excessive speeding in the job performance as the time saved beyond 50 per cent fetches a decreased bonus. The limitation of this method is that it discourages the employees with exceptional skills by slowing down the rate of growth in earnings beyond 50 per cent of the time saved. It involves a complex computation procedure for determining the earnings of the employees. The equation for calculating the earnings is:

$$\text{Earnings} = \text{actual hours worked} \times \text{time rate} + \left(\frac{\text{actual time worked}}{\text{standard time}} \right) \times \text{time saved} \times \text{time rate}$$

We shall now apply the Rowan incentive plan in Example 12.8.

Example 12.8

In a factory, the standard time allowed for producing 80 pieces of a product is eight hours. Employee A produced 80 pieces of that product while Employee B produced 80 pieces of it in six hours. The time rate is Rs 4 per hour.

A's earnings = (8 hours × Rs 4) + 8/8 × (8 − 8) × Rs 4

$\qquad$ = Rs 32

B's earnings = (8 hours × Rs 4) + 6/8 × (8 − 6) × Rs 4

$\qquad$ = Rs 32 + 6

$\qquad$ = Rs 38

Hayne's Incentive Plan   This plan is similar to the Bedeaux system, where time is converted into B points. In the Haynes system, the standard time is expressed in terms of man-minutes called MANT. As per this system, an employee gets the time rate for the actual time worked and also a bonus for the time saved, which is computed in man-minutes. Depending upon the nature of work, the employees and the foreman divide the earnings from the time saved in the ratio of 5:1 in the Hayne's incentive plan.

Group Incentive Schemes

Organizations offer group incentive schemes for their employees to avoid the problems of inter-personal rivalry resulting in the mutual blocking of performance by the employees. Similarly, when the individual job performance cannot be measured with a fair amount of accuracy, the organizations may opt for group incentive schemes. Thus, the organizations aim at achieving the twin goals of increased employee efficiency and teamwork. Many jobs in modern organizations require collective efforts from many persons and any individualistic attitude might hamper the successful performance of those jobs. Thus, individual success becomes dependent on the group effort and success. In such a situation, it becomes imperative for the organization to offer group incentive programmes to accomplish the organizational and performance goals. The essence of group incentive is gain sharing by the members through cost reduction measures. The two major factors influencing the group incentive scheme decisions are the size of the group and the nature of the activities. It is preferable to have small groups so that the members are aware of one another and develop group cohesiveness. Similarly, it is better to have a common product or service for the entire group so that there is better coordination among the group members.

In any group incentive scheme, the total bonus payable to a group is determined on the basis of its overall performance. This total bonus is then divided among the group members either equally or on the basis of certain predetermined factors like individual time rates and skill levels. Some of the important group incentive schemes are the cost efficiency bonus plan, the Priestman bonus plan, the Rucker incentive plan, Towne's incentive plan, Scanlon incentive plan, and the Improshare incentive plan. We shall now discuss these group incentive plans.

Cost Efficiency Bonus Plan   Under this plan, the organization first determines the standard cost for the various elements of cost. These may be material cost, labour cost and overheads associated with production. Of course, an organization may also decide the standard cost for the total cost of all these elements. Next, it measures the actual cost incurred by the group in accomplishing the production goals or targets. Finally, the actual cost incurred by the group and the standard cost are compared to determine the savings in the cost achieved by the group. As per the cost efficiency plan, a predetermined percentage of the savings is distributed in the form of bonus to the employees.

Suppose the standard cost for production of 1,000 units of product X is fixed at Rs 300,000 for a group and the actual cost incurred by that group for producing 1,000 units is Rs 270,000. This can be summarized as follows:

$$\text{Standard production cost} = \text{Rs } 300000$$
$$\text{Less actual production cost} = \text{Rs } 270000$$
$$\text{Savings in production cost} = \text{Rs } 30000$$

If the group is eligible for a 60 per cent bonus in cost saved, it would get a bonus of Rs 18,000 (60% of 30,000).

If there are 10 members in the group, each one would get Rs 1, 800 (Rs 18000/10).

Priestman Bonus Plan   In this plan, a group of experts set the standard performance in terms of the number of units for the whole work to be carried out by a group within a specific period. Then, the actual performance of the group is measured and this performance is compared with the standard performance. When the actual performance exceeds the standard

performance, the group members are entitled to a bonus computed on the basis of the excess production achieved by them. However, when the group's performance is below the standard performance, they are paid on the basis of time rate without any bonus. This method is suitable for developing collective effort and team spirit among the members of the group. However, it may affect the motivation and efficiency of the individuals as all of them would be sharing the bonus equally.

Example 12.9

A factory has 400 employees in its metal works division. The standard production fixed for a normal month is 12,000 points and the actual production during that month is 15,000 points. The compensation policy of the company permits the transfer of 75% of the increase in the efficiency to the employees in the metal division as a bonus. In this context, we shall now see the group bonus under the Priestman plan.

Actual production achieved for the month = 15,000 points
Standard production fixed for that month = 12,000 points
Efficiency achieved = 3,000 points
Increase in efficiency = (3000/12000) × 100 = 25%
Bonus = 75% of 25 = 18.75%

Rucker Incentive Plan   Unlike other incentive schemes, the Rucker plan aims at achieving cost saving not only on the labour cost but also on overheads. The reward for the group is determined on the basis of the difference between the labour cost and the sales value of production. In fact, the total reward available to a group depends upon the savings achieved in terms of the value of production as a result of efficient utilization of machinery, material and other equipment. The ratio in the Rucker plan is calculated in such a way that it expresses the value of production required for each rupee in the overall labour cost. The value of production means the aggregate of labour cost, overhead and profit.

As per this system, any saving achieved by the group in the value of production is used as the basis for determining group incentive. Let us see an example. Suppose the standard ratio of the labour cost to the value of production is fixed at 55 per cent of the total value of production. Now, the members of the group restrict the labour cost to 52 per cent of the total value of production and thus save three per cent in labour cost. The group is now entitled to get a proportion of the saving as a bonus. The organization may distribute half of the savings to the group and divert one-fourth of the savings to a reserve account payable later to the group on occasions when the group fails to meet the standard cost, while the remaining one-fourth of the savings might be taken over by the organization as its own share in the savings.[14] In the same way, the group may also get a share in the savings achieved in the ratio of the overhead cost to the total value of production.

Towne's Incentive Plan   This method considers the savings in labour cost alone for determining the rewards payable to the group. In the first step, the standard labour cost for the entire work is determined in advance. Then the actual labour cost for that work is measured and compared with the standard labour cost. Now, the saving in the labour cost is computed and a proportion of the saving in monetary terms is distributed to the group members. However, a part of the saving is usually given to the supervisors as a recognition of their role in cost saving. Of course, the organization may get a share in the saving achieved in labour

cost. The merit of this system is its ability to develop collective interest among the group members in cost reduction initiatives. However, its limitation is the small amount of reward available to the members and the absence of individual initiative in goal accomplishment.

Scanlon Incentive Plan   The Scanlon incentive plan focuses on achieving savings in the labour cost alone. Yet, this method is different from the Towne's plan in the sense that it focuses on the total labour cost instead of direct labour cost alone. In this method, the bonus is decided on the basis of the difference between the total labour cost and the sales value, including the closing stock of goods. For example, in the Rucker incentive plan, a portion of the saving in labour cost is retained for payment during lean seasons when the group is unable to achieve any cost reduction. This method can be explained through a simple example.

The average annual sales of an organization for the past four years is: Rs 440,000.
The average annual labour cost for the same period is: Rs 110,000.
The sales achieved during the current year is: Rs 140,000.
The actual total labour cost during the current year is: Rs 30,000.
Now, the ratio (in percentage) for the fixing the bonus is $= 110000/440000 \times 100 = 25\%$

The bonus is computed as follows:

Standard labour cost based on average bonus $(140,000 \times 25\%) =$ Rs 35,000
Actual labour cost during the current year $=$ Rs 30,000
Bonus payable to the group $=$ Rs 5,000

Improshare   In this method, an organization seeks to achieve savings by producing pre-determined quantity of goods within the standard time. The time and motion study of F. W. Taylor usually forms the basis for deciding the standard time. This method considers the relationship between the targeted output and the standard time (one of the inputs) for deciding the group bonus. A proportion of the time saved as a result of efficient and fast production is used to fix the incentives payable for groups. This plan ignores the factors like selling price and volume, and technology, while determining the bonus payable to the groups. Suppose the targeted production and the standard time for production per day are 32 units and 8 hours, respectively. Now, if a group completes the production of 32 units in seven hours, it would be eligible to get a share in the time saved (i.e., one hour in the present case).

The driving force behind group incentive schemes is their ability to foster team spirit, which leads to increased understanding and cooperation among the members. They can also improve the involvement of members in the group decision-making processes and thus enhance the quality of the decisions. However, group rewards may act as a disincentive for the top performers, who may wish to get special attention and honours.

Organization-wide Incentive Plans

Through organization-wide incentive plans, the organization aims at inducing and motivating all its employees to work hard for it and also for their own interests. The incentives available to the employees under organization-wide plans normally depend upon the overall performance of the organization for a specific period. The primary aim of this method is to develop employees' unity, cooperation and eventually an ownership interest in the organization. The organization can also avoid competing and conflicting claims of different departments on its resources. The important methods of organization-wide incentive plans are

(i) the profit-sharing plan, (ii) the employee stock option scheme and (iii) the stock option. We shall now see these methods in detail.

Profit-sharing Plan   This is a method adopted by many organizations to motivate their employees and create among them a personal interest in the affairs of the organization. The crux of the profit-sharing plan is to give out a portion of the organizational profit to the employees. It generally aims at fostering co-partnership among the employees. In this method, the organization first determines the target profit, i.e., the standard profit for the entire organization. At the end of a specific period (maybe a year), it ascertains the actual profit of the organization. Then it compares the actual profit with the standard profit in order to determine the excess profit. Understandably, the employees get a share in the excess profit of the organization. The organization may distribute the profits either on the basis of the base salary or just equally among all its employees. However, it is often guided by the length of service of its employees in determining the quantum of bonus payable to them.

The compensation policy of the organization usually determines the percentage of profit payable as bonus and also the mode of payment. Some organizations may provide the bonus out of the profit in the same year in which the profit is earned or at least in the succeeding year. A few others may defer the payment of bonus by keeping it in a pooled account. These accounts remain locked up for a predetermined period and the bonus amount is distributed to the employees after the expiry of the lock-in period. Sometimes, the organizations may even distribute such profits as one of the retirement benefits. The purpose of such lock-in periods is to use the profit-sharing scheme to retain the employees.

Even though many HR objectives like improved employee motivation, satisfaction, productivity and efficiency can be achieved through the profit-sharing plans, there are a few major problems in their implementation. These are as follows:

- Over a period of time, the employees begin to view bonuses as their basic right and expect the same to be provided even when the organization is going through a distress situation.

- Employees may seek a continuous increase in the quantum of bonus with disregard to the performance of the organization.

- When the organization discontinues the plan for any reason, the move may affect the motivation, morale and efficiency levels of the employees severely.

- The organization may rob the bonus of its real monetary value if it defers its payment for a long period of time, like in offering the bonus as part of retirement benefits.

The Employee Stock Ownership Plan (ESOP)   This is another style of profit sharing in which organizations distribute the profit in an indirect form. They aim to accomplish several objectives through ESOP schemes. An ESOP scheme develops a sense of ownership among the employees and thus enhances their involvement in the decision-making process. It enables the employees to understand the problems faced by the organization in the market. It also helps the employees invest their hard-earned money in productive assets like shares. Thus, it prevents wasteful spending of the bonus amount by the employees.

Usually, the organization determines the number of shares to be issued to the employees on the basis of the length of their services and the position they occupy in the organizational structure. Generally, the organization buys the shares from the capital market, keeps them in a pool called the employee stock ownership trust (ESOT), and issues the shares to the

employees on some predetermined basis. The employees can sell their shares back to the trust when they want to do so. Certainly, the ESOP schemes are well-regulated by the government through several laws and notifications. For instance, a government order stipulates that any promoter employee already holding more than 10 per cent of the equity shares cannot be given any more shares under the ESOP scheme.

The major limitation of this method is the likely fluctuation in the prices of the shares due to market-driven factors. Besides, when the company performs badly due to some reasons, the employee would suffer in more than one way. On the one hand, their job in the company would be at stake and, on the other hand, their investment value in the form of equity stocks of that company would also be eroded.

Stock Option Plan   The stock option plan is another type of an organization-wide profit-sharing plan. It is a slightly different version of ESOP schemes. In a stock option plan, employees are given the right to buy the stocks of their company in specific numbers during a specific period at predetermined rates. The employees can treat stock option as another investment alternative available to them at the time of choosing their investment options. They normally dispose of their stocks when the market conditions are favourable for selling.

Evaluation of Wage Incentive Schemes

There is no doubt that the incentive schemes play a major role in accomplishing several organizational and HR objectives of the organization. They also help the organization in developing a unity of purpose among the employees and make them share the concerns of the management in the areas of productivity, profitability and progress of the organization. Many organizations see these schemes as a way to improve the economic conditions of the employees without losing their profitability and price advantage. All this is possible because the earnings of the employees are directly and formally linked to their productivity. Certainly, the incentive schemes often end up as a win-win formula since not only do they satisfy the employees but also protect the interests of the organization.

The oldest dispute in the world is said to be the dispute between the labour and the management since both have a competing claim over the same resources of the organization, i.e., the profit. When the organization pays less to the employees, it gets more in terms of profit but loses their goodwill. In contrast, if it pays them what they ask for, it can make the employees happy but its own profitability and future could be lost. No wonder then that the labour and the management have remained at war since time immemorial. In such a scenario, incentive schemes have come as a godsend for both of them. They have facilitated the adoption of a mutually beneficial accommodative approach in place of a competing one.

The major merits of incentive schemes are:

- **Direct link with performance:** Since the pay is directly linked to performance, both should move only in the same direction. The employees can claim higher pay only when there is a significant increase in their performance and productivity.

- **No permanent financial commitment:** Unlike a fixed compensation scheme like base salary, incentive schemes impose no permanent financial burden on the organization. This is because the wages are a function of employee performance and ability. Thus, the cost of compensation is commensurate with the output and the revenue.

- **Sense of responsibility:** Incentive programmes have many in-built provisions to improve the efficiency, motivation and morale of the employees. When the employees earn poorly, they have none to blame except their own performance. As a result, the employees identify the reason for their dismal performance rationally and seek the appropriate remedy.

- **Optimum utilization of production capacity:** Incentive schemes ensure the optimum utilization of the available production capacity of the organization. Any underutilization of the resources of the organization like equipment, plant and material would affect the earnings of both the employees and the employers in the performance-related pay method.

- **Low employee attrition:** Since employees have control over their own earnings, they may not need to leave the organization on account of poor earnings. They themselves determine how much they should earn. Thus, the organization is able to limit labour turnover and absenteeism among the employees through incentive programmes.

- **Better labour–management relations:** The organization can avoid strain in the relationship between the labour and the management on account of pay fixation and revision since the earning decisions are left to the employees. This also avoids loss of man-days due to strikes and lock-outs in the event of the failure of salary negotiations since incentive schemes simply link the pay to the performance and leave the rest to the decision of the system.

However, incentive schemes come under fire from the labour and the management alike on account of a few major defects.

We shall now see the limitations of incentive schemes:

- **Quality concerns:** When the organizations fail to monitor the quality of the goods produced, the first casualty in any incentive scheme could be the quality of the product. In their eagerness to speed up the process of production, employees often make quality compromises. Poor quality of products can defeat the very purpose of the incentive schemes as the cost of production would shoot up when the rejection rate is high.

- **Employee attitude:** Since the pay is related to the performance, pay determination often becomes too sensitive an exercise for the organization. Once employees get used to the earnings from the incentive schemes, they may not accept any drop in their earnings as this may amount to accepting inefficiency in their performance. In such a situation, they may even blame the incentive system as being defective and biased instead of accepting their own poor performance.

- **Exploitation by management:** The organization may tend to set high standards deliberately to avoid paying high incentives to the employees even if they really deserve them. In most cases, subjective methods are adopted for fixing the standard performance or time. As such, there remains a wide scope for the management to underpay its employees without attracting any criticisms.

- **Internal dissensions:** The individual incentive schemes often create unhealthy rivalry among the employees. They also develop enmity between the good performers and the bad ones due to jealousy over an uneven distribution of incentives, even if such a distribution is valid.

- **Burnout problems:** The employees may find it difficult to work against stiff targets continuously as they may exhaust themselves quickly both mentally and physically.

Box 12.3	A Weakness of Wage Incentives

Performance-related incentive is an essential element to improve the organizational performance and productivity through the employees' cooperation and satisfaction. In fact, it brings in a lot of benefits for the organization like avoidance of permanent salary commitment, moving financial risk from the organization to the employees, letting the employees decide their own earnings through their work, and, of course, attracting best talents to the organization and then retaining them by encouraging meritocracy at all levels. In contrast, it also brings in several problems for the organization. For instance, incentive programmes are criticized as techniques for fulfilling the short-term goals of the organizations with the least regard for the long-term and overall interest of the company. There is also a complaint that the performance-linked incentives are mostly decided through subjective assessment and, as such, the senior managers often have an upper hand in determining the beneficiaries and also the quantum of benefits. They may misuse

their authority to gain more incentives even during difficult circumstances of the company like economic recession. A management should therefore be guided only by organizational interest while fixing the incentive.

Recently, AIG (American Insurance Group) provided $165 million in bonuses to its top executives at a time when the company was in deep financial troubles and on a bailout package of the government. This gesture of the management providing bonuses to 400 of its employees attracted widespread criticism from the public. Bowing to the public pressures, several of its top managers returned the incentives to the company. In fact, nearly nine of the ten top executives who had received the largest rewards agreed to return their awards to the company. This is exactly the danger associated with bonuses for executives as they usually have a disturbing influence on the incentive determination process.

Adapted from: "Top AIG Executives to Return Bonuses," *The Hindu*, 25 March 2009, p. 21.

The stress generated by frequent deadlines in the performance may impact their health, forcing them to abstain from work on health grounds or even quitting their jobs. Certainly, the incentive schemes can produce harmful side reactions for the employees and the organization.

- **Unethical practices:** Incentive programmes provide ground for an unscrupulous management to indulge in unethical practices by fixing higher rate of incentives and benefits for the executives in total disregard of the future financial security of the organization. They also allow the senior executives to exploit the resources of the organization legally by influencing the committees in charge for fixing the incentives and fringe benefits.

Box 12.3 delineates one of the weaknesses of wage incentives programmes.

Fringe Benefits

Fringe benefits are a kind of compensation available to employees over and above the usual fixed basic pay and variable wage incentives. The primary purpose of fringe benefits is to enhance the general well-being of the employees of an organization. These fringe benefits are mostly paid in kind in the form of perquisites. Such benefits include, among others, health and accident insurance, contribution to superannuation funds, leave facilities, education facilities, housing facilities, and free or concessional ticket to travel.

Fringe benefits are usually available to all the employees of the organization. The length of service and the position of the employee in the organization normally determine the fringe benefits available to them. Fringe benefits are usually computed as a percentage of base salary payable to the employees. In many countries, including India, fringe benefits are subjected to tax deduction. As far as India is concerned, the government introduced the fringe benefit tax

(FBT) in the year 2005 to regulate the payment of fringe benefits to the employees. The fringe benefits provided to employees are subject to 30 per cent tax.

Section 115WB (1) of the Income Tax Act 1961 pertaining to income tax on fringe benefit considers the following as the components of fringe benefits:

- Privilege or facility to employees
- Free or concessional ticket for travel
- Contribution to superannuation fund
- Security or sweat equity to employee

Section 115WB (2) of the Income Tax Act 1961 considers the following as the elements of deemed fringe benefits:

- Entertainment
- Provision of hospitality
- Conferences
- Sales promotion including publicity
- Employees' welfare
- Conveyance
- Hotel and lodging
- Repair and maintenance of motor cars
- Repair, running (including fuel) and maintenance of aircraft
- Telephones
- Maintenance of any accommodation in the nature of guest house
- Festival celebrations
- Use of health club and similar facilities
- Use of any other club facilities
- Scholarships
- Tour and travel, including foreign travel
- Gifts

The essence of the definitions of fringe benefits is the payment of indirect compensation to the employees for their welfare. Box 12.4 lists some of the important definitions.

We may define fringe benefits as benefits payable to the employees over and above the direct compensation and usually without any reference to their performance.

Box 12.4	Definitions
Fringe benefits is defined as "indirect financial and non-financial payments employees receive for continuing their employment with the company."[15] —Gary Dessler	"Fringe benefits embrace a broad range of benefits and services that employees receive as part of their total compensation packages."[16] —William B. Werther et al.

Objectives of Fringe Benefits

The primary purpose of fringe benefits is to demonstrate the commitment of the organization in the general welfare of its employees. Certainly, it costs a lot to the organization as these benefits are not linked to its performance or productivity. However, a study revealed that the employees enjoying good fringe benefits, especially health benefits, accepted comparatively lower wages than the wages offered by the organization without such facilities.[17] We shall now see the specific objectives of fringe benefits.

- **Attracting the best talents:** Fringe benefits vastly enhance the ability of the organization to attract the best employees. This is because they create goodwill for the organization in the labour market.

- **Tax free for the employees:** They are normally a non-taxable form of earnings available to the employees. As such, they enable the employees to get the real value of the compensation due to them.

- **Improving employee morale:** Fringe benefits are often viewed by the organization as an effective technique to improve the morale and motivation of the employees. They facilitate better retention of the employees by limiting employee dissatisfaction and labour turnover.

- **Achieving the desired unity:** They improve unity among the employees as these benefits are available to all the employees, irrespective of their work performance. They indeed eliminate and prevent envious and other resentful feelings among the employees.

- **Improving industrial relations:** They are efficient means to improve the industrial relations of the organization. The irritants relating to the basic wages and incentives can be removed through fringe benefits.

- **Concern for employee well-being:** Fringe benefits are a sure way of expressing the resolve of the organization to improve the health and safety of the employees. They make the employees believe that their management really cares for them.

- **Reducing HR cost:** Since the fringe benefits are offered to all the employees, the cost of benefits would be less. The cost of some benefits (like transportation and canteen) would come down drastically when they are offered to a large number of persons.

Forms of Fringe Benefits

Financial and non-financial rewards not included in the direct compensation payable to the employees are called fringe benefits. Organizations generally pay most of these rewards voluntarily but some others (like provident fund) are given due to legal requirements. These benefits are usually made available to the employees in different forms. Organizations choose the form which is most suitable for accomplishing the needs of its employees. These needs may differ from one employee to another and also from time to time. Organizations offer a variety of benefits so that the employees can make use of them, depending upon their need and environment. We shall now discuss the important fringe benefits.

Payment without Work   Payment without work refers to different kinds of leave facilities offered to the employees. The purpose of providing pay without work is to enable the employees to take rest and refresh themselves. It facilitates the employees to sustain the same level of productivity and interest in the job. It also helps the organization retain

the employees for long by keeping them happy and satisfied. This is one of the most important benefits available to the employees. It is also one of the costliest forms of benefits as employees get a lot of time off and there is absolutely no productivity during this period. Employees receive various types of leave with pay, for example, casual leave, medical leave, earned leave, maternity leave, holidays, vacations, and sabbatical leave as part of the pay-without-work scheme.

Health and Safety Care   Many organizations are providing insurance benefits to their employees in the form of health insurance and accident insurance in order to help them protect their health and safety. This is also the most expensive form of fringe benefit offered by the organization to its employees. In many countries, health insurance has clearly emerged as number one fringe benefit expenses for the company.[18] In addition to the voluntary benefits, the relevant laws of the country also require the institution and maintenance of funds for meeting the expenses arising out of the accidents happening to the employees. For instance, the Accident Compensation Fund facilitates the payment of benefits and income to the employees without any delay.

Retirement Benefits   Retirement benefits are those benefits that are made available to the employees after their retirement from the organization. The purpose of providing retirement benefit is to enable the employees to maintain a decent and independent life after their retirement. Retirement benefits assist the employees in setting aside their worries about the future and keeping themselves focused on their job and productivity. In this way, these benefits help the organization achieve the desired level of productivity and efficiency among the employees. The retirement benefits may include gratuity and pension benefits. In India, the Employee Provident Fund and Gratuity are compulsory schemes while supplementary superannuation is a voluntary scheme for the organizations in India. However, hardly 10 per cent of the labour force in India works in the organized sector and is covered under any of the retirement schemes. The important Indian laws and provisions dealing with retirement funds are

- The Employees' Provident Fund (EPF) Scheme, 1952
- The Employees' Deposit Linked Insurance (EDLI) Scheme, 1976
- The Employees' Pension Scheme (EPS), 1995

Housing Facilities   An organization may provide housing facilities as part of fringe benefits to its employees. It may provide them housing accommodation or house rent allowance. Of late, the housing facilities under fringe benefits attract tax under the fringe benefits tax. Usually, the fringe benefits tax is payable by the employers. It should be paid even if the fringe benefits are not paid by the employers directly but by third parties or agencies on behalf of the employers.

Other Facilities   In addition to these fringe benefits, an organization may also provide other benefits like educational facilities, canteen facilities, transport facilities, party reimbursement facilities, child care facilities like crèche, and relocation benefits. In recent times, organizations are offering customized fringe benefits plans which allow the employees to choose their fringe benefits.[19] The employees may choose to receive ready cash or non-cash fringe benefits.

Summary

1. Wage incentives are any form of performance-based financial and/or non-financial rewards payable to attract and retain the best talents without any permanent financial commitment for the organization.

2. The objectives of wage incentives are (i) developing ownership interest, (ii) enhancing employee motivation, (iii) improving employee retention, (iv) facilitating a greater role for employees in pay determination, (v) increasing performance and productivity, (vi) reducing the labour cost, and (vii) reducing the time and cost of supervision.

3. The steps in a wage incentive planning process are (i) setting the objectives, (ii) determining the nature of reward and the mode of payment, (iii) sharing goals with the employees, (iv) evaluating the actual performance, (v) application of incentive plans, and (vi) feedback.

4. The prerequisites of a good incentive scheme are transparency, objectivity, measurability, attainability, flexibility, comprehensiveness, cost-effectiveness and instantaneous feedback.

5. Incentive schemes can be broadly classified as straight piece rate, differential piece rate, task and time bonuses, and merit rating.

6. The individual incentive programmes are Taylor's differential piece rate plan, Merrick multiple piece rate plan, Emerson efficiency plan, Gnatt task and bonus system, Bedeaux system, Barth variable incentive plan, Halsey premium plan, Rowan incentive plan and Hayne's incentive plan.

7. The group incentive schemes are cost-efficiency bonus plan, Priestman bonus plan, Rucker incentive plan, Towne's incentive plan, Scanlon incentive plan, and the Improshare plan.

8. The organization-wide incentive plans are the profit-sharing plan, the employee stock option (ESOP) scheme, and the stock option plan.

9. The merits of incentive schemes are direct link with performance, no permanent financial commitment, self-responsibility, optimum utilization of the production capacity, low employee attrition, and better labour–management relations.

10. The limitations of incentive schemes are quality concerns, employee attitude, exploitation by management, internal dissensions, burnout problems, and unethical practices.

11. Fringe benefits are benefits payable to the employees over and above the direct compensation and usually without any reference to their performance.

12. The objectives of fringe benefits are attracting the best talents, being tax-free for the employees, improving employee morale, achieving the desired unity, improving industrial relations, concern for employee well-being, and reducing the HR cost.

13. The forms of fringe benefits are payment without work, health and safety care, retirement benefits, housing facilities, and other facilities.

Review Questions

Essay-type questions

1. Evaluate critically the wage incentive planning process with examples.

2. Discuss in detail the prerequisites for an effective wage incentive plan.

3. Enumerate any four individual wage incentive plans with numerical examples.

4. How far is the Merrick plan superior to Taylor's differential piece plan? State your arguments with numerical examples.

5. Write detailed notes on the (a) Barth variable incentive plan and (b) Bedeaux system.

6. Critically evaluate the merits and limitations of the Rowan incentive plan with numerical examples.

7. Describe the Halsey incentive plan with numerical examples.

8. Evaluate the different group incentive plans with numerical illustrations.

9. Enumerate the organization-wide incentive plans with examples.

10. "The aim of ESOPs is to create ownership interest." In the light of this statement, describe the merits of the employee stock ownership scheme.

11. Evaluate critically the wage incentive plans with examples.

12. Describe the different forms of fringe benefits in detail.

13. Explain the various individual and group incentive plans with relevant examples.

14. Compare and contrast gain sharing and profit sharing.

15. Discuss the role of wage incentive plans in employee retention programmes.

Notes

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CHAPTER

13

Employee Well-Being

CHAPTER OBJECTIVES

After reading this chapter, you should be able to:

1 Understand the essential steps in an employee safety programme

2 List the statutory provisions about employee safety and health

3 Enumerate the causes and types of industrial accidents

4 Explain the role of accident prevention and management

5 Explain the measures that reduce industrial accidents

6 Understand the types and causes of stress

7 Explain the role of stress management

Johnson & Johnson is an internationally renowned manufacturer of health-care products with over 120 years of experience and Johnson & Johnson India Limited, the Indian subsidiary of Johnson & Johnson, came into existence in 1957. It attributes its success to its staunch commitment to care for and cater to the needs of its employees and customers. Johnson & Johnson runs several programmes to enable its employees to live healthier and safer lives. It also has programmes for the dependents of the employees. For instance, it has the employee assistance programme (EAP) at the international level, which provides employees access to counselling, assessment, intervention and training on sources of stress. It also provides resilience training to facilitate employees in managing stress before it shows itself in negative forms. In 2007, nearly 15 per cent of the global workforce of Johnson & Johnson participated in this training.

To improve the physical health of its employees, Johnson & Johnson has a unique campaign called "Move and Make it Matter". To maintain a healthy work environment, it has an occupational toxicology programme, through which it measures, evaluates and generates data pertaining to the likely health hazards at the workplace. To ensure the workplace safety of the employees, Johnson & Johnson has an ergonomics injuries prevention programme, which prevents injuries or strains caused by repetitive work or over-exertion. It also has a programme called ERGO to reduce ergonomics injuries and set ergonomics standards for all its companies engaged in its worldwide operations.

These safety and health programmes of Johnson & Johnson clearly demonstrate the role of these programmes in the overall development of the company and the employees in particular. We shall now discuss the various aspects of employee safety and health in detail.

Introduction

Guaranteeing employee safety is one of the paramount challenges facing the organizations. This is especially important for employees who work in unsafe conditions. In fact, it is a non-transferable duty of the employers to maintain a safe workplace for their workforce.[1] Organizations that compromise on employee safety may have to face a potentially higher number of industrial accidents and the resultant increase in compensation cost. Occupational accidents due to safety negligence can also demoralize employees and undermine their productivity, performance and motivation. Further, accidents would force organizations to focus on non-productive activities like accident- related legal proceedings and resource diversions for compensation payment. Obviously, HR managers are often entrusted with the important responsibility of ensuring the safety of workplace and also educating the employees about the safety aspects. In this regard, the main task of the HR managers is to make safety an integral part of the job performance and conduct up-to-date safety orientation and training sessions for its employees.

In many organizations, the primary objective of providing employees safety is to prevent industrial accidents. This is because organizations are forced to pay huge compensations, besides facing several HR-related problems in the event of any industrial accident. In fact, the earliest safety measures can be traced back to the Industrial Revolution era, during which employees were working in terrible conditions with dangerous machineries.[2] Further, employees in those days had to work for long hours with poor and inadequate diet, often exposing themselves to potentially harmful and sub-human employment conditions. Over a period of time, employers learnt that the safety measures help not only in accident prevention but also in improving productivity, product quality and industrial relations, besides controlling the HR cost.

In general, ensuring physical, mental and emotional safeties of the employees in their occupation is the essence of many of the definitions of employee safety. We shall now see a few definitions of the term *employee safety* in Box 13.1.

We may define employee safety as a process of controlling or removing hazards present in the occupational environment so that the employees are protected from work-related accidents.

Objectives for Providing Employee Safety

The primary objective for providing employee safety is to protect the employees from all forms of physical dangers while performing their jobs. However, an organization can accomplish several other objectives through employee safety. We shall now see these objectives.

Accident Avoidance

Employee safety reduces the possibility of industrial accidents by installing the necessary safety devices properly and educating the employees about the safety aspects.

Box 13.1	Definitions
"Employee safety involves protecting employees from injuries caused by work-related accidents."[3] —R. Wayne Mondy	"Safety is both physical and psychological and safety is present when people are free from being bodily harmed."[4] —Jana M. Kemp

Cost Prevention

It reduces and then prevents direct and indirect costs incurred by the organization due to serious industrial accidents. The amount payable to the employees in the form of compensation for disability or death constitutes the direct cost of accident while the cost incurred towards hospitalization and treatment forms the indirect cost.

Improved Employee Satisfaction and Commitment

Employee safety promotes an occupational environment that provides adequate employee satisfaction and motivation. In general, employees have the expectation that their employers would offer them a safer environment for doing their jobs. The fulfilment of these expectations often provides the employees with job satisfaction and motivation.

Legal Compliance

Employee safety complies with all the laws governing the safety and health of the employees at the workplace. Organizations undertake employee safety measures not only to provide employee satisfaction and HR cost reduction but also to fulfil statutory requirements. For instance, employers adopt safety measures to fulfil the safety requirements specified in the provisions of different employment laws like the Factories Act, 1948, Apprentices Act, 1961, Employee State Insurance Act, 1948, and the Industrial Disputes Act, 1947.

Better Industrial Relations

Employee safety brings cordiality and harmony in the labour–management relations. Employers provide safety measures to create a healthy and accident-free work environment for the employees to work, and this, in turn, facilitates the development of positive feelings among the employees for the organization. In the long run, the absence of serious accidents can help organizations achieve harmonious industrial relationship in the organization.

Formalizing the Safety Process and Programme

The introduction of employee safety educates the employees to accept safety as a system and culture through a sustained awareness programme.

Steps in an Employee Safety Programme

Organizations can develop and install their own safety programmes depending upon their requirements. However, the safety programme mentioned in Figure 13.1 can be adopted by any organization with necessary modifications. The steps in this employee safety programme are: (i) assessment of dangers, (ii) review of existing safety measures, (iii) safety devices installation, (iv) safety training, (v) safety compliance and verification, and (vi) periodic review of safety standards. We shall now see these steps in detail.

Assessment of Dangers

As a first step in the employee safety programme, the organization must first assess the hazards associated with the various jobs performed in it. The purpose of this assessment is to determine the nature and level of safety measures required for creating a safe occupational

Step 1	Assessment of dangers
Step 2	Review of existing safety measures
Step 3	Safety devices installation
Step 4	Safety training
Step 5	Safety compliance and verification
Step 6	Periodic review of safety standards
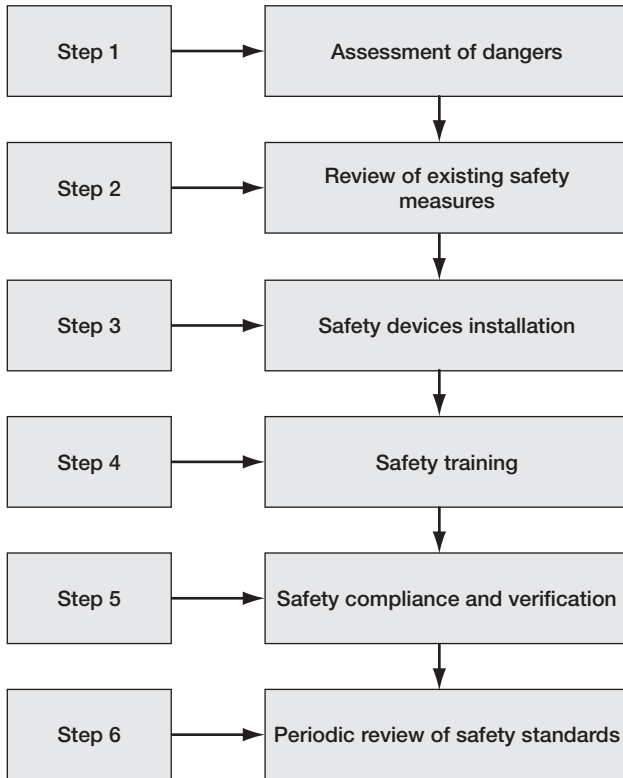
Figure 13.1

The Steps in an Employee Safety Programme

environment for the employees. As part of this step, the hazards involved in the routine oper-
ations of machines, for example, starting, operating and stopping the machines, are screened.
In this regard, the proximity of the operators to the machines as well as the nature and
frequency of interaction between the machine and the operator is identified. Similarly, the
actions of the machine operators that expose them to the hazards are studied and the likely
nature of injuries arising from such exposures is studied.

Review of the Existing Safety Measures

When new machines are installed, fresh safety arrangements are made either as per the
manufacturer's specification or as per the safety policy of the organization. On the other
hand, if safety regulations are already available in the organization for the existing machines,
their efficacy should be reviewed. The experts would conduct the safety review to determine
whether any additional safety devices need to be installed. Similarly, the safety experts should
also decide whether the employees who work in the vicinity where hazardous machines are
located require any special safety training and orientation.

Safety Devices Installation

Once the safety experts have assessed the risk involved in the occupation and the adequacy
of the existing safety measures, the next step is the installation of new or enhanced safety

devices and processes. However, if the existing safety measures are adequate, there is no need for any further action by the organization on the safety front.

Safety Training

Safety is the joint responsibility of both the employers and the employees who work in the hazardous environment. The success of safety measures depends on the strict observance of safety regulations and on the usage of safety apparatus by the employees while performing the job. They must also follow the standard safety procedures while dealing with machines. However, the employers have the major responsibility in educating the employees about the importance of adhering to the safety regulations. They should conduct orientation and periodic training programmes to brief the employees about the dos and don'ts of operating the machines. There are two ways in which an organization can provide training to the employees. An organization can conduct its own training programme to educate the employees about the safety regulations. Alternatively, it may let the machine manufacturer conduct the training programmes for its employees when the new machines are bought.

Safety Compliance and Verification

No amount of training can help the organization in making itself safe and accident-free unless its employees comply with all the safety regulations at all times. In a nutshell, safety must become a culture and way of living for all the employees. Organizations can conduct safety audits to verify the safety compliance by the employees and can initiate the necessary action against indifferent units and individuals for ensuring better compliance in the future. They may use safety checklists for gathering information about the efficacy of their existing safety regulations.

Periodic Review of Safety Standards

Safety is a continuous process of an organization and, thus, requires periodic evaluation by the experts. Based on their evaluation, necessary changes need to be made in the safety regulations and equipment. In this regard, the organization must ensure that its safety processes are not only reliable but also adequately flexible. It must believe consistently that employees get a sense of satisfaction and motivation to work only in a safe and secure occupational environment. Finally, the safety programme of an organization must be sufficiently dynamic to permit the introduction of new and emerging safety techniques, tools and practices rapidly and effectively.

Need for Employee Safety

Properly addressing the employees' concern for physical, mental and psychological well-being has become an important prerequisite for a successful human resource management. Organizations should be firm and consistent in dealing with their own safety aspects as human life is precious both to them and to society. In this regard, an organization can choose to have either an external agency or internal committees to inspect the completeness and efficacy of its safety initiatives. There are a few basic factors which compel the organizations to undertake adequate employee safety measures. These are:

Loss of Human Lives

Without doubt, life is precious for everyone and, certainly, it becomes the non-delegable right of the employers to protect the lives of the employees at all cost. Moreover, an injured employee not only suffers physical pain but also undergoes mental agony due to sudden uncertainty about his future. In the event of an employee's death, the whole family of the deceased employee undergoes the trauma of a sudden loss of emotional and financial support.

Financial Cost of the Disability and Death of Employees

When the organization loses the services of its employees due to an industrial accident, it costs the organization directly in the form of financial compensation payable to the injured employees if those employees were not insured. It also costs the organization indirectly in the form of production disturbances and the hiring and training cost of new employees, who would substitute the injured or deceased ones.

Corporate Social Responsibility (CSR)

Prevention of accidents and caring for the safety and health of the employee is one of the foremost social responsibilities of the organization. This is because each employee is a member of society. In fact, many organizations have undertaken safety initiatives on their own just to fulfil their social commitment towards the employees and their family members. Organizations with high social responsibility normally move beyond the statutory safety requirements to provide foolproof safety measures for their employees.

Insurance Premium Costs

Insurance premiums payable by an organization are usually decided on the basis of the past insurance claims made by it for the injury or death of the employees. When the organizations report a higher number of accidents and, as a result, make high compensation claims, the general insurance company would increase the insurance premium proportionately for the future period. In contrast, when the organization reports no accident during the insured period, it gets a substantial reduction in the insurance premium payable for the future period. Such a reduction in insurance premium is usually known as the no-claim bonus. It is, therefore, necessary for the organization to keep the organization free of accidents.

Fine or Imprisonment for Safety Lapses

The Factories Act 1948 provides for the imposition of fine or imprisonment or both for the employers who provide inadequate safety measures in the occupational environment, which result in serious industrial accidents. Once an industrial accident is reported, the appropriate authorities like the chief inspector for factories can issue orders for prosecuting the management for gross negligence if the initial enquiries point to lapses on the part of the management in safety aspects.

Essentials of an Effective Safety Programme

The employees' voluntary compliance with the safety regulations is the best indicator of the effectiveness of the safety procedure. This may warrant sustained efforts from the

management in the form of safety training, and safety programmes like safety weeks, safety posters and slogans. An effective safety procedure must have the following features.

Clarity in Terms of Safety Goals

An organization should set clear safety goals before deciding its safety programmes. For instance, it can have a continual reduction in the incidence of work-related accidents as its safety goal. Similarly, it may also have total compliance with the statutory safety provisions as its goal. Or, it may aim to achieve full-fledged cooperation from employees and trade unions for its safety management programmes. An organization may have one or more safety goals at a time but these goals must be clear, practical and in agreement with the organizational policies.

Proper Safety Strategies

The safety strategies required for the accomplishment of safety goals must be properly designed. They may involve development of mechanism for effective achievement of safety goals. This may include fixation of realistic performance targets, determination of financial incentive for accident-free performance, enforcing reporting and accountability, developing new safety methods through researches, devising techniques for identifying and acknowledging the best practices that reduce accidents and injuries, and, finally, formulating strategies for seeking the cooperation of the employees and the trade union on safety matters.

Well-defined Responsibilities and Accountabilities

Teamwork is important for developing a safe working environment. Still, it is necessary to make persons specifically responsible for the creation and maintenance of a safe occupational environment. There must be clear and direct lines of responsibility and accountability for the maintenance of safety arrangements and for security lapses.

Safety Awareness Campaigns and Training

Organizations must periodically conduct safety training for their employees on the basis of their safety goals and requirements. They may choose a specific topic for discussion in training programmes. The suitable topics may be accident prevention, eye and face safety, hand safety, respiratory safety, fall protections, fire preventions, first aid, risk identification, electrical safety, chemical hazard, off-the-job safety, skin protection, ultraviolet protection, emergency-readiness, process safety, safety orientation, and safety accountability and responsibility. The performance records and the safety records of the employees are vital documents in determining the safety needs of the employees. Interviews may also be conducted to ascertain the safety requirements of the employees.

Safety Revisions and Upgradation

The introduction of new safety legislations by the government or the installation of new machinery by the organization often necessitates revisions in the safety regulations. For instance, new provisions in the law may necessitate a stricter adherence to the safety codes and the installation of safety devices. Similarly, the cause of the latest accidents and the possible solutions may also compel the organization to introduce new safety regulations

to prevent the occurrence of such accidents in the future. In this regard, the organization may undertake periodic revisions of safety measures to determine the safety gaps and the necessary upgradation required.

Statutory Provisions Concerning Employee Safety and Health

The Factories Act of 1948 has several sections which deal with employee safety and health. The primary purpose of this act is to regulate safety, health and welfare of the employees working in factories located anywhere in India. It is a central act enforced by the state governments. According to this act, "factory" means any premises where ten or more workers are working on any day of the preceding twelve months, and in any part of which a manufacturing process is being carried out with the aid of power (twenty or more workers must work in places where operations are carried out without the aid of power). The different sections which deal with employee safety are:

- **Section 9(b)—Power of Inspectors:** This section empowers the factory inspectors to visit the factory to examine the premises, plant and machinery.

- **Sections 9(c) to 9(h):** These sections enable the factory inspectors to enquire into the accidents or dangerous events which caused bodily injuries or disabilities to the employees and seize relevant documents like records and photographs.

- **Section 12—Wastes Disposal:** Organizations must make effective arrangements for treatment and disposal of wastes and effluents.

- **Section 13—Proper Ventilation and Temperature:** The employer must make the necessary efforts for the maintenance of proper ventilation and reasonable temperature within the room, which should prevent any injury to employees normally arising out of excessive temperatures.

- **Section 14—Dust, Fume and Other Impurities:** Necessary measures must be taken in the factory premises to prevent the inhaling of dust, fumes and other impurities which might cause injuries to the employees.

- **Section 15—Standards of Humidification:** The employers must make suitable arrangements for increasing humidity of the air artificially to protect the health and ensure the safety of the employees.

- **Section 16—Avoidance of Overcrowding:** The employers must prevent any overcrowding inside any of the rooms in the factory premises which might cause injury to the employees.

- **Section 17—Proper Lighting:** Each part of the factory premises must be provided with adequate lighting for the employees. This lighting may be natural or artificial.

- **Section 24—Striking Gear and Devices to Disconnect Power:** A suitable striking gear or other appropriate appliances must be available in the factory for cutting off power in the case of an emergency.

- **Section 29—Lifting Machine, Chain and Rope:** Each lifting machine, chain and rope used for moving persons and materials up and down should be of good-quality construction, sound material and sufficiently strong and free from defects.

- **Section 32:** Floors, steps, stairs, passages and gangways must be made from quality material, properly maintained and free from any obstruction.
- **Section 35—Protection of Eyes:** There must be adequate availability of screens or suitable goggles in the factory for employee usage whenever required.
- **Section 36—Flames, Fumes and Gases:** Organizations must take adequate precautions against the dangerous flames, fumes and gases.
- **Section 38—Fire Prevention:** All possible measures must be taken to prevent the outbreak of fire in the factory premises. In the event of fire, adequate escape routes must be available.
- **Section 40B—Safety Officers:** In every factory with a thousand or more employees, an adequate number of safety officers must be employed.
- **Section 41G—Safety Committee:** In every factory where hazardous activities are undertaken, a safety committee must be constituted with an equal representation from both the management and the employees.
- **Section 90:** Under this section, the state government is empowered to appoint persons to conduct enquiry into the cause of accident. The person appointed will have all the powers of civil court vested under the Code of Civil Procedure 1908.

Similar to the Factories Act 1948, the Mines Act of 1952, and the Dock Workers (Safety, Health and Welfare) Act of 1986, also have specific provisions that deal with employee safety and health.

Behaviour-based Safety Management and Approach

The fact that safety gets attention only after an accident occurs is the general complaint of the employees. On the other hand, the general opinion of the employers is that the attitude of the employees towards safety is the key factor in safety management. Many behavioural scientists are of the opinion that there are three critical factors which largely determine the behaviour of the employees towards safety management: organizational culture, individual attitude and behavioural outcomes.[5] We shall now discuss these influencing factors briefly.

Organizational Culture

The organizational culture reveals the personality of an organization. It is usually made up of the practices, values, beliefs and assumptions held by the members of an organization. Although the organizational culture is difficult to explain, it can be felt by every member of the organization. In fact, a member of the organization who has joined recently can sense the prevailing culture when he observes the behaviour of other members. When the members adopt a specific form of behaviour, the new employee tends to view it as acceptable and adopts it. In the case of safety precautions, the new employee usually follows the behaviour of the other members. The safety perception of the members forms the safety culture, which, in turn, influences the behaviour of all the members. When the existing culture is indifferent to safety regulations, the new member also remains indifferent to safety management.

Individual Attitude

The attitude of the employees greatly determines their views about the different aspects of their job, including safety. Attitude is normally individualistic in nature and cannot be influenced by group behaviour easily. Each employee may have his own personal opinion about the importance of safety, and this decides his attitude towards safety management. The past incidents, education and societal influence may facilitate the formation of a specific attitude in a person, which is hard to change. These attitudes can be classified broadly into positive and negative attitude. However, through effective and sustained programmes, an organization can change the attitudes of its members slowly.

Behavioural Outcomes

The outcomes of past behaviour have a lot of relevance for future behaviour. When the consequences of the past behaviour are positive, the employee tends to continue such behaviour in the future. In contrast, when the past behaviour has a bitter outcome, the employee avoids such behaviour. For instance, when an employee is faced with criticism and punishment for crossing the speed limits while operating the machine, he will resist his temptation to cross the speed limits in the future. On the other hand, when he is appreciated for completing the job ahead of time even at the cost of operating the machine at a dangerous speed, he is bound to do this again and again, bothering little for safety norms.

Industrial Accidents

Accidents are inversely related to the safety measures. When the rate of accidents is high, it is an indicator of inefficiency of safety management. An industrial accident normally occurs when safety provisions are compromised by the employees at work. The industrial accident may cause temporary or permanent disability to the employees and it may also result in the death of an employee. The Factories Act of 1948 describes an industrial accident as "*an occurrence in an industrial establishment causing bodily injury to a person which makes him unfit to resume his duties in the next forty-eight hours*". The accident may result in partial or complete disability of a person. A serious industrial accident may cause, among others, head injury, brain injury, back injury, burn injury and neck injury.

As per a survey, on an average, 120 million industrial accidents, including 210,000 fatal accidents, are reported every year across the world. However, these accidents range from very minor ones like the small bruises of an individual employee to major disasters resulting in the death of several employees at a time. Among all the industries which employ people for performing jobs, a large number of accidents are reported from mining, construction and transportation, with construction alone accounting for 50 per cent of all accidents followed by factories, which account for nearly 30 per cent of all accidents.[6]

Basically, the causes of industrial accidents can be classified into unsafe actions and unsafe conditions. We shall now see them briefly.

Unsafe Actions   An unsafe action refers to any act performed by the employee during the course of his job without observing the necessary safety provisions which ultimately results in an accident. In such cases, a disregard for safety rules and regulations often becomes the reason for the accident. The employee may overlook the safety norms wilfully or ignorantly while performing the job. These cases may involve machinery failure, wrong operations,

non-compliance with safety procedures, improper handling of safety devices due to lack of safety training, and a wilful neglect of the superiors' instruction. Occasionally, the employers, the management, the supervisor or the co-workers may also become responsible for the accident that occurs.

Unsafe Conditions   The unsafe conditions may mean security lapses in the environment which may be beyond the employees' control. Unsafe conditions leading to accidents may be caused by factors like faulty machines, inadequate workspace ventilation and lighting, too much noise, uneven or unstable flooring, excessive room temperature, lack of adequate protection, hazardous machinery, uneven and unbalanced structures, and electrical failure. Accidents may also occur due to unconnected fire in the working environment, gas emission, system failure and power failure.

Further, depending upon their actual cause, accidents may be classified into the ones having external causes and those having internal causes.[7] The external causes of accident refer to the role of factors which are not directly under the control of the job holder. The internal causes refer to failure of the factors directly under the control of the job holder, including failure in judging the situation.

Accident Prevention and Management

An organization should first identify the accident-prone areas in the organization before determining the responses for accident prevention. Organizations usually keep records for accidents, and these records provide information about the frequency, severity and incidence of accidents. In fact, organizations adopt three important methods for determining the accident-prone areas of the factory: the spot map method, the accident frequency method and the accident rate method.[8] We shall now discuss these methods briefly.

Spot Map Method   In this method, a map prepared by the organization shows the places which have reported the highest numbers of accidents. This helps the organization in identifying the hazardous sites in the factory premises easily. Since the information about accidents is presented in a visual form, it is easy to understand the frequency of accidents in a particular location and also the effectiveness of safety management.

Accident Frequency Method   In this method, a ranking of the locations is done on the basis of the number of accidents reported from each spot in the organization. The spot that has recorded the highest number of accidents is ranked first followed by the next location that has recorded the second-highest number of accidents, and so on. In this way, all the accident-prone locations are ranked. This method enables the organization to prioritize the locations for implementing safety measures on an emergency basis. Obviously, the spot that has reported the maximum number of accidents would be accorded the top-most priority in terms of safety training, installation of safety devices, and implementation of stringent safety regulations.

Accident Rate Method   In this method, the number of accidents at a specific location is compared with the employee exposure hours in that location. The *employee exposure hours* refers to the number of hours spent by all the employees at a specific location as part of the job performance process. This comparison produces the rate of accident in a specific spot during a specific period. Finally, based on the accidents rate reported from different spots, a

ranking is done to identify the accident-prone areas in the factory premises. There are two important ratios, namely, incidence rate and severity rate. We shall now see the ratios for measuring accident rates.

Incidence rate method: This is the first method used for the calculation of accidents. The incidence rate is obtained by the following equation:

$$\text{Incidence rate} = \frac{\text{accidents} \times 1 \text{ million}}{\text{exposure}}$$

where

Accidents = the number of injuries recorded out of accidents
Exposure = the total number of employee exposure hours in the location

This ratio can be understood easily with the help of a numerical illustration. In an organization, the number of accidents reported during a period of one year is 30 while the total working hours is 2,000 hours per year. The number of employees working in that spot is 1,000. Now the accident rate will be

$$\frac{30 \text{ (accidents)} \times 1,000,000}{1000 \text{ employees} \times 2000 \text{ hours}} = 15 \text{ accidents per year}$$

Severity rate method: Another method used for the calculation of accidents is known as the severity rate method, which calculates accidents in terms of their severity. In this ratio, the severity of the injury is measured through the productive time lost due to the accident. When the accident is serious, obviously the number of man-days lost would be more. The ratio for measuring the severity of accidents is

$$\text{Severity rate} = \frac{\text{total number of man} - \text{days lost due to accident} \times 1 \text{ million}}{\text{exposure}}$$

Measures to Reduce Industrial Accidents

Accidents affect an organization in multiple ways. They may extract financial, social and psychological costs from it. For instance, an organization may have to incur huge hospitalization and treatment expenses for its injured employees. Similarly, it would have to pay a heavy price in terms of reduced employee cooperation and strained employer–employee relationship. Further, it may also suffer from low employee motivation and morale, and decreased productivity and performance. Thus, it is absolutely essential for the organization to prevent accidents in order to save its precious human and physical resources. An organization may take the following steps to improve employee safety by reducing industrial accidents:

Ensuring Support of the Top Management The role of the top management is crucial in any safety management as it is only the management that provides the necessary resources for achieving safety goals. Therefore, it must be totally convinced of the need to have a foolproof safety arrangement in the organization. It must also be aware of the financial cost of each accident and the need to avoid such unnecessary expenses. The top management must encourage the development of safety goals and safety policies to make the entire organization a safe place to work. The management must also make the employees aware of

their strong commitment to the safety of the employees through its actions. It should provide the necessary financial support to all the efforts of the organization in making the work spots safe and accident-free.

Safety Policy, Philosophy and Plan   Each organization should have its own safety and health plan and the plan must be publicized well among the employees. The safety policy normally indicates the commitment of the organization towards the safety of its employees, machines and materials. The responsibility of each employee with respect to maintaining safety must be defined clearly and mentioned in the policy. The safety policy and plan would spell out the accident prevention programme of the organization. It must provide information about safety orientation, emergency evacuation plans, accident-reporting procedure and safety problem reporting. It must also provide information about safety officers, safety equipment and safety training. The organization must have a safety policy handbook which should specify the safety philosophy and safety policies concerning the people employed in it.

Safety Committee   Every organization must constitute an appropriate number of safety committees to assist the employees on matters pertaining to safety and other related aspects. The committees must have representation from both the employees and the management. The number of members in each committee will depend on the number of employees covered by it. Usually, such a committee is headed by the safety officer or an equivalent authority. Though an organization can assign any safety-related duties to the safety committees, they usually perform the following activities:

- To meet periodically (say, once in a month) to discuss the safety-related matters
- To conduct safety inspection in the assigned work premises at regular intervals and in a need-based manner
- To develop and establish hazard identification and accident investigation procedures
- To develop and establish a system at the workplace level for the employees to report safety problems to the higher authorities and to the safety committee
- To review the records and monthly reports periodically to study the safety compliance by the employees
- To communicate the safety committee's decisions to the employees and decide their safety training requirements

Safety Education and Training   Safety training aims at teaching the employees about the importance of observing safety rules and regulations while performing the job. The training should develop safe behaviour among the employees which should lead to the establishment of an appropriate safety culture. The training must enable the employees to know the dos and don'ts in their jobs. The employees must also be taught about the need to comply with statutory provisions concerning safety. Safety training must also provide essential skills and techniques to the employees to navigate the hazardous situations safely. Last but not the least, the training programmes must tell the employees about what they should do at the time of emergency, like in the case of accidents.

Safety Campaigns   Safety campaigns play an important role in getting the support of the employees, the supervisors and the management for the safety initiatives of the organization. The purpose of a safety campaign is to engage the attention of the employees to create safer

work spots. The safety campaign may involve competition and quiz programmes for the employees on safety issues and sticking of safety posters and distribution of handouts listing the importance of observing safety regulations. Organizations can also make arrangements to write safety slogans in all the places frequently visited by the employees. They can celebrate safety weeks for creating safety awareness. They can also present safety awards to the individuals and units maintaining excellent safety records.

Safety Engineering   Safety engineering normally involves the redesigning of equipment, machinery and material, and the development of new and improved techniques, processes and procedures for performing the jobs safely. The main purposes of safety engineering are hazard prevention and accident elimination. Safety engineering helps an organization in identifying the hazards present in the occupational environment. Organizations may even have a separate safety engineering division to administer the laws relating to employee safety and working conditions. The division can also provide safety engineering support to the top management in relation to the safety aspects of the organization. It may also be entrusted with the responsibility of conducting safety inspection in the factory premises and suggesting measures for improving the safety of work environment. Safety engineering assists the management in creating, maintaining and conducting effective safety programmes and periodic risk assessments. Box 13.2 outlines the common employee safety practices of an organization.

Box 13.2	Safety Engineering at GlaxoSmithKline

The natural expectation of the employees from their organizations is the provision of a safe occupational environment, no matter whether there is any statutory requirement or not. No organization should make any compromise on safety regulations just because having those pushes up its cost and affects its competitive advantage. In fact, the mental and the physical well-being of the employees are the essential requirements for the success of any organization in the long term. In practice, the importance of safety regulations is realized by many organizations only after a tragedy strikes its work spot and disturbs the production schedule. But there are a few companies which have made safety their way of life and a high priority area. GlaxoSmithKline is a case in point.

GlaxoSmithKline considers the minimization of process hazards as an ongoing process. It makes optimum use of expert engineering design and good manufacturing processes to keep the dangers associated with the manufacturing process under control. It has "Green Chemistry and Green Technology" programmes to reduce and then eliminate the use of these hazardous materials. In fact, the process safety management of GlaxoSmithKline involves detection of hazards, assessment of risk, and development and implementation of remedial action, if required. It also has a Failure Mode and Effects Analysis (FMEA) system to develop a safe mode of performing the operations.

GlaxoSmithKline has an excellent safety engineering programme for protecting the employees from operational hazards. This programme focuses on construction and plant safety and emergency response activities of the organization. It also has an intranet-based Safety Engineering Programme for developing engineered solutions to fire, explosion, electrical, machine-guarding and other operational risks. The team responsible for Safety Engineering Programme is continuously engaged in the preparation and distribution of safety guides and alerts relating to engineering operations. Finally, GlaxoSmithKline has unique programmes like risk assessment and control processes, construction contractor safety programme, and capital project EHS review process to deal with the safety aspects of different sections of people connected with its manufacturing operations.

Adapted from: http://www.gsk.com/investors/reps03/
EHS03/GSKehs-28.htm.

Legal Compliance   An organization should comply with all the statutory provisions concerning employee safety and health without fail. In India, the central government has enacted several laws to ensure the safety of employees in the occupational environment. As mentioned earlier, the Factories Act of 1948, the Mines Act of 1952 and the Dock Workers (Safety, Health and Welfare) Act of 1986, deal with employee safety in different types of organization. When an organization disregards the safety provisions mentioned in the laws, it would be held responsible for the accidents occurring in the factory premises and may also be charged for criminal negligence under the Factories Act and other relevant acts.

Employee Health

When the employee is free from any form of physical or emotional illness, it is referred to as employee health.[9] The maintenance of employee health is the joint responsibility of both the employer and the employees. This is because any problem in the health of the employee affects not only his ability to perform the job with normal capacity but also the capacity of the organization to achieve production and performance targets. In fact, a study on an employee fitness programme revealed that an organization reported four per cent increase in its productivity after it started an employee fitness programme. Besides, nearly 47 per cent of the employees who participated in the programme reported greater alertness, better rapport and more interest in work.[10] We shall now see the importance of the health of the employees from the physical and mental health points of view.

Physical Health

Physical health refers to the physical well-being of the employees. A worker with good health is indeed an asset to the organization. When the health of the employee is affected by occupational diseases or injuries, it may lead to increased absenteeism, labour turnover and employee dissatisfaction. Besides, it would also affect employee productivity, performance and motivational levels. Thus, the organization should preserve the health of the employees by removing or controlling the factors that affect the physical health of the employees. Factors like high noise levels, poor visibility, extreme temperatures, and uneven floor surfaces can affect the physical health of the employees in the long run. Similarly, flying dust, chemical fumes, radiations, emissions and asbestos can also cause serious illness to the employees.

When an organization fails to recognize the presence of harmful factors or ignores them, it would be forced to suffer in the long term with a depleted workforce efficiency and motivation. When there is a health crisis, a good organization would assess the magnitude of the problem and, without any delay, it would initiate health promotion programmes that should help it in reducing such problems.

Organizations should periodically conduct health education programme to improve the health awareness of the employees. They must also realize that preventive health care is better and cheaper than curative care expenses, which includes hospitalization and treatment expenses.

Mental Health

Traditionally, organizations were focused more on the physical health of the employees than on their mental health. It was only in recent times that employers began to focus more on the mental health problems after realizing their devastating impact on the productivity,

performance and general behaviour of the employees. However, mental health problems cannot be recognized easily by the organization and they also take time to manifest themselves in some form like absenteeism, irritability, hostile attitude and lack of interest in the job. In extreme cases, an employee with mental health problems like depression may take to alcoholism and drug addiction. In many organizations, stress has become the major factor causing mental health problems. Realizing the gravity of the problems and their effect on the entire organization, organizations began to undertake employee assistance programmes to facilitate the employees in managing their stress and burnouts. Certainly, these employee assistance programmes help the employees overcome their stress-, grief-, family- and job-related problems.[11]

Several organizations have resorted to internal and external psychiatric counselling to employees in order to deal with the problems of stress, burnout, tension, anxiety, alcoholism and all other forms of irrational behaviour. The focus of such counselling is on attending to the personal psychological problems that adversely affect employee performance, productivity and behaviour within the organization. Many organizations have started to treat the anxiety-related emotional problems on par with physical health problems. To overcome all forms of health problems, they are providing general health plans, sports events, gyms and regular counselling by psychologists.

Stress

Stress is nothing but a person's normal response to a situation or stimulus. As such, it is not a situation but a response based on the perception of a situation. In fact, the presence or absence of stress in a situation is decided by the way a person perceives, interprets and evaluates that situation. Naturally, an environmental factor that causes stress to one person may not cause any stress to another, although both interact with the same environment. However, there are certain environmental factors which by and large cause stress to a vast majority of employees. These may be tight work schedules, incessant travelling, a higher pace of work, frequent deadlines, and the absence of job security.

Stress need not be viewed as an entirely negative factor as it can also be positive at times.[12] When the stress produces positive results, it is known as *eustress*. For instance, when stress increases the performance and productivity level of the employees, it can be described as a positive stress or eustress. A few examples of positive stress are promotion opportunities for improved performance and holiday trips for accomplishing targets. On the other hand, when the stress affects the routine activities of a person, including his usual performance, it is called negative stress or distress. It is a bad kind of stress. For instance, unbearable workload and strict supervision, which cause excessive worries, anxieties, depression, high blood pressure, irritability, headaches, fatigue, agitation and mood swings, are certainly negative stress. We shall now see a few definitions of stress. The response of a person to a situation is the basis of many definitions of stress. Box 13.3 lists a few of these definitions.

Types of Stress

Based on its nature, intensity and duration, stress can be classified into different categories. We shall now see the difference types of stress listed in Figure 13.2.

Time Stress, Anticipatory Stress, Situational Stress and Encounter Stress

Stress can be classified into four categories based on the emotions induced: 1) time stress,

Box 13.3	Definitions

"Stress is an adoptive response to an external situation which reveals itself in physical, psychological and/or behavioural deviations for organizational participants."[13]

—Fred Luthans

"Stress is a psychological and physical reaction to prolonged internal and/or environmental conditions in which an individual's adaptive capabilities are overextended."[14]

—J. C. Williams and G. P. Huber

"Stress is defined as the reactions of individuals to new or threatening factors in their work environment."[15]

—H. J. Arnold and D. C. Feldman

Types of Stress

Based on Emotions
Time stress
Anticipatory stress
Situational stress
Encounter stress

Based on Intensity
High stress level
Moderate stress level
Low stress level

Based on Causes
Short-term response
Long-term response
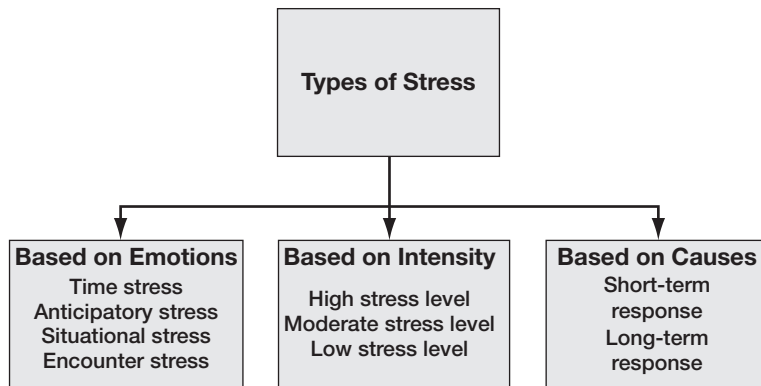
Figure 13.2

Types of Stress

2) anticipatory stress, 3) situational stress, and 4) encounter stress.[16] Time stress refers to the stress created by time pressures like working against deadlines. Anticipatory stress refers to the anticipation of some negative developments in the future. This is basically a perceptual factor and the people involved in the process comprehend dislikable results from their interaction with the environment. Situational stress refers to a situation which remains unclear and uncertain and the individual fears the outcome of the situation. Encounter stress means the fear created in individuals about the likely outcome of their interaction with other individuals. The outcome could be positive or negative for the individual.

High Stress Levels, Moderate Stress Levels and Low Stress Levels   Based on its intensity, stress can be divided into three categories: high stress levels, moderate stress levels and low stress levels (too little). When the stress levels are too high, the employee may not be able to cope with such stress, and this impairs the performance and productivity levels of the employees ultimately. On the other hand, low stress levels will be too little to motivate the employee and improve his performance. A moderate level of stress, which is neither too high nor too low, stirs up the employees to improve the performance to the required levels.

Short-Term Response and Long-Term Response   Based on its causes, stress can be classified into two categories: short-term response stress and long-term response stress.

In the case of short-term response stress, the effect of the stress remains till the person involved passes through the stressful situation. For instance, inspections by superiors and interviews for promotions belong to this category of stress. In contrast, some factors causing stress remain for a long period of time, for example, differences with one's immediate superiors, environmental conditions like extreme temperature, and the inadequacy of financial benefits. These factors cause stress to the employees for a comparatively longer period of time.

Sources of Stress

Stressors, or the factors causing stress, can be classified broadly as internal and external. The internal stressor emanates from within an individual while the external one arises from the environment. The external stressor may further be classified into group-level stressors, organizational stressors and extra-organizational stressors. We shall now examine these stressors in detail.

Internal Stressors (Individual Level)   The internal sources of stress arise from the perception of an individual about the environment. The environment may or may not be present with threat, but the individual perceives the situation as threatening and responds on the basis of that perception. The internal problems of an individual like role conflict, role ambiguity, and non-specific fears like the fear of future and that of inadequacy can cause stress to an individual.

However, the internal sources of stress depend primarily on the personality characteristics of an individual. Basically, the personality of people can be classified into Type A personality and Type B personality. The persons with Type A personality suffer more from internal sources of stress due to the inherent characteristics of their personality. Compared to those with Type A personality, the persons with Type B personality are less exposed to internal stresses, again due to their basic nature of personality. We shall now see the characteristics of each type of personality.

Type A personality—Prone to a feeling of urgency and impatience; aggressive in behaviour; strong achievement orientation; high level of competitiveness; multi-tasking tendencies; prone to hide true emotions; and perfectionist but with low self-esteem.

Type B personality—Patient and relaxed; moderately ambitious; accommodating attitude; take-it-easy policy; mild-mannered; free of hostility and aggression; free of any compulsion to meet deadlines.

In recent times, the psychologists have identified a third type of personality called Type C personality.[17] People with this type of personality are introverted in nature. The Type C personality normally reacts to job stress with a feeling of helplessness and hopelessness. The chances of depression are more in this type. The important characteristics of Type C personality are as follows:

Type C personality—Tends to be introverted; courteous and considerate; conformist (traditional); well-mannered and submissive; please-everyone attitude.

External Stressors   The external sources of stress called environmental stressors are normally not within the control of the individuals. These kinds of stressor are caused by lapses in factors like organizational structure, authority and responsibility, superiors' attitude, job

characteristics and career opportunities. Basically, the external stressors are classified into group-level stressors, organizational stressors and extra-organizational stressors. These have been explained as follows.

Group-level stressors—Group-level stressors are the factors present in the environment that result in individual stress perceptions due to group influence.[18] They are often caused by a lack of group cohesiveness, intra-group conflict and the superior's attitude. Among these factors, the superior's attitude often produces more stress for the employees. For instance, the superior's unpredictable behaviour, lack of warmth in the relationship, demanding nature, the absence of empathy, and fault-finding attitude are prime source of group stressors.

Organizational stressors—Organizational stressors are present at the organizational-level environment and usually create stress for a majority of the employees in the organization. Organizational culture is one of the important organizational-level stressors in many organizations. For instance, the leadership style and the nature of organizational structure can produce stress for the employees. The organization may adopt autocratic, democratic or a *laissez faire* leadership style to manage its employees. Among these, the autocratic style generally produces greater stress for employees. Similarly, value conflicts, job monotony, excessive workloads and responsibilities, improper working conditions, organizational politics, underutilization of skills, and ambiguous orders from the management can also act as organizational stressors. Further, improper ventilation and lighting, dust and fumes, and the absence of hygiene and health facilities can also act as organizational stressors.

Extra-organizational stressors—These refer to those factors that are outside the purview of the organization and more personal to the employees. Factors like family disturbances, lifestyle changes, technological changes, unpleasant developments in the personal and social life like death and sickness of near and dear ones are examples of extra-organizational stressors. Similarly, sociological factors like gender, ethnicity, race and religion can also cause stress to the employees.

Burnout—Burnout is a factor closely associated with job stress. It is the exhaustion suffered by an individual due to a continuous exposure to a stress-causing situation. It is a symptom of extreme tiredness arising out of depletion in the physical and mental energy of persons. Usually, the employees suffering burnout are committed people who suffer due to impracticable goals and deadlines set by the organization. Generally, burnout manifests itself in the form of irritability, discouragement, entrapment, and resentment.[19] However, burnout build-up is a long and gradual process and manifests itself only at the extreme stages. In fact, in many cases burnout happens in the mid-life or mid-career of an individual.

The major symptoms of employee burnout are declining productivity, increased labour turnover and absenteeism, and a general despondency in the behaviour of the individual. The employees with burnout problems usually feel lazy, tend to postpone work and rarely perceive the job as interesting and challenging. These employees become quarrelsome, disagreeable, cynical and paranoid.

Employees can avoid or get rid of burnout by changing their work and personal lifestyles. Job-related measures like the reassessment and reduction of performance goals, assigning adequate time for relaxation, and pattern-breaking like avoiding repetitions in work can also help the employees avoid burnout problems.

Stress Management

Stress can cause unpredictable and immeasurable problems to an individual and also to the organization. It can cause job-related problems like negating safety norms, indifferent job performance, quality compromises, not caring for others and surroundings, forgetfulness, uncharacteristic clumsiness, defying authority, defensiveness and violent behaviour. It can also cause numerous health problems like sleeping disturbances, chest pain, ulcers, brain haemorrhage, high blood pressure, bad temper, emotional outbursts, headaches, anxiety, depression, nervousness and agitation. Thus, it is absolutely essential for both the organization and the individual to tackle stress effectively and safely. As explained in Figure 13.3, stress can be handled with a two-pronged strategy: individual and organizational.

Individual Strategies

The primary responsibility for stress management lies with the individual who suffers from stress. An individual may adopt different strategies to cope with stress. In any case, the individual must first recognize the stress-causing factors and then, if possible, avoid them. This would enable him to eliminate the stress altogether. However, in many occasions it is not possible to avoid stress in job and personal life. In such a situation, the second best strategy is to devise ways and means to cope with the stress-causing situation. We shall now see some of the individual level strategies to overcome stress.

Meditation   Mediation is a technique to reprogramme an individual's thinking process. In fact, it produces an effect in the body which is just opposite to that produced by stress. The focus of meditation is on activities that relax the body, calm the mind, and improve attention. Certainly, meditation serves more than just coping with the stress. It helps the employees increase their longevity and quality of life, and reduce anxiety, high blood pressure and serum cholesterol level. Yoga is viewed as the best meditation technique in India for relaxing the body and the mind.
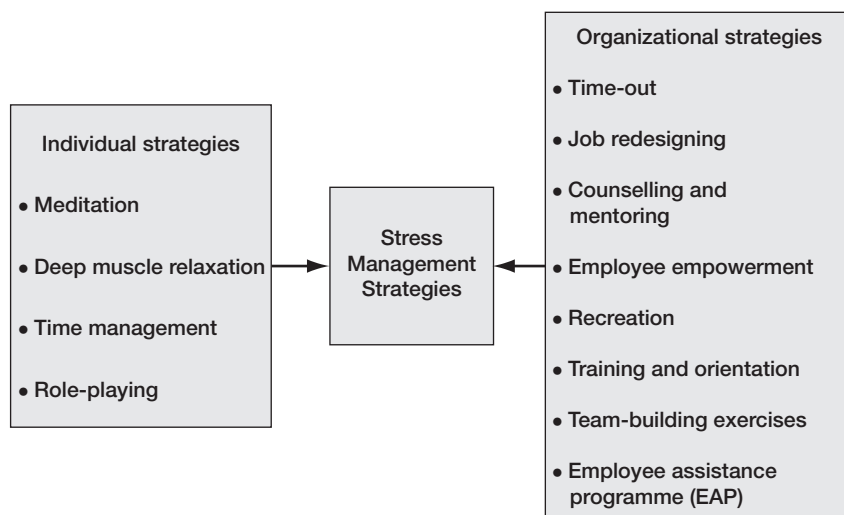
Figure 13.3

Stress Management Strategies

Deep Muscle Relaxation   The purpose of relaxation technique is to help the employees with the means of alleviating fear and anxiety, the symptoms of stress.[20] Deep muscle relaxation is a basic but effective relaxation technique for coping with stress. In muscle relaxation, the physical environment is crucial for achieving the desired result. The basic requirements for a proper environment are low noise level, comfortable furniture, reduced lights and sufficient ventilation.

Time Management   Time can cause a lot of stress, especially when the employees have to work against tight work schedules and frequent deadlines. Through effective planning, individuals can make optimum use of their time, and this can proportionately reduce their time stress. A few guidelines for effective time management are: (i) identifying the activities to be done in the next 24 hours, (ii) classifying them into two categories and then listing them (the first list will have activities which must be completed within the specified time and the second list will include activities which can be postponed to the next 24 hours), and (iii) completing the activities according to their respective priorities.

Role-Playing   This is emerging as an important technique to cope with stress at the individual level. In this method, employees prepare for a stressful situation when they are not under any form of pressure or anxiety.[21] The individual visualizes the stressful situation and role-plays that situation to determine the best way to handle it. This process enables the individual to prepare for the situation actively and to handle that situation in a stress-free manner effectively.

Organizational Strategies

Maintaining a stress-free environment for the employees is an important task for every organization. This is because the effect of stress is equal for both the employees and the employers. As a matter of fact, organizations suffer more from reduced productivity, low employee morale and increased employee attrition and absenteeism. Many organizations are now according the topmost priority to reducing, if possible eliminating, the stress levels of the employees. An organization may adopt the following techniques to help the employees cope with organizational stressors.

Time-Out   Organizations must provide adequate time-outs to the employees to relax themselves while engaged in a busy work schedule. This time-out taken by the employees can help in relaxing their muscles, calming tension and anxieties, and reducing pressure levels. Thus, time-out helps in reducing job-related stress and preserving the health of the employees.

Job Redesigning   Job redesign is a scientific and systematic effort to modify the characteristics of an employee's job.[22] When the employees suffer from work overload problems, the best way to tackle these is to redesign the job. When the employees complain frequently about their inability to achieve the targets within the time and resources allotted to them, express difficulty in availing vacation time, or are required to attend to work during non-work time, they are clearly suffering from work overload problems. In such a situation, the management must redesign the job in such a way that the job has a high degree of autonomy, reasonable workload, task variety, and clarity.

Counselling and Mentoring   Many organizations engage professional counsellors and mentors for helping the employees handle their job-related stress. The counsellors help the

employees learn the skills of handling inter-personal, emotional and personal problems. The ultimate purpose of counselling and mentoring is to create the desired changes in the behaviour of the employee to improve his ability to cope with stress.

Employee Empowerment   Employee empowerment enables the employees to play more active role in their job. The empowered employees take more responsibility for their actions in the job. Besides, they make independent decisions as part of their job without relying too much on their superiors. Thus, employee empowerment considerably reduces the stress arising out of the frictions in the relationship between the superior and the subordinates due to reduced interaction and dependence.

Recreation   Several organizations have now begun to realize that recreation is an effective stress-buster. It enables the employees to develop informal and comfortable relationships with other employees in the organization. It also relaxes the body and the mind of the employees. The purpose of employee recreation is to improve the health and well-being of the employees, which in turn improves their stress-coping ability.

Training and Orientation   Organizations are developing well-designed training programmes for educating the employees about the techniques to be adopted for handling stressful situations. Employee orientation helps the new employees understand the factors that could cause stress in the organization and learn the strategies for tackling the stressful situations effectively. The purpose of many stress management training programmes is to help the employees in (i) identifying the work-related stresses, (ii) understanding their effects on the individuals, (iii) evaluating stress-related risks, (iv) learning measures to avoid work-related stress, (v) resolving the existing work–stress problems, (vi) taking preventive actions to manage work-related stress in the future, and (vii) preserving the physical and mental well-being at work irrespective of stress.

Team-Building Exercise   A lot of organizations are employing team-building exercise to improve group cohesiveness and employee motivation, and to help the employees handle stress-related problems as a group. Team-building exercises help the employees avoid stress caused by intra-team conflicts.

Employee Assistance Programme (EAP)   Many organizations are now developing employee assistance programmes to deal with the problems relating to stress, burnout, alcoholism, drug abuse and job-related violence. As part of the assistance programme, organizations can conduct health screening to find out the health-related problems of the employees. The programme then helps the employees overcome these health problems, including stress.

Summary

1. Employee safety is a process of controlling or removing hazards present in the occupational environment so that the employees are protected from work-related accidents.

2. The objectives of employee safety are accident avoidance, cost prevention, high employee satisfaction and commitment, legal compliance, better industrial relations, and formalizing the safety process and programme.

3. The steps in an employee safety programme are: (i) assessment of dangers, (ii) review of the existing safety measures, (iii) safety devices installation, (iv) safety training, (v) safety compliance and verification, and (vi) periodic review of safety standards.

4. Employee safety is needed to avoid the loss of human lives, reduce the financial cost of disability and death of employees, discharge corporate social responsibility (CSR), reduce insurance premium and avoid fine or imprisonment for safety lapses.

5. The essentials of an effective safety programme are clarity in safety goals, proper safety strategies, well-defined responsibilities and accountability, safety awareness campaigns and trainings, and safety revisions and upgradation.

6. As per behaviour-based safety management and approach, the employees' behaviour is influenced by organizational culture, individual attitude and behavioural outcomes.

7. The measures to reduce industrial accidents are: ensuring the top management's support, safety policy, philosophy and plan, safety committee, safety education and training, safety campaigns, safety engineering and legal compliance.

8. The types of stresses are time stress, anticipatory stress, situational stress, and encounter stress. Stress can also be classified as high-stress levels, moderate-stress levels and low-stress levels.

9. The sources of stress (stressors) are internal (individual level) and external. The latter include group-level stressors, organizational stressors and extra-organizational stressors.

10. Stress management can take place at the individual and organizational level. The individual strategies are meditation, deep muscle relaxation, time management, and role-playing. The organizational strategies are time-outs, job redesigning, counselling and mentoring, employee empowerment, recreation, training and orientation, team-building exercise and employee assistance programme (EAP).

Review Questions

Essay-type questions

1. Evaluate critically the various steps in an employee safety programme with relevant examples.

2. Enumerate the meaning, objectives and needs for employee safety in Indian industrial organizations.

3. Evaluate critically the attitude of Indian companies towards employee safety and health with relevant examples.

4. Discuss in detail the various sections pertaining to employee health and safety in the Factories Act, 1948.

5. Explain behaviour-based safety management and approach with examples.

6. Enunciate the meaning and causes of industrial accidents and also suggest measures to reduce the industrial accidents in organizations.

7. Examine critically the importance of employee health to the long-term well-being of the organization.

8. Describe the different sources of stress to an employee in an organization.

9. Identify and explain the different strategies used by individuals and organizations to manage stress.

10. "Stress can make or break an individual." Do you agree with the statement? Substantiate your views.

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14

Employee Welfare and Social Security

CHAPTER OBJECTIVES

After reading this chapter, you should be able to:

1 Understand the features and objectives of employee welfare

2 List the types of welfare measures

3 Understand the various employee welfare theories

4 Enumerate the features of social security

5 Classify social security benefits

6 List the types of social security schemes in India

7 Explain the issues faced by social security schemes

Bajaj Electricals is a division of the Rs 200,000 million Bajaj group of companies and has a turnover of Rs 14,040 million and over 250,000 retail outlets. Its work culture is based on the five core principles of earning, innovation, perfection, speed and transparency. The company considers its human resources as reliable assets and an excellent source of competitive advantage and has won several awards for its HR-related activities. Some of these awards are the National Safety Council's Certificate of Excellence and the Confederation of Indian Industry (CII)'s Best Safety Performance award.

The compensation policy of this company is to offer the best salary to its employees. Although a significant portion of its compensation package is in the form of individual and organizational performance-based pay, it also offers several welfare schemes and facilities to its employees. Some of the notable welfare facilities offered by Bajaj are: (i) the

Long Service Awards: The company classifies all its long-serving employees into various categories and honours them appropriately on its founder's day; (ii) the Welfare Trust: It offers reimbursements of medical expenses for the employees and their dependents, and helps them meet their loan requirements; (iii) the Social Responsibility of Business Fund: It offers scholarships both to the employees and to their children for pursuing higher education and provides medical assistance to the dependents of the employees; (iv) Emergency assistance: The company provides financial assistance to the family of the deceased employees to tide over the immediate financial crisis.

The role of employee welfare measures in the development of the company highlights their relevance for all the organizations. Given this context, we shall discuss the various aspects of employee welfare activities in this chapter.

Introduction

Employee welfare measures are one of the key inputs to bring about the desired level of employee satisfaction, motivation and productivity in the organization. The basic objective of welfare measures is to ensure the physical and mental well-being of the employee. An organization must view employee welfare measures as an investment rather than an expense. This is because the profitability of an organization is directly linked to the productivity of its workforce. In turn, the employees' productivity is decided to a considerable extent by the motivational environment created by the employee welfare measures undertaken by the organization. The primary purpose of undertaking employee welfare measures is to earn and retain the goodwill and loyalty of the employees and their unions. Thus, employee welfare measure is not a one-time activity; it is an ongoing process of the organization. Organizations often use it as an effective means to control employee attrition and the related HR cost. Although the cost of welfare measures are usually met out of the profits of the organizations, employee-friendly organizations maintain these facilities even during periods of economic crises like recession just to show their genuine concern for the well-being of their employees.

Many of the definitions of employee welfare focus on creating a motivational working environment. We shall now see some of these definitions in Box 14.1.

We may define employee welfare as the facilities provided to the employees in excess of the statutory requirements and with the intention of enhancing their general well-being.

Features of Employee Welfare

From a broad perspective, employee welfare includes all the activities carried out by employers, central and state governments, trade unions and any other agencies with the aim of enhancing the personal and work life of the employees. From a narrow perspective, the activities undertaken on its own by an organization to improve the working environment of the employees may be described as a welfare measure. We shall now see the features of employee welfare on the basis of the definitions.

Box 14.1	Definitions

"Employee labour welfare means anything done for the comfort and improvement, intellectual or social, of the employees over and above the wages paid which is not a necessity of the industry."[1]

—Arthur James Todd

"Labour welfare covers all the efforts which employers make for the benefits of their employees over and above the minimum standard of working conditions fixed by the factories act and over and above the provision of the social legislation providing against accident, old age, unemployment and sickness."[2]

—N. M. Joshi

"Labour welfare is understood to include such services, facilities, and amenities as may be established in or inside the vicinity of undertakings to enable the persons employed therein to perform their work in healthy, congenial surroundings, and to provide them with amenities conducive to good health and high morale."[3]

—ILO at ARC

"Labour welfare means anything done for the intellectual, physical, moral, economic betterment of the workers, whether by employers, by the government or by other agencies over and above what is laid down by the law or what is normally expected as part of the contractual benefits for which the workers may have bargained."[4]

—Labour Investigation Committee

- Employee welfare is provided voluntarily by the organization to express its interest in the general well-being of the employees.
- It is usually provided over and above the statutory and contractual obligations of the organization towards workforce compensation.
- The objectives and strategies of the organization provide a broad outline for determining its employee welfare policies.
- Since employee welfare measures are not linked to the performance of the employees, they have a direct and proportionate impact on the profits of the organization.
- Employee welfare measures look to enhance the mental, physical, intellectual and moral well-being of the employees.
- They extend beyond the job and organization to take care of even the personal life of the employees.
- Employee welfare is an ongoing process and not a one-time activity of the organization.
- Employee welfare measures are normally started during the good times of the organization.
- Employees, employers, trade unions and the government are the stakeholders of employee welfare measures.

Objectives of Employee Welfare

The primary purpose of employee welfare measures is to improve the employer–employee relationship within an organization. However, an organization can also have multiple objectives while developing employee welfare measures.[5] Typically, an organization aims at accomplishing both the long-term and short-term objectives through employee welfare measures. We shall now discuss these objectives of employee welfare.

- Employee welfare aims at creating a motivational environment, which facilitates better cooperation from the employee for the plans and proposals of the organization.
- It focuses on retaining the talented employees within the organization for a long time.
- Organizations look to obtain high employee involvement, commitment and satisfaction through welfare measures.
- The long-term aim of welfare measures is to achieve a desired level of productivity, performance and efficiency among the employees.
- Organizations attempt to create goodwill for themselves in the labour market through welfare measures, which would, in turn, help them attract the best talents with ease.
- Employee welfare strives to create a strong bond between the organization and the employees. This bonding, based on real loyalty, should enable the organization to meet the tough situations confidently with the help and support of its workforce.
- Employee welfare helps the organization avoid jealousy and fault-finding among the employees and facilitates the development of team spirit and cooperation among them.
- By dispelling the anxieties of the employees about their future through relevant welfare measures, an organization aims to get their complete attention and devotion towards their jobs.

Types of Welfare Measures

The welfare measures undertaken to improve the well-being of the employees can be classified broadly into two categories. These are statutory and non-statutory welfare facilities. When welfare facilities are undertaken as per the requirements of the laws, they are called *statutory facilities*. On the other hand, welfare facilities undertaken voluntarily by the employers, trade unions or by any other voluntary agencies are called *non-statutory welfare facilities*. We shall first discuss the statutory welfare facilities offered by the organizations and then the non-statutory ones.

Statutory Welfare Facilities

These are facilities offered by the organizations in compliance with the central and state government regulations. The central government has enacted several acts to protect the interests of the employees. We shall now see the relevant provisions of the various acts that deal with employee welfare measures.

Factories Act, 1948   The Factories Act of 1948 is a central act enforced by the state governments and is applicable to all the factories engaged in manufacturing activities, including those run by the state and central governments. It is the responsibility of the organization to comply with the provisions of this act. The Factories Act is applicable to the premises where (i) 10 or more workers are employed along with the use of electricity; (ii) 20 or more workers are employed without the use of electricity (Section 2(m)); and (iii) less than 10 workers are employed, but the activity is notified by the state government. The important sections governing employee welfare measures are:

- **Section 7A:** The employers shall ensure the welfare, including health and safety, of the employees.
- **Section 11:** The working place should be kept clean and tidy; there must be daily sweeping of the factory premises.
- **Section 18:** The employers must make suitable and effective arrangement to provide drinking (wholesome) water to the employees.
- **Section 19:** There must be an adequate number of toilet facilities of the prescribed types available and accessible to workers at all times inside the factory.
- **Section 20:** There should be adequate spittoon facilities available within the factory for the employees. These facilities should be kept clean and hygienic.
- **Section 42:** There must be sufficient and proper washing facilities available for the employees within the factories. These should be available separately for male and female employees.
- **Section 43:** The employers should make available facilities for storing and drying of clothes.
- **Section 44:** In case of jobs which require long hours of standing for the employees, the organization should provide sitting facilities for taking the necessary rest.
- **Section 45:** Every factory must have readily accessible first-aid boxes with not less than one for every 150 employees.
- **Section 46:** Canteen facilities must be available in every factory wherein more than 250 persons are employed.

- **Section 47:** A sufficient number of shelters, restrooms and lunch rooms with water facilities must be available in factories where more than 150 persons are employed.

- **Section 48:** Factories with more than 30 women employees must have rooms (crèches) for use by their children of age group of less than 6 years.

- **Section 49:** Factories with 500 or more employees must have an adequate number of welfare officers to supervise employee welfare activities.

- **Section 79:** Employees fulfilling the required conditions must be provided with leave facilities for an appropriate number of days.

- **Section 81:** Advance payment must be made available, if required, to employees, who avail leave for not less than four days.

Contract Labour (Regulation and Abolition) Act, 1970   The provisions of welfare facilities prescribed by the Contract Labour Act, 1970 that deal with employee welfare have been discussed as follows.

- **Section 16:** Contractors employing 100 or more contract employees must provide one or more canteen facilities in the premises.

- **Section 17:** In factories where work-related night-staying by contract employees is necessary, restroom facilities must be provided.

- **Section 18:** The contractor must provide a sufficient number of drinking water, toilet and washing facilities.

- **Section 19:** The contractor must make first-aid facilities quickly accessible available to the contract employees.

Non-Statutory Welfare Facilities

Non-statutory facilities may include the facilities offered by the employers voluntarily and also those created by the employees themselves through their unions and other agencies. As mentioned earlier, these are the facilities provided voluntarily by the employers with the sole intention of improving the general well-being of the employees and to improve their cooperation for the present and future activities of the organization. These facilities are provided by the employers if they are well within the capacity of the organization in terms of time, cost and physical requirements. Some of these facilities would be provided to the employees within the factory premises and the rest outside the premises. However, the objectives of providing such facilities remain the same, irrespective of how, where and when these facilities are provided. We shall now see the important welfare facilities provided by the organizations to their employees.

Transport Facilities   Transport facilities are provided by an organization to carry its employees to and from their homes. For this, the organization may use its own transport vehicles. It may also hire the services of the public transport companies for transporting the employees. These facilities are made available to the employees either free of cost or at a subsidized rate. In fact, the problem of distance is easily overcome with the help of transport facilities. Transport facilities help the employees save time and energy and avoid inconvenience. As far as the organization is concerned, these facilities help it locate its factories in an ideal place without worrying about distance. Some organizations provide vehicle loan facilities and/or petrol allowance to their employees to facilitate them in commuting in their own vehicles.

Housing Facilities   The purpose of offering housing facilities is to improve the standard of living of the employees. Of course, providing houses nearer the workplace enables the employers to get the services of their employees quickly and reliably. The employees can also be punctual in attending to duty. Organizations offer these facilities in two forms: (i) allotting houses to the employees on a rental basis and (ii) sanctioning housing loans to them to buy their own houses or flats. Although there are a few acts which deal with the provision of housing facilities, many organizations provide such facilities voluntarily to their employees.

Education Facilities   Many organizations encourage their employees to pursue their studies in different forms. This may be in the form of skill development through training pro- grammes or sponsoring formal education in external educational institutes. Organizations usually provide reading room facilities, libraries, news bulletins, and literary discussion facil- ities to their employees. Education facilities help the employees execute their career goals and plans with improved skills and knowledge. They enable the employees to participate in the organizational and societal activities. They also facilitate the employees understanding and learning health and safety aspects of the job quickly and effectively.

Education facilities are provided to the children of the employees also in different forms. Organizations may have their own educational institutes to impart quality education to the children of the employees at subsidized rates. Or else, they may provide different forms of educational assistance like scholarships to employees' children to help them pursue their studies successfully.

Recreation Facilities   Recreational facilities, including indoor and outdoor games, music, art, gymnasium and club membership, may also be provided to the employees to keep them physically and mentally strong. Many organizations view sports and games as an effective tool in stress reduction and management. However, an organization should be careful in choosing the games as some forms of games can cause grievous injuries to the employees.

Canteen Facilities   Many organizations provide subsidized food to their employees through canteen facilities. These canteens may be located inside or outside the factory prem- ises. The organizations may directly handle the canteen activities or they may allow a third party to run the canteens on a contract basis. They enable the employees to preserve their health by getting hygienically prepared quality food for a reasonable price. Although there is a statutory requirement for providing canteens inside the factories, the facilities offered by the employers in this regard usually exceed the legal requirements.

Insurance Facilities   Several organizations provide insurance facilities to the employees to cover their medical expenses and to compensate for the loss arising out of the death of the insured employees. The expenses relating to the hospitalization and treatment of employees for accident, sickness and diseases are usually indemnified by the insurance company for the small premium paid by the employers at periodic intervals.

E-Commuting and Flexi-Time Facilities   Modern organizations offer e-commuting facilities that allow the employees to attend to their office duties from their homes. This enables the employees to avoid taxing trips to and from their offices. Similarly, organiza- tions also offer employees flexible timings to complete their job assignments conveniently. Box 14.2 outlines the relevance of employee welfare facilities in organizations.

Box 14.2	Employee Welfare Facilities: ACC Shows the Way

The primary purpose of employee welfare measures is normally two-fold. One, it benefits the employees by providing them improved employee satisfaction, motivation and morale. And two, organizations stand to gain through increased employee efficiency, productivity and performance resulting from the enhanced employee satisfaction and motivation. An organization should, therefore, view employee welfare measures as a future investment. It should continue the basic welfare measures, irrespective of the economic situation and temporary financial setbacks. This is essential to achieve unwavering employee loyalty and involvement. Let us see the welfare measures of ACC Limited.

ACC accords the top-most priority to employee welfare measures. It has several general welfare schemes like education, health care, retirement benefits, loans and financial assistance, and recreation facilities. For instance, ACC Township runs schools where the children of the ACC employees are offered education at subsidized rates. ACC offers various financial assistance to the wards of its employees like merit scholarship, higher educational financial assistance and special scholarship for children staying in hostel away from their parents.

ACC offers assorted medical benefits for its employees and their dependents. It has its own well-equipped health-care centres with qualified medical staff and facilities, ambulances, and referrals and tie-ups with reputed hospitals for specialized treatment. Similarly, it also organizes regular health check-ups, camps and programmes as preventive measures. Its medical benefits include reimbursements towards normal medical treatment, domiciliary treatments, and special sanctions for serious illnesses of the employees and their family members.

There are other welfare facilities too. The employees are provided with furnished or unfurnished accommodation, free electricity, free water supply and free bus facility for nearby places and schools as per their entitlements and location.

Adapted from: http://www.acclimited.com/newsite/hr.asp.

On the basis of the nature and location of the welfare facilities offered by the employers, these facilities can further be classified into intra-mural facilities and extra-mural facilities. We shall now see these facilities in a little detail.

Intra-Mural Facilities   Intra-mural facilities refer to the welfare facilities which are made available to the employees within the factory premises. The examples of intra-mural activities are (i) drinking water facilities, (ii) washing facilities, (iii) latrines and urinals, (iv) bathing facilities, (v) canteen facilities, (vi) first aid and medical facilities, (vii) restrooms, (viii) crèches, (ix) protective clothes and raincoat, (x) reading room facilities, (xi) e-commuting, and (xii) flexi hours.

Extra-Mural Facilities   The facilities provided by the employers outside the factory premises are usually called extra-mural facilities. These facilities may include, among others, (i) insurance facilities, (ii) transport facilities, (iii) games and sports, (iv) education facilities for the employees' children, (v) housing facilities, (vi) guest-room facilities, (vii) club membership, (viii) leave travel concessions (LTC), (ix) cooperative societies, and (x) maternity benefits.

Employee Welfare Responsibility

In India, the responsibility for employee welfare facilities rests not only with the employers but also with the central and state governments, trade unions and other voluntary agencies. We shall now see the role of different agencies in relation to employee welfare facilities.

Employers

Employers have the first and direct responsibility to provide welfare facilities to the employees. Their active involvement in the employee welfare facilities is crucial to the success of the welfare programmes. They usually provide these facilities to attract and retain the talented employees. In fact, the welfare of the employees is one of the comprehensive responsibilities of the employers. It should not be confined only to Welfare Associations, death donations and similar activities; rather, it must move from a working environment focus to the employees' living conditions.[6] The employee welfare facilities are usually divided into statutory, voluntary and mutual facilities. Employers provide certain welfare facilities in conformity with the provisions of the relevant laws in practice. In addition to the statutory requirements, the employers may also offer certain facilities voluntarily to improve the well-being and motivational levels of the employees. Organizations usually appoint labour welfare officers to supervise the welfare activities carried out in the organization.

Central Government

The central government is empowered to make rules to protect the health, safety and welfare of the employees working in factory premises. It enacts and amends laws from time to time to ensure that the employees are provided with the basic welfare facilities in their work spot. The laws that govern the welfare facilities are the Factories Act, 1948; the Contract Labour (Regulation and Abolition) Act, 1970; the Employees' State Insurance Act, 1948; the Mines Act, 1952; the Motor Transport Workers Act, 1961; and the Plantation Labour Act, 1951. These laws provide for facilities like washing facilities, canteen facilities, crèche, restrooms, first-aid facilities, and leave with wage facilities. Besides, the central government may offer welfare facilities for its employees directly. For instance, the central government employee welfare housing organization offers housing schemes to the employees of the central government.

State Government

The state governments are normally the enforcing authority for the laws enacted by the central government from time to time. They can also create their own laws to regulate the conditions of employment and protect the welfare of the employees working in various employments. Some of the central acts enforced by the state governments are the Beedi and Cigar Workers (Conditions of Employment) Act, 1966 and Rules, 1968; the Cine-Workers and Cinema Theatre Workers (Regulation of Employment) Act, 1981 and Rules, 1984, the Contract Labour (Regulation and Abolition) Act 1970 and Rules, 1975; the Motor Transport Workers Act, 1961 and Rules, 1965; the Plantation Labour Act, 1951 and Rules, 1955; the Sales Promotion Employees (Conditions of Service) Act, 1976; and the Working Journalists and Other Newspaper Employees (Conditions of Service and Miscellaneous Provisions) Act, 1955. The state governments and union territories may also offer welfare facilities in the form of hospitals, educational centres, vocational guidance, and training centres exclusively for their employees.

Trade Unions

In recent times, trade unions have taken an active role in offering welfare facilities to the employees in order to improve their well-being. In a few organizations, the unions, as

representatives of the employees, undertake employee welfare activities to improve the health and safety of their members. These facilities may be offered by the unions independently or in collaboration with the employers. For instance, some railway unions have their own engineering colleges to help the children of the members of those unions to study engineering at an affordable cost. Some unions also undertake social activities, form cooperative societies, and provide legal and psychological counselling and hospital facilities.

Theories of Employee Welfare

The history of employee welfare activities has witnessed the emergence of several theories during different periods of time. In each period of time, a specific approach was dominant and, based on that approach, a new theory was developed. Each theory reflects the belief held by the employers about their employees at that point of time. In the initial stage of the Industrial Revolution, the employers had a highly negative attitude about their workforce. This was reflected in their approach towards the employees and also in the welfare facilities offered to them. Over a period of time, the employers began to refine their attitude and behaviour regarding the employees and the role of welfare facilities. In fact, research in human and organizational behaviours like the Hawthorne studies facilitated a better understanding of the importance of people in the organization. They also helped the employers realize the need for welfare facilities in motivating and retaining the employees.

Defying the prevailing practices of the time, some of the employers adopted a novel and humane approach towards their employees and this got reflected in the welfare facilities they offered to their employees. An outstanding example of this was Robert Owen (1771–1858), an industrialist and philanthropist who offered education and other welfare facilities to his employees as early as 1812–17. Just about this period, Owen set up a model factory and also a model village for the employees of his textile factory New Lanark Mills. The workers at New Lanark were successfully persuaded to follow new living, working, sanitary and educational standards. Owen provided rewards for the employees who exhibited cleanliness and good behaviour in the factory premises. These measures were aimed at keeping the factory clean and hygienic. For the individual employees, Owen offered decent houses, sanitation, and shops for a decent living. Differing from the widespread practice of the time, he prohibited the employment of children below the age of ten in his factory. Finally, Owen used his influence among the workers to instil in them the values and virtues of thrift, personal hygiene, and order in life.

In India, eminent personalities like Jamsetji Tata and Ardeshir Godrej provided several welfare facilities to the employees at a time when the concept of welfare facilities was yet to take roots in the country. However, these were exceptional cases. The majority of the employers followed the prevailing practices of their time in determining welfare facilities. Based on the attitude of the employers towards employee welfare schemes, a few theories have been developed (see Figure 14.1). These are (i) the policing theory, (ii) the religious theory, (iii) the benevolence theory, (iv) the appeasement theory, (v) the goodwill theory and (vi) the efficiency theory.

Policing Theory

This theory is based on the employers' negative approach towards their employees. As per this theory, in the absence of statutory requirements, the employers may not provide even basic facilities like drinking water, latrines and urinals, and even emergency facilities within
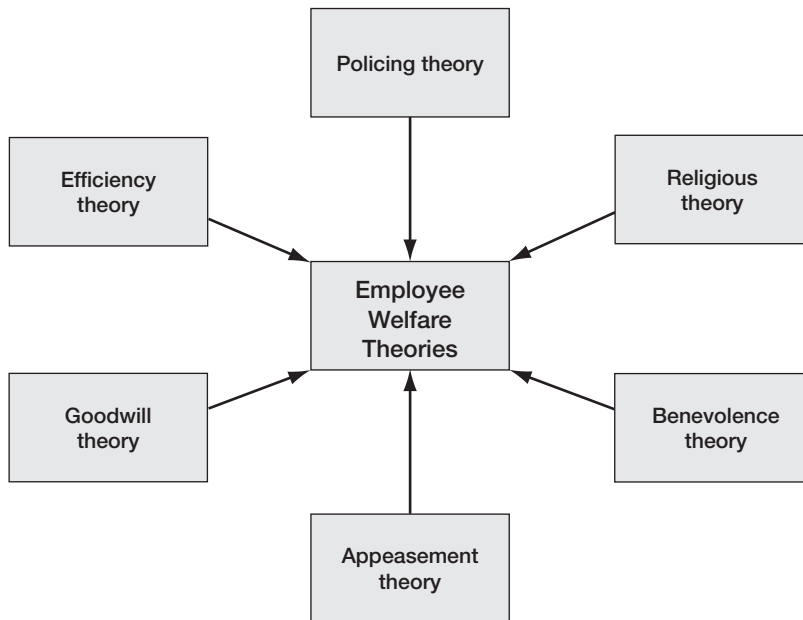
Figure 14.1

The Employee Welfare Theories

the organization. Similarly, the employees would be forced to work for unreasonably long hours. This kind of situation prevailed during the Industrial Revolution era as the employees were made to remain in the factory for more than 12 hours. This theory warrants an active intervention and policing by the government in the affairs of the organization. In fact, the employers' inhumane attitudes provoked the state to bring in several legislative measures to protect the interests of the employees in the organizations. As far as India is concerned, the government introduced several specific provisions in the relevant laws to make it mandatory for the employers to provide certain basic welfare facilities. For instance, Sections 11, 18, 19, 20, 42 and 43 of the Factories Act, 1948, and Sections 16–19 of the Contract Labour (Regulation and Abolition) Act, 1970 are the specific sections which made it compulsory for the employers to provide basic necessities to the employees.

Religious Theory

Religion provided another dimension to the concept of labour welfare. The religious theory viewed the relationship among God, service and labour from different perspectives and concluded that faith in God and religion influenced the behaviour of employers in deciding the employee welfare measures. This theory is based on the assumption that *Service to the poor is service to God*. As such, this theory proclaims that helping the employees in any form is a noble act, and the money spent on them would be an investment and not a mere expense. According to the employers who agreed with this theory, such an investment on employee welfare would multiply and return to them in some other forms. This theory influenced the employers to act on their own to provide such facilities as food at subsidized rates, festival allowances, gifts in cash or kind to the employees, crèche and education facilities to the children of the employees.

Benevolence Theory

An inclination to do something good for others can also influence the employers to undertake welfare facilities. Influenced by charity motives, employers provided welfare facilities like housing facilities, canteen facilities, hygienic work environment and educational facilities to the employees. A philanthropic attitude also influenced the employers to relax the recruitment policies to accommodate a larger number of physically challenged persons and to provide special welfare facilities like a ramp for them.

Appeasement Theory

Appeasement refers to settlement through compromises. It means making peace with the employees by fulfilling all their needs without any resistance. Obviously, welfare facilities would be provided to the employees on the basis of their requirements with the intentions of keeping them happy and the organization peaceful. Organizations with a strong presence of trade unions may try this theory to ensure smooth labour–management relationship. Provision of well-furnished rooms for the unions, quality food for the employees, liberal leave and credit facilities, and privileged travelling facilities like passes (free tickets) for transport for the employees are some of the facilities that are provided to appease the employees and their trade unions.

Goodwill Theory

As per this theory, the aim of the employers providing welfare facilities is to earn the goodwill of the employees. As such, the employers have no intention other than gaining the confidence and cooperation of the employees through welfare facilities. For instance, the employers may deliberately sell the eatables in the canteen for less than their cost price with the intention of creating a positive image among the employees.

Efficiency Theory

This theory remains valid for all times as employers, directly or indirectly, link the welfare facilities with productivity and performance. They expect to achieve improved efficiency through welfare facilities, and such expectations influence them to provide adequate welfare facilities to the employees. In a nutshell, the employers create a positive and enabling environment through welfare facilities in order to achieve optimum efficiency.

Merits of Welfare Measures

Employee welfare schemes are closely associated with the factory form of organizations. In fact, the pathetic conditions of the employees in the factories during the industrial revolution era influenced a few individual employers to undertake a few basic welfare measures on their own initiatives. These facilities gradually grew in number and today, organizations are providing full-fledged facilities to their workforce after realizing its importance as an efficient tool in human resource management. We shall now see the merits of employee welfare facilities.

High Employee Retention

Welfare facilities enable an organization to create a positive environment for its employees, which, in turn, creates high job satisfaction among them. In the absence of any serious dissatisfaction,

the employees may not feel the need for quitting the organization and remain with it for long time. Thus, employee welfare facilities reduce labour turnover and improve employee retention.

Improve Productivity and Efficiency

Happy employees are productive employees is a dictum and employee welfare measures are a step in this direction. In fact, welfare facilities enable an organization to improve the involvement and commitment of its employees by fulfilling their needs and keeping them satisfied. Understandably, high involvement and commitment leads to increased productivity and efficiency.

Better Focus on Job

Employees are often distracted by their personal problems like the non-availability of proper accommodation, education facility for children and crèche for their younger ones. Similarly, they are weighed down by everyday problems like the non-availability of quality food at affordable prices and commutation facilities. Once these problems are taken care of by the employers, the employees would be able to focus completely on their profession and achieve performance standards.

Preserve Physical and Mental Health

Health care and insurance facilities enable the employees to attend to their health problems properly without bothering about the cost unduly. Periodic medical checkups undertaken by the organization facilitate early diagnosis of the employees' health problems and attending to them promptly and properly. The presence of gyms, games and sports facilities helps the employees actively in several ways like in stress reduction and management and also in keeping the body and mind sound.

Improve the Standard of Living

By providing facilities like housing, education, cooperative stores and loans, organizations help the employees improve their standard of living and comforts of life over a period of time.

Cordiality in Labour–Management Relations

An important prerequisite for effective goal accomplishment is the presence of warmth in the employer–employee relationship. In fact, the smoothness in industrial relations is an index of the level of cooperation existing between the management and the workers. Employee welfare facilities certainly help the organization in developing mutual trust and harmony in the labour–management relations and in ensuring effective goal accomplishment.

Limitations of Welfare Measures

Though employee welfare facilities have several merits, they also have a few major defects. These have been explained below.

High Labour Cost

Since employee welfare facilities are made available to all the employees without any discrimination, they impose a major financial burden on the organization. Invariably, they push up the labour cost and the total cost of production.

Absence of Measurement Tool

As employee welfare facilities are not linked to the performance or productivity of the employees directly, it is difficult to measure their efficiency in achieving the intended goals. The management may hesitate to spend too much money on these facilities without knowing their actual effect on the performance.

Lack of Justification for Expenditure

Sometimes, neither the organizations nor the employees are able to justify the spending of a huge amount on welfare facilities since these may benefit only a few employees. For instance, a recreation centre constructed for the employees may eventually be used only by a handful of them. The situation may become even worse when the primary needs of the majority are something else.

Risk of Executing Statutory Welfare Facilities under Duress

Sometimes, an organization may be financially too weak to execute the welfare facilities as required by the provisions of law. Despite this, if it is compelled to provide such facilities just to fulfil the statutory requirements, its financial position may be further weakened, posing a threat to the very survival of the organization.

Social Security

Social security is one of the principal components of employee welfare schemes. It is indeed an economic protection provided to the employees and their dependents by the government through a series of programmes. This protection is usually available to the employees against a loss of earnings caused by old age, sickness, unemployment, disability and death. The driving force behind social security measures is to safeguard the employees against all forms of social risks that affect the employees' ability to fulfil their basic requirements. The purpose of providing such security is to help the employees and their dependents lead a dignified life in any situation and achieve social justice and equality.

Social security to the employees was by and large ensured through legislations passed by the central and state authorities. In fact, the first social security act was passed in the United States in 1934 as part of social reforms to protect the life of workers and their families against all forms of misfortunes that cannot be eliminated from the world totally. In fact, the agonies of the workers the world over during the economic crisis of the Great Depression was an immediate reason for the development of a social security net for the employees.

Further, the quest for establishing socio-economic equality acted as a driving force for many countries to bring in appropriate legislative measures to offer social security to the employees. In India, social security is included in the Constitution under the Directive Principles of the State Policy. The need for social security to the employees has been recognized duly by the United Nations in its Universal Declaration of Human Rights, 1948,[7] which has specific articles that deal with the relevance and importance of the social security of the employees and their dependents. These are:

- **Article 22:** Everyone, as a member of society, has the right to social security and is entitled to realization, through national effort and international co-operation and in accordance with the organization and resources of each state, of the economic, social and cultural rights indispensable for his dignity and the free development of his personality.

- **Article 23:** Everyone who works has the right to just and favourable remuneration ensuring for himself and his family an existence worthy of human dignity, and supplemented, if necessary, by other means of social protection.

- **Article 25:** Everyone has the right to a standard of living adequate for the health and well-being of himself and of his family, including food, clothing, housing and medical care and necessary social services, and the right to security in the event of unemployment, sickness, disability, widowhood, old age or other lack of livelihood in circumstances beyond his control.

Providing financial assistance to the employees and their dependents during crisis situations is the primary motive behind social security. This aspect has been mentioned in many of the definitions of social security that are listed in Box 14.3.

Features of Social Security

We shall now see the features of social security based on these definitions.

- In general, social security is provided by the state authorities through the appropriate policy and legislative measures.

- It is usually administered by a public or semi-public autonomous body founded by legislation.

- Social security makes it compulsory for the organization to protect not only the employees but also their dependents through financial security.

- Broadly, social security looks to provide better healthcare facilities and income security to the employees during a crisis.

- Social security schemes normally cover and compensate events like (1) old age, (2) death, (3) invalidity, (4) employment injury, (5) sickness and health crisis, (6) unemployment, (7) reduction in earnings, and (8) maternity.

- Social security attempts to ensure justice and equality for all the members of the society and to help them lead a dignified life.

- It endeavours to ensure a minimum standard of living to all the employees, irrespective of their levels of earnings.

- It is normally provided in cash to the beneficiaries to compensate for the loss arising out of specific contingencies.

Box 14.3	Definitions

"Social security is defined as a series of connected programmes, each with its own set of rules and payment of schedules. All the programmes have one thing in common: benefits are paid—to a retired or disabled worker, or to the worker's dependent or surviving family—based on the worker's average wages, salary, or self-employment income from work covered by social security."[8]

— J. L. Matthews

"Social security is the protection which society provides for its members through a series of public measures, against the economic and social distress that otherwise would be caused by the stoppage or substantial reduction of earnings resulting from sickness, maternity, employment injury, unemployment, invalidity, old age, and death."[9]

—ILO

Classification of Social Security Benefits

The social security benefits offered by state authorities through employers and other appropriate agencies can be classified into two categories: (i) medical and compensation facilities and (ii) retirement benefits. We shall now discuss these facilities briefly.

Medical and Compensation Facilities   Medical and compensation facilities in social security benefits include insurance facilities, healthcare facilities and compensation benefits. Insurance facilities are actually preventive measures undertaken to protect the employees from the likely financial loss arising out of a possible health crisis. Medical and health-care facilities aim at the prevention and management of diseases. The intent of compensation facilities is to compensate the financial loss arising out of the occurrence of unforeseen events like death, disability and other employment injury. The Workmen's Compensation Act, 1923; the Employees' State Insurance Act, 1948; and the Maternity Benefit Act, 1961 provide medical and compensation facilities to the employees and their dependents.

Retirement Benefits   The purpose of providing retirement facilities is to protect the employees from economic miseries arising out of events like old age and unemployment. These benefits also preserve the standard of living and the dignity of life of the retired employees and the dependents of the deceased or retired employees. Retirement facilities in social security include Provident Fund and Gratuity Fund. The Employees' Provident Funds and Miscellaneous Provisions Act, 1952 and the Payment of Gratuity Act, 1972 deal with retirement benefits.

Social Security Schemes in India

As far as India is concerned, ensuring social security for the employees has become an important responsibility of the central government. Thus, the government enacts appropriate legislations and develops a proper system to administer various schemes to protect the interests of the employees. The Government of India has vested the responsibility of social security with the Ministry of Labour and Employment. This ministry is in charge of development and administration of social security schemes. Over a period of time, the government has enacted several legislative measures to protect the interests of the employees. Of these, there are five legislations which impact the development and maintenance of social security schemes directly: the Employees' State Insurance Act, 1948; the Employees' Provident Funds and Miscellaneous Provisions Act, 1952; including the Employees' Deposit Linked Insurance Scheme, 1976; and the Employees' Pension Scheme, 1995; the Workmen's Compensation Act, 1923; the Maternity Benefit Act, 1961; and the Payment of Gratuity Act, 1972. We shall now discuss in detail the relevance and implications of these acts in ensuring social security.

Employees' State Insurance Act (ESI), 1948   The purpose of this act is to offer certain benefits like medical care and cash benefits to employees in factories at times of sickness, maternity and employment injury.

Coverage—It is applicable to all factories employing 20 or more employees located anywhere in the whole of India. Normally, this act is implemented on an area-wise basis in a phased manner.

Administration—This act is administered by the Employees' State Insurance Corporation (ESIC). This corporation has members representing central and state governments, the

medical profession, Parliament, employers and employees. The union minister of labour and employment is its *ex officio* chairman. It has 248 inspection offices for conducting inspection in the factories.

Funding of the schemes—The schemes in ESI are financed through contributions from employers, employees and the state government. The rate of employer contribution is 4.75 per cent while the employees' contribution is 1.75 per cent. The state government contributes 12.5 per cent as its share to meet the expenditure on the provisions of medical care. The contributions collected from these parties are usually kept as investment in the special deposit account with the central government and also with the nationalized banks and financial institutions as fixed deposits.

Operation of the scheme—The employees insured under the ESI Act are eligible to get the following benefits for themselves and their dependents:

Medical benefits—Under the medical scheme, the employee is entitled to get treatment ranging from primary healthcare centre to even specialty treatment. The medical benefit provided is usually classified into three categories: (i) restricted medical care in which the employee is treated as an outpatient of a dispensary or clinic; (ii) expanded medical care in which the employee is eligible to get treatment from a specialist; and (ii) complete medical care in which hospitalization is allowed for the employee.

Sickness benefits—Under the sickness benefit scheme, a sick employee gets half of his average daily wage as sickness benefit for a maximum period of 91 days. Thus, this scheme provides for periodic payments to any insured person in case of his sickness being certified by a duly appointed medical practitioner.

Maternity benefits—Under the maternity benefit scheme, the insured woman is eligible to get periodic payments in case of confinement, miscarriage or sickness arising out of pregnancy confinement, premature birth of child or miscarriage, for a period of 12 months, of which a maximum of six months should precede the expected date of confinement.

Disablement benefits—Under this scheme, the insured employee is eligible to get disablement benefits for the employment injury sustained by an employee which lasts for not less than three years. In case of permanent disability, the employee is eligible for life-long benefits. This scheme also includes periodic payment to the dependents of the employee who dies out of employment injuries.

Funeral benefits—Under this scheme, the eldest surviving member of the family of the deceased employee is eligible to get reimbursement for the expenditure incurred towards the funeral of the deceased employee. However, the amount must be obtained within three months.

Maternity Benefit Act, 1961   The purpose of this act is to regulate the employment of women in certain establishments for certain specified periods before and after childbirth. This act disallows the working of pregnant women during a specific period. It also provides for maternity and certain other benefits.

Coverage—This act is applicable to the whole of India and is applied to the factories, mines, plantations and other establishments.

Operation—Under this scheme, the woman employee is eligible to get maternity benefits at the rate of the average daily wage, for the period of her actual absence and any period preceding the date of delivery, which includes the actual date of delivery. Further, the woman is also entitled to get a medical benefit of Rs 250 per day if the employer is not providing free medical treatment. However, the woman is entitled to maternity benefit only if she has actually worked in the place of the employer for a period of not less then 80 days in the 12 months immediately preceding the date of her expected delivery.

Payment of Gratuity Act, 1972   This scheme provides for payment of gratuity to employees in establishments in which more than 10 persons are employed or were employed on any day of the preceding 12 months. However, the central government is empowered to extend this act to any other establishment.

Coverage—This act covers all the employees engaged in factories, mines, oilfields, plantations, ports, railway companies, shops and other establishments. It is enforced by both central and state governments.

Operation—Gratuity is usually payable to employees (other than apprentices) who put in five years of continuous service and are covered under this scheme in the event of death, retirement or disability. Usually, the gratuity is payable to the employees at the rate of 15 days' wage for every completed year of service, subject to a maximum of Rs 350,000 or 20 months' wages, whichever is less. In case of death of an employee, the gratuity is payable either to the nominee or, in the absence of nominees, to the legal heir.

Workmen's Compensation Act, 1923   This act provides for payment of compensation to employees for injury by accident. Under this act, the employer is under an obligation to compensate the employees for the personal injury suffered during the course of employment.

Coverage—This act is applicable to the whole of India. It covers all employees working in railways, factories, mines, plantations, mechanically propelled vehicles, loading and unloading work on a ship, construction, maintenance and repairs of roads and bridges, electricity generation, cinemas, circus, and other hazardous occupations as per schedule-II of this act. Under Section 2(3) of this act, the state government is empowered to extend this act to any other occupation which it deems fit.

Operation—In the event of death of the employee resulting from employment injury, the employer is obliged to pay an amount equal to 50 per cent of the monthly wages of the expired employee multiplied by an appropriate factor; or an amount of 80 thousand rupees, whichever is more.

In the event of permanent disability suffered by the employees from employment injury, the employer is obliged to pay an amount equal to 60 per cent of the monthly wages of the injured workman multiplied by an appropriate factor, or an amount of 90 thousand rupees, whichever is more. This act also considers pre-specified occupational disease suffered by an employee as employment injury. However, the employers need not pay any compensation for any disability which does not continue for more than three days. Similarly, the employer is not liable for payment of any compensation in case the injury is suffered due to wilful negligence or disobedience by the employee or wilful removal of safety devices by him or if the employee was under the influence of alcohol.

Employees' Provident Funds and Miscellaneous Provisions Act, 1952   This act provides for establishment of provident funds, family pension funds and deposit-linked insurance funds for employees working in factories. The purpose of this act is to protect the standard of living of the employees and/or their dependents in the event of old age, disablement and death. Three schemes are covered under this act: Provident Fund Scheme, 1952, Employees' Deposit Linked Insurance Scheme, 1976 and Employees' Pension Scheme, 1995.

Coverage—The act covers the whole of India, excluding the state of Jammu and Kashmir. It is applicable to all factories in specific industries employing more than 20 employees. The membership of this fund is compulsory for all the employees drawing a salary which is not more than Rs 4,500 per month. However, this act does not apply to the employees of Central or State or local government. Similarly, it is not applicable to cooperative societies employing less than 50 persons. It is also not applicable to any establishment which is less than three years from the date of establishment.

Provident Fund Scheme, 1952   Under the Provident Fund Scheme, 1952, each employee should contribute a specified amount from his salary to the provident fund (PF) account and the employer will contribute an equivalent amount towards that fund. The entire contribution should be deposited with the PF account administered by the PF Commissioner. The PF amount carries a specific interest which is decided by the Central board of trustees comprising employers, employees and the government. The PF subscriber is eligible for advance from the account from time to time. However, permanent withdrawal from the fund is allowed only after completing 15 years of service. In case of resignation, retirement or death of employees, the entire balance along with interest would be returned to the account holders or to their legal heir.

Employees' Deposit Linked Insurance Scheme, 1976   The Employees' Deposit Linked Insurance Scheme came into force in 1976. It applies to employees of all factories and establishments in India, except for those of tea estates in Assam, where certain provisions of this act are not applicable.

Operation—All the employees who are the subscribers of the PF scheme would become the members of the Employees' Deposit Linked Insurance Scheme. Employers should contribute 0.5 per cent of the basic pay of employees as their contribution to the scheme subject to a ceiling of Rs. 6,500 per month. The basic pay of an employee would include the basic salary, dearness allowance, retaining allowance, and the value of food concession, if any. Under this scheme, the deceased employee's legal heir would be entitled to an amount which is equal to the average balance in the employee's account during the preceding 12 months or during the period of his membership, whichever is less. However, when the average balance exceeds Rs 35,000, the amount payable shall be Rs 35,000 plus 25 per cent of the amount in excess of Rs 35,000, subject to a maximum of Rs 65,000.

Employees' Pension Scheme, 1995   The purpose of this scheme is to provide long-term financial sustenance to the employees. This scheme came into existence as a replacement for the earlier scheme called the Family Pension Scheme of 1971. It is compulsory for all the members of the PF scheme. No separate contribution is required from the employees for this scheme and the contribution to the PF scheme is sufficient for this scheme. The contributions to PF scheme are partially diverted to the employee pension

scheme. The central government contributes at the rate of 1.16 per cent of the total wages at the end of the year. Out of the employer's share of Provident Fund contributions, 8.33% of the total wages, limited to Rs. 6500 per month, is segregated and credited to the Employees' Pension Fund .

Operation— The employees who are the members of this scheme would in normal circumstances start getting their pension from 58 years onwards. They would also get pension for permanent invalidation. Besides, they are eligible to get early pension once they complete 10 years of pensionable service, but at a reduced rate. Basically, pensions are classified into superannuation pension, early pension and family pension for dependents. The beneficiaries are the spouse, children or, in the event of the employee remaining unmarried or without eligible family members, nominees.

Issues Faced by Social Security Schemes

Social security schemes contribute immensely to maintaining the standard of living of employees and their dependents as these schemes protect them from all possible crises in life including death and permanent invalidation. They enable the employees to focus on the job completely without any anxiety about their future. With the active involvement of the government, the role and responsibility of the employers also gets reduced to that of a contributor and not an administrator. However, in practice, this scheme faces a lot of challenges, most of which remain beyond the control of the administrators of the schemes. These challenges are:

Longer Life Span of Employees   The major challenge affecting the viability of the social security schemes in India is the increasing life span of the employees, particularly the pensioners. Innovations in the field of medicine have gradually raised the average living age of the people. This has put a lot of strain on the resources of the social security schemes as they now have to provide financial sustenance for a longer period of time. As retirement and pension schemes are non-productivity expenses, the administrators of the social security schemes find it difficult to make available necessary resources to continue the schemes. Obviously, the government is forced to shift the burden on the present employees and also on the tax-paying public.

Rising Cost of Living   The growing cost of living compels the administrators of the social security schemes to periodically revise the benefits payable to the subscribers of the scheme. Whenever there is an increase in the cost of living, there is a demand for increase in the rate of interest payable to the subscribers. In such a situation, the administrators have to augment the resources available to the scheme to meet the additional commitment, and this is normally a difficult task.

Population Explosion   The increase in population necessitates the creation of more jobs in the society, which, in turn, requires the employment of more people in these jobs. All these developments lead to an expansion in the subscriber base of the social security schemes. This situation warrants increased financial support from the central government and other agencies for the maintenance of the schemes.

Union Attitude   Although the rate of interest payable on the social security schemes is decided on the basis of the cost of living, it is very difficult to reduce the rate of interest on the PF and gratuity funds due to strong opposition from the trade unions. This is due to the strong presence of trade unions in the country and their influence on politics.

Summary

1. Employee welfare means the facilities provided to the employees in addition to the statutory requirements and with the intention of enhancing the general well-being of the employees.

2. Welfare measures can be classified into statutory and non-statutory welfare facilities. Welfare facilities provided as per the requirements of the laws are called statutory facilities. Welfare facilities other than the statutory welfare facilities are called non-statutory welfare facilities.

3. Non-statutory welfare facilities include transport, housing, education, recreation, canteen, insurance, e-commuting and flexi-time facilities.

4. The responsibility for employee welfare rests with employers, central and state governments, trade unions and other voluntary agencies.

5. Based on the attitude of the employers towards employee welfare schemes, theories on employee welfare are classified into (i) the policing theory, (ii) the religious theory, (iii) the philanthropic theory, (iv) the appeasement theory, (v) the goodwill theory and (vi) the efficiency theory.

6. The merits of employee welfare measures are: high employee retention, improvement in productivity and efficiency, better focus on the job, preserving physical and mental health, improving the standard of living, and cordiality in labour–management relations.

7. The limitations of employee welfare measures are high labour cost, the absence of measurement tool, lack of justification for expenditure, and the risk of executing statutory welfare facilities under duress.

8. Social security is defined as a series of connected programmes, each with its own set of rules and payment schedules.

9. Social security benefits are broadly classified into medical and compensation facilities, and retirement benefits.

10. The various social security acts in India include the Employees' State Insurance Act, 1948; the Employees' Provident Funds and Miscellaneous Provisions Act, 1952; including the Employees' Deposit Linked Insurance Scheme, 1976; and the Employees' Pension Scheme, 1995; the Workmen's Compensation Act, 1923; the Maternity Benefit Act,1961; and the Payment of Gratuity Act, 1972.

Review Questions

Essay-type questions

1. Evaluate the various types of employee welfare schemes with examples.

2. Describe the role of different agencies in employee welfare schemes.

3. Discuss the theories on employee welfare with suitable examples.

4. Examine the merits and limitations of employee welfare.

5. Evaluate the relevance of the Employees' State Insurance Act (ESI), 1948 in the maintenance of social security critically.

6. Examine the contribution of the Employees' Provident Funds and Miscellaneous Provisions Act, 1952 to social security.

7. Evaluate the challenges facing the social security schemes and substantiate your evaluation with relevant examples critically.

Notes

1. Arthur James Todd, *Industry and Society: A Sociological Appraisal of Modern Industrialism* (New York: Holt, Rinehart and Winston, 1933), p. 250.

2. N. M. Joshi, *Trade Union Movement in India*, Bombay, 1927, p. 26 referred by Vinayak Chaturvedi

(ed.), *Mapping Subaltern Studies and the Postcolonial* (London: Verso, 2000), pp. 50–51.

3. "Report on the Provision of Facilities for the Promotion of Workers' Welfare," ILO, (Asian Regional Conference, 1950), p. 3.

4. "Report of the Labour Investigation Committee," Main Report, 1946, pp. 336–345.

5. Deakin University, Faculty of Commerce, Open Campus Program, Institute of Distance Education, *Industrial Relations*, (Delhi: Tata McGraw-Hill, 1992), p. 244.

6. "Labour Issues in the Textile and Clothing Industry: A Sri Lankan Perspective— Part 5," Workshop Background Paper, International Labour Organization (ILO); available at http://www.ilo.org/public/english/dialogue/sector/papers/tclabor/tclabor5.htm.

7. United Nations Universal Declaration of Human Rights, 10 December 1948; available at http://www.un.org/Overview/rights.html.

8. Joseph Matthews, Dorothy Matthews Berman and J. L. Matthews, *Social Security, Medicare & Government Pensions: Get the Most Out of Your Retirement and Medical Benefits* (Berkeley, CA: Nolo, 2008), pp. 16–17.

9. International Labour Organization: "Approaches to Social Security: An Introductory Survey," 1942, p. 80.

15 Workers' Participation and Empowerment

CHAPTER OBJECTIVES

After reading this chapter, you should be able to:

1 Enumerate the objectives, features and levels of workers' participation in management

2 List the essential prerequisites for an effective workers' participation in management

3 Explain the obstacles faced by effective workers' participation in management

4 List the steps in the employee empowerment process

5 Explain the importance of employee empowerment

6 Understand the barriers to employee empowerment

Western Coalfield Limited is one of the subsidiaries of Coal India limited and is classified as a mini-*ratna* category-one public sector company in the coal industry. It has a workforce of over 66,000 employees and accounted for nearly 9.5 per cent of the total coal production in the country during 2007–08. It keeps all-round employee welfare measures as one of its mission.

As a unique practice, the company prepares a revenue welfare budget every year to provide welfare facilities to the employees. This budget focuses, among others, on medical services, school and education, residential or colony maintenance, upkeep, sports, recreation and cultural activities, *Mahila Mandal*, water supply, canteen, and community development. The welfare activities of the company are monitored by a welfare board comprising representatives from different unions and management. Besides, welfare committees are established on similar lines at the local levels for suitably monitoring and smoothly executing the welfare plans of

the company. In addition, the company also has a steering committee at the top level of the organization comprising senior leaders of central trade unions and management representatives.

The company conducts a unique programme called *samanvay sammelan* (community gatherings) to popularize the concept of participative management in the organization. These meetings are conducted every year and 100 delegates from different areas participate and deliberate on the rationalization of manpower, the gainful engagement of employees and the ways to improve production, productivity and safety. In the course of the deliberations, both the problem and the solution are identified, and the participants accept the responsibility for the implementation of the decisions.

These practices illustrate the relevance of workers' participation and employee empowerment for effective management and we shall discuss various aspects of these in detail in this chapter.

Introduction

Workers' participation in management (WPM) is an attempt to make use of workers' creativity and skill in the managerial decision-making process. It helps in improving the efficiency, quality and competitiveness of the organization. The workers can understand the problems of the organization better and play their role in solving its problems. Their participation may involve periodic meetings of a committee comprising the employees or their representatives and management. They may review matters relating to production, safety, health, welfare, environment, and employee motivation. An organization may constitute participative forums at its different levels. For instance, it may constitute an apex committee at the organizational level. Additionally, it may constitute committees at lower levels like those of the shop floor and plant.

The Constitution of India favours WPM strongly as Section 43A of the Constitution stipulates that "the State shall take steps, by suitable legislation or in any other way, to secure the participation of workers in the management of undertakings, establishments or other organizations engaged in any industry." Similarly, the Industrial Disputes Act of 1947 speaks about the constitution of works committees in organizations and the Fifteenth Indian Labour Conference in 1957 refers to the formation of joint management councils. In fact, the concept of WPM has become so useful for the organizations that they no longer discuss about its relevance (whether required or not) but only about its implementation (how).[1] Box 15.1 lists some of the definitions of the term *workers' participation*.

We may define workers' participation in management as a practice that facilitates workers' contribution and influence in the decisions of the organization at various levels.

Features of WPM

Based on these definitions, the following features of WPM have been derived:

Formal Involvement of Members

WPM involves official and proper involvement of workers in the managerial activity.

Participation in Decision Making

Participation in management actually refers to involving the employees in the decision-making process that usually affects them. Participative decision involves deciding the future course of action in consultation with the employees.

Box 15.1	Definitions

"Workers' participation in management is defined as organized 'non-doing activity' or more specifically, as managing activity carried on by blue-collar workers in conjunction with management."[2]
— Richard D. Rosenberg and Eliezer Rosenstein

"Workers' participation is described as the influence in decision making exerted through (the) process of interaction between workers and managers and based upon information sharing."[3]
— T. D. Wall and J. A. Lischeron

"Workers' participation in management refers to those processes whereby subordinates are able to display an upward exertion and control."[4]
— David Guest

Consequence Sharing

When employees participate in the decision-making process, it means that they agree to bear the consequence of the decision reached in the participative management jointly.

Application of Upward Control

The concept of WPM is a process of allowing the employees exert upward control over the actions of the organization.

Joint and Continuous Process

WPM is a not a one-time activity but a continuous process whereby the employees or their representatives and the management take a decision jointly on a sustained basis. Unlike collective bargaining, participative management operates inside the organization and avoids the subjects normally covered by the collective bargaining process.

Objectives of WPM

The primary objective of WPM is to broaden the decision-making process of the organization by including the employees or their representatives in that process. Several other objectives are also served by participative management. We shall now see these objectives.

Greater Employee Satisfaction

Participative management aims at enhancing the satisfaction of the employees by fulfilling their desire for participation in the decision-making process, especially on the matters affecting them.

Greater Responsibility

Making the employees accept a greater responsibility for the decisions of the organization is another objective of participative management. The aim of the organization is to improve the involvement of the employees in its affairs.

Enhanced Cooperation

WPM strives to achieve mutually beneficial cooperation between the employees and the management in improving organizational efficiency and employee productivity. It also aims at achieving cordiality in labour–management relations prevailing in the organization.

Enhanced Democracy

Ensuring democracy at every level of the organization is another objective of WPM. The purpose of democracy is to involve everyone in the decision-making process, which, in turn, ensures equal rights for everyone in the organization.

Developing a Communication System

Through participative management, organizations aim at developing an upward communication channel through which the management can get to know the opinions, ideas and suggestions of the employees on different matters.

Facilitating Changes

Organizations look to improve the efficiency of change management process through continuous information sharing and a collective decision-making process. When the employees are aware of the real situation and the true intent of the organization in introducing changes, they accept the changes without much resistance and cooperate better in their implementation.

Levels of WPM

Depending upon the purpose for which participative management is introduced, it can be classified within different categories. For instance, the workers' participation may be introduced for power sharing or information sharing. In case of power-sharing participation, the employees are involved in the decision-making process on matters relevant to them. On the other hand, the information-sharing participation provides for just information sharing and nothing more. Based on the degree of information and power shared by the management with the employees, participative management can be classified into three levels: lowest level, medium level and highest level.[5] These levels have been explained here briefly.

Lowest Level of Participative Management

At this level, the management does not usually share any information with the employees. It makes decisions regarding changes and schemes without involving the workers even if the decisions affect their interest. As such, the management does not encourage WPM.

Medium Level of Participative Management

At this level, the employees are provided with necessary information about the plans of the organization but their opinions are not considered seriously. For instance, the management may use corporate policies, HR policies, circulars, formal or informal discussions, briefings, meetings and in-house journals to share information with the employees. At this level, the management looks for general ideas and responses only and not any specific or concrete suggestions from the workers.

Highest Level of Participative Management

At this level, the management not only provides information to the employees about the situation and change required but also consults them in the decision-making process. In fact, in this type of participation, the management and the employees work as a group, make collective decisions and accept joint responsibility for the decisions.

WPM Methods

WPM can be achieved in two ways. These are: direct participation and indirect participation. We shall now discuss these two methods

Direct Participation

This method provides for the direct participation of employees in the committees established to facilitate WPM. In this method, the employees get involved directly in the activities of the committees functioning normally at the shop-floor levels of the organization. Direct

participation can be ensured through autonomous work groups, suggestion-box schemes, open-door policy, performance evaluation interviews, petitions, and satisfaction or opinion surveys. This method is usually adopted when the decisions are related to the work to be performed by the employees. However, the involvement of all employees in the decision-making process is practically impossible.[6]

Indirect Participation

In this method, organizations look to achieve WPM through the more practical way of indirect participation by the employees through their representatives in the board, committees and councils. The employees are usually represented in the participative management by their trade unions or elected representatives. As far as India is concerned, the constitution of joint consultative committees in the form of work committees with representation from employees is a statutory requirement. The Industrial Dispute Act of 1947 makes it compulsory for organizations employing 100 or more workers to form work committees comprising the representatives of workers and the management.

Achieving WPM

Forming joint consultation committees is a popular form of WPM. In this form of participation, the management and the trade unions, which represent the employees, work together and decide on matters pertaining to working conditions, tasks, labour rights and other worker-centred issues. These committees work along with the collective bargaining system and are not its replacement. However, the major difference between collective bargaining and joint consultation committees is that there is no bargaining as such on any matters discussed in the consultative committees. Besides, the decisions of the consultative committees are not binding on the management under any circumstances. Depending upon the size and policies of the organization, the consultative committees can be established at different levels. In case of large organizations, committees are largely formed at corporate and workshop levels. As illustrated in Figure 15.1, corporate-level committees that function at the top levels of the management facilitate the indirect participation by workers in decision making. In contrast, direct participation in management is achieved through workshop-level committees that are normally formed at the lower levels of the organizational structure. We shall now discuss the different forms of WPM.

Corporate-level Committees

The corporate-level committee usually consists of top leaders representing the management and the trade unions. The purpose of forming this committee is to make the employees the stakeholders and true partners of the organization. The leaders of the unions may or may not be from the same organization. The committee of this level and nature normally discusses the general state of affairs of the organization, industry and even the economy. The members, after careful deliberation, decide on the actions to be taken in the future. However, the decisions of this committee are purely of advisory nature and not binding on the management. The corporate-level committees enable employees to understand the real positions and problems of the employees from a closer distance. They also help the organization in creating a sense of belonging among its employees by keeping their representatives on the apex forum. A few popular forms of corporate-level committees have been explained as follows.
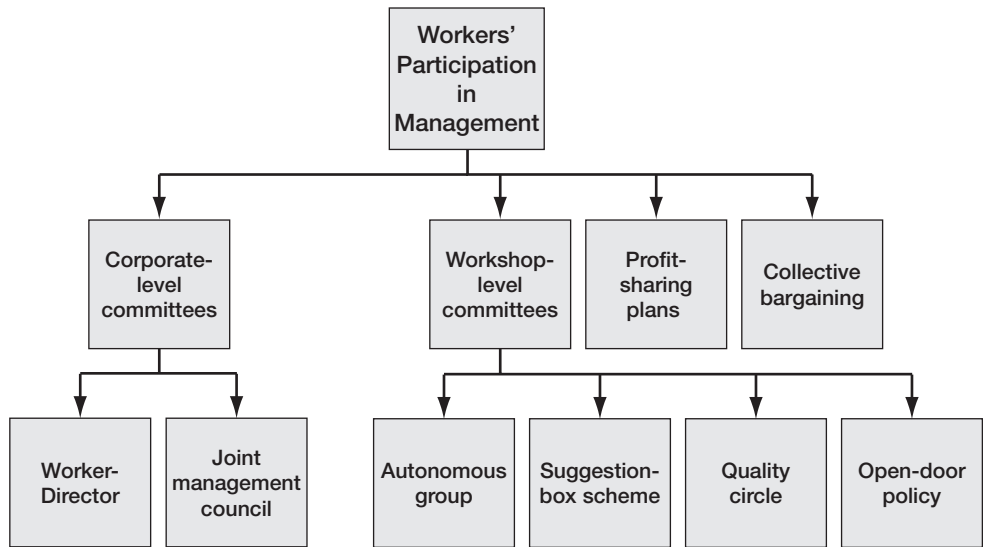
Figure 15.1

Workers' Participation and Empowerment

Worker-Director   It is a kind of corporate-level committee in which the workers' representatives are nominated to the executive levels of the organization. The primary purpose of including a worker on the company board as the director is to know the workers' perspectives on all issues discussed in the board and, more so, on issues affecting their interests. Besides, the concept of the worker-director enables the management to effectively involve the employees in matters like wage fixation, training determination, grievance handling and disciplinary action. The worker-directors are usually elected by the employees for a specific tenure. However, an organization can also have nominated worker-directors on their boards. In some countries, the practice of including employees as directors on the board is known as co-determination. The merit of this method is that the worker-directors are able to raise the demands and the grievances of the employees at the highest level and bring it to the direct attention of the top management. However, the worker-directors often find themselves in conflicting roles by being loyal both to the employees and to the board of directors, and are highly stressed.[7]

Joint Management Council   The joint management council usually functions at a level lower than the board of directors. The council is represented by the representatives of both the management and the unions. The purpose of keeping the joint management council a step below the board of directors is to preserve the freedom of decision making for the management. Normally, the members of a joint management council are allowed to have access to management information but are not involved in decision making. Employees' representatives in these councils perform the role of advisors and not decision makers. The joint management councils function at the plant level, which is above the shop-floor level but below the board of directors.

Workshop-level Committee

The workshop-level committees are more informal than the other kinds of committees functioning in an organization. The members of these committees normally belong to the same

department or workshop. They often discuss the matters relating to their own workshop. For instance, they may discuss workshop-level matters like job assignment, shift system, inter-personnel problems, and training requirements for employees. Usually, the issues affecting the workshop are discussed and, if possible, solved at this level first before being taken to the higher levels. The first-line supervisors conduct the meetings of these committees. We shall now see the specific methods under this category.

The Autonomous Work Group Method   The practice of allowing the employees to meet to discuss the issues affecting their workplace is called the autonomous work group method.[8] It is basically a self-managed team with voluntary participation by the employees. The uniqueness of the autonomous group is that its activities are managed by the group itself. The group usually comprises members from the same department. They meet regularly during the working hours to discuss the matters pertaining to their department. The group manages its own activities by planning its actions and executing them. The union representation in an autonomous work group is normally restricted as the employees directly participate in the deliberations of these groups.

The Suggestion-box Scheme   It is a kind of scheme which provides employees with the option to share their opinions, ideas and suggestions directly with the management. Suggestion boxes are kept in the prominent places of the plant and the employees can drop their written suggestions in such boxes. This scheme thus facilitates participation of the employees in the management decision-making process. The purpose of the suggestion box is to include the employees in a continuous improvement process. The employees' suggestions are given serious consideration and, if found acceptable, implemented by the management. This makes the employees feel that they are a part of the management. In fact, the suggestion-box schemes create a sense of belonging among the employees and improve their involvement and commitment. Generally, all employees are allowed to participate in this scheme but such participation is purely voluntary. Box 15.2 outlines the utility of the suggestion-box scheme as an element of WPM.

The Quality-circle Scheme   The quality-circle scheme is a popular form of workers' participation. It is established at the workshop levels with voluntary participation from the employees. An ideal circle may consist of six to ten members belonging to the same department or workshop with common interests. The members of a quality circle meet periodically to discuss the issues relating to the quality aspects of the job. It is a process without any monetary benefits but with the intention of involving the employees at the grass-roots level in the decision-making process.

Open-door Policy   Many organizations adopt open-door policies to encourage the employees to share their views, grievances, ideas and suggestions with their superiors. In organizations following open-door policies, the employees who want to share their suggestions or grievances, can meet the managers in their offices to do so. In a full-fledged open-door policy, the employees do not need to have an appointment with the manager and can meet him at any time during the office hours. The open-door policy as a form of participatory management can enhance communication between the management and the employees. It is a simple and effective method available to the management to become aware of the concerns of the employees early and solve them quickly.

Box 15.2 **The Suggestion-box Scheme at Lafarge Cement India**

Many organizations adopt suggestion-box schemes to gather the opinions, ideas, suggestions and concerns of the employees. Through these schemes, the management can accomplish the goal of WPM. The suggestion-box scheme is a simple but effective technique available to the management to involve the workers in the managerial decisions of the organization. This scheme is used for gathering suggestions from the workers about the ways to increase productivity, reduce costs, and improve the working conditions. It makes the employees feel that their management cares for them. Thus, a successful suggestion-box scheme has several advantages for the organization. Lafarge Cement India is a case in point.

The purpose of having a suggestion-box scheme at Lafarge Cement India is to provide a chance to all categories of employees, including grass-roots level workers, to participate in the continuous improvement process of the company. Each employee is entitled to offer inventive and creative opinions and suggestions to the management regarding the various aspects of the company. However, the management views any suggestions as worthwhile suggestions only if their implementation result in the (i) increased productivity and profitability for the organization, (ii) improved performance of existing equipment, or tools and layouts, methods, processes and procedures and (iii) enhanced health and safety for the employees at the work place.

The suggestion-box scheme of Lafarge cement India basically aims at

1. fostering positive attitude and creative thinking among employees at all levels of the organization
2. forming a productive wok culture and constantly reinforcing it
3. ensuring high level of employee commitment, participation and involvement in all the activities of the organization,
4. generating and implementing best work practices on a sustained basis
5. achieving healthy employer-employees relations by constantly ascertaining employees' views and opinions about different aspects of the firm
6. recognizing and suitably rewarding the group's principles to enhance its image locally
7. making the company a pioneer in the industry in integrating sustainable growth into the business

Adapted from http://www.energymanagertraining.com/announcements/IncentiveScheme/03LafargeIndia.pdf.

Profit-sharing Plans Including Employee Stock Ownership Plans

This is another mode of employee participation in management. In this method, the employees get a share in the profit of the organization in the form of bonus. A share in the profit is a form of participation of workers in the management of the organization. This is because the business risk and the rewards are jointly shared by the employees and the employers. Another form of profit sharing is the employee stock ownership plan (ESOP), in which the employees get equity shares of the company as an incentive for their performance. ESOP makes the employees part owners of the organization and, thus, facilitates WPM.

Collective Bargaining

Collective bargaining is another form of WPM since it provides a forum for a formal discussion between the management and the employees. In collective bargaining, the employees' interests are represented by the trade unions, while the management is represented by its representatives, or by the employers' association in industry-level bargaining. Through collective bargaining, critical issues relating to the organization or industry are discussed and decisions reached. Since unions are involved in the decision-making process, it becomes the

joint responsibility of both the employers and the unions to implement the decisions. Due to collective bargaining, the role of unions changed from being the challengers of decisions to becoming the co-determinants of decisions.[9]

Essential Prerequisites for Effective WPM

An effective participative management is a boon to both the employer and the employees of an organization. Through workers' participation, the management gets to know about the employees' creative ideas and suggestions and employs them effectively for the benefit of the entire organization. On the other hand, an effective participative management enables the employees to influence the decision-making process of the management and, thus, protects their welfare and future. It also enhances the ownership interest of the employees in the organization. However, an effective participative management must fulfil the following conditions.

Support from the Top Management

The top management must have faith in the concept of WPM. It must provide the necessary support and encouragement for the participative style of management. The decisions arrived at the meetings of the committees must be considered seriously and acted upon.

Clarity in Participative Goals, Policies and Practices

The corporate policies and philosophies regarding WPM must be spelt out clearly. Similarly, the goals and the process of workers' participation should also be stated unambiguously.

Fair and Equal Treatment to Employees

All the members in the committees or councils, including the workers' representatives, must be treated fairly and equally. In case of board of directors, the worker-director must have all the rights and privileges on a par with other directors of the board.

Adequate Access to Management Information

The workers participating in the committees must have access to all relevant information to make a meaningful contribution to the quality of discussion and decision making. Thus, the information sharing must be proper, timely and adequate.

Assurance against Victimization

The management, through its words and deeds, should reassure the workers' representatives in the committees that there would be no victimization of the workers for freely expressing their views about the management or its actions in the meeting. However, malicious comments with ulterior motives must be avoided by the members.

Respect for the Union's Strength

Organizations must realize the importance of involving the truly representative and strong unions in the participative process. These unions alone can convince the employees and obtain their support for the decisions of the committees or board.

Recognition of the Employee's Contribution

Organizations must develop a process to recognize the contributions of the employees or their representatives in the participative forums. For instance, the management may introduce gain-sharing and profit-sharing schemes for any improvement achieved in quality, cost reduction, and organization and individual performance.

Training and Orientation for Members

To improve the quality of discussion and decisions of the participative forums, the management can provide necessary orientation to the newly elected or nominated workers' representatives and training to all the employees.

Fulfilling Statutory Requirements

Organizations must give due consideration to the various acts that deal with WPM. All the actions of the organization related to workers' participation must comply with the existing provisions of the relevant laws.

Constant Review of Performance

Organizations must view WPM as a continuous process and not as a rare activity. They must effect necessary changes in the participative process after gathering the views of the different stakeholders like workers, frontline supervisors and managers.

Significance of WPM

The central government has carried out several amendments in the provisions of the Industrial Disputes act, 1947 and the Factories Act, 1948 for the establishment of work committees and joint management councils to facilitate the process of WPM. However, many organizations in India introduced a participative style of management at their different levels out of their own willingness after they realized its wide and varied uses. We shall now see the importance of WPM.

Increase in Productivity and Performance

Since the major focus of discussion in many of the participative forums is on efficiency enhancement through cost cutting, and process and technology improvements, workers' participation improves employee productivity and organization performance. As such, the increase in employee productivity would be mutually beneficial to the employees and the organization. The employees would be gaining increased financial incentives while the management would get increased profits.

Improves Employee Involvement and Participation

The workers' access to management information and their participation in managerial decisions make them feel important to the organization. This, in turn, develops a sense of belonging and oneness among the employees. Thus, participative management facilitates better involvement of workers in the activities of the organization.

Better Workforce Flexibility

Organizations cannot avoid changes in the environment and, therefore, they must accept these changes as inevitable. The changes in the external environment normally bring about corresponding changes in the technology, process, structure and job characteristics of the organization. Typically, these changes cannot be implemented smoothly without the cooperation and consent of the employees. Organizations can use participative forums effectively to discuss the developments in the external environment and their implications for the organization. Once the management succeeds in persuading the employees to accept the changes and their consequences for them, the implementation process becomes simple and easy.

Promotes Cordiality in Industrial Relations

The primary reason for a misunderstanding between the employer and the employees is the absence of adequate information sharing. This misunderstanding and mistrust causes strain in their relationship and affects organizational peace. For instance, the unions which depend more on informal channels like grapevine for gathering management information, normally develop suspicion and animosity towards the management. In contrast, the participative forums enable the employees or their representatives to have a direct access to the management information and also offer required clarifications. Adequate information sharing on a continuous basis not only prevents mistrust but also enhances the understanding between the employers and the employees.

Establishes Goodwill and Public Image

WPM as a concept helps the organization in learning and respecting the employees' feelings, ideas, opinions and suggestions. Organizations which respect the feeling of the employees would certainly enjoy a better image among the existing employees. They would also earn the goodwill of the prospective candidates in the labour markets.

Obstacles Faced by Effective WPM

Although WPM is mutually beneficial to the organization and its employees both, it so far has had only limited success. This is due to the presence of a number of limiting factors in the organization. These factors may be listed as follows:

The Management's Attitude

The attitude of the management is critical to the success of WPM. However, the managements with traditional approach often undermine the employees' calibre and creativity and never feel the need to hear their views on organizational issues. Thus, such employers' orthodox and negative attitude becomes a stumbling-block to participative management initiatives. Similarly, a weak and unenlightened management may perceive the presence of empowered employees in the organization as a direct threat to its authority. Such a management may not evince keen interest in really empowering its employees.

Role Ambiguity and Conflict

In participative management, the workers' representatives often have role ambiguity due to the lack of clarity about their role in committees, councils or boards. While working at the

higher levels of the management, they need to consider the interests not only of the workers but also of the management. Due to this sensitive nature of work, the actions of the workers' representatives often come under close scrutiny and are viewed with suspicion by the fellow workers. Consequently, they are forced to adopt a negative approach towards the management just to prove their credibility among the workers.

Absence of Mutual Faith

The essence of WPM is the mutual faith and confidence of the employers and the employees. They must also have faith in the usefulness of participative management. However, organizations often view the employees' suggestions in the participative forum as interference in their right to decide and administer. Consequently, they undermine the importance of such a forum and adopt a unilateral approach in decision making. Again, the employees on their part view the participative forum as a platform to make unreasonable demands on the management. Besides, the presence or absence of a favourable climate also plays an important role in the success of WPM. When the prevailing climate of the organization is filled with mutual distrust and animosity, it can seriously affect the efficacy and eventual success of WPM.

Non-implementation of Decisions

Since the employees' suggestions in the committees are merely advisory in nature and not binding on the organization, the management never takes the employees' views seriously. In the long run, this makes the employees lose faith in the system of participative management and collective decision making. Naturally, they begin to adopt a confrontationist approach towards the management.

Absence of Strong Unions

The presence of a few but strong unions is another important element for the success of participative management. However, industrial organizations in India often have multiple unions with limited membership, which makes it difficult for the management to determine the composition of the different committees. The presence of too many unions with divergent backgrounds also affects the employees' bargaining power and the fairness of the outcome of the participative forums.

Lack of Follow-up

WPM is an ongoing process and requires continuous changes in its outlook and style. However, organizations hardly carry out any changes in the characteristics and compositions of the committees and councils, thereby making them outdated and insignificant in the present context. Many organizations rarely seek the employees' opinions about the efficacy of the existing system, and even if they do so, they seldom act on such opinions.

Employee Empowerment

Employment empowerment is a technique adopted by the organizations to enable the employees to take independent decisions about the different aspects of their jobs. It liberates the employees from the coercive influence of their superiors. It enables them to plan and execute their own activities with complete responsibility for the performance and results.

Thus, employee empowerment provides the employees more power to employ judgment and discretion in their job and contributes actively to the decisions relating to their work, plant and environment. The primary objective of employee empowerment is to convert the simple organization into a customer-driven one.[10] Its goal is to improve employee satisfaction, motivation and productivity. It is also used as a strategy for increasing efficiency and gaining a competitive advantage in the business environment.

The empowerment of employees enables them to make quick decisions and respond promptly to the customers' needs and concerns, which eventually brings a competitive advantage to the organization. It also develops creative thinking, independent behaviour, and greater responsibility among the employees. However, employee empowerment does not mean any abdication of responsibility on the part of the management. In contrast, it requires development of a stronger leadership at the management level, an improved communication with the employees and the enforcement of better accountability among the empowered employees. This actually means additional work and responsibility for the management as it should provide the necessary training and orientation to the employees and monitor their performance continuously.

The transfer of the decision-making power from the higher levels of an organization to its lower levels is the essence of the definitions of employee empowerment. We shall now see a few definitions of employee empowerment in Box 15.3.

Features of Employee Empowerment

Based on these definitions, the following features of employee empowerment may be extracted:

Delegation of Power   Employee empowerment basically means transfer of power from the higher levels of an organization to its grassroots levels. Thus, it involves pushing authority and responsibilities downwards in the organizational structure.

Ongoing Process   Empowerment is not an end but an ongoing process to achieve the predetermined goals of the organization. These goals may include improving employee motivation and organizational performance, accomplishing organizational goals, and obtaining

Box 15.3	Definitions

"Employee empowerment involves relocation of powers from the owners and managers of corporation to the lower-level, rank-and-file workers and purportedly represents a revolutionary alternative to traditional organizational structures."[11]

—Thomas A. Porterfield

"Employee empowerment means that management vests decision-making or approval authority in employees where, traditionally, such authority was a managerial prerogative."[12]

—J. Gandz

"Empowerment is a process of enhancing the feelings of self-efficacy among organizational members through the identification of conditions that foster powerlessness and through their removal by both formal organizational practices and informal techniques of providing efficacy information."[13]

—J. A. Conger and R. N. Kanungo

competitive advantages. The empowerment process involves the development of goals and visions, the fixation of boundaries for authority and responsibility, the training of employees, the determination of accountability for actions, and finally, the actual transfer of authority from the superiors to the subordinates.

Self-determination of Employees   Organizations often view independent decision making by employees in their job as the ultimate stage of empowerment. At this stage of empowerment, the employees begin to own the job and accept responsibility for their decisions. Obviously, their involvement and commitment levels tend to be high at this ideal level.

Authority over Organizational Resources   In empowerment, the employees get freedom from domination by the superiors and also the right to exercise authority over organizational resources. The resources here include physical and human resources of the organization.

Strong Leadership   The presence of strong leadership and decisiveness is an inherent element of successful employee empowerment. An effective leadership makes it explicit to the empowered employees that it is they who are solely responsible for their actions. They get reward or reprimand, depending upon the outcome of their actions.[14]

Not a Zero-sum Game   In a zero-sum game, one person's loss is exactly another's gain. But employee empowerment is not a zero-sum game since the transfer of power from the superiors to the subordinates is not actually a loss of power for the former.

Steps in Employee Empowerment

Employee empowerment involves delegation and decentralization of authority and responsibility and making the employees accountable for their actions. It requires meticulous planning and careful implementation. Each organization can have its own system for practising employee empowerment. However, the employee empowerment process shown in Figure 15.2 can be adopted by any organization with suitable modifications. The steps involved in the employee empowerment process are: (i) determining the goals, (ii) orienting the employees, (iii) transferring authority, (iv) assigning responsibility, (v) ensuring accountability, (vi) maintaining communication, and (vii) follow-up and feedback. We shall now see these steps in detail.

Determining the Goals   The first step in the employee empowerment process is the determination of clear-cut goals and visions to be accomplished by empowering the employees. The empowerment goals are normally derived from the corporate goals and philosophy and the mission and vision statements. The employee empowerment goals must have the complete support of the top management of the organization.

Orienting the Employees   The employees identified for empowerment must be provided with adequate orientation about the different aspects of empowerment. They must also be trained in situation analysis, decision making, resources utilization and other relevant areas of the job.

Transferring Authority   In the next step, authority is transferred from higher ranks of the organization to the grassroots-level employees. Now, the employees get the right to decide independently on matters relating to their jobs. The decisions may involve resource utilization, people management, customer caring and other day-to-day activities.
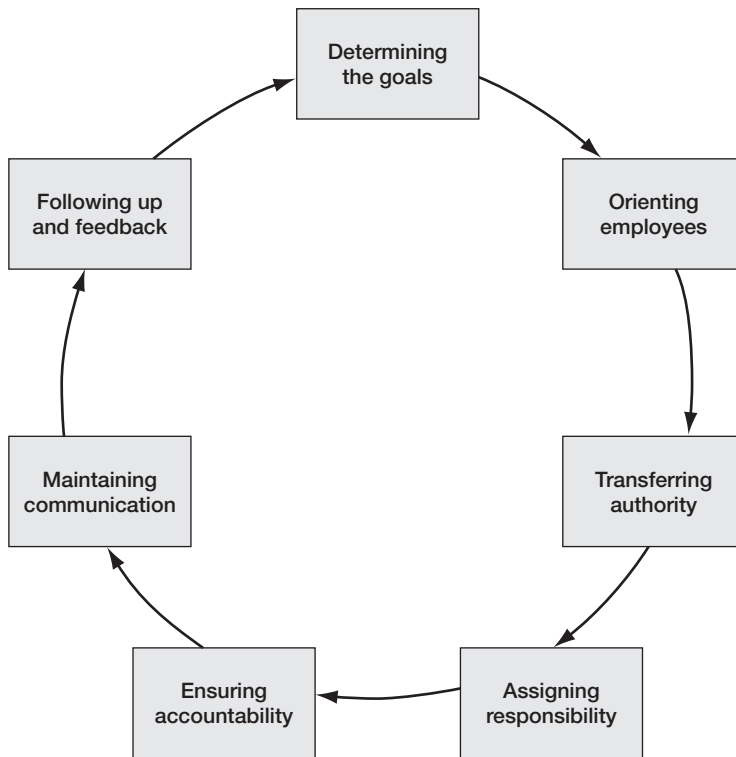
Figure 15.2

Steps in Employee Empowerment

Assigning Responsibility   Transfer of authority is meaningful only when it is accompanied by responsibility. Authority without responsibility is dangerous for the organization. The organization should spell out clearly the duties involved in the job, the boundaries of authority and responsibility, and the reporting staff for the job.

Ensuring Accountability   The most crucial phase of the employee empowerment process is making the employees accountable for their actions. Since they enjoy a high level of autonomy in their operations, it is absolutely essential for the organization to fix the accountability for the outcomes of their actions and performance results. The organization must also conduct a mid-term verification of the performance of the employees to avoid misuse of authority and deviant outcomes.

Maintaining Communication   The success of employee empowerment depends on the degree of openness and frequency in the communication between the reporting authority and the empowered employees. The organization must engage the employees continuously through a good communication system. Understandably, through effective communication, an organization can create mutual trust and confidence in the relationship between the superiors and the subordinates.

Following up and Feedback   Employee empowerment is an ongoing process involving the management, the supervisors and the workers. The organization must review the efficacy of the existing system periodically in order to determine the improvements required in the future. Employees' performance report, opinion surveys and employees' interview can be used to study the strengths and weaknesses of the existing system. Based on the outcome, necessary modifications can be made in the empowerment process. Further, the evaluation report of the empowered employees must be shared with the employees concerned and their superiors. Their feedback would help the empowered employees in modifying their style of functioning and their attitude towards the concept of empowerment.

Importance of Employee Empowerment

Employee empowerment is key to achieving the desired level of employee motivation and satisfaction. This is because it relieves the employees of the necessity of depending on their superiors for everything and provides them job autonomy. For instance, empowerment facilitates the employees in the customer care department to act swiftly and effectively in attending to the complaints and concerns of the customers with alacrity. When the organization succeeds in satisfying its customers consistently, it begins to enjoy a competitive advantage over its rivals. We shall now see the importance of employee empowerment for an organization.

Achieving High Employee Satisfaction and Motivation   Through employee empowerment, the employees get the freedom to make independent decisions and, thus, enjoy job autonomy. This gives the employees an intrinsic satisfaction, which, in turn, motivates them to work harder in the job and in goal accomplishment.

Developing a Customer-driven Organization   Customer satisfaction and loyalty are essential for the survival and growth of an organization in the long term. An empowered employee is able to act quickly in attending to the needs of the customers when he has job autonomy. Understandably, all the activities of the empowered organizations are focused on securing customer satisfaction and trustworthiness. The ability of the employees to take prompt and independent decisions when time is of utmost importance helps the organization in achieving a competitive advantage through employee empowerment.

Higher WPM   Surely, employee empowerment is one of the techniques available to the management to achieve WPM. Employee empowerment facilitates the workers even at the grassroots levels to acquire authority and participate in the decision-making process, which is one of the key functions of participative management.

Scope for Stress Reduction   Inter-personal relationship is one of important stress-causing factors in an organization. Since employee empowerment lessens the dominance and interference of the superiors in the work of the subordinates, it reduces the dependence of the workers on their superiors substantially. This should, in turn, reduce the exposure of the employees to their stressful interactions with the superiors.

Development of Leadership and Analytical Skills   Leadership skills are essential for the empowered employee to act independently but decisively in the critical skills. Employees develop necessary leadership skills either through experience or training. Similarly, an empowered employee must have effective analytical and decision-making skills to act smartly in a situation. Employee empowerment provides adequate opportunities to the employees to learn these skills and perform their job effectively.

Facilitating Succession Management and Career Planning   Employee empower-ment enables the management to assess the skills and knowledge of the employees. The performance of the empowered employees in their job helps the organization in determin-ing their efficiency and in planning their career path. Besides, employee empowerment assists the management in identifying the successors for the executives in different levels of the management. Usually, the employees who prove themselves in critical situation are considered as effective replacement for the managerial positions of an organization.

In addition to the abovementioned importance, employee empowerment also helps the organization in improving the employees' commitment and loyalty, risk-taking ability and entrepreneurial behaviour, enthusiastic relationship with the management, and self-interest. As a result of the efficacy of the empowered employees, organizations may also get fewer customer complaints and improved business dealings.

Barriers to Effective Employee Empowerment

Although employee empowerment is an effective technique in accomplishing several orga-nizational and HR goals of the organization, its utility is often undermined by a few factors. The management must ensure that these factors are neutralized effectively before employee empowerment is introduced in the organization. We shall now see these factors in detail.

Supervisors' Attitude   The supervisors' attitude towards employee empowerment is critical to the success of any empowerment programme. This is because the superiors are responsible for transferring authority to the workers. When the superior keeps a negative atti-tude towards employee empowerment and has no trust in the calibre and intelligence of their subordinates, the empowerment programmes are bound to fail. In many organizations, the refusal of the superiors to give up their dominance over the subordinates has proved to be a major hurdle to the effective implementation of empowerment programmes. The organiza-tions can obtain the superiors' cooperation and support for these programmes by enlightening them about the importance of employee empowerment programmes.

Inadequacies in the Workers' Skill and Knowledge   The next barrier to employee empowerment is inadequacies in the skill and ability of the workers to act independently and effectively in a critical situation. Obviously, a misjudgement of the situation and an incor-rect decision by the employee can harm the name and fame of the organization. The fear of failure in a critical situation and its consequences for their own future often discourage the grassroots-level workers from accepting job autonomy and employee empowerment. However, through effective training and orientation programmes, organizations can instil confidence in the employees and remove their unnecessary fear. They can provide adequate leadership and decision-making skills for the employees to be empowered.

Lack of Clarity and Overlapping   Since employee empowerment is not a statutory requirement for an organization, many organizations fail to keep clear-cut policies and provisions for regulating the employee empowerment programmes. Naturally, the lack of clarity in employee empowerment often blurs the boundaries of authority of the empowered employees and puts them in conflict with their own superiors and co-workers.

Absence of a Favourable Climate   An organization must foster a climate of mutual trust and companionship at all its levels for an effective implementation of employee empow-erment. Incidentally, the role of the top management is critical for employee empowerment.

It must lend the required patronage to employee empowerment programmes and create a favourable climate for their successful execution. In practice, the conflicting interests of the employers and the employees over profit sharing often affect the cordiality of the relationship between them and foster a negative climate within the organization.

Lack of Recognition, Appreciation and Reward   In many organizations, simply no incentive of any kind is available for improvements in the performance of the employees in an empowered situation. The superiors are often threatened by the effective performance of the empowered employees. Consequently, instead of appreciating their empowered subordinates, the superiors often find fault with them. This makes the employees gradually lose interest in the empowerment programmes and they prefer to return to the old system.

Summary

1. Workers' participation in management (WPM) is a practice that facilitates the workers' contribution and influence in the decisions of the organization at various levels.

2. The features of WPM are the formal involvement of members, participation in decision making, consequence sharing, application of upward control, and a joint and continuous process.

3. The objectives of WPM are greater employee satisfaction, greater responsibility, mutual cooperation, establishing democracy, developing a communication system, and facilitating changes.

4. The methods of indirect participation by the employees in management are joint consultation committees in the form of corporate-level committees, which include worker-director and joint management council, profit-sharing plans, including employee stock ownership plans (ESOP), and collective bargaining.

5. The methods of direct participation by the employees in WPM are the autonomous work group policy, the suggestion-box scheme, quality-circle scheme and open-door policy.

6. The essential prerequisites for an effective WPM are the patronage of the top management, clarity in participative goals, policies and practices, fair and equal treatment to employees, adequate access to management information, assurance against victimization, respecting the union's strength, recognizing and rewarding the employee's contribution, training and orientation to members, fulfilling statutory requirements, and constant review of performance.

7. The significance of WPM lies in increasing the productivity and performance, improving employee involvement and participation, better workforce flexibility, promoting cordiality in industrial relations and establishing goodwill and public image.

8. The hurdles to an effective WPM are the orthodox attitude of management, role ambiguity and conflict, the absence of mutual faith, non-implementation of decisions, the absence of strong unions, and lack of follow-up.

9. Employee empowerment involves relocation of powers from the owners and managers of an organization to the lower level, rank-and-file workers.

10. The features of employment empowerment are delegation of power, empowerment being a process, self-determination being the goal, authority over organizational resources, a stronger leadership, and empowerment not being a zero-sum game.

11. The steps in employee empowerment are (i) determining the goals, (ii) orienting the employees, (iii) transferring authority, (iv) assigning responsibility, (v) ensuring accountability, (vi) maintaining communication, and (vii) following up and feedback.

12. The importance of employee empowerment lies in achieving high employee satisfaction and

motivation, developing a customer-driven organization, higher workers' participation in management, scope for stress reduction, development of leadership and analytical skills, and facilitating succession management and career planning.

13. The barriers to an effective employee empowerment are the superiors' attitude, inadequacies in the workers' skills and knowledge, lack of clarity and overlapping, the absence of a favourable climate, and lack of recognition, appreciation and reward.

Review Questions

Essay-type questions

1. Evaluate critically the different types of indirect participation by the employees in management.

2. Discuss the various types of direct participation by workers in management.

3. Evaluate the essential prerequisites for an effective workers' participation in management critically.

4. Evaluate the steps in the employee empowerment process critically.

5. Describe the meaning, importance and limitations of workers' participation in management.

6. Trace the hurdles to an effective implementation of workers' participation in management. Also state your suggestions to overcome these hurdles.

7. Explain the meaning, features, merits and limitations of employee empowerment.

8. Evaluate the barriers to an effective employee empowerment process and suggest appropriate measures to overcome them.

Notes

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CHAPTER

16 Job Rotations

CHAPTER OBJECTIVES

After reading this chapter, you should be able to:

1. Understand the objectives, characteristics and types of promotion
2. List the criteria for promotion
3. Explain the essentials of a sound promotion policy
4. Understand the objectives, characteristics and types of demotion
5. List the types of transfers and separations

The New India Assurance Company Limited is a leading global insurance company with a significant presence in India and abroad. The company has a workforce of nearly 21,000 employees engaged in more than 1,068 offices. It offers personal, commercial, industrial, liability and social insurance policies. It is the only insurance company in India to be given an "A" (Excellent) grade by A. M. Best, an international rating agency.

This company has excellent HR policies and practices that serve the interests of its employees. For instance, it is the first Indian insurance company to introduce the concept of "model office training". It provides periodic training to its employees through its corporate training centres (CTC), regional training centres (RTC) and zonal training centres (ZTC). These centres prepare their yearly calendar for regular and special training on technological changes, departmental changes, and for transfers and promotions. As part of its career-development programme, the company provides

training to its employees through Personalitree. com. It also conducts training programmes for its staff in preparation for promotion-oriented competitive examinations.

New India Assurance has comprehensive promotion policies for various categories of employees. The essence of its promotion criteria is appropriate recognition of merit and due respect for seniority, consistent with the efficiency of the organization. The process of promotion for the managerial cadre would involve their assessment under the parameters of conceptual level/vision, depth and range of overview of the industry and economy, planning ability, decision-making ability, management traits, positive attitude, problem-solving ability, and overall leadership ability.

The importance of the unambiguous promotion policies in the success of New India Assurance Company Limited highlights its significance. We shall now discuss the relevance of promotion and other policies in this chapter.

Introduction

Promotion can be defined as the advancement of an employee from one position to another, resulting in his financial benefit. It is certainly a good and effective motivator for employees. Organizations employ promotion as a tool to recognize and reward the merit and sincerity of the employees. Internal promotion, as compared to external hiring, for filling the job vacancies in an organization can increase the loyalty and morale of the employees. Promotions, which are normally accompanied by financial incentives, also fulfil the economic needs of the employees, in addition to fulfilling the social need of attaining increased status in the society. In fact, the promise of a promotion acts as an incentive to many employees.[1] However, a promotion is often viewed as a double-edged sword because an imprudent and unfair promotion can cause exactly the opposite effect on the employees. For instance, a faulty promotion can cause dissatisfaction, de-motivation and even alienation among them. It can also push up the rate of absenteeism and labour turnover in the organization.

It is highly essential for an organization to develop a promotion policy that facilitates the advancement of the most suitable person to the available position in the organization. Besides, an organization should also make the employees believe that its promotion policy is fair, just and up to date. Although following a fair promotion policy may require a lot of diligence on the part of the management, it can certainly improve employee commitment and performance in the long run. Therefore, each organization must develop appropriate policies and procedures for assessing the general attributes of the potential candidate in the new job.[2]

Advancement in the career of an employee is the essence of the definitions of promotion. We shall now see a few definitions of promotion in Box 16.1.

We may define promotion as an employee's upward mobility in the organizational structure accompanied by increased authority, responsibility, compensation and social status.

Characteristics of Promotion

The characteristics of promotion are identified as follows:

- A promotion normally involves the movement of an employee from one position to another within an organization. However, a promotion can also take place without a change of duties but with increased compensation.[5]

- A promotion is normally accompanied by an increase in authority, responsibility and compensation, and demands more skills.

- Normally, a promotion involves the permanent movement of employees to the higher positions in the organization. Moving an employee to a higher position on a temporary

Box 16.1	Definitions
"Promotion is a type of transfer which involves reassignment of an employee to a higher position, having higher pay, more privileges and increased benefits."[3] —Wendell French	Promotion is "the permanent movement of a staff member from a position in one job class to a position in another job class of increased responsibility or complexity of duties and in a higher salary range."[4] —The Policy Manual, University of North Texas

basis without any increase in compensation is not usually viewed as a promotion. For instance, if an employee is appointed to a higher position for a few months, this does not constitute promotion.

- The promotion of an employee is an administrative act as the management has every right to decide on the matters pertaining to promotion.
- The promotion of an employee to the next level is normally decided on the basis of merit or seniority or both.
- A simple addition of duties to the existing positions or a hike in the financial compensation at the existing position cannot become a promotion automatically.[6]

Objectives of Promotion

Promotions play an important role in providing socio-economic and psychological satisfaction to the employees. Employees often view promotions as recognition of their hard work and loyalty. Certainly, the absence of adequate promotional opportunities for employees can affect work quality, employee discipline, and cooperation, and can cause acute skill shortages.[7] We shall now see the objectives of promotion.

- The primary objective of promotion is to fill the job vacancies available within the organization by upgrading the employees.
- Organizations seek to encourage efficiency and loyalty among the employees through promotion.
- Promotion aims at attracting and retaining the competent employees in the organization.
- Organizations rely on promotion to develop constructive competition among the peer group members to improve their performance and productivity.
- Through promotion, organizations aim at providing the employees a sense of growth within the organization.
- Organizations look to accomplish the long-term organizational goals effectively and continuously with the promise of promotion to the employees.
- They strive to develop the culture of continuous learning among the employees by linking promotion to employee competence and knowledge.
- Through promotion, organizations seek to fulfil the career growth aspirations of the employees and shape up the succession plans of the organization.

Criteria for Promotion

Promotion is one of the highly sensitive tasks of the HR managers, especially when it involves selection from a pool of prospective candidates. This is because the employees who fail to get a promotion may blame the system if it is not transparent. They could soon become disillusioned with the whole organization. Therefore, an organization needs to be cautious with its promotion policy and criteria. Since promotion basically involves decision-making, a fair and transparent promotion policy and concrete criteria alone can help gain the confidence of the employees in the promotion decisions of the organization.

A good promotion decision requires an objective evaluation of the relevant competences of the prospective candidates. Depending upon the overall promotion policy, the organization must evolve a procedure for determining the promotions of its employees. The critical task in the development of a procedure is the identification of the promotion criteria for deciding the suitable persons to fill the job vacancies. Some organizations may keep competencies as the sole criteria for promotion while others may have seniority as the basis for determining promotion. A few other organizations may consider both of these for deciding on promotion. In any case, it is essential for the organization to ensure that its criteria are objective and practical in nature. However, in practice, organizations rarely publicize their promotion criteria in detail.[8] We shall now see the general promotion criteria of organizations.

Merit

Merit as a basis for promotion means fulfilling the job positions in an organization with the most talented persons available within the organization for those positions. In this category of promotion, merit is given an appropriate consideration while other factors like seniority become insignificant in the promotion decision. In such cases, the candidate's identification, evaluation, and selection for promotion will be based only on job-related criteria. The strengths of merit as the standard are:

- It improves both employee efficiency and organizational performance.
- It acts as an incentive and real motivator for the competent and diligent employees of the organization.
- The organization becomes a real hunting ground for people who like to challenge the limits of life.
- Promotion on the basis of merit necessitates continuous skill and knowledge acquisitions by the employees throughout their career to remain competitive in the labour market.
- It increases the creativity of the employees and keeps the organization dynamic to meet the challenges from the external environment.

Though merit as a promotion criterion has quite a few advantages, it also has a few limitations. These are:

- Merit as a standard for promotion makes an organization stand firm on a slippery surface. This is because the determination of merit may require considering subjective factors and abstract elements like concentration, involvement, and mental ability. It is difficult to measure subjective factors with a fair amount of accuracy.
- Organizations may find it difficult to convince the employees and their unions about the fairness of the promotion system when merit is the sole criterion in promotion.
- This method can cause intense and destructive rivalry among the employees, leading to a mutual blocking of performance.
- It may favour the younger employees with fresh and relevant knowledge, thereby putting the aged employees in a disadvantageous position.
- It can cause undue stress for the employees, especially for those who miss out in promotion, as they may be branded as incompetent and unfit or they may perceive themselves to be so.

Seniority

In the case of seniority-based promotion, the length of service of the employees is considered for promotion, while other factors like competence and commitment are overlooked. As such, the job positions available within the organization are filled with persons who have the maximum number of years of service in the organization. The length of service in the organization or in the present position becomes the sole criterion in promotion decisions. The seniority-based system is normally followed in public sector organizations. In organizations where the seniority is the sole basis, promotions are time-bound and also a formality. The strengths of seniority-based promotion are:

- It is a highly objective and non-controversial form of promotion because subjective elements are not considered for promotion.
- This method is better suited for strongly unionized organizations as the scope for a potential conflict with the unions is reduced.
- It may improve the loyalty of the employees as the length of service and experience are recognized and respected by the organization.
- Unlike the merit-based system, there arise no bitter feelings among any employee at the end of the promotion process. In fact, employees are treated fairly and in a dignified manner till the end of their service.
- Seniority-based promotion is simple and straightforward. The employees can themselves compute the time of promotion on the basis of the length of their service.

In spite of having several inherent strengths, seniority-based promotion has a few major weaknesses. These are:

- The major limitation of this method is that it offers no incentive for the efficiency, creativity and commitment of the sincere and hardworking employees. Thus, promotion cannot be viewed as a motivational tool by the management.
- It kills the learning habit of the employees as they never feel any urgent need to acquire new knowledge, skill or ability.
- It can undermine the preparedness of the organization in tackling the challenges from the external environment effectively. In fact, employees often resist changes in these organizations due to their inability to cope with the skill and ability requirements of the changing situation.
- Organizations may find it difficult to attract and retain the enterprising young people who wish to have challenges in their work life.
- The significance of employee performance evaluation is diluted when promotions are not linked to the performance of the employees.

Seniority-cum-Merit-Based Promotions

In this method, an organization considers both merit and seniority for determining the promotion of an employee. The primary purpose of this method is to include the positive features of both the promotion criteria. The organization may decide the weights for merit and seniority on the basis of its HR and promotion policies. For instance, an organization

Box 16.2	The Break-up for a Promotion	
Period of service (2 marks per year for the complete period of service, subject to the maximum		Maximum 30 marks
Performance of work (Work performance for the last three years)		Maximum 40 marks
Interview		Maximum 30 marks
Total		Maximum 100 marks

may decide to have the proportion of merit and seniority in the ratio of 70 and 30 in order to evaluate the potential candidates., A model standard of selection for promotion procedure, based on this proportion, has been developed in Box 16.2.

The strengths of the seniority-cum-merit method are:

- This method reduces the element of subjectivity in promotion decisions considerably but it does not rule it out entirely.

- It encourages efficiency among the employees even while having due consideration for their length of service.

- Employees in general can not have any serious objections against this criterion, provided the management is sincere and objective in its evaluation.

- In an intensely competitive external environment, this method is ideal for keeping the organization efficient and dynamic and for protecting the interests and future of the employees.

Although the seniority-cum-merit method has several strengths, it also has a few weaknesses. These are:

- Organizations may assign weightages to the two criteria in such a way as to make one of them simply irrelevant. For instance, if the ratio of merit and seniority is 80:20, it may open possibilities for manipulation in the promotion process so that the importance of the length of service of the employees gets undermined.

- Since this method does not rule out subjectivity altogether, it may suffer from all the weaknesses of merit-based promotion.

- It may be difficult for the management to explain the rationale behind the determination of weightages for merits and seniority.

Kinds of Promotion

Promotional opportunities to the employees can be classified into different forms based on factors like advancement in the organizational structure, and eligibility. We shall now see two important classifications of promotions.

Horizontal Versus Vertical Promotion

Generally, promotion means going up in the organizational structure or ladder. A vertical promotion indicates the advancement of employees to higher positions in the organization. Thus, a vertical promotion is accompanied by increased authority, responsibility, accountability and status, and a higher designation. For instance, moving a person from the clerical cadre to the position of an administrative officer can be an example of a vertical promotion.

On the other hand, a horizontal promotion brings more responsibility and compensation, but the employee does not go to a higher level in the organizational structure. This method is usually adopted when the chances of 'going up' in the organizational structure are limited.[9] By and large, organizations view horizontal promotion as an element of an employee's career growth.

The Open Versus Closed System of Promotion

Promotion can also be classified into open and closed systems of promotions. In case of the open system of promotion, an organization does not limit promotional opportunities to any particular section of employees. On the contrary, it keeps them open to all the eligible employees. In practice, all vacancies are openly advertised within the organization in this method, and applications are invited from all the employees who fulfil the eligibility conditions prescribed by the organization.

In contrast, the closed system restricts the promotional opportunities to a select list of employees. In this method, an employee gets his promotion through a closed promotional recruitment system established by the organization. In practice, an organization may reserve certain categories of jobs, especially those at the higher levels of management, for a closed system of promotions, leaving the rest of the categories for the open system.

Essentials of a Sound Promotion Policy

The primary purpose of a promotion policy is to ensure uniformity in the way promotions are managed in the organization. It may also cover transfers and demotions. It aims at streamlining the activities involving identification, evaluation and selection of the employees from within the organization to fill the job vacancies on a continuous basis. The promotional policy of an organization must provide equal opportunities to all the employees and should never discriminate against them on unlawful grounds like gender, caste, religion or race. It must also offer clear-cut guidelines to the people engaged in the promotional recruitment process. An effective promotion policy should normally ensure the following:

- A good promotion policy should be consistent with the organizational objectives, HR policies and relevant contractual agreements with the employees or their union.
- It should provide equal promotional opportunities to all the employees of equal abilities.
- It should clearly spell out the promotion criteria for different categories of jobs. In other words, it would ensure that these performance standards are not vague, subjective or open to manipulations.
- It should state the promotion procedure and the role of different authorities in it unambiguously.

- An effective promotion policy should treat all the eligible candidates uniformly at the time of promotional recruitment and selection. It should also have adequate safeguards against all forms of discrimination on any basis except employee competency or seniority.

- It should keep the promotion procedure transparent and simple. It facilitates the employees in knowing what is required for attaining promotion in the job.

- A good promotion policy should permit the eligible employees who fail in the promotional selection to discuss the promotion issues with the appropriate authorities.

- It should help the promoted employees in the initial transition process. It may provide for transition programmes for the employees. The transition programmes may orient the employees on role description and expectations.[10]

- A good promotion policy should insist on a systematic and scientific evaluation of the job performance of the employees. Employees must also be aware of the performance requirements for promotion from the beginning.

- It should have all preferences or reservations for different categories of employees like women, the physically challenged and the socially disadvantaged, in the written form to avoid any misuse of these provisions.

Box 16.3 outlines the promotion policy of a banking sector organization.

Demotion

Demotion is just the reverse of the term *promotion*. It means the transfer of employees to lower positions in the organizational structure. It is often used as a punishment for employees for serious breach of rules and regulations and for consistent performance deficiency. However, a demotion can also be effected by the organization on the request of the employee

Box 16.3	Promotion Policy at the Canara Bank

All the employees of an organization are talented in some way. It is the responsibility of the organization to identify such talents and utilize them judiciously. As far as possible, the organization should fill the vacant positions through promotion since it offers several benefits not only to the employees but also to the organization. All those organizations which realize the need to develop committed and resourceful employees at all levels of the organization prefer internal promotion. Thus, organizations require effective promotion policies not only to attract but also to retain efficient people so that they successfully accomplish their corporate objectives and missions. Canara Bank is a case in point.

This company has adopted a fast-track promotion policy and offers cash incentive schemes to reward the high performers of the company. It has a unique programme called "Club 2020", involving young and talented employees to lead and strategize the organizational change in the fast-changing banking environment. As far as the promotion policy for the managerial cadre is concerned, it has two channels of promotion from the junior management grade to middle management. The first channel of promotion is called the "test channel" and the second is identified as the "interview channel". Promotion is only by selection and an officer can opt for only one channel. Each channel gives due regard to rural service and to reservation for the deserving communities.

Adapted from www.hinduonnet.com/businessline/2000/07/06/stories/090619vs.htm.

Box 16.4	Definitions

"Demotion is defined as shifting an employee down to lower levels of positions which involve decrease in salary, status and privilege."[11] —Ali Balci	Demotion is "the permanent movement of a staff member from one position in one job class to a position in another job class of decreased responsibility or complexity of duties and in a lower salary range."[12] —The Policy Manual, University of North Texas

concerned. It may involve either being assigned a different position or a reclassification of the existing position of the employee with lower designation.

The essence of demotion is a decrease in the job status of the employee. Several definitions of demotion revolve around this factor. We shall now see a few of the definitions.

We may define demotion as an employee's downward mobility in the organizational structure which is normally accompanied by reduced authority, responsibility, compensation and social status.

Reasons for Demotion

An employee may be demoted for several reasons including administrative convenience and punishment. We shall now see the important reasons for demotions.

Administrative Convenience   Due to external developments and/or internal restructuring, an organization may be forced to abolish certain categories of jobs or merge the jobs for administrative purposes. In such cases, the incumbent employees of the merged or abolished jobs may be moved to lower positions. Occasionally, organizations also consider demotion as a viable alternative to a layoff when staff reduction becomes inevitable.

Inefficiency   Employees can be moved out of the existing position to some lower level for consistent failure to meet the performance goals of the organization. The intention of demotion in such cases is to reduce the work responsibilities of the employees so that they will be able to meet the performance requirements of the new position without much difficulty.

Disciplinary Action   An organization may impose demotion as a punishment for any serious violation of code of conduct. Demotion is considered as less severe punishment than dismissal or discharge of employees from the job. However, demotion as a punishment is normally opposed by unions strongly due to its psychological effects on the employees. Besides, demotions can also have a demoralizing effect on other employees who happen to work with the demoted employee. The organizations must fulfil all legal requirements before initiating serious punishments like demotion and dismissal as these punishments are often challenged in the court of law.

Voluntary Demotion   It is also called demotion on request. It involves shifting an employee to a lower designation upon his request or concurrence. Employees may request a voluntary demotion when they are not willing or able to perform the existing duties any longer or shoulder the responsibilities of their current positions properly. Specifically speaking, an employee may seek a voluntary demotion due to illness, job difficulty, a misunderstanding with supervisors, stress in the current job, relocation of residence, and the unwillingness or

inability to accept forced transfers. Organizations usually demand a written request from the employees seeking a demotion before acting on such a request. The employees should also agree to a reduction in pay if required. They must also be made to understand that the demotions are permanent and cannot be reversed. A voluntary demotion can be within the same department or from one department to another. It may be initiated either by the employees or by the employers.

Transfer

A horizontal shifting of employees from one job to another without any job related increase in the pay, benefits and status of the employees is called a transfer. It can broadly be classified into two categories, namely, imposed transfers and requested transfers. In case of the former, an employee is transferred for administrative convenience with or without his concurrence. For instance, an organization may carry out transfers for better utilization of skills and knowledge of the employees. It may also transfer employees as part of the on-the-job training process. Transfers may also be used to see whether an employee is fit for permanent placement in that position as a part of promotion. In case of requested transfers, an employee is transferred to another job or place because he has requested for the transfer. Transfers are often requested by the employees for personal reasons.

The lateral movement of employees from the existing job to another with comparable duties, responsibilities and pay range is the essence of the definitions of transfer. We shall now see a few definitions of transfers.

We may define transfer as an employee's lateral mobility in the organization structure without any significant change in the authority, responsibility, compensation and social status.

Objectives of Transfer

Transfers can serve several purposes for both the organization and the employees. We shall now see the major purposes of transfers.

Optimum Utilization of Skills   Organizations may transfer employees from places where there is an underutilization of skills due to labour surplus to other places within the organization that suffer from skill shortages. The aim of this exercise is to facilitate a better utilization of the available skills and talents. Thus, transfers can be used as an effective means to meet the changing labour needs of the different departments/units of the organization.

Training of Employees   Many organizations utilize employee transfers as a tool to train the employees in different jobs of the organization. Such transfers help the organization assess the difficulties of the employees in performing the jobs effectively and the employees acquire the necessary job skills through training and other programmes.

Disciplinary Action   As part of disciplinary action, employees may be transferred to the least preferred jobs or destinations without any change in the job authority, responsibility and compensation packages. Since the purpose of transfers in such a case is to punish and discipline the employees, it can also be called a punitive transfer.

Box 16. 5	Definitions
"Transfer is defined as a lateral shift causing movement of individual from one position to another usually without involving any marked change in duties, responsibilities, skill needed or compensation."[13] 　　　　　　　　　　　　　　　—Dale Yoder	Transfer is defined as "the permanent lateral movement of a staff member from one position to another position in the same or another job class assigned to the same salary range."[14] 　　　　—The Policy Manual, University of North Texas

Employee Request　　Organizations may order a transfer to fulfil the request of an employee for it. Employees may cite health, family or other personal problems for seeking voluntary transfers. They may also seek transfers for job-related reasons like job difficulties and high level of stress.

Motivational Tool　　Many organizations view transfer as an effective means to motivate their employees. When the employees cannot be moved upwards in the organizational structure due to lack of promotional opportunities, organizations can resort to their horizontal movement to provide variety and challenges in the job. In fact, job enlargement and enrichment have made the lateral transfer of employees a good alternative to vertical transfer, namely, promotion.[15]

Types of Transfer

A transfer takes place when an employee is moved to another job or place with the same or a similar position. Such transfers may take place for a variety of reasons like poor health, performance shortage, mutual basis and training. We shall now see the different methods of employee transfers.

Inter-departmental Versus Intra-departmental Transfers　　When employees are rotated from one job to another within the same department, it is called intra-departmental transfer. For instance, when a clerk in a bank branch is made an accountant and if both the jobs carry similar levels of responsibilities and compensation, it is called intra-departmental transfer.

　　When employees are moved from one department to another within the same job classification, it is called inter-departmental transfer. The salary range, responsibilities and duties are the same or similar for both the jobs.

Voluntary Versus Involuntary Transfers　　When an employee voluntarily applies for a transfer to some other position or place within the same job classification, it is called a voluntary transfer. An employee may request for a transfer to another position within or outside the department.

　　When employees are transferred by the organization for administrative or other reasons without their concurrence, it is called involuntary transfer. For instance, an organization may transfer an employee when his existing position or job is marked for abolition as part of the restructuring process. Similarly, an organization may transfer an employee to fill a vacancy caused by the death or sudden resignation of an employee in another job.

Replacement Transfers   This is an infrequent type of transfer in an organization. This transfer is normally carried out by an organization to avoid the imminent layoff of the senior employees due to a difficult organizational situation. In this situation, a junior employee is relieved from his position by the organization as part of the layoff programme and the senior employee is transferred and posted to that position.

Versatility Transfers   Versatility means possessing a wide variety of skills. Transfers may facilitate employees in acquiring different skills required to perform the jobs in higher positions in the organization. For instance, the entry-level managers may be trained in different positions with comparable responsibilities and duties ahead of their promotion to the higher levels of management.

Shift Transfers   This is frequently done in organizations with a multiple-shift system. In this method, the employees are transferred from one shift to another but remain in the same job. For instance, an employee may be transferred from the day shift to the night shift. It is often done on a rotation or request basis. The statutory requirements which ban odd-hour shifts (night shift) for women and other factors like employee health can influence the shift transfers.

Remedial Transfers   Remedial transfers are usually carried out to set right the past mistakes in the appointment or transfers concerning an employee. A wrong placement of employees in the organization may cause numerous problems for both the organization and the employees. Besides causing performance problems, faulty placement can cause tension in the superior–subordinate relationships and employee stress. To rectify such a situation, organizations usually resort to remedial transfers, which enable the employees to find the right job and the right environment.

Production Transfers   The purpose of a production transfer is to stabilize production by redistributing the employees from labour-surplus units to labour-deficit ones. This internal arrangement helps the management in avoiding or at least postponing employee reduction measures like layoff and retrenchment.

Employee Separation

Employee separation is a sensitive issue for any organization. Usually, an employee leaves the organization after several years of service. Thus, the permanent separation of employees from an organization requires discretion, empathy and a great deal of planning. An employee may be separated as consequence of resignation, removal, death, permanent incapacity, discharge or retirement. The employee may also be separated due to the expiration of an employment contract or as part of downsizing of the workforce. Organizations should never harass the employees, especially in the case of resignation, just because they are quitting the organization. In fact, a quitting employee of the organization must be seen as a potential candidate of the future for the organization and also the brand ambassador of its HR policies and practices. However, many organizations are still treating their employees as "expendable resources" and discharging them in an unplanned manner whenever they choose to do so.[16]

Each organization must have comprehensive separation policies and procedures to treat the departing employees equitably and ensure smooth transition for them. Further, each employee can provide a wealth of information to the organization at the time of

separation. Exit interviews can be conducted by the HR department to ascertain the views of the leaving employees about different aspects of the organization, including the efficacy of its HR policies.

Reasons for Separation

Employee separation constitutes the final stage in the staffing process of an organization.[17] An employee can leave the organization for any reason which he deems fit for seeking separation. However, separation is classified basically into two types. These are: voluntary separation and involuntary separation. Voluntary separation refers to the separation of employees on their own request, while involuntary separation means the separation of employees for organizational reasons which are beyond the control of the employees. We shall now discuss the causes of these separations in detail.

Voluntary Separation   Voluntary separation, which normally begins after a request is placed in this regard by the employee, can happen due to two reasons: professional reason and personal reason.[18] We shall now discuss these reasons in detail.

Professional reasons—Employees may seek separation when they decide to seek better positions, responsibilities and status outside the present organization. Efficient employees would seek to expand their realm of knowledge and skills continuously by working in different capacities/positions in various organizations. In their quest for greater responsibility, power and status, they may seek separation from the organization.

Personal reasons—The important personal reasons for voluntary separation are relocation for family reasons like marriage of the employees and health crisis of family members, maternity and child-rearing. For instance, when working women get married, they often prefer to settle in the partner's place of occupation. Similarly, an employee may seek voluntary separation to look after the child or parent.

Involuntary Separation   As mentioned earlier, an involuntary separation is caused by the factors which remain beyond the purview of the employees. However, these factors may be classified broadly into health problems, behavioural problems and organizational problems. We shall now discuss these factors in detail

Health problems—Major health problems crippling the employees may make them invalid or unfit to continue in the profession. For instance, accidents causing permanent disabilities and illness of the employees like brain stroke and other terminal illnesses can lead to their involuntary separation. Death of employees is another factor which results in their involuntary separation.

Behavioural problems—An employee's objectionable and unruly behaviour within the organization may also lead to his involuntary separation from the organization. When the employee's behaviour is unethical or violates the code of conduct in force, the organization may initiate disciplinary actions, which may eventually result in his termination. This may constitute an act of involuntary separation. Consistent failure to reach performance goals by an employee can also result in his involuntary separation.

Organizational problems—Organizational problems are another important factor that contributes to the involuntary separation of employees. The poor financial performance of

an organization may cause it to terminate the services of some of its employees as part of cost control measure. Such terminations are also classified as involuntary separation. Similarly, automation, organizational restructuring and rationalization can also result in employee termination, discharge or layoff, broadly called involuntary separation.

Types of Employee Separation

Depending upon the reason, an organization may initiate voluntary or involuntary separation of employees by adopting any one of the forms mentioned in Figure 16.1.

Retirement   This is a common form of separation of employees from the organization. Depending upon its retirement policy, an organization would initiate the necessary steps to separate the employees upon attaining the specific age. The age of retirement from government services in India differs from one state to another within the range of 55 to 65 years. However, private organizations can have their own retirement policies. In addition to
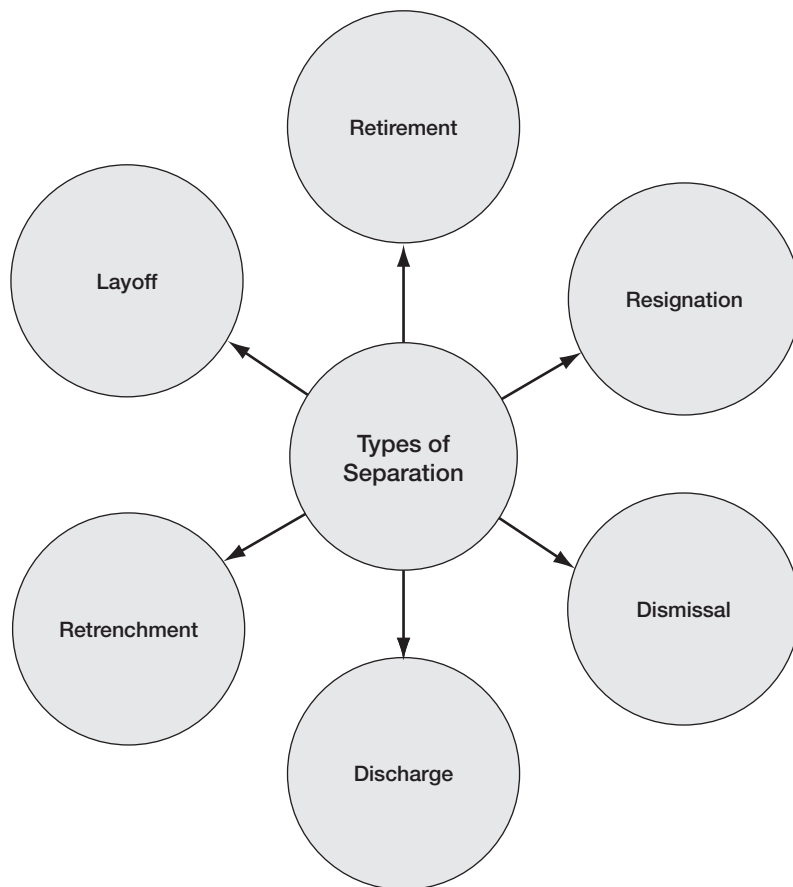

Figure 16.1

Types of Employee Separation

regular retirements, an organization may also adopt voluntary retirement scheme (VRS) and compulsory retirement scheme (CRS) to separate the employees from the organization. In case of VRS, organizations usually offer large sums of money over and above the actual retirement benefits to make the employees willingly leave the organization before their retirement age. This strategy is adopted by organizations when they are confronted with labour surplus and high HR cost. Organizations can also go for a CRS after completing due formalities like necessary notices to the employees. For instance, an organization may keep the absolute right to retire any employee who completes the specified years of service or attains the specified years of age by issuing a proper notice, say a three-month notice, as part of the CRS programme.

Resignation   When an employee seeks to resign from the job for personal or professional reasons, the organization, after a due consideration of the reasons, may initiate the separation process. In case of efficient workers seeking to resign, an organization would undoubtedly make every possible effort to put an end to the cause for which the employee wishes to resign from the job. For instance, if an employee wants to resign due to family commitment or unsuitable working hours, the organization may offer e-commuting or flexible hours as solutions to retain the employees. Similarly, it may offer a transfer to the desired place to prevent the employee from quitting the job. When the employee is unyielding in his decision, the organization would begin the separation process and ensure that the employee resigns the job as per the employment contract. In the absence of a specific employment contract, the resignation rules of the organization or the relevant provisions of the statutory acts would come into force. As per the company policy, the employee may be asked to give three months' or one month's prior notice to the management, expressing his desire to resign from the organization.

Removal (Including Dismissal or Discharge)   An organization may resort to dismissal or discharge of the employees from the services for reasons like behavioural problems, including unethical behaviour and a breach of the code of conduct. Being an involuntary separation, it is initiated against the employees only by the organization on its own accord but in agreement with the legal provisions. In case of dismissal, an employee is not entitled to get the terminal benefits like provident fund, gratuity, and so on, whereas a discharged employee is eligible for all the terminal benefits. In any case, both dismissal and discharge are always viewed as an extreme punishment and challenged in the various legal forums. It is thus essential for the organization to observe the disciplinary proceedings and the statutory provisions concerning employee termination strictly. For instance, an industrial dispute can be raised as per the Industrial Disputes Act, 1947, when the disciplinary proceedings reach the stage of dismissal or discharge of an employee.[19] Besides, the Industrial Employment (Standing Order) Act, 1946 and the Payment of Wages Act, 1936, also deal with certain aspects of disciplinary actions.

Retrenchment   Retrenchment is a kind of involuntary separation which an organization adopts to downsize it labour force. The purpose of retrenchment is to reduce the expenditure of the business and raise the profitability, especially during the difficult times of the organization. The need for retrenchment may arise due to the closure of unprofitable business operations, the automation of operations, and shifting business from one region or country to another. In case of retrenchment, employees are entitled to necessary compensation under Section 25(f) of the Industrial Disputes Act, 1947. However, retrenchment can have a demoralizing effect on the employee morale and put the remaining employees under excessive work pressure due to a reduced labour force.

Layoff A layoff is similar to retrenchment except that it is a temporary separation of employees from the organization. Organizations usually resort to layoffs to overcome the problems of business slowdown and other temporary business interruptions. Since a layoff is a temporary separation, the employees would be called back once the business fortunes revive and get stabilized. Section 2(KKK) of the Industrial Disputes Act, 1947, defines a layoff as the failure, refusal or inability of an employer, on account of shortage of coal, power or raw materials or the accumulation of stocks or the breakdown of machinery or natural calamity or for any other connected reason, to give employment to a workman whose name appears on the muster rolls of his industrial establishment and who has not been retrenched. However, as per Section 25A of the Companies Act, organizations which employ less than 50 employees on an average working day for the preceding calendar month, are not bound by the layoff provisions.

The laid-off employees are entitled to a compensation equal to 50 per cent of the basic wages and dearness allowances that would have been payable to him had he not been laid off. In order to be eligible for the compensation, the laid-off employees should fulfil the following conditions: (i) he should not be a *badli* or casual worker; (ii) his name should appear on the muster roll of the industrial establishment; and (iii) he should have put in one year of continuous services. However, layoff compensation need not be paid to employees when

- the employee declines to accept the offer of an alternate employment by the organization that does not call for additional skills and experience and is located within a five-kilometre radius of the original employment
- the employee fails to present himself for the job at the establishment at the appointed time during normal working hours at least one time in a day
- the layoff is due to a strike by workmen in another division or part of the establishment.

In any case, it is the responsibility of the organization to prove the above-mentioned reasons to make the employees ineligible for compensation.

Summary

1. A promotion is defined as an employee's upward mobility in the organizational structure accompanied by increased authority, responsibility, compensation and social status.

2. The three criteria for employee promotion are merit, seniority, and seniority-cum-merit.

3. A demotion is defined as an employee's downward mobility in the organizational structure which is normally accompanied by reduced authority, responsibility, compensation and social status.

4. The purposes of demotion are administrative convenience, inefficiency, disciplinary action and voluntary demotion.

5. A transfer is defined as an employee's lateral mobility in the organizational structure without any significant change in authority, responsibility, compensation and social status.

6. The purposes of transfers are optimum utilization of skills, training of employees, disciplinary action, fulfilling an employee's request and being a motivational tool.

7. The types of transfers are inter-departmental versus intra-departmental transfer, voluntary versus involuntary transfer, replacement transfer, versatility transfer, shift transfer, remedial transfer and production transfer.

8. Separation is basically classified into two types. These are: voluntary separation and involuntary separation. Voluntary separation refers to the separation of employees on their own request, while involuntary separation means their separation for organizational reasons which are beyond their control.

9. The reasons for voluntary separation are professional and personal. The reasons for involuntary separation are employee health problems, employee behavioural problems and organizational problems.

10. The types of separation are retirement, resignation, removal (including dismissal or discharge), retrenchment and layoff.

Review Questions

Essay-type questions

1. Discuss the meaning, objectives and characteristics of employee promotion.

2. Evaluate critically the various criteria for conducting promotion selection.

3. Enumerate the essentials of an effective promotion policy.

4. "Demotion is always heartbreaking for the employees." Do you agree with this statement? Substantiate your stand.

5. Describe the different types of transfer with relevant examples.

6. Elucidate the reasons for the separation of an employee from the organization critically.

7. Illustrate the various types of separation with examples.

8. "Separation is a sensitive issue and thus requires the utmost care and caution." Discuss.

9. Explain the various purposes for which an employee can be transferred.

10. Compare and contrast merit and seniority as the promotion criteria.

Notes

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5. Oliver P. Field, *Civil Service Law* (Minneapolis: READ BOOKS, 2007), p. 134.

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CHAPTER

17   Industrial Relations

CHAPTER OBJECTIVES

After reading this chapter, you should be able to:

1   Understand the characteristics and objectives of industrial relations

2   List the major players in industrial relations

3   Understand the various approaches to industrial relations

4   Discuss the latest trends in industrial relations

5   Enumerate the essentials of effective industrial relations

Royal Dutch Shell is a leading global integrated oil company with nearly $1 billion investment in India's energy sector. In fact, it is the only global major to have a fuel retail licence in India. Since it operates in more than 145 countries, its HR policies and practices are globally standardized.

The focus of the industrial relations at Shell is on the morale and motivation of the employees. It aims at knowing the feelings of the employees about their work in the company and building a strong relationship with the employee representatives, namely, the unions. In fact, Shell devotes considerable time and energy to communicate with and consult the employees and their representatives with the intention of making them realize that they are involved in the decision-making process.

The highlight of its industrial relations exercise is the global Shell People Survey conducted once in two years to discover the real views of its employees across the world.

The successful industrial relations promotion activities of Shell involve effective communication and consultation with the staff globally before undertaking large-scale changes. The consultation with the employees may involve (i) consulting and negotiating with the trade unions and staff councils, (ii) identifying and recognizing the best practices, and (iii) conducting, analysing and acting on attitudinal surveys. The industrial relations measures of this energy giant prove its importance to the growth and success of an organization unambiguously and we discuss its details in this chapter.

Introduction

The relationship between the employer and the employee is usually referred to as industrial relations. The labour–management relationship is a highly sensitive and complex aspect influenced by a variety of factors. The nature of the industrial relationship in an organization is

determined by factors such as the organizational culture, the attitude of the management, employees and unions, the condition of employment, the existence of a grievance-handling system and dispute settlement procedures, and the efficacy of rules and regulations. As a separate field of study, it is basically concerned with the systematic study of the various aspects of the labour–management relationship.[1] An industrial relationship arises out of the continuous interaction between the employers and the unions, which represent the employees. Thus, the chief actors in industrial relations are the employers and the unions, and their main relationship is through collective bargaining. Compensation-related issues, workload problems, retrenchment, layoffs and similar issues can determine the degree of cordiality in the industrial relationship collectively and individually.

The efficacy of industrial relations can be measured through the man-days lost due to strikes, lock-outs and other forms of disturbances in the organization. Generally, the government plays a proactive role in establishing harmonious industrial relations since labour–management problems usually have a social dimension. It acts as a partner and a facilitator in the industrial relations exercises of the organization. It contributes effectively to the establishment of harmony in the industrial relations by enacting laws, formulating polices and participating in the collective bargaining process and tripartite talks. It also acts as a conciliator or the third party in dispute settlement forums. The terms *industrial relations, employee relations* and *labour–management relations* are used interchangeably by the organizations while dealing with the employer–employee relationships in the organizations.

The protection of the mutual interests of the employees and the employers is the essence of the definitions of industrial relations. We shall now see a few of these definitions in Box 17.1.

We may define industrial relations as a process through which an organization controls the employer–employee relations in the organization and this process may involve continuous communication and consultation between them.

Box 17.1	Definitions of Industrial Relations

"Industrial relations is concerned with the systems, rules, and procedures, used by unions and employers to determine the reward for effort and other conditions of employment to protect the interest of the employed and their employers and to regulate the ways in which employers treat their employees."[2]

—Michael Armstrong

"Industrial relations is defined as a whole field of relationship that exists because of the necessary collaboration of men and women in the employment process of an industry."[3]

—Dale Yoder

"Industrial relations is defined as the composite result of the attitudes and approaches of employers and employees towards each other with regard to planning, supervision, direction and coordination of the activities of an organization with a minimum of human efforts and frictions with an animating spirit of cooperation and with proper regard for the genuine well-being of all members of the organization."[4]

—Ordway Tead and Henry C. Metcalf

"The study of labor–management relations (LMR) refers to the rules and policies which govern and organize employment, how these are established and implemented, and how they affect the needs and interests of employees and employers."[5]

—C. Von Otter

Characteristics of Industrial Relations

Based on these definitions, industrial relations may be said to have the following characteristics:

- The important actors in industrial relations are the employers, the employees and their unions, and the government.
- It involves the deliberate selection of strategies and the framing of rules and procedures by the management that would improve the industrial relations of an organization.
- Industrial relations emphasize the development and execution of activities that accomplish the joint objectives of both the employers and the unions, resulting in improved industrial relations.
- The protection of the interests and the fulfilment of the needs of both the employers and the employees are the fundamental characteristics of industrial relations.
- Industrial relations provides a coordinated and strategic approach to managing the employees of an organization.
- The government plays a proactive role in industrial relations in the form of a facilitator, a policy maker and a mediator in tripartite talks.

Objectives of Industrial Relations

Developing mutual respect and tolerance is the primary objective of both the employers and the unions in the industrial relations exercise. However, this calls for systematic and sustained efforts on the part of the organization. We shall now see the other objectives of industrial relations.

Building Cordial Relationships with the Employees

Organizations aim to achieve warmth and friendliness in their relationship with the employees and their unions through industrial relations.

Maintain Connectedness

Organizations look to remain connected with the employees through the industrial relations exercise. In fact, industrial relations tries to expand on the first connectedness brought into existence by the employer–employee contract.[6]

Safeguarding Mutual Interests

Through industrial relations, organizations strive to protect the interests and the well-being of their major stakeholders, namely, the employers and the employees. This is done by ensuring a free and frank exchange of feelings, opinions and grievances at the highest level on a regular basis.

Utilizing Collective Wisdom

Through industrial relations exercises, organizations involve unions in the decision-making process, which, in turn, helps the management in utilizing their knowledge and expertise for the betterment of the organization.

Preventing Industrial Conflicts

"Conflict is the motive force of the industrial relations system."[7] This is because an important purpose of industrial relations is to contain industrial conflicts, which normally result in the loss of man-days. Through conflict management strategies involving employers, employees, trade unions and even government, the industrial relations provide for dispute prevention and settlement.

Fostering Industrial Democracy

Through the industrial relations system, organizations attempt to promote industrial democracy by involving the employees and their unions in the critical areas of decision-making like conflict resolution, compensation fixation and policy formulation.

Avoiding Exploitation

Employees as individuals cannot bargain effectively for their economic and social rights. In the absence of industrial relations and collective bargaining, they may be deprived of their rightful claims to the organizational resources in the form of compensation. In contrast, industrial relations facilitates them in using their collective strength in getting fair compensation and other benefits.

Providing a Dynamic Role for the Government

Industrial relations provides a formal means for the government to take an active part in the deliberations involving the employers and the unions as a third party and bring about a rapprochement when either of them adopts a tough posture and the talks end in a stalemate.

Major Players in Industrial Relations

Industrial relations cannot be performed in isolation. Being a social activity, it requires interaction among all the stakeholders of the industrial relations system namely, employers, trade unions and government. Since industrial relations warrant a continuous interaction among the different parties, the role of each party is crucial to the success of the industrial relations exercise. Industrial relations is not confined to the relationship between the employers and the trade unions; rather, it moves beyond that to cover all forms of inter-group and intra-group interactions taking place in an organization. In fact, each interaction, whether it is formal or informal, contributes directly or indirectly to the existing industrial relations. We shall now see the role and responsibilities of the major parities in the development of industrial relations.

Employers and their Associations

Understandably, the primary responsibility for ensuring cordiality in the industrial relations rests with the employers. This is because the employees' attitude towards management is greatly influenced by the nature of industrial relations prevailing within the organization. There is no denying the fact that the management has inalienable rights in the organization with regard to the recruitment and separation of employees. It also has the right to decide on policy matters like expansion, restructuring and closure, notwithstanding their impact on the workers' interests. Employers have all the right to expect the employees and their unions to respect their rights. However, the management also has a responsibility to

respect the rights of the employees and to safeguard their interests in the organization. With regard to the employees, the management has a responsibility to ensure them minimum wages; to guarantee their health and safety within the organization; to assure the availability of equal opportunities to all employees of equal skills and calibre; to be fair in settling their disputes and redressing their grievances; to guarantee reasonable work schedules and hours of work; to improve their general well-being in all possible manners;

In industry-level forums, the employers may be represented by their associations in talks with the trade unions. They may act as pressure groups on the government to protect the interests of the employers and represent the employers strongly in all the national- and industry-level negotiations with the workers' unions and managers' associations. Some of the major employers' associations in India are the Confederation of Indian Industry (CII); the National Association of Software and Services Companies (NASSCOM), Associated Chambers of Commerce and Industry of India (ASSOCHAM); All India Manufacturing Organization (AIMO); Federation of Indian Chambers of Commerce and Industry (FICCI); the World Association of Small and Medium Enterprises (WASME); and Federation of Association of Small Industries of India (FASSI).

Employees and their Unions

Employees and their unions play a crucial role in helping the business achieve its objectives and also in fostering positive industrial relations within the organization. In this regard, the employees of an organization must know the job-related expectations of their employers. Similarly, they should also convey their own expectations to their employers unambiguously. The employees may choose to express their demands, feelings and opinions to the employers either directly or through their unions. We shall now discuss separately the role of the individual employees and that of their trade unions in promoting industrial relations.

Employees   The success of industrial relations depends to a great extent on the attitude of the employees towards the organization and its policies. An understanding of the numerous problems of the employers from their perspective by the employees helps in getting better cooperation from the latter. For this, it is essential for the employers to ensure that the industrial relations be decentralized and carried out at different levels of the organization, including at shop-floor levels. Besides their unions, the employees must be allowed to take part in the relations-building exercise at their workplaces. The double form of workers' representation, namely, trade union representation and direct employee participation, in the different forums at different levels can surely help the organizations in exchanging the information mutually and solving the problems collectively.

It is essential for the employees to appreciate the problems of their employers and be flexible and cooperative in solving the organizational problems. They must realize that their well-being hinges crucially on the well-being of their organization. They should believe in an accommodative approach and be prepared to look at the implications of their demand from the organizational perspective. For instance, while demanding better economic conditions, they must also consider the financial capability of their organization and the present conditions of the market. They must always be committed and loyal, and should be ready to subordinate their individual interests to the organizational interest.

Trade Unions   Undoubtedly, trade unions play a pivotal role in the industrial relations–building activities of the organization. The labour unions, as the representatives

of the employees, wield enormous clout in the industrial relations processes like collective bargaining. The unions in India enjoy a lot of political power and often act as a wing of the political parties. They should not care solely about the rights and interests of the employees but also have concern for the organizational interest. They must hear out the views of the employers on issues affecting the organization and should also share their concern. They should never use unfair means to get the employees' demands fulfilled by the management. Besides, they should not make unreasonable demands on the employers. They must not intimidate the employers with threats of strike, boycott and picketing.

As far as the employee interests are concerned, the unions must work smartly in the collective bargaining process to influence the employers positively to provide better welfare facilities for the employees and protect their interests from all forms of exploitation. They must also get involved in the organizational decision-making process by participating effectively in various forums such as board of directors, joint management councils, plant councils and shop floor councils. Similarly, they must also represent the employees effectively in collective bargaining conducted at the national, regional, sectoral, or corporate levels. They should organize the issues affecting the employees like compensation and working conditions properly and present them methodically to clinch the issues in a mutually beneficial manner. Despite the importance of the unions as a protector of employee rights and privileges, there is in general a declining trend observed in their membership due to the changing characteristics of the employees, employers and environment.[8]

Government

The government has been playing multiple roles in safeguarding the interests of the employees and in ensuring harmony in industrial relations. It acts as the facilitator and regulator of the industrial relations process. It also acts as the policy maker by enacting necessary laws and amendments in the existing laws to foster industrial relations in the organization. After Independence, the government introduced the Industrial Disputes Act, 1947, as a legal measure to regulate the industrial relations in the organizations. The purpose of this act is to (i) establish a permanent system for the prevention or settlement of disputes through works committees, conciliation officers, industrial tribunals, and labour court, and (ii) make an award of a tribunal binding on the parties and legally enforceable. Besides, the Trade Union Act, 1926, was also amended adequately and the unfair and unconstitutional activities of both the employers and the unions were defined clearly.

Approaches to the Study of Industrial Relations

Since the employers and the employees have conflicting interests over the organizational resources, industrial relations remains a complex and sensitive issue. On the one hand, the employers in business aim at making more profits and faster growth by reducing cost. On the other hand, the employees seek to enhance their income and social status by demanding more compensation from the employers, and this will obviously push up the cost of production. The interests of the employers and those of the employees often remain irreconcilable and their stand remains mutually antagonistic.

Industrial relations problems may arise from psychological, social, economic, or political factors. They may also arise from a combination of two or more of these factors. Therefore, the study of industrial relations requires an in-depth and multi-faceted approach. The study of industrial relations has drawn heavily from the disciplines of economics,

sociology, psychology, law, politics, accounting, and management studies. Obviously, the issues confronting industrial relations need to be studied on a multi-disciplinary basis to understand the sources of the problems and to tackle them effectively. Obviously, several approaches (see Figure 17.1) have been developed for the study of industrial relations. These approaches are: (i) the unitary approach, (ii) the pluralist approach, (iii) the system approach, (iv) the social action approach, (v) the Marxist approach, (vi) the Gandhian approach, (vii) the human relations approach, (viii) the Giri approach, (ix) the industrial sociology approach, and (x) the Oxford school approach. We shall now discuss these approaches.

Figure 17.1

Approaches Industrial Relations

The Unitary Approach

The unitary approach is characterized by a form of administration in which power is vested with a single authority. In the case of the unitary approach to industrial relations, the authority rests solely with the management with no right to anyone to challenge its decisions. According to the proponents of this approach, its basic assumption is that the common values and objectives unite and bind both the management and the workers.[9] The use of power in this approach is only for the common good and interest. The management, this approach believes, must deal strongly with the perceived challenges born out of irrational beliefs, the short-term preoccupations and the narrow perspectives that develop from the ignorance of the challengers to its authority and to the overall system. In essence, this approach is not appreciative of the role of trade unions in the organization and, certainly, they are not welcome. However, there are two perspectives within the unitary approach.[10] The first perspective holds the view that the industrial conflicts are abnormal and must be suppressed by all possible means. The second perspective, which is modern and sophisticated, views the industrial conflicts as unavoidable but believes that they ought to be controlled through diligent planning and management.

The Pluralist Approach

Unlike the unitary approach, the pluralist approach believes in basic ground rules, negotiated settlements and mutual compromises for solving the industrial conflicts. The basic assumption of this approach is that the disagreements between the parties to the industrial relations on important issues are not *unbridgeable* by compromises and the collaborations can continue at all stages.[11] In the pluralist approach, the power is not vested with any one group; rather, a balance of power is maintained between the parties to the industrial relations. Besides, the employers and the employees have a shared morality in upholding the cordial industrial relations through accommodative discussions and amicable decisions. This approach accepts that the company is made up of different interest groups and recognizes the trade unions as the rightful negotiators for the employees. Thus, the pluralist approach emphasizes industrial democracy and collective bargaining. Based on the balance of power and the parties involved, the pluralist approach can be further classified into liberal collectivist, corporatist, liberal individualist and Marxist variations.[12]

The System Approach

The system approach was developed by J. P. Dunlop of Harvard University in 1958. According to this approach, individuals are part of an ongoing but independent social system. The behaviour, actions and role of the individuals are shaped by the cultures of the society. The three elements of the system approach are input, process and output. Society provides the cue (signal) to the individuals about how one should act in a situation. The institutions, the value system and other characteristics of the society influence the process and determine the outcome or response of the individuals. The basis of this theory is that group cohesiveness is provided by the common ideology shaped by the societal factors.

According to Dunlop, the industrial relations system comprises certain actors, certain contexts, and an ideology, which binds them together and a body of rules created to govern the actors at the workplace and work community.[13] The actors in the system are the managers, the workers and their representatives, and the government agencies. The rules in the system are classified into two categories: substantive rules and procedural rules. The substantive rules determine the conditions under which people are employed. Such rules are normally derived

from the implied terms and conditions of employment, legislations, agreements, practices and managerial policies and directives. The procedural rules govern how substantive rules are to be made and understood. Ultimately, the introduction of new rules and regulations and revisions of the existing rules for improving the industrial relations are the major outputs of the industrial relations system. These may be substantive rules as well as procedural rules.[14] The context in the system approach refers to the environment of the system which is normally determined by the technological nature of the organization, the financial and other constraints that restrict the actors of industrial relations, and the nature of power sharing in the macro environment, namely, the society.

The Social Action Approach

The social action approach is a variant of the system approach. In the system approach, society plays a dominant role while the actors such as employers, employees and their representatives keep a low profile and play a passive role in the process. On the contrary, the social action approach assigns an active role to the actors of the industrial relations. The actors' understanding of the work situation becomes more important than the social factors and their independent views gain a greater weightage in deciding their behaviour towards industrial relations. The social action theory primarily considers bargaining as an important tool for the resolution of a conflict. The actors, according to this approach, are willing to cooperate with other actors in the resolution of conflicts, and bargaining forms the basis for such cooperation.

The Marxist Approach

The Marxist approach looks at industrial relations from a societal perspective. It views industrial relations as a microcosm of the wider capitalist society. The basic assumption of this approach is that industrial relations under capitalism are an everlasting and unavoidable source of conflict. According to this approach, industrial conflicts are the central reality of industrial relations, but open conflicts are uncommon.[15] The Marxist approach views industrial disputes as a class struggle and industrial relations as a politicized concept and an element of the class struggle. As per the Marxist approach, the understanding of industrial relations requires an understanding of the capitalized society, the social relations of production and the mechanism of capital accumulation.

The Marxist approach views the power relationship between the two classes, namely, the employer (capital) and the employee (labour), as the crux of the industrial relations. Both classes struggle hard to consolidate their respective positions so that they can have a greater leverage over the other in the process of bargaining. The proponents of this approach perceive that the employers can survive longer without labour than the employees can without work. As far as theory is concerned, the compensation payable to the employees is an outcome of the power struggle. For instance, the employers seek to maximize their profits by paying less compensation to the employees, while the latter resist such attempts, and this resistance results in industrial conflicts. However, the weakness of this theory is that it is narrow in approach as it views industrial relations as a product or outcome of the industrial conflict.

The Gandhian Approach

The core of the Gandhian approach in industrial relations is the utility of non-violence as a means of conflict resolution in organizations. The basic elements of this approach are truth, non-violence, the voluntary arbitration of disputes, and want-lessness. According to Gandhi,

the growth of civilization does not mean a multiplication of wants; rather, it means a deliberate and self-imposed attempt to reduce such wants.[16] He blamed the system, rather than individuals, for several evils of society. He insisted on treating workers as human beings and advocated the concept of trusteeship. He held the view that the employers should consider themselves as trustees or co-owners of the business, and not as sole owners. Similarly, the workers must not view the organization as something that belongs to exploitative owners; rather, they must treat it as their own property. They should also consider themselves as the trustees or co-owners of the organization. Gandhi approved the concepts of strikes, collective bargaining, trade unions, fixation of wages and workers' participation in management.

Further, Gandhi held a definite view about the employees' right to strike but insisted that it should only be the last resort for the employees. The employees can contemplate strike and that too in a peaceful and non-violent manner only after exhausting all other peaceful and constitutional methods of negotiation, conciliation and arbitration. Gandhi suggested a few guidelines for the industrial strikes: (i) The strike must be for a just cause and there shall be no strike without any grievance; (ii) It must be conducted in a peaceful and non-violent way; (iii) To the maximum extent possible, strike must be avoided in the essential services sector; (iv) As a prelude to organizing a strike, the trade unions must get ballot authority from all its member-workers for doing so; (v) Non-strikers must not be ill-treated or harmed. In essence, this approach emphasizes creating equality in the society through a non-violent approach.

The Human Relations Approach

According to this approach, an organization is nothing but a set of human relations and these human relations are central to how an organization functions. As per this approach, organizations are made up of people and the success of the management lies in its dealings with these people and their relationships to one another. The goals of the human relations approach are: (i) getting people to work, (ii) cooperating through mutuality of interests, and (iii) deriving satisfaction from the achieved relationship. The aim of the human relations approach is to make policies and techniques which can improve employee motivation, morale, efficiency and job satisfaction. This approach wants the small work groups in the organization to exert substantial control over its environment and assist the management in the process of removing the major irritants in the labour–management relations. It emphasizes group dependence and highlights the need for better communication, training and management development, recognition of workplace as a social system, group dynamics, and participative management in organizations.

Giri Approach

Former President of India V. V. Giri's deep concern for the well-being of the working class made him write two popular books on labour issues entitled *Industrial Relations* and *Labour Problems in the Indian Industry*. According to him, in the tree of socialism, the root comprises human beings. Giri observed that "it is an essential condition to maintain mutual trust and confidence between the employer and employee to obtain the goal of rapid economic development and social justice."[17] The Giri approach in industrial relations focuses on the relevance and importance of voluntary negotiations between the employers and the employees as a means of settling disputes. This approach insists on the establishment of bipartite forums at different levels of the industry to wipe out the dispute between the employers

and the employees represented by their unions. This approach also provides for the active involvement and intervention of the state in dispute prevention and settlement. However, this approach discourages compulsory adjudication and perceives it to be against the spirit of industrial democracy and unity.

Industrial Sociology Approach

The aim of the industrial sociology approach is to investigate the underlying trends and patterns in the cause and effect of industrial disputes both intended and unintended. Unlike most other approaches which focus only on the resolution of conflict as a means of achieving industrial relations, the industrial sociology approach focuses on the prevention of industrial conflict by tracing the cause of the disputes and then avoiding it. This approach provides a conceptual framework for investigating, analysing and specifying the structure and process within the organization that often produce conflicts. As per this approach, the job context and content, the technological characteristics, and human interaction often result in the distributive, structural, and human relations conflicts in the internal environment. In case these conflicts are not resolved within the organization, they may assume larger dimensions and become external conflicts. The removal of the causes of the disputes, according to this approach, facilitates a more effective maintenance of industrial relations.

Oxford School Approach

According to this approach, the conflict between the interests of employer and employee is inherent, but this interest can be adjusted in order that a common way, which can satisfy both the parties, can be found out, however difficult it may be.[18] Productivity bargaining is a classic example of this approach. For instance, any agreement to increase the productivity can benefit both employer and employee. The employer gets better sales performance and profitability while the employees get increased earning. The underlying assumption of this approach is that 'you can't do much without income' and therefore mutually beneficial ways must be found out for achieving convergence of interests. According to this approach, it is highly essential for the parties to the industrial relations to get the facts right and avoid institutional and other biases. The Oxford school approach can be expressed through the following equation:

$$r = f(b) \text{ or } f(c)$$

where, r stands for the rules governing industrial relations; b means collective bargaining; and c refers to conflict resolution.

According to this approach, the primary responsibility for industrial relations lies with the management. It is the duty to of the management to devise ways and means for developing and introducing innovation in all the aspects of the organization which help the cause of industrial relations. However, this does not mean that there is no responsibility for the unions; this only means that the first responsibility lies with the management.[19] Box 17.2 outlines the industrial relations initiatives of a joint venture.

Industrial Relations Trends

The advent of globalization and other economic reforms has brought in several challenges for the organizations on different fronts. Competition has intensified and the external environment has become too volatile to operate. Consequently, the knowledge, skills and ability

Box 17.2	Industrial Relations at IndianOil Petronas Private Limited (IPPL): A People-driven Strategy

The advent of globalization followed by intense competition in the market for industrial organizations made it absolutely necessary for contemporary organizations to maintain cordial relations with the employees. In a highly competitive environment, organizations simply cannot afford any form of industrial disturbances for they work against tight deadlines, work schedules and cost budgets. Thus, they intend to establish long-term industrial peace and harmony by developing social partnership with the employees. Similarly, the employees and their unions also prefer to maintain cordial relations with the management for their own reasons. As a result of economic reforms, factors like outsourcing, early retirement schemes, well-planned downsizing, casualization of labour and deindustrialization have considerably weakened the strength of the employees and their unions. Consequently, the maintenance of cordial industrial relations and peaceful co-existence has become absolutely inevitable and mutually beneficial for both employers and employees. The focal point of industrial relations exercises of many organizations is the development of mutual trust, cooperation and bipartisanism. Even though each organization can adopt its own style and strategies to build and preserve cordiality in industrial relations, the industrial relations initiative of IndianOil Petronas Pvt. Ltd (IPPL) is a case in point.

IndianOil Petronas Pvt. Ltd (IPPL) is a fifty-fifty joint venture between Indian Oil and Petronas of Malaysia. The two parties are working in the fields of liquefied petroleum gas (LPG), refining, petrochemicals, training and consultancy, research and development (R&D), exploration and production (E&P), and liquefied natural gas (LNG). This company believes firmly that employees and employee-driven strategy are central to the successful growth of any organization. Thus, it remains constantly focused on developing an excellent work culture and a harmonious working atmosphere by instilling a sense of belonging among the employees. IPPL has several proactive and progressive HR strategies for maintaining cordial industrial relations. For instance, it endeavours to foster employee initiatives constantly by involving them in activities like suggestion schemes, quality circles, and safety and welfare committees. It also regularly conducts meetings with the employees to develop good work ethics and work culture within the company. Certainly, this company has succeeded greatly in preserving peace and cordiality in its relationships with all its employees through employee commitment and involvement practices.

Adapted from: www.indianoilpetronas.com/PDF/dreport78.pdf.

(KSA) requirements of employees and the business strategies have seen drastic changes in the recent decades. The human resource management and industrial relations activities have been influenced by these factors. Additional developments in the industry are as follows:

- declining union memberships within the organizations, especially in the new and developing industries
- decentralization of collective bargaining with increasing preference for organization-wide wage negotiations and settlements
- increasing presence of knowledge workers and their changing needs
- the preference of the managements for free and direct communication with the employees
- diminishing presence of traditional manufacturing industries with high labour intensity and low technological penetration

All these developments have influenced industrial relations in varying proportions individually and collectively. As a matter of fact, even the traditional industries have modernized their production lines and supply chains to become lean organizations with the intention of reducing their dependence on labour forces.

Factors Influencing Industrial Relations

Basically, the success of industrial relations depends on the nature of the relationship prevailing among the actors of industrial relations. It also depends equally on the power equation existing between the employers and the trade unions. The attitude of one party towards the other and its strategies depend on its assessment of the strengths and weaknesses of the other party in industrial relations. The power equation of the actors in the industrial relations is determined by a combination of several factors. Some of the factors which influence the distribution of power between employers and employees are:

Trade Union Density

When the unions are phenomenally strong in an industry, the power balance would be in favour of the employees and the unions. In such a situation, the terms of industrial relations would be decided by the unions.

Frequency of Strike Activity

When the organization or industry reports a high number of strikes within a specific period, the industrial relations would come under increasing strain. Depending upon the outcome of the strikes, the power equation would change.

Political-economic Institutions

The role of politico-economic institutions is critical in achieving industrial peace and harmony. When the political institutions, especially the ruling combine, overtly favour the employees and the trade unions, the power equation would tilt in favour of the unions.

Cultural Diversity

When there is cultural diversity among the workforce, it may favour the employers to have divisions among the employees along cultural lines. The educated and enlightened employees may make independent decisions, which may differ with the general stand of the unions.

Demographic Structure

The presence of heterogeneous groups based on age, gender, income and other relevant bases can also influence the power balance between employers and employees. For instance, the organizations with a high proportion of women employees may witness low intensity in union activity.

Pattern of Behaviour

When the employers espouse authoritarianism in behaviour and style of management, the employees may predominantly prefer unions and aggressive postures, if possible. In contrast, the employees side with the employers when the latter adopt a consultative paternal approach.

In addition to these factors, the state of technology, the nature of supply and demand in the product and labour markets, legal factors, and other external environmental developments can also influence industrial relations. Having discussed the factors influencing industrial relations, we shall now see the measures required for enhancing their effectiveness.

Essentials of Effective Industrial Relations

Maintenance of harmonious industrial relations will benefit all the stakeholders of industrial relations like employers, employees, unions and also the government. However, the basic responsibility for fostering an effective industrial relationship rests with the management of the organizations. Thus, industrial relations is an integral part of the management of any business.[20] The management must provide due importance to the relationship in the form of effective consultation and good communication with the employees. A few factors contribute critically to the effectiveness of industrial relations. The role and relevance of these factors will be now discussed.

Leadership Commitment

Effective industrial relations require strong commitment and support from the management for the maintenance of harmonious industrial relations. The management must develop a kind of culture and philosophy which encourages change management through cooperation and consultation at all levels of the organization. It must also have a comprehensive procedure for bringing in changes in a systematized manner with due regard for the views of the employees and the unions.

Appropriate Vision, Mission and Business Strategy

The thinking of an organization and its priority for good industrial relations must be made known to all its employees. The management must make suitable changes in its vision and mission statements so that the managers comprehend the organizational policies clearly and pursue them keenly to the end that the industrial relations goals are achieved effectively.

Creative HR Policies

The HR policies of an organization have a profound influence on shaping its industrial relations. In fact, the employees form their perception about the industrial relations on the basis of the HR philosophy and policies of the organization. Thus, it is necessary for the organization to evolve forward-looking and dynamic HR policies which fulfil the changing needs of the employees and foster industrial relations.

Open Communication

An organization must develop a two-way communication channel to remain connected with its employees. An open communication system enables the management not only to keep the employees informed about the proposed changes but also to get constant feedback from them about its policies and actions. Two-way communication also facilitates the employees in sharing their suggestions, ideas and concerns with the management.

Institutionalizing the Relationship

In the long run, the management must develop a system for improving the industrial relations on a continuous basis. Intermittent processes like collective bargaining alone are not sufficient to develop the desired level of industrial relationship. The management must take measures for promoting the industrial relations at all levels of the organization. It must have forums like shop floor councils and plant councils for fostering the industrial relations.

Benchmarking Industrial Relations

Organizations must make every effort to fix standards or benchmarks for industrial relations so that the progress in industrial relations is properly monitored. Certainly, industrial conflicts like strikes, lock-outs and other forms of industrial disturbances are inversely related to industrial peace and harmony and, as such, can become the criteria for measuring industrial relations. Undoubtedly, the management must develop key indicators for measuring the efficacy of the prevailing industrial relations.

Summary

1. Industrial relations is a process through which an organization controls the employer–employee relations in the organization and this process may involve continuous communication and consultation between them.

2. The objectives of industrial relations are building cordial relationships with the employees, connectedness, safeguarding mutual interests, utilizing collective wisdom, preventing industrial conflicts, fostering industrial democracy, avoiding exploitation, and providing a dynamic role for the government.

3. The major players in industrial relations are the employers and their associations, the employees and their unions, and the government.

4. The approaches to the study of industrial relations are the unitary approach, the pluralist approach, the system approach, the social action approach, the Marxist approach, the Gandhian approach, the human relations approach, the Giri approach, the industrial sociology approach and the Oxford school approach.

5. In the unitary approach, the authority rests solely with the management with no right to anyone to challenge its decisions.

6. The essence of the pluralist approach is that the balance of power is not vested with any one group; rather, it is maintained between the parties to the industrial relations.

7. The system approach means that the behaviour, actions and role of the individuals are primarily shaped by the cultures of the society.

8. The basic elements of the Gandhian approach are truth, non-violence, the voluntary arbitration of disputes, and want-lessness.

9. The core principle of the Giri approach is that voluntary negotiations between employers and employees are the means of settling disputes.

10. The factors that influence the distribution of power between the employers and the employees are trade union density, frequency of strike activity, political-economic institutions, cultural diversity, demographic structure, and the pattern of behaviour.

11. The essentials of effective industrial relations are leadership commitment, appropriate vision, mission and business strategy, creative HR policies, open communication, institutionalizing the relationship, and benchmarking industrial relations.

Review Questions

Essay-type questions

1. Evaluate the role of the different actors of the industrial relations critically.

2. Describe any five industrial relations approaches using examples.

3. Write an essay on the relevance of the unitary and pluralist approaches with suitable examples.

4. Evaluate the contributions of India to the development of approaches for the study of industrial relations critically.

5. Discuss the trends in industrial relations in India with appropriate instances.

6. Enumerate the essentials of effective industrial relations with necessary examples.

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18 Discipline and Disciplinary Action

After reading this chapter, you should be able to:

1 Understand the objectives and types of discipline

2 List the symptoms and causes of indiscipline

3 Enumerate the steps needed for a disciplinary action procedure

4 Discover the elements of a good disciplinary system

5 Understand McGregor's suggestions

6 Explain the code of discipline

DLF is one of India's biggest real-estate companies in terms of revenues and developable area. In fact, Super Brands India has awarded the "super brand" ranking to this company for three consecutive years. As part of its corporate governance, the company has developed a strong code of conduct to regulate the performance and behaviour of its directors and employees. The primary objective of its code of conduct is to further encourage its commitment to building a strong culture of corporate governance by promoting the importance of ethical conduct and transparency.

The general standards of the conduct of this company specify that: (i) the directors and employees shall conduct its business in an efficient and transparent manner in meeting its obligations towards the shareholders and other stakeholders; and (ii) they shall not be involved in any activity that would have an adverse effect on the objectives of the company or on the national interest. These specific conducts have been included under captions like: (a) compliance with applicable laws, (b) conflict of interest, (c) business opportunities, and so on.

As regards the consequences of non-compliance with the code of conduct, the company warns of appropriate action against the employee whose actions are found to violate it. The strong code of conduct of DLF and its excellent performance vividly show the importance of maintenance of discipline to its success. We shall now discuss the relevance of discipline and disciplinary action in this chapter.

Introduction

Managing employee behaviour and performance is one of the important tasks of managers. Discipline refers to the employees' observance of standards of behaviour set by the organization.

Disciplinary action refers to the punishing the employees who fail to meet those standards of behaviour. Many organizations maintain a disciplinary policy or system to regulate the behaviour of the employees and deal with the acts of indiscipline. Some organizations even conduct discipline management training for their supervisors and managers to help them understand the tactics of managing discipline among the employees effectively. The purpose of such training is to ensure that when the supervisors discipline their subordinates, they do so in a just and fair manner. This is essential to avoid the charges of bias and prejudice and steer clear of legal problems at a later stage. The managers must also be made to understand that the purpose of disciplinary action is not just punishing the erring employees but also ensuring that the same act of indiscipline is repeated neither by the corrected employees nor by anybody else. Since disciplinary proceedings and actions produce emotional situations for the supervisor and the employee both—the supervisor who conducts the proceedings and the employee who faces the disciplinary action—it is essential for an organization to have unambiguous policies and guidelines. These policies must tell the supervisor clearly how he should conduct the proceedings and how it should be concluded.

Although the acts of indiscipline by employees can reveal themselves in many forms, some of the important forms of indiscipline are disobeying the supervisor's instructions, absenteeism, rule violation, carelessness, poor performance, stealing, alcoholism, wilful mishandling and misuse of organizational property, and general misconduct. All these acts have a negative impact on employee's productivity and organizational performance. Thus, it becomes absolutely necessary for an organization to end these acts of indiscipline by modifying the behaviour of the employees through appropriate actions. In short, discipline is a corrective mechanism to build and maintain a productive, responsive workforce.[1] However, the organization must ensure strictly that its discipline policies and system are not arbitrary. This is because when the employees perceive or believe that the discipline policies of their organization are flawed and unfair, they may try to find alternate employment or depend heavily on the unions for protection and may reduce their focus on job activities, leading to a decline in employee productivity, morale and motivation.

Any action by the management to make the employees observe the code of conduct and correct employee behaviour and performance is the essence of the definitions of discipline. We shall now see a few of these definitions in Box 18.1.

We may define discipline as a system designed to ensure that the employees' performance and behaviour are consistent with the relevant organizational rules and regulations in force.

Characteristics of Employee Discipline

In normal circumstances, employees conduct themselves voluntarily in a manner agreeable to the management. Thus, indiscipline is considered as an abnormal happening in an organization. If the acts of indiscipline are minor in nature and are occurring for the first

Box 18.1	Definitions
"Discipline is a force that prompts an individual or a group to observe the rules, regulations, and procedures, which are deemed to be necessary to the attainment of an objective."[2] — William R. Spriegel and Edward Schultz	"Discipline is the state of employee self-control and orderly conduct that indicates the extent of genuine teamwork within an organization."[3] —R. Wayne Mondy

or second time, the management usually persuades the employees to merely avoid repeating them. When the gentle and informal advice of the supervisors fails to produce desired results, the management may exercise its rights by initiating formal disciplinary actions against the erring employees. Employee discipline as a concept must have a few necessary characteristics. The necessary characteristics of discipline derived from these definitions are.

Standard Behaviour

Discipline involves setting a standard behaviour for the employees to follow in the organization. An organization may express the standard behaviour in the form of a code of conduct for its employees.

Driving Force

Discipline is a "force" that drives the employees of an organization to observe the code of conduct in the organization.

Positive or Negative in Nature

The force may be positive or negative. A positive force rewards the employees who observe the rules of the organization while a negative force punishes those who violate such rules and regulations.

Voluntary or Imposed

Discipline may be voluntary or imposed. In the case of voluntary discipline, an employee develops a discipline on his own, which is called self-discipline. In the case of the imposed discipline, the employees observe rules and regulations out of external force or threat.

A Right of the Management

Imposing discipline in the form of rules and regulations is an inalienable right of the management. The employees or unions can challenge this right only when these rules are not fair, just, reasonable or consistent.

An Element of Control Process

Discipline is an element of management control process. As such, it is an aspect of standard behaviour in the control process. An evaluation of the actual behaviour of employees would show the observance or inobservance of standard behaviour, i.e., the discipline of the employee.

Objectives of Discipline

Traditionally, the purpose of discipline is to punish the employees for the violation of rules and regulations. In those days, to impose discipline, organizations depended predominantly on the threat of punitive action. In modern times, discipline aims at encouraging employees to observe self-discipline in behaviour and performance so that both the employees and the employers benefit out of it. At present, organizations accord a high priority to developing self-discipline among the employees through necessary training and counselling. We shall now see the objectives of the contemporary discipline system.

Goal Accomplishment

Achieving the corporate objectives is an important aim of employee discipline. In fact, all efforts directed towards the maintenance of discipline must end up with the accomplishment of organizational goals; otherwise the imposition of discipline will be of no use.

Developing a Responsive Workforce

Organizations utilize discipline to make the employees conform to the standards they have set. This obviously facilitates the employees in avoiding reckless and insubordinate behaviour and keeps them responsive and disciplined.

Changing Employee Behaviour

Organizations aim at bringing in the desired behaviour among the employees through discipline. The presence of the discipline policy can help the employees check their behaviour against the standards and cause changes in their behaviour, if necessary. For instance, discipline may caution the low performers of the organization and can compel them to alter their behaviour to meet the performance standards.

Improving Morale and Motivation

Organizations attempt to enhance employee motivation and morale through a fair discipline system. When the employees perceive the discipline policy of their organization to be fair and legitimate, they may be willing to work hard to avoid any disciplinary action against them. Similarly, when they see an act of indiscipline getting a fair and quick punishment, they feel proud of their disciplined behaviour. This feeling provides a sense of satisfaction, motivation and commitment to the employees. Eventually, it improves their morale.

Exercising Better Control over Employees

Discipline aims at supplementing the efforts of managers and supervisors to exercise effective control over subordinates. Since the authority to take disciplinary action is normally vested with the supervisors, it evokes fear in the minds of the employees and forces them to comply with the instructions of their supervisors.

Ensuring Consistency in Action

Organizations strive to ensure consistency in the disciplinary actions of different managers while dealing with acts of indiscipline of similar nature and intensity. They also aim at ensuring consistency in the disciplinary actions of the supervisors in different periods of time.

Promoting Industrial Relations

One of the objectives of discipline is to foster good industrial relations in the organization. Discipline issues often cause lot of strain in the union–management relations. However, through objective and transparent disciplinary process, organizations can convince the unions about the fairness of the process and get their continued cooperation in the future.

Substituting Personal Supervision

Another objective of discipline is to reduce the need for close supervision in the organizations. Discipline system and policies develop self-discipline among the employees, which, in turn, eliminate the necessity of closely supervising the performance and behaviour of the employees. Thus, through discipline, organizations can aim at reducing the cost of supervision without compromising on its quality.

Types of Discipline

The general purpose of discipline is to bring about positive changes in an employee's performance, attendance or behaviour. There are many disciplinary systems available for an organization to fulfil the objectives of discipline goals. Depending upon its management philosophy, HR policies and other characteristics, an organization may settle for a particular type of discipline. We shall now discuss the different types of discipline.

Positive Discipline

Positive discipline, which is called self-discipline, as well as preventive discipline, aims at seeking the willing cooperation of employees in observing the discipline code of the organization. The two inherent aspects of positive discipline are: (i) personal responsibility of employees for maintaining discipline; and (ii) independent decision making by them to eliminate their unsuitable and undesirable behaviour. In this method, the responsibility of the organization is to create a positive environment that gently prompts the employees to comply with the organizational code of conduct. Besides, the management must provide unambiguous instructions to the employees and relevant and timely feedback about the performance and its behaviour expectations. In the event of indiscipline, 'remind rather than reprimand' is the approach in positive discipline.[4] The employees are reminded about the rules, and the desired change in behaviour occurs. Thus, when performance or behaviour indiscipline is reported against employees, the first requirement for them, in this method, is to rededicate and recommit themselves to the job and the organization. The prerequisites for implementing positive discipline are:

- an excellent communication network
- a well-defined line of authority
- appropriate working conditions
- sufficient discipline training

Although an organization needs to devote considerable time and resources to developing positive discipline among its employees, its efforts would certainly pay it rich dividends in the long term. The benefits of positive discipline are cordiality in labour–management relations, improved employee motivation and morale, minimum use of formal authority, effective goal accomplishment and positive image for the organization in the labour market.

Negative Discipline

It is a traditional form of discipline followed by an orthodox management. In this method, fear is the key to the maintenance of discipline. For instance, the fear of punishment for the

acts of indiscipline will be the driving force for the employees to avoiding misconduct. It also forces them to obey the rules and regulations of the organization.

This form of discipline is also known by names like punitive discipline and enforced discipline. It never seeks the willing cooperation of the employees in ensuring discipline within the organization. Besides, employees working under a negative environment view discipline as a restraint on their freedom of behaviour. The prime aim of the employees in this method is escaping punishment and not cooperating with the management. For instance, when the management threatens the employees with dire consequences if they do not report for duty at 10 a.m. and remain till 5 p.m., their response would be to ensure that they remain in the office during the stipulated office hours but not reach earlier or leave later than that time. The intention here is evading threat of punishment and not extending cooperation or performing to the potential. The consequences of negative discipline are:

- Distrust in industrial relations and mutual antagonism
- Low morale and motivation
- High labour turnover
- Work-to-rule approach
- Lack of self-belief

Progressive Discipline

It is a popular form of discipline adopted successfully by many organizations in maintaining discipline among their employees. This method of discipline has found wide acceptance even among the unions. Progressive discipline requires an organization to adopt a step-by-step approach in dealing with the indiscipline problems of an employee. While dealing with the discipline issues concerning the employees, this method suggests that the organization begin the disciplinary action process with a modest disciplinary action, then increase the degree of severity gradually and finally end up with the most severe punishment if the successive stages of punishment do not yield the desired change in the behaviour of the employees. For instance, the disciplinary process may begin with an oral reprimand to an employee for performance indiscipline and may end up in his dismissal, if all the efforts to correct his behaviour fail.

A progressive disciplining of an employee may begin with the hiring of an employee and can continue through his entire work life in the organization. It may even lead to his suspension and ultimate dismissal. Progressive discipline may be defined as any employee discipline system that provides a graduated range of responses to employee performance or conduct problems.[5]

Although progressive discipline is similar to positive discipline, it differs on one basic aspect, which is the gradually growing and proportionate punishment to the employees. The extent of punishment depends on the frequency and severity of the performance and behaviour problem and the length of service of the employee.

Significance of Progressive Discipline   Since the disciplinary actions for misconduct move from mild to severe punishment gradually, this method assumes greater significance from the organizational point of view. We shall now see the importance of progressive discipline for an organization.

- It provides adequate opportunities to the employees to correct their behaviour and performance.

- It enables the managers to intervene in the disciplinary issues involving the employees at the first available opportunity.

- It facilitates the managers in getting involved in the disciplinary matters without worrying about the prospects of losing the employees' friendship.[6] This is because the employees are let off with mild punishments in the initial stages of disciplinary actions.

- Progressive discipline helps the management avoid time-consuming and costly litigations because this method rarely resorts to extreme punishment. As a matter of fact, the serious disciplinary actions are almost always challenged in the court.

- In the event of dismissal or discharge of employees as a result of disciplinary action, the organization may have to incur high staffing cost for finding the right replacement for the separated employee. In this method, extreme punishments like dismissal are rare as the management provides an adequate number of opportunities to the employees to discipline themselves by changing their behaviour and continue in the job.

- A proper compilation of the several discipline violations indulged in by the employees and the series of actions initiated by the management through the progressive discipline policy can help the management prepare a legally defensible case against the employees in the event of their suspension or dismissal.

In contrast, when an organization adopts a discipline method which is arbitrary in nature, it can invite charges of victimization. It may also jeopardize the relationship between the employer and the employees seriously. The other unintended consequences of a disciplinary system which is not just, consistent and objective are production disturbances, quality compromises, loss of customers, strained labour–management relations, high labour turnover, and rapid unionization of the employees so that they may seek security from the unions.

Steps in a Progressive Discipline Process   A typical progressive discipline will undergo a standard process although the steps in a process of progressive discipline are bound to vary from one organization to another, depending upon the management philosophy, the nature of industry, the labour market conditions and the strength of the unions. We shall now see the steps in a progressive discipline process in the event of reported indiscipline charges against an employee.

Stage 1: Counselling the employee—When any performance or behaviour problem like poor attendance, disobedience, dissidence, or performance deficit is made known to the organization, the first response of the management in this method is to provide counselling to the problematic employee. The counselling process must aim at

(i)   convincing him about the presence of the problem;

(ii) making him understand the nature and extent of the problem;

(iii) persuading him to realize the need to solve the problem at the earliest by explaining the likely consequences of the problem to the organization and to the individual; and

(iv) recommending the strategies for working on the problem to prevent its recurrence in the future.

After the counselling sessions, if the employee shows the required improvements in the performance or behaviour, the disciplinary action process is discontinued. Otherwise, the disciplinary process moves to the next step.

Stage 2: First disciplinary proceeding (reminder)—If the employee fails to show the necessary improvement in his performance or behaviour in spite of counselling sessions, the disciplinary action process progresses to the next step. At this stage, an appropriate authority like manager or supervisor holds a meeting with the employee concerned. The purpose of such a meeting is to remind the employee of the terms and conditions of his employment and explain to him the need to observe the rules of the organization. The manager also encourages the employee to clarify his misgivings and reservations regarding performance or behaviour standards and other related problems. Normally, the deliberations of the meeting are recorded in writing and sent to the employee for his confirmation and response. The employee can write back his views on the issues and the proceedings of the meeting to the appropriate authority empowered to deal with this issue. However, this must be done by the employee within the specified timeframe as fixed by the management. Normally, the higher-level officials avoid their intervention in the problem at this stage.

Stage 3: Second disciplinary proceeding (warning)—When there is no perceptible improvement in the behaviour of the employee at the end of the second stage, the disciplinary process moves to the next step. In this stage, the employee is again called for a meeting with the appropriate authority. Mostly, the authority that carried out the first two stages holds this meeting too. The supervisor quickly redoes the first two steps and moves to the present step. At this stage, the employee is clearly warned, in uncertain terms, of the likely consequences of his continuation with the same problem. For the first time, the threats of severe punishment like pay cuts, suspension, demotion, discharge or dismissal are placed before the employee. Once again, the deliberations are sent to the employee in writing and a copy of this is dispatched to the higher-level management. As in the earlier stage, the employee must again respond within the specified period.

Stage 4: Final disciplinary proceeding (undertaking from the employee)—When the employee still shows no sign of improvement in performance or behaviour, the disciplinary process reaches its final stage. At this stage, the appropriate authority calls the employee for a meeting one last time. This time, the employee gets his ultimate chance to set right his performance or behaviour. At the meeting, the supervisor makes it clear to the employee that he would not get any more chance in the future to defend his position and that this is the last chance to rectify his problems in performance or behaviour. However, this time the employee must give a written undertaking to improve his performance or behaviour to meet the expectations of the management. He must also give an undertaking to abide by the disciplinary action likely to be initiated against him if he persists with the same problem. The employee may sign or refuse to sign the required undertaking. In the event of his signing the undertaking, it amounts to accepting the problem and agreeing for future disciplinary action if he fails to improve his performance or behaviour. On the other hand, the employee's refusal to sign the undertaking would force the organization to straightaway initiate the necessary disciplinary action, the quantum of which usually depends on the severity of the problem.

Stage 5: Initiating disciplinary action (dismissal or demotion)—At this stage, the management reviews the case made out against the employee in its entirety before deciding

on the quantum of punishment. Factors like the seriousness of the problem, the length of service of the employee, the past record of the employee, the discipline policy of the company, collective bargaining agreement and the general environment of the organization act as inputs for the decision involving disciplinary action. Finally, the organization may decide to initiate less severe punishments like pay cuts, increment cuts, involuntary transfers, withholding promotions and even suspension of employee. The management may also decide in favour of more severe punishments like demotion, discharge or dismissal, which are usually permanent in nature. Box 18.2 outlines the role of a whistle-blower in identifying acts of indiscipline.

Symptoms and Causes of Indiscipline

The indiscipline may manifest itself in the behaviour or performance of the employees in many forms. It may be caused by organizational, individual and union factors. We shall first see the symptoms of indiscipline followed by the causes of such indiscipline.

Box 18.2	Whistle-Blower Policy at Tube Investments of India Limited

No action can be considered as an act of indiscipline unless and until it is explicitly prohibited and the employees are aware of this. It is exactly for this reason that business organizations develop discipline codes in the form of rules and regulations and let the employees know precisely that any violation of the provisions of this code would be construed as an act of indiscipline and dealt with appropriately. In any case, managerial action against employee indiscipline is a difficult and unpleasant task for the organization since a single disciplinary action can generate a series of repercussions for it. Therefore, the information about a purported act of indiscipline by the employees must be thoroughly investigated and the final disciplinary action must be grounded well on facts and figures. For this, the organizations must groom reliable sources to tip off the management about employee misconduct and protect those sources from possible victimization. Typically, the person who brings the alleged employee misconduct or discipline code to the notice of the management is known as a whistle blower.

In India, Clause 49 of the Listing Agreement between listed companies and stock exchanges provides a non-mandatory requirement for all listed companies to establish a mechanism called the Whistle-Blower Policy. This enables employees to report to the management the instances of unethical behaviour, fraud or violation of the code of conduct or ethics policy of the company. This policy is applicable to all permanent employees of a company. The aim of this policy is to provide a framework to promote responsible and secure whistle blowing in the company. The provisions of this act protect the employees who report the alleged irregularities and indiscipline to the company. This policy also provides for the appointment of an ombudsperson who will receive all complaints under this policy and ensure appropriate action.

Since adherence to the provisions of the whistle-blower policy is not a statutory requirement, it is for the companies to decide what constitutes an act of misconduct or indiscipline for them. Thus, the coverage of the act may differ from one company to another. In fact, each company reserves its right to amend or modify this policy at any time on the whole or in part, without assigning any reason whatsoever. However, it is necessary for every company to affirm every year that it has provided protection to the whistle blower from any adverse personnel action. Such affirmation shall form part of the Corporate Governance report as attached to the Annual Report of the company. The core guiding principles of the whistle-blower policy ensure that the whistle blower is not victimized and there is complete confidentiality about the identity of the whistle blower. Some of the companies develop a detailed whistle-blower policy and circulate it effectively among its employees so that employee misconduct is brought to the notice of the authority concerned at the earliest and the necessary action is taken promptly. The whistle-blower policy of Tube Investments of India Limited is worth mentioning.

Tube Investments of India Limited, which is the flagship company of the Rs 85 billion Murugappa Group, manufactures precision steel tubes and strips, car doorframes, automotive and industrial chains and bicycles. This company has an exhaustive whistle-blower policy and has developed a simple but effective process flow chart for it. The whistle-blower policy of this company intends to cover all employees' misconducts that impact the interest of the company. For instance, all actual or suspected actions that (i) result in incorrect financial reporting, (ii) contravenes the applicable company policy, (iii) are unlawful or (iv) otherwise considered as serious misconduct or improper acts. The flow chart prepared by Tube Investments of India Limited indicates how the whistle-blower policy operates in the company. In this chart, concern refers to the complaint and investigation subject refers to the person who allegedly indulges in misconduct.
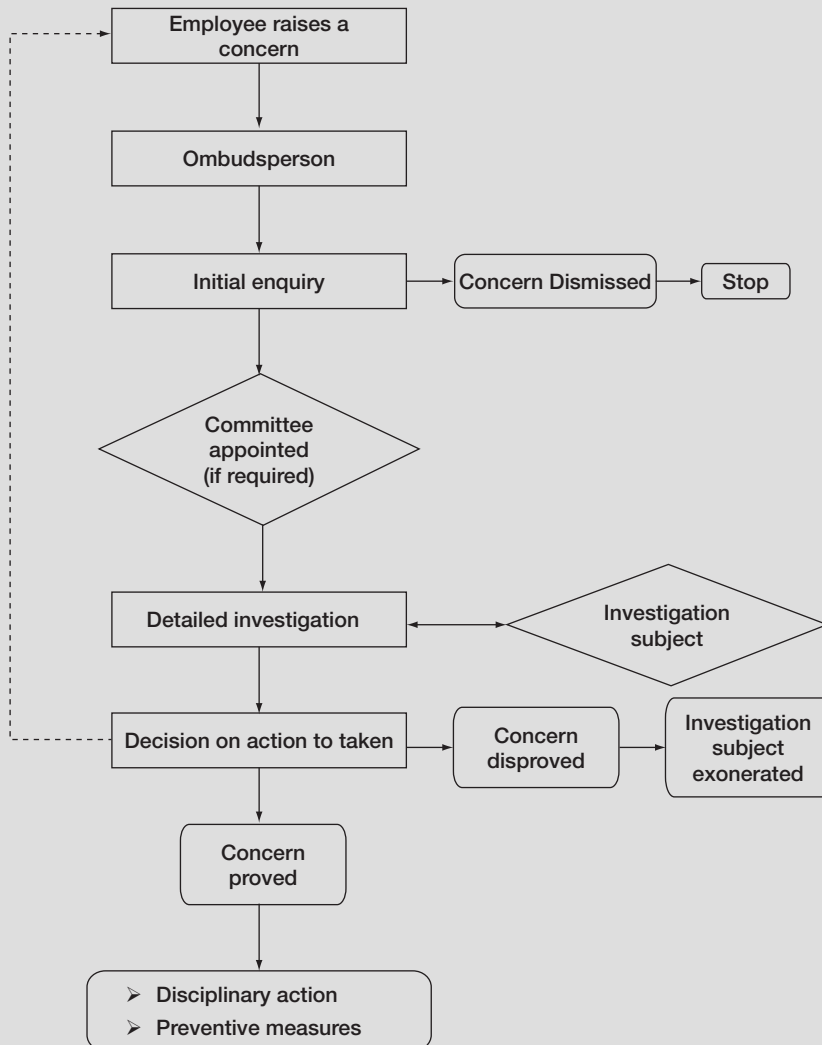
Symptoms of indiscipline

Since organizations are made up of people, it is natural for them to have inter-personnel conflicts and discipline-related problems. Even very effective disciplinary policies cannot completely thwart the occurrence of acts of indiscipline within the organization. The management must ever be ready to deal with any form of misconduct. Although it is not possible to prepare a complete list of misconducts, Box 18.3 lists the frequently reported performance and behaviour misconducts in an organization.

Causes of Indiscipline

Indiscipline simply means unacceptable behaviour of an employee in the organization. The unacceptable behaviour may occur in the form of unsatisfactory performance or undesirable conduct. The short-term approach of an organization in tackling indiscipline is to initiate necessary action against the problematic employees. The intention of this disciplinary action is to pre-empt these employees from making the same mistake in the future. In this case, the prevention of indiscipline is based only on the threat of punishment. However, in the long run, an organization must make efforts to identify and then prevent the factors which cause problems of indiscipline to the organization. These factors may individually or collectively become responsible for the misconduct of employees. It is therefore essential for the organization to promptly identify the root cause of the indiscipline and carry out corrective actions. We shall now record the important factors responsible for undisciplined behaviour.

Box 18.3	Symptoms of Indiscipline	
Absenteeism	Unauthorized departure from work like leaving early	Interfering with the work of other employees
Inefficiency—poor performance	Immoral conduct	Malicious gossip and/or spreading of rumours
Insubordination	Use of drugs and/or smoking within the factory premises	Taking away the property of the company or others without permission
Negligence	Theft	Misrepresentation of facts in seeking employment
Being unfaithful to the employer	Tardiness	Possession of dangerous weapons like firearms and explosives inside the organizational premises without permission from management
Causing unsafe working conditions	Misuse of the organizational property	Contributing to the unsanitary conditions or poor housekeeping
Wilful damage to machinery or materials	Rule violations	Conflict of interest
Abusing the supervisor or co-workers	Pilferage	Gambling
Refusal to accept a job assignment	Wilful violation of safety norms	Violent acts

Conventional Management Practices   Outdated and old-fashioned management practices may cause indiscipline amongst the present-day employees. For instance, tough rules for leave sanctioning may force the employees to indulge in absenteeism. Similarly, a rigid work schedule may witness frequent schedule violation or breaking.

Unfair Treatment   Unfair treatment leads to the exploitation of employees. Therefore, when an organization indulges in unfair practices in areas such as compensation fixation, promotion determination and work allotment, it can cause indiscipline among the employees. For instance, fixing low wages may result in work sluggishness. Similarly, unfair promotion practices may cause responsibility avoidance and work jerking by employees. Finally, work overloads may lead to quality compromises in production.

Absence of an Effective Code of Conduct   The code of conduct alone helps the employees in the identification of discipline and indiscipline in their behaviour. When the code of conduct is unambiguous, the employees understand clearly the dos and don'ts in their job. Apparently, they avoid acts of indiscipline. In contrast, when there is no the code or a poorly written code of conduct, the employee may have difficulty in distinguishing between the acts of discipline and those of indiscipline. They may not even know what constitutes misconduct unless and until the authorities tell them.

Absence of a Proper Grievance-handling Mechanism   When the employee has a grievance, he must be sure about what he must do next and about the probable time period within which his grievance would be redressed. In the absence of an effective grievance redress system, the employees may indulge in misconduct to attract the attention of the management to their grievances. Thus, lack of effective grievance handling also acts as a source of indiscipline.

Ineffective HR Policies and Practices   A good HR policy would meet all the reasonable needs of the employees both within and outside the organization. Thus, an effective and dynamic HR policy can help the management in avoiding employee grievance and, by extension, reduce the chances of employee misconduct. In contrast, an ineffective HR policy can breed grievances and indiscipline.

Absence of an Efficient Communication System   There is a need for every management to keep the employees briefed about the future programmes of the organization. Similarly, it must get continuous feedback from the employees about the various actions of the organization. Further, it should not only be aware of the concerns of its workforce but make every effort to get these concerns addressed. All these require the presence of an effective two-way communication system in the organization. In the absence of such a system, there would be a communication gap between the employees and the management. Obviously, both may have to depend on informal sources like grapevine to gather information. The faulty information fed into the informal communication channel may cause disquiet among the employees and result in indiscipline. For instance, the unconfirmed news of an imminent lay-off can spark an immediate and violent reaction from the employees even if it turns out to be false at a later stage.

Negative Attitude of the Employees and their Unions   When the employees and their union perceive a negative environment in the organization, they may distrust the management and suspect the real intentions of its every action. In such a situation, the management actions may be opposed by the employees in different forms, which may also include performance and behavioural misconduct.

Organizational Culture   Organizational culture is made up of the attitudes, experiences, beliefs, values and psychology of the members of the organization. As such, the organizational culture is derived from the culture of the society in general. It indicates the basic character-istics of the organization and influences the way the employees interact with one another as well as with other stakeholders like the employers of the organization.[7] When the prevailing culture fosters confrontational behaviour among the employees, the organization may wit-ness an increasing number of acts of indiscipline. In contrast, if the prevailing organizational culture is peaceful and affable, the complaints of misconduct would normally be less.

Types of Disciplinary Action

The outcomes of indiscipline in normal circumstances are disciplinary actions in the form of punishments. However, the severity of punishment is usually decided by the nature, cir-cumstances and intensity of the offence. Organizational policies and statutory provisions also play a role in determining the outcome of the disciplinary action. As shown in Figure 18.1, different types of punishment are normally awarded for different kinds of offences.

Oral Reprimand

It is an oral warning issued to an employee by a manager for the performance or behaviour misconduct reported against that employee. The purpose of oral reprimand is to caution the employee against the continuance of the same misconduct in the future. The manager also explains the likely consequence of a similar misconduct in the future. Oral reprimands are normally issued in private and the matter is kept confidential. As far as possible, the focus of
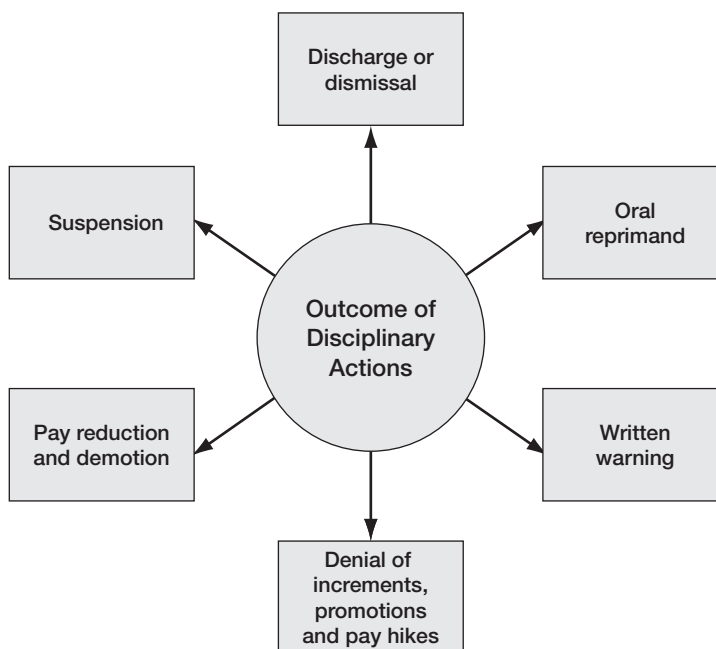
Figure 18.1

Outcome of Disciplinary Actions

the discussion must be on the problem and not on the person.[8] However, the employee may be allowed to offer a brief response to the charges made out against him.

Written Warning

When an oral warning or counselling to the employee does not produce the desired result, the manager may issue a written warning to the employee. On many occasions, this is the first stage of the formal discipline process. The written reprimand normally specifies the nature of offence and also its implications for the organization, the co-workers and the employee concerned. The employee is normally asked to acknowledge the receipt of the written reprimand, irrespective of whether he agrees with the content of the letter. The written warnings are usually legal documents and may have to be presented in the court at a later stage. Naturally, the drafting of such a letter requires a lot of legal expertise and matter-of-fact presentations.

Denial of Increments, Promotions and Pay Hikes

On some occasions, the management may refuse promotions, increments or pay hike by blacklisting the employee for a specified period of time. These are usually punishments of a temporary nature. At a later stage, the management may review the progress in the performance or behaviour of the employees to decide whether to clear his name for pay hike, promotions and increments or not.

Pay Reductions and Disciplinary Demotions

This is usually more severe than the denial of pay hikes and promotions because the employee loses part of even the existing benefits and privileges hitherto received by him. In case of demotion, the employee loses social status too in addition to the monetary loss.

Suspension

A few offences normally require the direct suspension of the employee without any prior warnings, oral or written. In other offences, it normally comes as the next logical step after oral and written reprimands in the discipline process. Depending upon the nature of the misconduct committed by the employee, the immediate supervisor or manager may demand the suspension of the employee accused of misconduct. However, the decision regarding suspension is normally made by higher authorities in the organization. It is also a temporary punishment. Once the investigation is over, the suspension may be converted into dismissal or into some other less severe punishment or simply revoked.

Discharge or Dismissal

This is the severest punishment of all. In this, the employee is permanently removed from service. Dismissal or discharge must be done in accordance with the relevant provisions of the law. It must stand the scrutiny of the judicial and quasi-judicial authorities. It is normally preceded by a termination meeting in which the employee is informed of the decision by the management. Usually, higher authorities are consulted on the matters pertaining to dismissal or discharge. In case of dismissal, the employee is not entitled to any separation benefits. In contrast, the employee is eligible for his provident fund and other retirement benefits in the event of his discharge from the job.

Steps in Establishing a Disciplinary Action Procedure

In many organizations, the disciplinary procedure is considered to be the most sensitive and critical HR activity. Many managers, as far as possible, avoid involving themselves in the disciplinary action procedure due to the fear of future consequences. Their ignorance of the organizational rules and the legal dimensions of the disciplinary action also discourage them from being strict in upholding discipline and in punishing the undisciplined employees. However, an effective, well-publicized and legally sound disciplinary proceeding which protects the managers from undue legal harassment can gain their confidence and willing involvement in the disciplinary procedure. The steps mentioned in Figure 18.2 are considered essential for establishing an ideal disciplinary procedure, even though each organization can have its own system to develop and maintain the disciplinary procedure. We shall now see the steps in the establishing of a disciplinary action procedure.[9]

Establishing a Code of Conduct

The first step in the process of establishing a disciplinary procedure is the development of a clear and internally consistent code of conduct for the employees. Since the employees decide the standard behaviour based on this code, it must be explicit, definite and self-explanatory. Organizations usually distribute employee handbooks, which contain detailed information about the dos and don'ts for their employees. The presence of a code of conduct also helps the management in ensuring transparency and consistency in disciplinary actions. Similarly, it helps the employees in knowing the behavioural and performance expectations of the management. Thus, the preparation of a comprehensive code of conduct is the first requirement for installing a disciplinary procedure.

Developing Goals and a System of Discipline

The next step in the installation of the disciplinary procedure is the determination of the disciplinary objective of the organization. The management must make it clear to the employees what it expects as the outcome of the disciplinary action procedure. When the goal of the disciplinary procedure is the punishing and the consequent correcting of the behaviour of the undisciplined employees, it would adopt a negative disciplinary system. The characteristics of negative discipline are: (i) it focuses more on the past behaviour of the employee; (ii) the act of imposing discipline follows an authoritarian style; (iii) the outcomes of the disciplinary action are punishment, forced behaviour alteration and isolation of the employee concerned.

In contrast, if the goal of the discipline system is to encourage the employees to follow self-discipline and enable them to make independent decisions to modify their behaviour appropriately, the organization would adopt a positive discipline system. the characteristics of positive discipline are: (i) the spotlight is on improving the future behaviour or performance of the employee; (ii) the environment in such disciplinary meetings is friendly and collaborative; (iii) the outcome of the disciplinary action is an understanding of the problem and joint determination of strategies like counselling and training to solve the problems. Once the organization decides on the goals of discipline and on the discipline system to achieve the discipline goals, it moves to the next step.
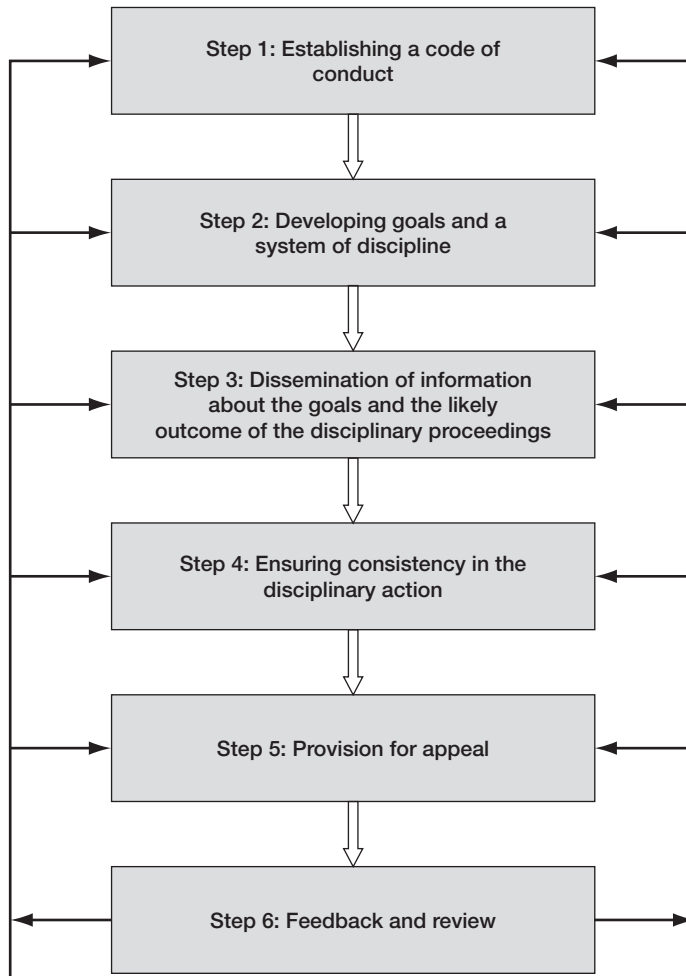
Figure 18.2

Steps in Establishing a Disciplinary Action Procedure

Dissemination of Information about the Goals and the Likely Outcome of the Disciplinary Proceedings

The primary purpose of any form of disciplinary system is to deter the employees from indulging in any act of behavioural or performance misconduct. In order to achieve this purpose, it is absolutely essential for the organization to publicize the goals and rules of the disciplinary proceedings among all the employees of the organization. Every employee must know clearly what will follow as disciplinary action for his acts of indiscipline. The organization must also widely publicize the maximum punishments for different misconducts.

Ensuring Consistency in the Disciplinary Action

The main purpose of developing a disciplinary proceeding is to ensure that the misconducts of equal nature get equal punishment, irrespective of persons and periods. This requires the

managers' strict adherence to all the provisions of the disciplinary system. When an organization fails to ensure consistency in the application of disciplinary rules and regulations and acts arbitrarily in the award of punishments, its moral, ethical and legal credibility in dealing with discipline matters gets drastically undermined. Therefore, it is very important for the management to observe the disciplinary proceedings closely to ensure the total compliance of managers and supervisors with the disciplinary procedure.

Provision for Appeal

Every disciplinary procedure must have a provision to permit the aggrieved employee to appeal against the outcome of the disciplinary proceedings. On no account should this 'right to appeal' be taken away from the employees. Similarly, every disciplinary procedure must respect the management's right in changing the rules and regulations of the disciplinary proceedings and the punishments awarded to the employee at the end of these proceedings. No policy, procedure or system can take away the right of the management to decide on disciplinary matters.

Feedback and Review

Changes continuously occur in the environment of business. These changes in labour and technological characteristics and in legislation may require proportionate changes in the code of conduct and the disciplinary proceedings. For instance, fixed working hours have to some extent been replaced by flexi hours. Similarly, the need for the physical presence of employees in offices has been replaced with the e-commuting mode of employment. Since maintenance of discipline is a continuous process, it is essential for the organization to gather feedback from its managers, employees and unions about the efficacy of the existing discipline system. Based on the feedback, the management must review the disciplinary proceedings to make them more contemporary and objective.

Essential Steps to Enhance the Effectiveness of Discipline Meetings

In any organization, disciplining is one of the most difficult tasks to be performed by the managers, especially when severe punishments are to be given. Disciplining the employees is not an uncommon activity of the organization and thus the process of disciplining must get due attention and importance from the management. When the manager comes across a situation where discipline is breached, he must work systematically to take the discipline issue to its logical end. The manager must not invite the charges of unfairness, arbitrariness and inconsistency at any time during the process. He must follow the discipline guidelines systematically and scrupulously all through the discipline process.[10] The manager must adhere to steps like

  (i) Gathering relevant information about the reported act of indiscipline

 (ii) Evaluating the nature and intensity of the misconduct and its impact on employee performance and behaviour.

(iii) Collating all the relevant information about the undisciplined employee. The information may relate to the employee's length of service, past behaviour, the background

of the misconduct, and the severity of the incident. This information would then be used at the time of interview with the undisciplined employee.

(iv) Calling a meeting with the manager to discuss every aspect of the problem, and they should develop jointly the action plan to prevent the occurrence of such incidents in the future.

(v) Recording the results and agreements of the meeting in writing and signed by both the manager and the employee.

(vi) Verifying the employee's compliance with the agreements of the meeting.

Elements of a Good Disciplinary System

A good disciplinary system would focus on the act of the problem and not on the person. It would consider the questions of "What was done" and "Why was it done?" It would be least concerned about "Who has done it?" A good disciplinary procedure approaches the whole disciplinary issue in an impersonal and objective manner. Typically, a good disciplinary system would be guided by the philosophy of an organization and its policy on discipline. In fact, organizations are now widely publicizing their codes of conduct and disciplinary procedures to show how fair they are in dealing with their human resources. This publicity, in turn, helps the organization in attracting the most talented and enterprising individuals to the organization. A good disciplinary system facilitates the organization in developing a cordial relationship with the unions. It also ensures due recognition for the unions in the disciplinary process. We shall now see the elements of a good disciplinary system.

Clarity in Discipline Goals

At the outset, an effective disciplinary system must have absolute clarity in its goal. The vision, mission and philosophy of an organization can guide its HR department in developing an unambiguous goal for its discipline. In the absence of clarity, an ambiguous goal can send conflicting signals to the employees about the intentions of the organization in discipline handling. It may also create unnecessary fear and uncertainty in the minds of the employees. It can also affect the morale of the employees adversely.

Fairness of the Procedure

A good disciplinary system would ensure that the managers dealing with employee misconduct act impartially in conducting the disciplinary proceedings and in deciding the quantum of punishment. At the end of the disciplinary process, the employee must get the feeling that he was given a fair hearing and that the disciplinary action was guided purely by the severity of the offence and not by the personality of the offender.

Transparency

Each employee facing disciplinary action must be aware of the stages involved in the disciplinary proceedings. The details of the disciplinary meeting must be conveyed in writing to the employee. The employee must also be given the opportunity to respond in writing if they disagree with the facts presented in the written report. In short, there must be complete transparency in the disciplinary proceedings.

Prior Warning

The purpose of any disciplinary system or policy is to prevent the occurrence of indiscipline in the organization. A good disciplinary system will act as a deterrent against the possible misconduct. In this regard, the organization must ensure that each employee is aware of the consequences of his actions. The code of conduct must spell out clearly the dos and don'ts in the organization and the maximum punishments for various performance and behaviour misconducts.

Adequate Privacy

A good disciplinary system would ensure that discipline is enforced in private and that the employee is not humiliated unnecessarily in public. This may allow the punished employee to lead a normal work life in the aftermath of punishment.

Immediate Response

The organization must never delay the process of imposing discipline on the employees charged with misconduct. In fact, ignoring or postponing disciplinary action would make things even worse for the organization.[11] Organizations can compromise on disciplines only at their own peril.

Consistency

It is another critical element of a good disciplinary system. In the absence of consistency in the outcome of the disciplinary action, the employee may lose confidence in the discipline delivery system itself. Obviously, an organization is fraught with more dangers from a defective discipline system than from the absence of it. An inconsistent system may affect the employees' morale and motivation, can develop the grievance of unfair treatment among the punished employees, and finally strain the industrial relations.

Progressive Discipline

A good discipline system would provide adequate opportunity to the employees to modify their behaviour and fulfil the performance and behaviour expectation of the management. A progressive discipline, for instance, would begin with counselling the employee, then gradually get tough with him, and, finally, end up with the severest punishments like dismissal or discharge, if all the efforts fail. Understandably, it provides ample opportunity to the employees to refine their behaviour.

Documentation

Proper documentation of the disciplinary proceedings is another important element of a good disciplinary system. In the event of a legal tussle over disciplinary actions, the organization must be able to defend its case effectively in the court. The documents of the disciplinary proceedings are important evidences to prove the fairness of the whole process.

Appeal Procedure

A good disciplinary system would provide adequate opportunity to the disciplined employee to appeal against the disciplinary action. In fact, an appeal provision in the disciplinary system lends credibility to the entire disciplinary proceedings and acts as a check against arbitrariness.[12]

Review and Feedback

A good disciplinary system would seek feedback from the managers, frontline supervisors and workers about the efficacy of the system. This feedback would help the organization in reviewing the discipline system in light of the suggestions provided by different stakeholders.

Douglas McGregor's Hot Stove Rule of Discipline

Douglas McGregor (1967) identified a few essential characteristics of the disciplinary system of an organization to make it fair, growth-producing and objective. He compared the characteristics of a good disciplinary system with those of a red hot stove to facilitate a better understanding of the concept of discipline. He found four similarities and used them to highlight the requirements of an effective disciplinary system. These common characteristics are: (i) forewarning, (ii) immediacy, (iii) consistency and (iv) impartiality. We shall now see these four characteristics of a hot stove applicable to any disciplinary system.

Forewarning

The employees must be forewarned about the consequences of their actions. They must know without doubt that if they break the rule (like touching the hot stove), they would be punished (like getting the fingers burnt) surely. The employees have the responsibility to be aware of the rules and of the punishment for the violation of the rules.

Immediacy

When the employees break the rule, the punishment must follow immediately (like getting their fingers burnt at once). The organization must ensure that there is no undue delay in conducting disciplinary proceedings and deciding on the punishment, once indiscipline has been reported and proved subsequently.

Consistency

Whenever the employees break the rule (like touching the hot stove repeatedly) they must be punished with the same intensity and speed (like burning the fingers as many times). Thus, there must be consistency in the administration of discipline between persons and periods.

Impartiality

Irrespective of who breaks the rule the punishment (severity of burn to the fingers) must be the same. The disciplinary system must consider the offence alone and not the personality of the offender while deciding the punishment.

Code of Discipline

The code of discipline was drafted by a sub-committee appointed by the Indian Labour Conference in 1957 in its fifteenth session and later accepted by the central organizations of employers and employees in 1958. This code is a moral and not a legal approach to discipline.[13] It places the burden of maintaining discipline on the shoulders of both the management and the employees represented by their unions. The basic tenet of this code is to

foster mutually beneficial cooperation between the management and the workers at all levels of the organization. We shall now see the major objectives of the code of discipline:

- It aims at averting stoppages and time-consuming and costly litigations.
- It strives to secure the settlement of conflicts, disputes and grievances through mutual negotiations and reconciliation and voluntary arbitration.
- It looks to shun all forms of bullying, exercise of coercive authority, and violence in the relationship between the employers and the workers and their representatives.
- It endeavours to provide adequate opportunity for the unions to grow freely and quickly.
- It encourages the establishment of a regular grievance redressal procedure in all the organizations with the purpose of attending to the employee complaints promptly.
- It encourages free exchange of constructive ideas, suggestions, concerns and criticism between the representatives of the management and those of the employees at different levels of organization.

The recommendations of the Indian Labour Conference regarding the code of discipline are non-statutory in nature, and, therefore, its implementation is not mandatory. Due to its recommendatory nature, it could not serve its intended purposes effectively.[14]

Summary

1. Discipline is a system designed to ensure that the employees' performance and behaviour are in consistence with the relevant organizational rules and regulations in force.

2. The characteristics of employee discipline are: standard behaviour, driving force, positive or negative, voluntary or imposed, right of the management, and an element of control process.

3. The objectives of discipline are goal accomplishment, developing a responsive workforce, changing employee behaviour, improving morale and motivation, exercising better control over employees, ensuring consistency in action, promoting industrial relations and substituting personal supervision.

4. The types of discipline are positive, negative and progressive.

5. The steps in a progressive discipline process are: counselling the employee, first disciplinary proceeding (reminding), second disciplinary proceeding (warning), final disciplinary proceeding (getting an undertaking), and initiating disciplinary action (dismissal or demotion).

6. The causes of indiscipline are conventional management practices, unfair treatment, absence of an effective code of conduct, absence of a proper grievance-handling mechanism, ineffective HR policies and practices, absence of an efficient communication system, negative attitude of the employees and their unions, and organizational culture.

7. The types of disciplinary action are oral reprimand, written warning, denial of increments, promotions and pay hike, pay reductions and disciplinary demotions, suspension, and discharge or dismissal.

8. The steps in establishing a disciplinary action procedure are establishing a code of conduct, developing goals and a system of discipline, dissemination of information about the goals and the likely outcome of disciplinary proceedings, ensuring consistency in the disciplinary action, provision for appeal, and feedback and review.

9. The elements of a good disciplinary system are clarity in discipline goals, fairness of the procedure, transparency, prior warning, adequate privacy, immediate response, consistency, progressive discipline, documentation, appeal procedure, and review and feedback.

10. Douglas McGregor's Hot Stove Rule of Discipline has (i) forewarning, (ii) immediacy, (iii) consistency, and (iv) impartiality.

Review Questions

Essay-type questions

1. Evaluate critically the different types of discipline with suitable examples.

2. Discuss the steps in a progressive discipline process.

3. What are the causes and symptoms of indiscipline in an organization?

4. Enumerate the steps in the establishment of a disciplinary action procedure.

5. Explain the steps needed to establish a disciplinary action procedure using an example.

6. Delineate the elements of a good disciplinary system with relevant examples.

7. Evaluate the strengths and weaknesses of the code of discipline.

8. "Disciplining an employee is the most complex task for the management of a company." Discuss.

9. Discuss the effectiveness of the disciplinary procedure in maintaining discipline in Indian industries.

10. Discuss the essentials of a sound disciplinary system.

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C H A P T E R

19 Employee Grievances

CHAPTER OBJECTIVES

After reading this chapter, you should be able to:

1 Understand the definitions and characteristics of grievances

2 Enumerate the sources of grievances

3 List the techniques of grievance identification

4 Understand the grievance procedure

5 List the essentials of a good grievance procedure

6 Understand the statutory provisions concerning the grievance procedure in India

ACC is a large cement-producing company with a workforce of about 9,000. It has won several awards and accolades for performance and productivity. Its approach towards human capital is viewed by the industry as distinct and innovative. Its emphasis is on developing a strong sense of loyalty among the employees and developing them as a value-adding human capital. For this, it adopts a proactive approach towards its employees by trying to identify their grievances at the earliest possible stage and by conducting employee surveys through professional agencies. For instance, ACC has employed the services of Mercer and the Boston Consulting Group to study its internal work environment and employee policies and suggest

areas of improvement. ACC also conducts its own periodic internal employee satisfaction surveys to assess the areas and levels of satisfaction of its employees. In addition to these in-house surveys, it also participates in annual employee satisfaction and workplace surveys organized by various external agencies like Hewitt Associates and Grow Talent. These systematic measures have ensured the presence of a conflict-free and congenial internal environment within the company.

Having understood the methods and benefits of the early diagnosis of grievances for an organization through a live example, let us now discuss the different aspects of grievances and their redressal mechanisms in detail.

Introduction

Every organization strives hard to create a work environment in which employees feel satisfied and relaxed. But, this is easier said than done since organizations often face situations where employees feel dissatisfied by the actions and policies of the management and supervisors.

Conventionally, this feeling of dissatisfaction or discontentment in an employee is treated as a complaint, if it is expressed orally, and a grievance, if it is in a written form. This grievance may be real or imaginary, serious or trivial, but it should arise from a person's employment in the organization. Generally, grievances arise due to the presence or absence of certain factors. For example, salary and perquisites, working conditions, working hours, policies relating to promotion and transfers, code of conduct, personality factors like the superior's attitude,[1] technological development, and innovations can cause grievances among employees. Box 19.1 describes the various definitions of the term *grievance*.

In conclusion, a grievance is a written complaint lodged by an unsatisfied employee about unfair treatment.

Characteristics of Grievances

On the basis of these definitions, we can make out the following characteristics of grievances:

- Grievances arise out of the perceived injustice or unfair treatment felt by the aggrieved employee.
- It is the state or feeling of discontent or dissatisfaction about any aspect of an organization.
- The cause of a grievance may be real or imaginary, serious or inconsequential, genuine or fake, legitimate or irrational.
- A grievance may be voiced or unvoiced. But it should be expressed in some form. It is normally expressed in a written form.
- It must arise only out of the job of the employee in the company and not out of family or personal problems.

Sources of Grievance

A number of events can prompt an employee to feel dissatisfied or discontented in the job, and result in grievance. Practically speaking, it is easier to list out those items that would not

Box 19.1	Definitions

"A grievance is an alleged violation of the rights of workers on the job."[2]

        —D. Q. Mills

"A grievance is a type of discontent which must always be expressed. It can be valid or ridiculous but must grow out of something connected with company's operations or policy. It must involve an interpretation or application of the provisions of the labour contract."[3]

        —Edwin B. Flippo

"A grievance is a written complaint filed by an employee and claiming unfair treatment."[4]

        —Dale Yoder

"A grievance is any discontent or dissatisfaction whether expressed or not, whether valid or not, arising out of anything connected with the company which an employee thinks, believes or even feels to be unfair, unjust or inequitable."[5]

        —Michael Jucius

"The complaints affecting one or more individual workers in respect of wage payments, overtime, leave, transfer, promotions, seniority, work assignment and discharge constitute grievances."[6]

        —The National Commission on Labour

cause grievances among employees than those that could precipitate them. However, one must understand the fact that certain grievances are more serious than others in their intensity and some are more frequent than others in their occurrence. Grievances are usually filed over disciplinary actions concerning employees and over dissatisfaction on matters like seniority problems, work assignment, job classification, scheduling, promotion, transfer, lay-off and recall, subcontracting of work, and employee entitlement to benefits like vacations, incentive plans and holidays.[7]

Grievances generally arise from the following sources:

- Contract terms, which are too general, contradictory, or ambiguous
- Working conditions and pay arrangements, which are in some manner unsatisfactory to the employees
- Supervisors who fail to properly abide by and administer the contract
- Employees who fail to live up to the conditions set by the management or who neglect adhering to the terms of the contract[8]

Management experts have identified three major factors to be responsible for causing grievances among employees. These are management policies and practices, trade union practices and personality traits.[9]

An expert agency's[10] compilation on the sources of employee grievances reveals the following as the important sources:

Demands for individual wage adjustment; Complaints about the incentive system; Complaints about job classification; Complaints against a particular foreman; Complaints concerning disciplinary measures and procedures; Objections to the general methods of supervision; Wrong calculation and interpretation of seniority rules and an unsatisfactory interpretation of agreements; Promotions; Disciplinary discharge or lay-off; Transfers for another department and another shift; Inadequacy of safety and health services/devices; Non-availability of materials on time; Violation of contracts relating to collective bargaining; Improper job assignment; Undesirable or unsatisfactory conditions of work.

For Indian organizations, the following were found to be the potential sources of grievances for employees: promotions, amenities, continuity of service, compensation, disciplinary action, fines, increments, leave, medical benefits, nature of job, payment, recovery of dues, safety appliances, superannuation, suppression, transfer, victimization, and conditions of work.[11]

A study of several small business organizations found out that the major grievances of employees centred on less payment of salary and non-payment of salary on time. It also found out that a great majority of the organizations have not put any grievance procedure in place.[12]

Though it is not possible to state with precision the common causes of grievances for any organization, we can broadly group the sources of grievances under the following headings:

Management Policies and Practices

Basic wages and salary scale, provision for general wage rise and overtime allowances; Employee benefits and incentive schemes; Promotion and transfer criteria; Leave of absence and holidays; Fines, punishments and penalties; Attitude towards labour union.

Working Conditions

Occupational health and safety measures; Physical conditions of the workplace; Changes in production schedules and standards; Shortage of required raw material, tools and machines and equipment for performing the job; Improper allocation of work, duties and responsibilities to employees.

Supervision

Style of supervision; A misunderstanding between the supervisor and the workers; Rigidity in the interpretation of rules and regulations; Discouraging the complaints and representation of the workers; Ambiguous job instructions.

Collective Bargaining Agreements

Vague and unclear language and clauses in the agreements; Violation and/or non-fulfilment of the terms of agreement; An emphasis on a legalistic approach to the employees' problems without considering the social and economic dimensions that may have a bearing on these problems.

Work-adjustment Difficulties

Basic attitude towards job and company; Excessive self-esteem and pride; Introverted personality; Grumbling and fault-finding mindset.

Techniques of Grievance Identification

When the grievances of employees are not diagnosed, recognized and resolved at an earlier stage, the organization may face, in course of time, unpleasant situations like high absenteeism, insubordination, low morale, a high incidence of accidents, low productivity, and a strain on industrial relations. This is because of the fact that even a small grievance may be a symptom of a big underlying problem.

A good organization must have the ability to detect, analyse and correct the causes of potential employee dissatisfaction before these become grievances. This calls for a proactive rather than a reactive approach of waiting for the grievance to reach it formally. For this, the organization must perfect a system to identify the simmering trouble in advance and solve it before it gets out of control. It may adopt any one of the methods mentioned in Figure 19.1 to identify employee dissatisfaction.

Exit Interview

When employees quit an organization for any reason, an exit interview may be conducted to obtain information about job-related matters. It will be natural for those quitting their jobs to speak freely and frankly about their experience and observations in the job. This can provide the employer with an invaluable insight into the simmering problems and anxieties concerning the employees. The length and content of the exit interview will usually depend on the position of the quitting employee in the organizational hierarchy and his reasons for departing from the organization. It is a good opportunity for the management to learn about the invisible but real problems plaguing the organization. It is absolutely essential that the
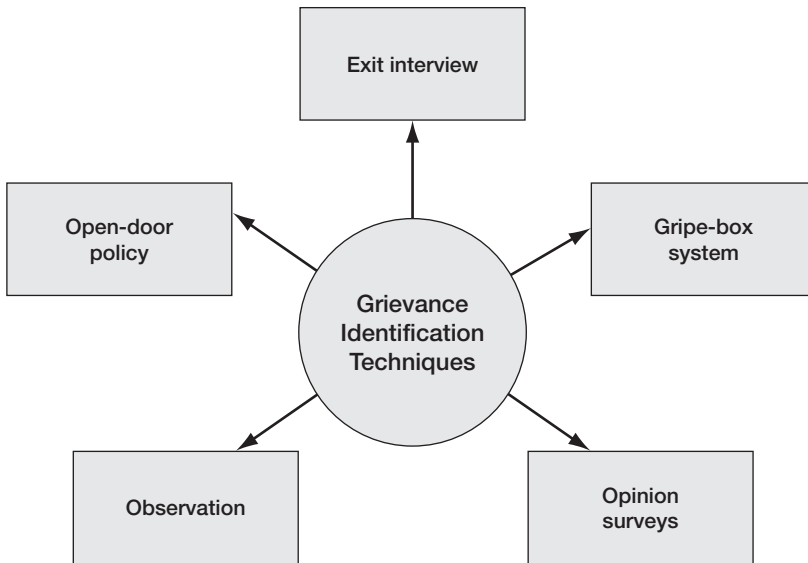
Techniques of Grievance Identification

employee is treated with dignity and respect at the exit interview. The vital element in an effective exit interview is preparation. Planning forms an essential part of success in conducting the exit interview. In any exit interview, the organization will attempt to find out from the departing employee information like the reason for leaving the organization, the HR policies that require improvement, and the positive and negative aspects of his job.

Gripe-box System

Under this system, employees can drop their written complaints in the boxes kept by the organization. The purpose of this system is to provide an outlet to the employees to secretly express their complaints and apprehensions without the fear of being victimized. Gripe boxes are usually kept at prominent places in the office for receiving anonymous complaints pertaining to any aspect of work. This method is more effective than suggestion boxes, if the complaints are serious and sensitive in nature. Box 19.2 highlights the essence of e-gripe boxes.

Opinion Surveys

While a gripe box is an impersonal means of collecting complaints, an opinion survey is the direct and personal means of gathering information from the employees about their existing grievances. Group meetings, periodical interviews, snap meetings, and collective bargaining sessions are the various forums available for the employers to get to know the employee's state of mind.

Open-door Policy

This is a progressive style of gathering complaints from the employees. In this system, the workers are encouraged to call on the relevant manager at any time, to freely share their

Box 19.2	E-Gripe boxes: A New Style in Grievance Identification

In recent times, organizations are making all possible efforts to keep the attrition rate under control. Quite understandably, grievance identification plays a pivotal role in helping the organization understand its internal environment. Today, every employee who has a grievance expects his company to hear him properly and resolve his grievances fairly and expeditiously. This means that the employee must be provided with the easiest possible means to register his grievance so that the management acts on it without any delay.

Of late, many large companies, especially the IT ones, have opened up many avenues to enable the employees to register their grievances. One such platform is the e-gripe box. The management usually encourages the employees to post anything that bothers them in the company even while assuring complete confidentiality of the information. Competent authorities in the organization act on the grievances posted while maintaining the details of the employees' secret. In fact, some reputed universities like Virginia Tech University are using e-gripe boxes to gather the grievances of their students about their professors.

Adapted from: http://www.hkn.ece.vt.edu/images/hkn.ece.vt.htm

opinions, feelings and complaints with him. This method will be effective only when there is mutual trust in the relationship among the managers, the supervisors and the employees.

Observation

In this grievance identification technique, grievances are not heard from the aggrieved employee directly. Rather, the manager or the immediate supervisor constantly tracks the behaviour of the employees working under him. If he comes across an employee who exhibits an indifferent attitude, experiences difficulties in getting along with people, mishandles or damages tools, equipment or materials due to carelessness or rashness, resorts to frequent absenteeism, then they infer that the employee has some serious grievances, which warrant immediate attention and remedy. Once the manager or supervisor notices such an unusual behaviour, he should report this to the higher authorities promptly.

Once the grievances are brought to the notice of the management through any of the grievance identification techniques, it must make every possible effort to prevent these grievances from developing into full-fledged disputes. It must begin the process of redressing the grievances at the earliest.

The Grievance Procedure

The best way to handle a grievance is to prevent it from arising in the first instance by creating a positive work environment; the next best way is to have an effective mechanism to handle the reported grievance in a mutually satisfactory and expeditious manner. Box 19.3 outlines the basis of grievance redressal schemes of ONGC.

Each organization can develop and practise its own procedure to redress the grievances of the employees. For example, large organizations may have a well-established system for a grievance procedure while small ones may follow an ad hoc approach to grievance handling. Nevertheless, grievance procedures are the keystones of industrial relations because of their ability to resolve disputed issues while work continues without litigation, strikes and other radical disputes.[13]

The three fundamental principles governing any grievance settlement procedure are: (i) settlement at the lowest level, (ii) settlement as expeditiously as possible, and (iii) settlement to the satisfaction of the aggrieved. The following figure outlines the typical grievance

Box 19.3	Grievance Handling: Significance of Non-discriminatory Schemes

Indian organizations are adopting various measures to motivate and retain their precious workforce. It is important for every organization to make the employees feel that it cares for them. Thus, it becomes imperative for it to develop, install and maintain an in-built system to recognize the performance, problems and potentiality of the employees. The maintenance of a dynamic grievance identification and redressal mechanism is one such measure in employee retention strategy. The HR policy of ONGC is a case in point. In order to keep its employees satisfied and motivated, the company has incorporated schemes such as grievance identification schemes, grievance handling schemes and suggestion schemes to identify and redress the grievances of its employees. The crux of its grievance handling schemes is to make everyone believe that there is a standard process, which is fair, reasonable and non-discriminatory.

Adapted from: http://www.ongcindia.com

procedure for a unionized organization. Although five stages are prescribed in Figure 19.2, it is not necessary that each grievance must pass through all these stages. We shall now discuss these stages in detail.

Stage 1

In the first stage, the aggrieved employee, also called a grievant, makes a written/oral submission to his immediate supervisor about his grievance. Union representatives may or may not accompany the aggrieved employee to the supervisor. After ascertaining the facts of the complaint, the supervisor takes the necessary action to settle the issue and informs the employee of his decision. When the employee is satisfied, the matter ends there; otherwise the aggrieved employee proceeds with the next course of action.

Stage 2

Now, the aggrieved employee goes to higher authorities like the sectional/departmental head or any other competent person for the settlement of his grievance. At this point, the employee is normally accompanied by the middle-level union leaders. After analysing the grievance in detail and seeking relevant explanations, the concerned supervisor arrives at a decision and communicates it to the aggrieved employee. If the employee is not satisfied yet, he would request his union to process the grievance and adopt it as a union grievance.

Stage 3

At this stage, the employee grievance becomes the union grievance and it is referred to the grievance committee consisting of members representing both the management and the labour union. The committee would discuss the issue in detail and reach a decision for settling the grievance. It is also possible that the committee may refer the matter to a higher level, if it could not resolve it.

Stage 4

If the grievance still defies solution, the stage is set for referring the issue to the arbitrator for third-party mediation. Usually, the arbitrator is chosen jointly by the management and the union. Now, the concerned supervisors in consultation with the higher-level union leaders write the issue to be arbitrated.
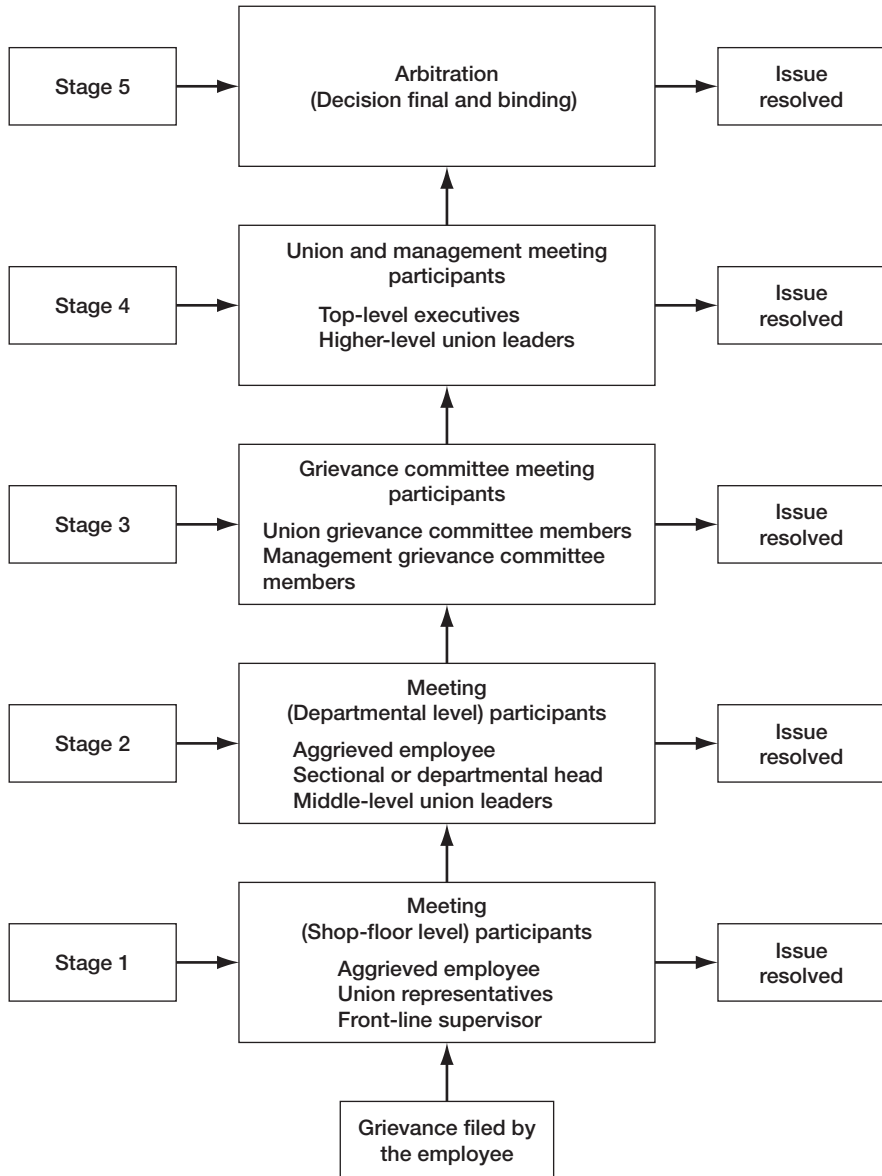
Figure 19.2

The Stages in the Grievance Procedure

Stage 5

Grievance arbitration is the final stage of the grievance procedure. The arbitration hearings are quasi-judicial proceedings. The arbitrator's decision is final, compulsory and binding on both the management and the union.

However, in the absence of any formal grievance procedure, the non-unionized and/ or smaller organizations normally adopt a simple, two-stage procedure for settling the grievances of the employees. These stages are:

Stage I: The aggrieved employee makes a written or oral representation to the frontline supervisor, seeking settlement of his grievance, and if the redressal efforts fail, the issue goes to the next stage.

Stage II: In this stage, the labour officer is involved in the process. He acts as a mediator between the aggrieved employee and the supervisor in arriving at a settlement.[14] Higher levels of management may get involved in the grievance redressal procedure, depending on the nature and magnitude of the grievance and other situational necessities.

The effectiveness of the grievance machinery is reflected in the extent to which the issues are resolved amicably at the first stage itself without full exercise of all the stages. At the first level of grievance procedure, front-line managers usually play a key role in settling the grievance. Factors like proper training and attitudinal change among the frontline managers and the creation of the right environment in the organization can enhance the efficiency of the grievance procedure in settling the grievances promptly.[15]

Generally, the grievance redressal method adopted in smaller organizations is to allow the aggrieved employees to discuss their grievances openly with the management and get their grievances redressed, if found genuine.[16] Box 19.4 shows a model grievance redressal system.

The Indian Institute of Personnel Management, Kolkata has given a brief set of five-point instructions to be followed by both the management and the aggrieved employee while implementing the grievance-redressal procedure.

1. In the first instance, the grievance should be settled at the lowest level; that is, the employee should raise his grievance with his immediate superior.

2. It should be made clear to the employee that he may appeal if he does not get satisfaction from his immediate superior. He should know who he should refer his grievance to.

3. The grievance should be dealt with promptly and objectively.

Box 19.4	The Grievance Redressal Mechanism for Health-care Organizations

Each industry and each company within that industry can have its own system of handling the grievances of employees, provided it conforms to the basics of a good grievance handling mechanism. There is no hard-and-fast rule available to govern the functioning of a grievances redressal system except that it should not violate any statutory provisions of the country. Ankush Gupta has prescribed the following steps for a grievance handling mechanism for hospital organizations:

- When the grievance pertains to an individual employee, he should verbally represent his grievance to his immediate superior, who should provide the solution within a day if the grievance relates to emergency leave, health problems or similar matters that require immediate attention, and within three working days if the grievance relates to matters that do not need immediate attention.

- If the immediate superior is unable to settle the grievance, the employee should be allowed put up his grievance, in writing, to the head of the department (HOD) or section. The HOD concerned should settle the grievance himself within the next three working days or call the workman along with his immediate superior and try to resolve the grievance.

- If the matter is still unresolved, it should be discussed jointly by the HOD and the HR department in an attempt to resolve the grievance. If the grievance remains unresolved, the matter should be taken up with the chief executive and his decision in the matter should be binding on all concerned.

Source: Ankush Gupta; http://www.expresshealthcare.in; reprinted with permission.

4. If the grievance is against any instructions issued by the superior, the employee should understand clearly that in the interest of discipline the instruction must first be carried out before the grievance can be considered and decided upon. It is only when this has been done that the employer will register his protest and set the grievance procedure in motion.

5. It should be clearly understood by the employee that there will be no recourse to any official machinery till the grievance procedure has been set in motion. In the event that the employee is still dissatisfied, there will be no direct action by either party which might prejudice the case or raise doubts while the grievance is being investigated.[17]

Essentials of a Good Grievance Procedure

A good grievance procedure must fulfil the following conditions:

Legally Sustainable

It should be ensured by the organization that its grievance procedure is in conformity with the existing laws of the nation. The procedure cannot violate any of the rights of the employees guaranteed by the law. In case of disagreement between the grievance procedure and the legal provision on any matter, the latter is supreme and binding.

Mutually Acceptable

In order to be effective, the grievance procedure must enjoy the confidence of all the relevant parties, namely, the management and the employees and their unions. The grievance procedure should not be viewed or used as a battleground by a party to defeat the other. The procedure must ensure equity, justice and openness in its operation to instil confidence in the minds of all the parties.

Easily Understandable

The grievance procedure must be reasonably simple and easily understandable. It should be known to all the employees of the organization. If an employee has a grievance on hand, he must know what is to be done and who is to be contacted. The use of technical jargon should be avoided. Even the lower-level workers must be able to use the grievance procedure without fear.

Highly Flexible

The grievance procedure should be flexible enough to respond to the reported grievance quickly. It should not get bogged down in any procedural delay. As far as possible, the number of stages in the grievance procedure should be kept to the minimum. There should also be a time limit at each stage to redress the grievance. In fact, the promptness in grievance settlement indicates the efficiency of the system. To the extent possible, the grievance should be settled at the earliest stage to save the time and resources of the parties involved in the dispute. The culture of being rule-bound and procedure-oriented should not dominate grievance redressal forums.[19] The procedure must also be reviewed periodically to keep it well attuned to the changing workforce and the organizational characteristics.

Box 19.5	Presents the Lists of Dos and Don'ts in Grievance Handling

A list of dos and don'ts that can be observed by supervisors and other authorities while dealing with employees' grievances [18]

Dos:

- Investigate and handle each case as though it may result eventually in arbitration.
- Talk with the employee about his or her grievance; give the person a full hearing.
- Require the union to identify specific contractual provisions allegedly violated.
- Comply with the contractual time limits for handling the grievance.
- Visit the work area of the grievance.
- Determine whether there were any witnesses.
- Examine the grievant's personal record.
- Examine prior grievance records fully.
- Treat the union representative as your equal.
- Hold your grievance discussions privately.
- Fully inform your own supervisor of grievance matters.

Don'ts:

- Discuss the case with the union steward alone. The grievant should also be present.
- Make arrangements with individual employees that are inconsistent with the labour agreement.
- Hold back the remedy if the company is wrong.
- Admit to the binding effect of a past practice.
- Relinquish your rights as a manager to the union.
- Settle grievances based on what is "fair". Instead, stick to the labour agreement.
- Bargain over items not covered by the contract.
- Treat claims demanding the discipline or discharge of managers as a subject of arbitration.
- Give long written grievance answers.
- Trade a grievance settlement for a grievance withdrawal.
- Deny a grievance because "your hands have been tied by the management".
- Agree to informal amendments in the contracts.

Sufficiently Knowledgeable

The managers, supervisors, union leaders and others dealing with employee grievances must be well-trained in the grievance handling procedure. They should have sufficient knowledge and a good exposure to the techniques of grievance redressal. This is essential for improving the efficacy of grievance redressal procedure. Box 19.5 lists some of the points to be noted while handling a grievance.

Benefits of the Grievance Redressal Procedure

A sound grievance procedure offers the following benefits to an organization:

- Enables the management to know the pulse of its employees by learning about their feelings and opinions about the policies and practices of the organization.
- Provides a channel to the aggrieved employees to express their grievances about various aspects of their jobs formally.[20]
- Provides clues about the behaviour and attitude of the managers and supervisors towards their subordinates.

- Gives an assurance to the employees about the existence of a mechanism for the prompt redressal of their grievance.
- Keeps up the morale of the employees by ensuring that their grievance will be redressed in a fair and transparent manner.

Statutory Provisions Concerning the Grievance Redressal Procedure in India

In India, the legislative measures governing grievance procedure in industrial organizations are limited. There are three important legal provisions that specify the rules relating to the grievance redressal procedure in Indian industrial organizations. These are:

The Industrial Employment (Standing Order) Act, 1946

Clause 15 of the model standing orders in schedule I of the Industrial Employment Act makes it mandatory for every establishment employing 100 or more workers to have appropriate officers to deal with the complaints of the employees pertaining to their employment with an inherent right to appeal to the highest authority, namely, the employer.

The Industrial Disputes Act, 1947

The provisions pertaining to grievance handling and settlement in this act specify that

- There shall be a grievance settlement authority in every industrial organization that employs 50 or more workers.
- Whenever an industrial dispute arises in those organizations, the concerned worker or his union may refer such a dispute to the grievance settlement authority for settlement.
- The grievance settlement authority, with due regard for the procedure and timeframe, shall process the matter and conclude its proceedings.
- There shall be no reference of any dispute to boards, courts or tribunals unless and until such a dispute was considered by the grievance settlement authority to reach a decision and the decision so reached became unacceptable to any one of the parties to the dispute.

The Factories Act, 1948

Section 49 of the Factories Act necessitates the appointment of a welfare officer in every factory that employs 500 or more workers. These officers are actually responsible for settling the grievances of employees. However, this act provides the labour welfare officers with multiple responsibilities. These responsibilities hinder the effective functioning of these officers in terms of settling the grievances of employees.

The Model Grievance Procedure

The National Commission on Labour has suggested a model grievance procedure which would ensure the speedy settlement of grievance. The model comprises five steps as outlined as follows:

1. The aggrieved employee shall convey his or her grievance verbally to the officer designated by the management to deal with grievance. The officer will have to reply to the complaints within 48 hours of its presentation to him or her.

2. If the grievant is not satisfied with the answer or does not receive the answer within 48 hours, he shall, then, present the grievance to the departmental head nominated for this purpose. The head must give his or her reply within three days of the presentation of the grievance.

3. If the aggrieved employee is still not satisfied with the decision of the departmental head or does not receive a reply within the stipulated period, he can approach the grievance committee for the settlement of his grievance. The grievance committee has to give its recommendation in seven days and report it to the management. The management must communicate the decision to the grievant within three days.

4. If the employee is still not satisfied with the decision made by the grievance committee or does not receive the decision from it, he can make an appeal to the management for a revision of the decision taken. The management can take a week for the appeal to be considered, and the revised decision is to be informed to the grievant.

5. If the employee is still not satisfied with the decision of the management, the grievance may be referred to voluntary arbitration within a week after the decision taken by the management in Stage 4. The decision of the arbitrator is final and binding on both the parties, i.e., the management and the union.[21]

Summary

1. A grievance is a written complaint of an unsatisfied employee about any job-related unfair treatment.

2. The sources of grievances are management policies and practices, working conditions, supervision, collective bargaining agreements, and work-adjustment difficulties.

3. The techniques of grievance identification are exit interview, gripe-box system, opinion surveys, open-door policy, and observation.

4. There are generally five stages in the grievance procedure. But the nature and number of stages usually differ for the unionized and non-unionized organizations.

5. Any good grievance procedure must be legally sustainable, mutually acceptable, easily understandable, highly flexible and sufficiently knowledgeable.

Review Questions

Essay-type questions

1. Explain the sources of grievance using examples. How can the management gather information about grievances?

2. Discuss the various stages of a grievance procedure using examples.

3. "What industries need today are highly committed employees." Keeping this in view, explain the importance of a proper grievance procedure in a business organization.

4. (a) Define the term *grievance* and explain the various dimensions of grievances and their implications on employee performance.

    (b) Examine the steps that are recommended while dealing with an employee's grievance.

5. "The prompt and effective handling of grievances is essential for maintaining harmonious or healthy industrial relations." How do you account for this statement?

6. Examine how grievance management is important both from the perspective of employees and from that of the organization. Illustrate your answer with appropriate examples.

7. Discuss the statutory provisions concerning the grievance procedure in India.

8. Discuss the model grievance procedure.

9. Explain the guidelines to be followed in the redressal of grievances.

10. Differentiate the meaning of a grievance from that of a dispute. Explain the steps that you would suggest for resolving employee grievances. Examine the possible implications of unresolved grievances on employee motivation and organizational culture.

11. Discuss whether the process is more important than the outcome in grievance handling. What procedure would you like to suggest for a prompt and effective handling of grievances?

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Ethical Issues in Human Resource Management

CHAPTER OBJECTIVES

After reading this chapter, you should be able to:

1 Understand the meaning of ethics and the need for ethical policies and codes
2 Enumerate the factors influencing ethical behaviour at work
3 Explain the role of human resource management in promoting ethical values
4 Present an overview of international business ethics

Enron was a popular energy company in the United States with diversified operations in different parts of the world. It had a presence in India through its subsidiary, the Dabhol Power Company (DPC), a joint-venture power-producing unit at Maharashtra. The Enron group had a strong workforce of 22,000 employees at the global level. Its employee-centred HR policies and procedures were well-known for their long-term beneficial schemes. Besides, the company had the rare distinction of winning the coveted "America's Most Innovative Company" award presented by *Fortune* for six successive years. Despite all these impressive feats, the company incongruously filed a bankruptcy petition with an American court at the end of 2001. The Enron bankruptcy case eventually revealed a shocking institutionalized and premeditated accounting fraud and ethical code violations perpetuated by its authorities.

Strangely, the employees of Enron remained silent spectators when rules and ethical values were being violated and illogical proposals and moves being made by those occupying the highest ranks in the company. Tragically, this sordid event did not spare any one as it rendered the employees out of work, led to the imprisonment of the unethical officers, and, finally, forced others to learn the relevance of practising ethical values in corporate and personal lives the hard way. In fact, this case highlights the consequences of the erosion of ethical values and the need to inculcate ethical values among members for the long-term health of an organization. We shall now discuss the different aspects of ethics in human resource management in detail.

Introduction

Value-based management, which means behaviour based on ethical principles and values, is a good formula for the long-term health and success of every organization. In fact, the practising of ethical values in management is an essential prerequisite for both individual success and organizational

efficiency. However, when individuals practise ethical values within an organization, it does not mean that the entire organization is ethical. Only when the entire organization practises fairness and justice in a systematic way can it be called an ethical organization. The foundation of the ethical organizations is mutual trust and respect. Employees in any organization work hard not only for economic benefits but also for social and psychological well-being. A violation of ethical principles in decision making by an organization can have a deep impact on the employees' life and character. For instance, the lack of fairness in HR issues like promotion and compensation can affect the career plans and choice of employees and thereby severely undermine their satisfaction, self-esteem and performance.

A written statement of the policies and principles that guides the behaviour of all the persons is called the code of ethics. But the fact is that no amount of written rules can achieve ethical behaviour among the employees unless the organizational leaders conduct themselves in a fair, moral and legal manner. Ethical leadership is essential for creating an ethical workforce. The employees of an organization view their leadership as role models to determine their own behaviour. Indeed, those organizations where employees reported fair treatment by management showed proportionately less unethical behaviour.[1] Today, the survival and success of organizations in a globalized market depends more on the ethical standards adopted by them. In ethical organizations, people can trust one other to back up their words with action. These organizations often have contented employees and are usually identified by their high productivity and effectiveness compared to that of their competitors. Box 20.1 depicts the relevance of value-based management as an element of corporate strategy.

The term *ethics* is an abstract concept and can be measured only through principles and practices adopted by an organization in dealing with its members. Understandably, the definitions of ethics predominantly cover these principles, beliefs and practices. Box 20.2 lists some of the important definitions.

We may, therefore, say that ethics refers to the ethical principles that determine the behaviour of an individual or a group.

Box 20.1	Value-based Management: An Integral Philosophy at Abbott India

Values are the basic beliefs about what is right and what is wrong. The important kinds of values are customer values, shareholder values, employee values, societal values and leadership values. Values are necessary for an organization as they can channelize the behaviour of the members in a desired way. The values espoused in the organization can have a decisive influence on the management of people. When the management preaches and practises cherished values, it will have a cascading effect on the behaviour of all the members of the organization. Similarly, when a company openly declares its commitment to values and value-based management in all its affairs with its stakeholders, the employees take a cue from this and tend to adopt the same commitment in their own life.

Abbott India is a case in point as it proclaims value-based management as its integral philosophy and corporate strategy. Its value-based management includes, among others, stimulation for innovation, calculated risk taking, accepting mistakes as a part of the learning process, its assurance as an equal-opportunity employer, emphasis on teamwork to accomplish goals, and increased investments in human resources training and development to upgrade and broaden the skill base of the organization in harmony with the changing needs.

Adapted from http://www.abbott.co.in/Aboutus.htm.

Box 20.2	
"Ethics are the principles of conduct governing an individual or a group."[2] —Manuel Velasquez "Ethics is a set of moral principles that govern the action of an individual or group."[3] —R. C. Appleby "Ethics is the discipline dealing with what is good and bad, or right and wrong, or with moral duty and obligation."[4] —R. Wayne Mondy	"Ethics is a set of standards or a code or a value system worked out from human reason and experience by which free human actions are determined as ultimately right or wrong, good or evil. If an action agrees with these standards, it is ethical. If is does not agree, it is unethical."[5] — P. S. Bajaj and Raj Agarwal "Business ethics is a study of good and evil, right and wrong, and just and unjust actions of businessmen."[6] — George A. Steiner and John F. Steiner

Types of Ethics

Ethics can broadly be classified into three types, namely, descriptive ethics, normative ethics and interpersonal ethics. A brief explanation of these is provided as follows.

Descriptive Ethics

It is mostly concerned with the justice and fairness of the process. It involves an empirical inquiry into the actual rules or standards of a particular group. It can also mean the under-standing of the ethical reasoning process.[7] For instance, a study on the ethical standards of business executives in India can be an example of descriptive ethics.

Normative Ethics

It is primarily concerned with the fairness of the end result of any decision- making process. It is concerned largely with the possibility of justification. It shows whether something is good or bad, right or wrong. Normative ethics cares about what one really ought to do and it is determined by reasoning and moral argument.[8]

Interpersonal Ethics

It is mainly concerned with the fairness of the interpersonal relationship between the superior and the subordinates. It refers to the style of the managers in carrying out their day-to-day interactions with their subordinates. The manager may treat the employees either with honour and dignity or with disdain and disrespect.

Ethics and Human Resource Management

Though business ethics can be examined from the perspectives of the employees, the organization, and the society as a whole, it is, of late, seen more as an internal concern of the organizations. Human resource management plays an important role in building an ethical

environment in an organization. In fact, nearly 37 per cent of all ethics inquiries in an organization involve HR issues and require interpretation of rules and regulations, and resolution of conflict by the HR people.[9] If it is important for employees to adhere to ethics, it is equally important for HR managers to build the standards for ethics.

To create the appropriate atmosphere, every action taken by the HR people must comply with the ethical standards of the organization strictly. The alleged violations of the ethical norms by the HR people can vitiate the whole ethical environment of the organization. For instance, the decisions that result in the promotion of one and the refusal of another, selecting one and rejecting another in recruitment, and redressing the grievances of a few while spurning others' can expose the organization to the charges of ethical improprieties unless understood properly by the employees. The specific role of the human resource management is to deal with those ethical issues that define the employer–employee relationship, namely, the rights and duties of employers and employees. In fact, the management of human resources often calls for decision-making where fairness occupies an important role. The issue of ethics normally arises in situations where there is a conflict between one or more of the parties on issues like fairness of the employment contract, balance of power between employer and employee, implementation of labour law, employee and employer privacy, among others.

The key role of ethics in an organization is the coordination and resolution of conflicting interests in a just and fair manner. It is the responsibility of the HR managers to ensure that every action taken by the organization conforms to the ethical standards. The function of the HR manager is to preserve the ethical standards of an organization and reversing the slip, if any, in ethical standards. Obviously, his role as the intermediary between management and employees puts him in a special position to steer the organization cleared of ethical slides.

Need for Ethical Policies and Codes

Business ethics is concerned mainly with the relationship between business goals and execution techniques. Its focus is on the manner of execution of these business goals towards an anticipated result. We shall now discuss the need for the presence of ethical policies and codes in an organization.

- A code of ethics in place will enable an organization to create an ethical workplace. Each employee will understand clearly the standard of behaviour and his or her role in carrying out the principles and values of the organization.

- The growing presence of knowledge workers in organizations has necessitated the introduction of strong ethical policies as they are more likely to violate laws and the code of ethics as compared to the earlier generation of workers.

- Organizations have fewer levels of management and are pushing decision making down to line managers. As a result, any decision by an immediate superior can be viewed as personal and subjective by the subordinates and this situation may call for strict adherence to a transparent code of ethics.

- Visible ethical policies and code can send a clear signal to the employees that the organization is serious about ethics and that it will make no compromise when it comes to dealing with ethical standards and violation.

- Ethical policies will enable employees to evaluate quickly their proposed actions with the company's code of conduct to determine whether these fit the existing ethical standards.
- Generally, the public image for companies that practise ethical values will be high in the society. As a result, these companies can attract the best candidates in the labour market with ease. Similarly, consumers will keep their trust in those companies that ensure fairness in their dealing with the people and they may have a natural preference for their products.

Thus, it is imperative for each organization to have a strong code of ethics that focuses on business practices and specific issues such as conflict of interest, accuracy of information, prevention of harassment, safety, environmental compliance, and rules and regulations. But the code of ethics should not be allowed to remain only on paper; rather, the whole organization, especially the top management, must follow it with all seriousness. Further, to instil ethical values among its employees, an organization can attempt the following measures:

- Train the employees on ethical values through meetings, case studies, and role-playing on a sustained basis.
- Post or exhibit a code of ethics at prominent places of the organization like restrooms, dining room, and recreation room.
- Follow up the incidents involving ethical violations closely and deal appropriately with those who commit code violations.
- Leaders should be the model of ethical behaviour so that employees do not feel it is forced on them but rather emulate it voluntarily.

Box 20.3 describes the code of conduct of Ashok Leyland.

Approaches to Ethical Issues in Organizations

Though many supervisors are interested in acting in an ethical manner, they often face a dilemma in determining what constitutes ethical actions. For instance, organizational politics is viewed as an unethical act by many organizations, yet it is widespread in our country. Indeed, the difficulty surrounding ethics makes it hard to distinguish right from the wrong.[10] However, the management of an organization can ensure that its policy satisfies as many persons as possible in the organization. Similarly, it should provide for the recognition of the rights of an individual while determining the ethical proportion of its HR polices. Velasquez et al.[11] have provided a proposition for determining whether a particular policy or action is ethical or not.

Utilitarian Approach

In this approach, the HR policy is based on the philosophy of the utmost good for the greatest number of people. It evaluates the ethical quality of policies and practices in term of their effects on the general well-being. For instance, decisions like lay-offs in a difficult situation for the organization are justified on the grounds that they benefit the majority of the employees.

Approach Based on Rights

This approach is based on the principle that an organization should respect an individual's dignity and rights. Each employee is entitled to be treated with due respect and to be

Box 20.3	Code of Conduct for the Board Members and the Senior Management

The members of the board and the senior management shall

a) always act in the best interests of the company and its stakeholders.

b) adopt the highest standards of personal ethics, integrity, confidentiality and discipline in dealing with all matters relating to the company.

c) apply themselves diligently and objectively in discharging their responsibilities and contribute to the conduct of the business and the progress of the company, and not be associated simultaneously with competing organizations either as a director or in any managerial or advisory capacity, without the prior approval of the board.

d) always adhere and conform to various statutory and mandatory regulations/guidelines applicable to the operations of the company, avoiding violations or non-conformities.

e) not derive personal benefit or undue advantages (financial or otherwise) by virtue of their position or relationship with the company, and for this purpose shall

   i) adopt total transparency in their dealings with the company.

   ii) disclose full details of any direct or indirect personal interests in dealings/transactions with the company.

   iii) not be party to transactions or decisions involving conflict between their personal interest and the company's interest.

f) conduct themselves and their activities outside the company in such a manner so as not to affect the image or reputation of the company adversely.

g) inform the company immediately if there is any personal development (relating to his/her business/professional activities) which could be incompatible with the level and stature of his position and responsibility with the company.

h) bring to the attention of the Board, chairman or the managing director, whoever is appropriate, any information or development either within the company (relating to its employees or other stakeholders) or outside it, which could impact the company's operations and which in the normal course, may not have come to the knowledge of the board/chairman or managing director.

i) always abide by the above code of conduct, and shall be accountable to the Board for their actions/violations/defaults.

Source http://www.ashokleyland.com/corporate.jsp. Reproduced with permission.

provided with safe working conditions, a reasonable and equitable pay system, and relevant and unbiased performance evaluation. An individual's privacy and integrity should also be respected by the organization.

Approach Based on Justice

The focus of this approach is on equal treatment, adoption of due procedure, and consistency in application of policies and rules. The focal point of this approach is on the fairness in ensuring a balance between the benefits and the burdens of the job, like compensation and performance, compensation and job attendance. Similarly, HR policies should lay down a proper procedure for dealing with the employees' discipline problems such as rule violation, absenteeism, and employee insubordination.

To make the HR policy strong in ethical content, an organization should consider these approaches while framing the policies as well as in their implementation. However,

Box 20.4	The Code of Business Conduct and Ethics at Infosys: C-LIFE

In recent times, many Indian organizations have introduced whistle-blower policies to reduce the occurrence of unethical behaviours involving employers and employees as part of their code of ethics. Whistle-blowers are usually employees of the company who use procedural or legal channels to bring the incidents of unethical behaviour to the knowledge of the appropriate authorities. Sometimes, even those who are not part of the organization can act as whistle-blowers. Some organizations encourage whistle-blowers by establishing ethics hotlines.

Infosys has a whistle-blower policy as part of its code of business conduct and ethics, and it encourages its employees to report on the corrupt and unethical behaviours of the individuals and units. Interestingly, the core value of the Infosys code of business conduct and ethics is C-LIFE, where C stands for customer delight, L for leadership by example, I for integrity and transparency, F for fairness, and E for the pursuit of excellence. Infosys's code of business conduct and ethics deals with principles concerned with executives' safety, workplace harassment, the conduct at customer location, maintaining confidentiality, and the code relating to corrupt practices.

Adapted from www. infosys.com.

in practice, the HR policies hardly provide clear-cut guidelines on matters involving people and their job that can produce ethical dilemmas. In such cases, HR managers should apply their knowledge and experience in handling ethical dimensions in the decision-making process.

Box 20.4 outlines the significance of whistle-blower policies in the early detection of unethical behaviour.

Factors Influencing Ethical Behaviour at Work

Ethics represent values cherished by the members of an organization. The law alone cannot determine what is ethical or unethical since a legal act need not be an ethical act. Thus, the employees' perception of ethical behaviour is influenced by a variety of factors (see Figure 20.1). It is essential for the HR managers to first understand the factors that shape the ethical behaviour of the employees in an organization.

Individual Factors

The personal character and outlook of individuals can have a greater influence in determining their ethical choice. Independent of organizational environment, each employee has some notion about the dos and don'ts of life. This ethical attitude is shaped by one's own personal experience, education and awareness. Obviously, the ethical propriety of a decision in business is determined more by personal disposition than by the environment, peer pressure, or organizational characteristics.[12]

Organizational Factors

Sometimes, the employees' ethical or unethical acts are determined by the organizational consideration. For instance, an employee may indulge in a window-dressing of financial results or filing of false statements with the government agencies, in the hope of protecting the interests of the company. In such cases, ethical lapses occur in the organization just because the employees feel pressured to do what they think is best to help their companies.[13]
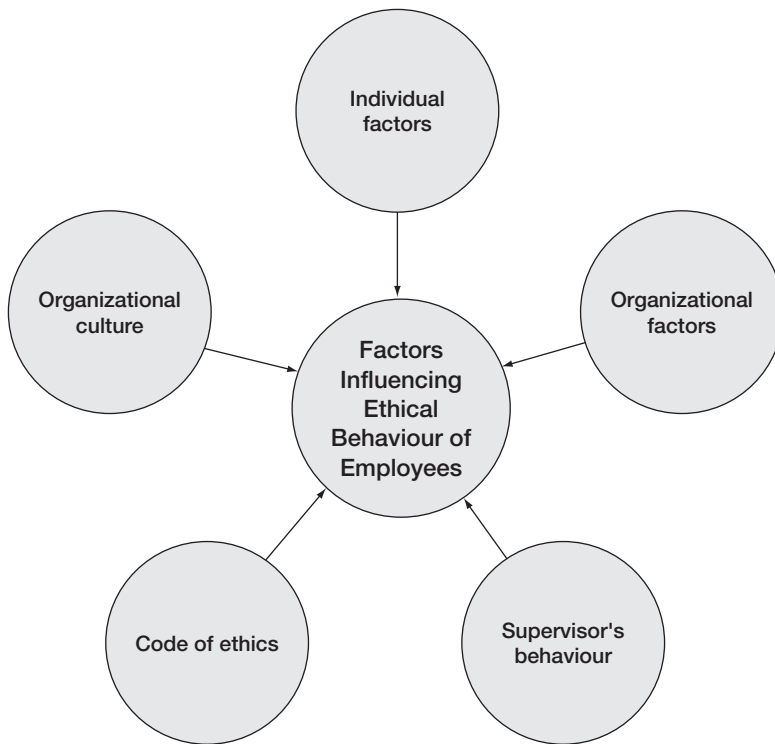
Figure 20.1

Factors Influencing Ethical Behaviour at Work

The Supervisor's Behaviour

The notion of "boss is always right" may become a clinching factor in determining the ethical or unethical acts of the employees of an organization. By his words or deeds, the supervisor may transmit the signal to his staff about what is morally right or wrong in the organization. More than the written rules, it is the conduct of the supervisors that often influences the employees' own behaviour. For instance, when the supervisor intentionally ignores a clear misconduct, takes undue credit for somebody else's effort, or permits subordinates to adopt any means to achieve results, there is a fair chance that the employees' behaviour may go wrong.[14]

Organizational Culture

The organizational culture reflects the total characteristics, values, traditions and behaviours of the employees of an organization. It is capable of guiding the ethical behaviour of the employees closely. This is because the values of people often mirror their belief about good or bad, right or wrong, dos or don'ts in a situation. In managing the employees and fine-tuning their activities, the values promoted by an organization can play a key role as a behavioural guide. Thus, an organization's culture, where values are a major component, can send a clear signal about whether the proposed act of an employee is right or wrong.

Code of Ethics

A code of ethics is a written statement of the ethical principles and policies adopted by an organization governing the ethical behaviour of its members. It can act as a standard for the employees to compare their behaviour with the available code to check whether their acts are right or wrong from an ethical point of view. It can also guide them when they face an ethical dilemma in the decision-making process.

However, the mere presence of an effective code of ethics in an organization is not sufficient to call it an ethical organization. It is to be understood clearly that ethical or unethical behaviour need not be a direct outcome of the presence or absence of one or two isolated factors in the organization. Actually, the interaction of several factors creates an environment, which, in turn, breeds ethical or unethical conduct among the employees.

Role of HRM in the Development of Ethical Behaviour

An organization cannot be expected to have a ready-made or instantaneous solution to overcome the ethical challenges emerging at its workplace. It should work in a systematic manner to initiate the necessary steps to create an ethical environment in general and inculcate good values among the employees in particular. In its endeavour to promote ethical behaviour among its members, the organization will have to utilize the HR professional's knowledge and expertise effectively to achieve the desired results. That is where human resource ethics, which is the application of ethical principles to human resource relationships and activities, comes in action. The HR managers can perform the process of building an ethical environment through the management, the workers and the system. They should create a kind of environment where employees work to reduce ethical lapses throughout the organization.[15]

HR managers play a unique role in introducing ethical practices in an organization since they are an intermediary between the management and workers. Though it is not possible for them to suggest an appropriate ethical behaviour applicable for all situations, they can rightly balance between organizational interest and individual freedom. An ethically appropriate behaviour may lie between the legitimate business needs of an organization and the workers' feeling of dignity and worth.[16] HR managers can work through various HR functions to promote ethical behaviour among its members.

It is imperative for HR managers to ensure that ethics and values fit into the design of key HR functions such as hiring, performance management, and reward systems. While designing performance management, training and development, and grievance-handling systems, the HR managers should ensure that the systems make leaders accountable for the ethical dimension of their leadership, fit the ethical dimension of leadership into all leadership training and development programmes, and, finally, discover ethical leaders and count on them for role modelling and mentoring others.[17] Let us see those HR functions that provide a scope for promotion of ethical behaviour.

Recruitment and Selection

The organization can adopt a two-pronged approach in recruitment and selection to promote ethical behaviour in the organization. The first one is to recruit more ethical people for the organization.[18] The next one is to discourage unethical people from applying for the job in the organization. In this regard, the HR managers can make specific references to the ethical practices of the company in their advertising material concerning recruitment.

The selection process can also be used effectively to inform applicants about the ethical practices of a company. The selection tool itself can speak about the fairness of the organization in hiring employees. For instance, if the hiring process does not treat people fairly, they may assume that ethical behaviour is not important in the company.[19] In that case, any amount of assertion about fair treatment and ethical practices by the organization will hardly carry any conviction. To overcome this problem, organizations can seek to identify and employ those selection tools that are normally viewed by the employees or others as unbiased. For instance, job-related assessment tests and interactive interviews can serve this purpose. Similarly, the practice of providing feedback to the candidates about their performance can vastly enhance the fairness of the selection techniques and the ethical practices of the organization. However, the amendment of selection tools to ensure equal opportunities for the deprived persons of the society cannot be construed as an unfair practice.

Training and Development

In today's business environment, employees, in general, and managers, in particular, are often faced with a situation that requires decision-making intertwined with ethical dilemmas. Ethics training in organizations plays a significant role in helping the employees understand and resolve such ethical dilemmas successfully. The primary goal of these training programmes is to enable employees to recognize the situations posing ethical dilemmas and make a judicious use of the code of ethics to solve such problems. In this regard, organizations normally adopt a what-if analysis training to help employees identify the nature of the situation, understand the intricacies of the problems, and recognize conflicts of interest, which cause ethical predicaments, and, then, settle the issues amicably.

While establishing an ethics training programme, it is necessary to first set standards for ethical behaviour in the organization and then the training goals to be accomplished in the programme. An ethics training programme can focus on matters like the code of ethics of an organization or an ethical decision-making model. Decision-making models will force employees to answer a few pertinent questions. The nature of response will show how far the employees are just and ethical in their decisions. For instance, decision-making models may involve asking questions like whether the proposed action is legal, whether it complies with the values of the company, and how one would feel after doing it. Many companies have now introduced ethics training after realizing its impact on employee morale, recruitment, and retention. Obviously, people would want to work for organizations they trust and respect for its values. This is applicable for institutions too as they would like to do business only with a trustworthy organization.

Performance Appraisal

Performance appraisal is one of the sensitive HR functions prone to ethical slippages. Employees often view performance appraisals with distrust and suspicion. To gain the confidence and the cooperation of the employees, the management should, as far as possible, ensure transparency in the development and administration of the evaluation tool and in the assessment of the performance against standards. This is important since it proves that the firm adopts high ethical standards not only in assessing its employees but also in rewarding them objectively. Moreover, an organization can actually use performance appraisal as one more opportunity to prove its seriousness about upholding its ethical standards by ensuring objectivity and fairness in the performance evaluation process. D. Winstanley and

K. Stuart-Smith[20] have advocated the following ethical principles for a performance evaluation process:

Respect for the individual: An employee should not be viewed as a mere tool or means to achieve ends. Rather, he must be looked at as an ends in himself.

Mutual respect: It is imperative for all those involved in the performance evaluation function to have regard for each other's wants and preoccupations.

Procedural fairness: The procedures included in performance management must be followed justly and fairly to limit its adverse effect on individuals.

Transparency: Each employee who feels wronged by the assessment of the performance management process should be given opportunities to examine the basis upon which decisions were arrived.

Compensation

Compensation management is another area where organizations often find ethical dilemmas due to the complexity involved in the pay-fixation process. In this regard, organizations can depend more on scientific tools like job analysis, job specification, and work measurement to base their wage administration policies on and to avoid ethical conflicts. Besides, while framing HR policies pertaining to compensation packages, the HR managers must make adequate provisions for recognizing and rewarding those employees who exhibit high ethical values like honesty and integrity. Similarly, the policies should discriminate and discourage those employees who display unethical behaviour like work evasion and slowdown, frequent absenteeism, insubordination, misconduct, dishonesty, pilfering, disloyalty, negligence, drug and alcohol abuses and other rule violations.

Discipline and Disciplinary Procedure

The HR managers should ensure that the disciplinary procedure of the organization provides for equal protection and fair treatment to all its erring members while dealing with matters involving indiscipline. This can make employees feel confident about the fairness of the system and the rights of the employees. A strong code of ethics will enable employees to evaluate the ethical dimensions of their own behaviour without any externally imposed procedure.

The different dimensions of ethical issues involved in a managerial decision-making process concerning employees were identified as:[21]

- **Extended consequences:** Ethical decisions can have consequences far beyond the decisions. For instance, relocating a plant from the existing place to a new place to reduce the strength of a regionally concentrated but militant union can have an impact on the employees, their families, and the ancillary units also.

- **Multiple alternatives:** Since several alternatives usually exist in nearly all decision-making situations, an organization has to decide how far it will bend rules to accommodate the chosen decision. An example of this would be accommodating the request of employees with family problems for exemption from night shifts, even while denying the same request of other employees, which may require considering a variety of alternatives.

Box 20.5	**Six Core Principles of the SHRM Code of Ethical and Professional Standards in Human Resource Management**

1. **Professional responsibility**: As HR professionals, we are responsible for adding value to the organizations we serve and contributing to the ethical success of those organizations. We accept professional responsibility for our individual decisions and actions. We are also advocates for the profession by engaging in activities that enhance its credibility and value.

2. **Professional development**: As professionals, we must strive to meet the highest standards of competence and commit to strengthen our competencies on a continuous basis.

3. **Ethical leadership**: HR professionals are expected to exhibit individual leadership as a role model for maintaining the highest standards of ethical conduct.

4. **Fairness and justice:** As HR professionals, we are ethically responsible for promoting and fostering fairness and justice for all employees and their organizations.

5. **Conflict of interest**: As HR professionals, we must maintain a high level of trust with our stakeholders. We must protect the interests of our stakeholders as well as our professional integrity and should not engage in activities that create actual, apparent, or potential conflicts of interest.

6. **Use of information**: HR professionals consider and protect the rights of individuals, especially in the acquisition and dissemination of information, while ensuring truthful communications and facilitating informed decision-making.

Adapted from http://www.shrm.org/ethics/code-of-ethics.asp

- **Mixed outcomes**: Decisions with ethical proportions frequently involve weighing positive results against negative ones. For example, laying off a few employees to keep the business on track and thereby preserving the jobs of other workers would result in both positive and negative outcomes for the organization.

- **Unclear consequences:** The effects of decisions with ethical dimensions are usually unpredictable. For instance, the influence of the employees' personal variables like lifestyles and family conditions on promotions and transfers are often not known.

Box 20.5 shows the Society for Human Resource Management's (SHRM) Code of Ethics.

International Business Ethics

As a result of globalization, there has been a tremendous increase in the number of companies conducting business across national boundaries. Indeed, intense competition forces companies of different natures and sizes to enter global markets, in some cases with absolutely no knowledge about the diversity of business standards and practices in the host country (country of operation). Organizations now have to learn how to adapt to diverse national cultures and socio-economic conditions, and new and diverse ways of communicating and of managing people.[22] This trend is posing new challenges for the companies on the ethical front. For instance, organizations tend to exploit the divergent situation by adopting double standards in wage fixations and environmental compliance, mostly to the disadvantage of the less developed countries. This raises questions on ethical validity of the actions of the global business enterprises. Box 20.6 outlines the relevance of ethical values in a global scenario.

Box 20.6	International Business Ethics: The Ethical Values of the Adani Group

In a globalized era, almost all organizations are confronting tough challenges and serious problems to survive and grow. Even in this environment, companies must be committed whole-heartedly to certain core ethical values as part of their long-term strategy to ward off external and internal threats and challenges. In fact, ethical values are definitely not frills but an integral element of business strategies for an organization to be successful. The Adani Group, which is engaged in international trading and infrastructure development, declares that its core values are fundamental to its operations worldwide and will continue to be at the core of its business activities in all circumstances. Its core values are:

(i) **Trust:** Its word is a bond.

(ii) **Courage:** Supporting all its decisions and actions with conviction.

(iii) **Innovation:** Thinking laterally and never feeling diffident about embracing big ideas.

Adapted from http:www.adanigroup.com/ vision_mission.html.

Although knowledge of business ethics is important for every manager, those with responsibility for foreign operations are confronted with many ethical issues that do not usually arise in domestic business. The typical ethical problems of global businesses arise from factors like diverse ethical traditions and political and legal systems; the different forms of economic organizations; the different stages of economic progress; insufficient or incompetent rules and regulations; the conflicts between national and regional economic and political interests; the absence of guidelines for international business; the ability of multinational corporations to evade tax obligations and other regulations; and the large-scale corruption in some countries. We shall now see some of the guidelines that can help the managers handle ethical issues that normally arise in global concerns.

Guidelines for International Business Organizations on Ethical Issues

When the existing ethical standards of the multinational companies are inadequate, these companies can adopt any one of the following guidelines to develop ethical standards for evaluating the decisions of their employees operating at global levels.

Human Rights Obligation

This guideline is based on the fundamental human rights. The proponent of this guideline, Thomas Donaldson,[23] advocates that organizations have an obligation to recognize and respect certain rights as fundamental international rights. These rights are

The right to freedom of physical movement; the right to ownership of property; the right to freedom from torture; the right to a fair trial; the right to non-discriminatory treatment; the right to physical security; the right to freedom of speech and association; the right to minimal participation; the right to political participation; and the right to subsistence.

Donaldson declares that each company is morally bound to discharge these fundamental rights, and any persistent failure to observe them would deprive the company of its moral right to exist.

Welfare Obligation

Based on moral considerations, Richard T. De George[24] proposes a few guidelines for international organizations with the twin aims of preventing damage and providing benefits to the host countries. These guidelines are:

- Multinational companies should desist from committing any intentional direct harm to the host countries.
- They should ensure that they create more good than harm for the host country as a result of their operations.
- They are morally bound to contribute to the growth and progress of the host country by their activities.
- They must see to it that their activities are, as far as possible, in compliance with the local practices and culture. They should also strive hard to respect the human rights of their employees in the host countries.
- They have a moral and legal responsibility to pay a fair share of taxes to the governments of these nations.
- They should work together with the local government in developing and maintaining institutions with a just and fair background.

Justice Obligation

It deals with the fairness of the activities of a multinational company in the host country. Multinationals have an obligation to help in the development of the host country, in addition to their business activity. They should be not only efficient but also responsible business houses. Foreign companies often attempt to avoid the payment of proper taxes by resorting to transfer pricing, which refers to the values assigned to raw materials and unfinished products that one subsidiary of the multinational company sells to another subsidiary in another country. Since pricing is done as an internal mechanism independent of market forces, companies tend to manipulate it to show profits in counties where taxes are low.

Ethical Dilemma in Global Wage Payment

As regards the payment of wages and salary by multinationals, there are many questions that require to be answered. For instance, they often face ethical dilemma in deciding between the host country and the parent country (country of origin) wage standards to pay the wages of the employees of the host country. Applying parent-country standards in the host country may not be ethically necessary. At the same time, adopting host-country standards on matters like wages and working conditions, especially in the less developed countries, may be ethically unacceptable. Sometimes, the wage standards of both countries may prove to be inadequate in dealing with the situation. In such a situation, the organization may warrant special standards for the conduct of international business.

Organizations need to decide the extent to which market forces should be allowed to operate in the determination of wages and the extent to which principles of human rights

have to be allowed in wages determination.[25] On the one hand, higher wages for workers can become counter-productive for a nation as the competitive advantage of lower costs may be lost and the further economic development of the country may be hindered, On the other hand, paying less than living wages would amount to exploiting the labour force unethically. Thus, organizations have to find appropriate means to balance between the market rate for labour and the minimum or living wages. The solution lies in developing international agreements and a code of ethics to deal with the ethical issues arising in the international operations of the organization.

Apparently, the principal task of international organizations is to adopt a code of conduct pertaining to the HR aspects for their own operations and for their agents operating in a host country. While deciding the code of conduct, the organizations should consider the local conditions adequately. The International Labour Organization (ILO) has provided a set of international standard for ethical practices concerning multinational corporations. Similarly, the Organization for Economic Cooperation and Development (OECD) has advocated OECD guidelines for multinational companies.

Summary

1. Ethics refers to the ethical principles that determine the behaviour of an individual or group.

2. Ethics is classified into descriptive ethics, normative ethics and interpersonal ethics.

3. The different types of approaches to ethical issues in organizations are the utilitarian approach, the approach based on rights, and the approach based on justice.

4. The factors influencing ethical behaviour at work are individual factors, organizational factors, the supervisor's behaviour, organizational culture, and code of ethics.

5. Ethical behaviour can be developed through recruitment and selection, training and development, performance appraisal, compensation, and discipline and disciplinary procedure.

6. The guidelines for global organizations on ethical issues are human rights obligation, welfare obligation and justice obligation.

Review Questions

Essay-type questions

1. Evaluate the factors influencing ethical behaviour at work critically.

2. Discuss the various HR functions that provide scope for the promotion of ethical behaviour.

3. Enumerate the guidelines followed by international business organizations for ethical issues.

4. "Value-based management is an essential prerequisite for the long-term health and success of every organization." Discuss.

5. Examine the various approaches to the study of ethics in human resource management using relevant examples critically.

6. Explain the various ways and means by which an organization can inculcate ethical values among its workforce.

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Miscellaneous Topics

Human Resource Policies

Human resource (HR) policies are the rules and regulations designed to give a clear structure for effective management of human resources. They tell the employees about what is expected from them in workplace and what they can expect from their employers. HR policies usually contain rules, purposes of such rules and penalties for disobeying them. According to John H. McConnell,[1] the primary objective of HR policies is to provide clear and consistent statements of the organization's policies regarding all conditions of employment and procedures for their equal and fair implementation. It thus helps the organization in keeping their people and processes in order. They also ensure that the management adopts uniform HR practices across the organization. It thus ensures consistency, fairness and efficiency in HR management. These HR policies usually include policies on employee hiring, training, performance evaluation, compensation administration, separation, industrial relations, attendance, vacations, etc.

HR policies also help the employees in knowing their rights and responsibilities at the workplace. They can also offer direction and guidance if employees have any doubts about the procedures and practices of the organization. Since HR policies are the official guidelines of the organization, employees must not only strictly follow them but also evaluate their actions against these policies. Well-written HR policies can protect the interest of the employers in the court of law when their actions are legally challenged by the employees.

Definition

HR policy definitions focus on the development of rules and regulations for effective management of employees. A few definitions are as follows:

> Human resource policies are the formal rules and guidelines that businesses put in place to hire, train, assess, and reward the members of their work force.
>
> —US Legal company[2]

Human resources policies are continuing guidelines on the approach the organization intends to adopt in managing its people.

—Michael Armstrong[3]

Benefits

An organisation can have multiple benefits by keeping effective and pragmatic HR policies. These benefits are:

- HR policies are the basic framework for professional management of employees.
- They help the employees understand the basic HR philosophy of their employers.
- They help the organization in standardizing its HR activities and thus ensure consistency and fairness in all its actions concerning employees.
- They can improve communication among managers, supervisors and workers and also avoid possible misunderstanding resulting from communication gaps.
- They enable the managers to make HR decisions like recruitment decisions, promotion decisions quickly and also in an unbiased manner.
- When HR policy statements are signed by the employees, they can become the contract between these employees and company.
- They help the company build its public image by letting the outsiders know what are its ethical practices.

Endnotes

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2. US Legal company, referred by Alison Davis, Jane Shannon. *The Definitive Guide to HR Communication: Engaging Employees in Benefits, Pay, and Performance* (New Jersey: FT press, 2011), p. 182.
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Cost-Benefit Analysis of Recruitment Sources

Since recruiting is a time consuming and expensive task, it is important for the HR managers to ensure that their time and money are well spent. They should also make sure that they get the best qualified persons to fill the job vacancies. In this regard, cost-benefit analysis can be adopted to compare the cost and benefit of a programme carried out. Cost-benefit analysis is a relatively easy and widely used technique for deciding whether to make a change or not in an existing programme. As the name suggests, value of the benefits of a course of action are added, and then the costs associated with it are subtracted in this analysis to know the net results. Cost-benefit analysis can be carried out using only financial costs and financial benefits. However, it is also possible to include non-financial and intangible items within such analysis. Cost-benefit analysis can also be conducted by HR managers to evaluate the effectiveness of their recruitment sources. These sources usually include internal sources like present and former employees and external sources such as employment exchanges, recruitment agencies, advertisements, campus recruiting, walk-ins, internet recruiting and raiding.

Cost-benefit analysis actually involves the comparison of estimated cost of different recruitment sources with expected benefits to get an idea of which sources of recruitment would be more cost effective for future. Cost-benefit analysis of recruitment sources can be done in terms of conventional criteria such as number of

applicants responded, interviewed, selected and finally hired from each recruitment source. This can also be done in terms of modern criteria such as behavioural measures including employee attrition and absenteeism, performance measures including performance rating, performance potential and sales quota and attitudinal measures like job satisfaction, job involvement and superior-subordinate relationship.[1]

Even though the cost-benefit analysis is a simple and easy-to-understand technique to determine the cost effectiveness of a programme, it has a few limitations. These are (i) it may not be possible to identify and quantify all costs and benefits. For instance, the performance of employees or their level of absenteeism may be affected by several other factors other than the recruitment sources. These may include the conditions of the plant and equipment, work environment, etc. (ii) There will be subjectivity in the estimation of future cost and benefits associated with a programme and this may result in the misleading and inaccurate cost-benefit analysis.

Endnote

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Employee Mobility

Employee mobility refers to the movement of a person into or out of a job. It may involve change in the job, department, organization or even the country of that person. Employee mobility can happen in the form of changes in the location of workers across physical space (geographic mobility) as well as across a set of jobs (occupational mobility).[1] Geographic mobility can also be classified into short-distance and long-distance moves. It can also be divided into voluntary and forced movements. Occupational mobility can be lateral (movements within the group of jobs that are equal in socioeconomic status) or vertical (movement to a better or worse job). Employee mobility can also be classified into two categories—internal mobility and external mobility.

Internal Mobility

Internal mobility refers to the movement of employees from one position to another within an organization. It reflects the changes or movement in categories within jobs. It is an option available to the company for cost effective and mutually beneficial mode of talent development and utilization. To achieve success in internal mobility initiatives, it is essential for the company to have (i) clear objective and goals it wishes to achieve through these initiatives, (ii) precise guidelines and policies based on the abovementioned goals and (iii) a fully prepared HR department that knows exactly when and how the internal mobility initiatives should be undertaken and also keeps a sound knowledge about the rules and procedures.

A global survey of internal mobility showed that 80% of the organizations have a formal internal mobility policy and these policies deal mostly with internal sourcing, employee eligibility and the involvement of managers.[2] Internal mobility can be achieved through promotions, transfers and demotions of organizational members *(refer chapter 16 for elaborate discussion on these topics)*. Internal mobility initiatives normally benefit the organization in the form of (i) improved employee satisfaction and talent retention, (ii) reduction in HR cost and employee attrition and (iii) decreased recruitment time and production disturbances.

External Mobility

External mobility can be defined as changes in employment categories or classification between jobs.[3] It results in the movement of employees into and out of the organization. External mobility occurs when employees

not satisfied with their present career leave the existing organization. External mobility is usually of two types—accession and separation. Accession refers to new employees joining the organization while separation means existing employees leaving the organization. Separation can be both voluntary and compulsory. Separation can take the form of resignation, retirement, death, lay off, dismissal and discharge and layoff.

External mobility is tolerable and desirable for the organizations to certain permissible limits. This is because it enables the management to bring in fresh talents and knowledge to the organization. Beyond certain level, external mobility may lead to increased training cost, frequent labour redeployment in workplaces, increased rate of accidents, production disturbances and wastages, and reduced employee productivity and motivation. Further, external mobility levels seem to be closely related to career stages of the employees. For instance, new or recently joined employees have higher tendency to leave the organization than those in their mid or late career lives.[4] When employees are not able to leave the organization for some reasons, they may adopt withdrawal behviours like absenteeism and tardiness.

Absenteeism

In simple terms, failure to report for duty without prior permission is absenteeism. It has been defined as any time away from scheduled work.[5] Absenteeism usually affects the organization in the form of decreased productivity, lost wages, increased cost of hiring in the form of additional hirings and low employee morale. Understandably, absenteeism gets highest attention from the managers. Of course, there will always be some amount of absenteeism in the organization due to unavoidable emergencies such as sickness, family emergencies, accidents, etc. When the extent of absenteeism is continuously high and thus unmanageable, it can spoil the work environment and culture. Recurring absenteeism can occur due to reasons like heavy workload, high job stress, job boredom, job burnout, office politics, unsteady HR policies and strained relationship with the superiors.

Types of Absenteeism

Absenteeism can normally be classified into two categories. These are

1. *Innocent (legitimate) absenteeism*: When the cause of absenteeism is legitimate and beyond the control of the employee, it may be termed as innocent absenteeism. Sickness and family crisis are examples of legitimate causes. In these cases, managers must assess the situation carefully and act prudently by emotionally supporting the employees at the time of crisis.

2. *Culpable (illegitimate) absenteeism*: It refers to the situation when an employee is fully fit to attend office yet does not report for duty. In these cases, employees may pretend to be having genuine reason for absenting. It is the responsibility of the managers to discourage the employees from attempting culpable absenteeism.

Calculating Absenteeism

Measurement of absenteeism is necessary for multiple reasons. It is essential to properly (i) plan the human resource (HR) requirements, (ii) determine the employee salary and other benefits, (iii) ascertain the causes of absenteeism and (iv) control the HR cost. Managers usually calculate the absenteeism rate (frequency of absenteeism) to determine the extent of absenteeism problems in the organization. The attendance records of the individual, divisions and organization form the basis for assessing the absenteeism rates.

The following formulas are used for computing the different dimensions of absenteeism in the organization.

(i) Absenteeism rate or time loss percentage $= \dfrac{\text{Number of Man days lost}}{\text{Average number of workers} \times \text{number of work days}} \times 100$

In this,

Man day refers to a unit of one day's work by one person

Example: In an organization, 650 man days were lost due to employee absenteeism. The average number of workers working here is 800 and scheduled working days are 24, the absenteeism rate is

$$\text{Absenteeism rate} = 650/(850 \times 24) \times 100 = 3.19 \text{ percent.}$$

(ii) Frequency of absenteeism rate $= \dfrac{\text{Aggregate number of times of absence during a period}}{\text{Average number of employees worked during a period}} \times 100$

(iii) Severity of absence rate $= \dfrac{\text{Aggregate number of days absent during a period}}{\text{Aggregate number of times absent during a period}} \times 100$

Strategies to Minimizing Absenteeism

Absenteeism is today one of the serious problems affecting organizations across the world. It hurts the organizational plans, performance and also its health. Companies should make all possible and immediate steps to keep the absenteeism under control. In this regard, they may adopt the following strategies to minimize absenteeism.

1. *Attendance policy*: Effectively communicating the attendance policy of the organization including specific provisions concerning absenteeism to the employees. In this regard, organizations can introduce flexible hours, child care centres, transport facilities, etc.

2. *Rewards*: Introduction of appropriate reward system for encouraging employees to be regular to their work.

3. *Welfare measures*: Illness-related absence from the job can be minimized through employee health care measures. Organizations can conduct periodic health check-ups to detect and treat employee health problems on a proactive basis.

4. *Grievance removal*: Managers must have proper mechanism to identify and remove grievances of the employees so that they have no work-related cause to be absent from the job.

5. *Training*: Managers should train the supervisors to be fair, humanistic and empathetic in their dealings with the employees. Effective training should also be given to the employees to make them able, skillful, confident and willing employees.

6. *Work safety*: Managers must ensure that the work places remain safe and secure to work. This can avoid all possible injury- and safety-related employee absenteeism.

7. *Social and emotional support*: Managers can offer a good social support to the employees in the form of healthy working environment, group cohesion, cordial superior and subordinate relations and harmonious industrial relations.

8. *Effective recruitment*: Recruitment and selection process of the employees must ensure that the candidates are well tested for their value system, work ethics, sensitiveness, responsibilities and sense of belonging.

9. *Work-life balancing*: Managers must help the employees to successfully reconcile their family requirements with work needs. In this regard, organizations can introduce flexible work hours, child care centres and transport facilities, etc.

10. *Awareness campaign*: Employees must be made aware of the absenteeism levels of the organization, departments and individuals. They must also be aware of economic loss of absenteeism at micro and macro levels.[6] In this regard, managers can make use of pictorial representations like charts and diagrams to highlight the seriousness of absenteeism problems.

Managers must exercise adequate caution while dealing with the problems of absenteeism. This is because when the employees are discouraged from absenting themselves from the job even for genuine reasons like health issues, they may decide to leave the organization. This may lead to high employee attritions which may in turn bring in whole new set of problem to the managers.

Employee Attrition

Attrition or employee turnover refers to the permanent departure of an employee from the organization. It indicates the exit of present employees and entry of new employees. Employee attrition is one of the long standing concerns of the managers due to its economic and psychological effects. High attrition rates create adverse economic effects for the organization in terms of low productivity, increased recruitment and training costs, increased customer complaints, quality and project continuity problems. It also creates psychological effects on the existing employees in the form negative motivation, low employee morale, fear of future and lack of confidence about the organization policies.

Employee attrition can happen due to retirements, resignations, dismissals, discharges, death, disability and elimination of positions. Even though attrition has several negative aspects, it can surely help the managers in bringing fresh talents to the organization, replacing the poor performers with effective performers and abolishing positions as part of cost cutting measures. Employee attrition is normally classified into four categories. These are

1. *Functional vs. dysfunctional attritions*: When poorly performing employees leave the organization, it is called functional attrition. If HR policies of an organization support functional attrition, then the employees remaining with the organization will usually be good performers. In contrast, when bright and best employees leave the organization for some reasons, it is called dysfunctional attrition. This may prove to be costly to the organization and its performance. This usually calls for immediate changes in the HR policy of the organization. Managers should always encourage functional attritions and discourage dysfunctional attritions.

2. *Voluntary vs. involuntary attritions*: When employees seek to leave the organization in a predetermined manner on their own request, it is called voluntary attrition. For instance, employee's decision to leave the present organization seeking jobs that offer improved salary, incentives, responsibilities or working hours is an example of voluntary attrition. Alternatively, when employees are forced to leave the organization for the reasons beyond their control, it is known as involuntary attrition. Retirement, death, disability, chronic illness or serious family disturbances can cause involuntary attrition.

Causes of Employee Attritions

Employees can leave the organizations for variety of reasons. The important ones among them are as follows:

1. *Absence of adequate compensation* for work done by the employees. Employees may perceive a mismatch between their job efforts and organizational rewards. Ineffective HR policies concerning wages, salary and incentive administrations can be the causes of such employee attritions.

2. *Lack of proper work environment*: When the employees perceive the prevailing work environment as negative and hostile, they may tend to leave the organization.

3. *Strain in human relations*: Employees may quit the organization when there is strain in their relations with the superior or subordinates. Similarly, poor industrial relations can also cause high employee attrition rates.

4. *Lack of motivation, recognition, and appreciations*: It is natural for the people to seek recognition and appreciation for the good work done by them. When it is not available or denied, they may quit the organization.

5. *Mismatch between the job and the job holders*: Choosing the right person for the right job is the core of HR management. When there is an incompatibility between job requirements and job holders suitability, it may lead to employee attrition.

6. *Work-life imbalances*: When employees face difficulties in balancing their personal and organizational commitments, they may resort to attrition.

7. *Absence of scope for growth*: Employees seek to grow in competence. When their growth needs are not fulfilled by the organization through periodic training and other career development programmes, they may leave the organization.

Calculation of Attrition Rate

Generally, there is no universally acceptable formula available for computing the attrition rate of an organization. This is because the purpose and the composition of formula may differ from one organization to another, depending upon the nature of business and the industry. However, the following formula can help the organizations assess their employee attrition or turnover rate with fair amount of accuracy.

$$\text{Monthly attrition rate} = \frac{\text{Number of employees left the organization during the month}}{\text{Average number of employees on the roll during the month}} \times 100$$

In this,

$$\text{Average number of employees}$$
$$= \frac{\text{No. of employees at the begining of the month} + \text{no. of employees at the end of the month}}{2}$$

Suppose an organization has on an average 2500 employees on its roll, of them 120 employees left the jobs during the month of July for various reasons, then the employee attrition rate for that month will be 4.8% ($120/2500 \times 100$).

Employee Retention Strategies

Employee retention refers to the efforts of the managers toward the retention of best and bright employees in the organization for a long period of time. A good retention strategy can ensure that the recruiting and training costs are less, performance and productivity are stable, and employee motivation and morale are high. It is thus important for the managers to develop effective retention strategies to keep the employee attrition rate under control and to avoid the cost associated with high attrition. Such effective strategies may require the managers to offer

1. *Improved monetary benefits* to the employees in the form competitive pay packages, incentives and other rewards.

2. *Better non-financial benefits* such as recognition and appreciation in the form of job rotations and other career development opportunities.

3. *More frequent and need based training programmes* to enable the employees to develop their knowledge, skills and abilities (KSA) constantly to meet the present and future job requirements effectively.

4. *Transparent performance management system* to enable the employees to keep faith in the organization's performance evaluation system and results. This should enable the employees to accept even the negative performance reports gracefully.

5. *Compatible teams* for the employees to perform their team works in an amiable and coordinated manner without any interpersonal rivalries or egos.

6. *Better prospects for work-life balancing* to enable the employees to be successful in fulfilling their organizational as well as personal commitments. In this regard, managers can offer their employees with flexible working hours, child care centers and other welfare facilities that exactly meet these purposes. In a worldwide survey of the effective retention strategies, IBM employees identified compensation and benefits and flexibility in work schedule as two primary reasons for remaining with the company.[7]

7. *Impartial implementation of HR practices* such as recruitment, promotion, transfers and disciplinary actions to avoid employee alienation.

8. *Better scope for employee participation in decision making* as this can help the employees develop a sense of oneness with the organization and responsibility for decision-making outcomes.

9. *Helping hand to the employees* in planning, developing and implementing their career goals and objectives.

10. *To address the grievances of employees in a proactive basis* by identifying and resolving them at the earliest.

11. *Organize socialization programmes* to help them understand the organization, its members, its culture, and also their level of fitness with them.

It is thus clear that managers must adopt effective employee retention strategies to fulfill the organizational objectives in a comfortable manner. Interestingly, managers can also use employee attrition as a tool to achieve the organizational goals in exceptional circumstances like work force rightsizing and downsizing.

Rightsizing

The basic goal of HR management is to choose the right person for the right job at the right time for the right cost. It also means choosing right number of persons for right number of jobs. When it does not happen, they can 'right size' the workforce at any time to keep the numbers right. Rightsizing can be defined as the logical process of assessing the existing staffing levels, tasks and work processes to arrive at the right number and mix of people needed to accomplish organizational objectives and goals.[8] Organizations normally adopt 'right size' as a technique to shed excess workforce, reduce HR cost, improve organizational fitness, and enhance market competitiveness. However, rightsizing does not always mean employee reduction or downsizing. Similarly, it need not always result in decreased cost or productivity. For instance, in an understaffed organization, rightsizing may mean recruitment of additional employees. In contrast, overstaffed organization may reduce the number of employees as part of rightsizing initiatives.

While rightsizing the workforce, managers must ensure that (i) employees are not unduly overloaded with work (ii) productivity, quality and performance goals are accomplished and (iii) customer satisfaction are maintained at the desired levels. This is because any wrong sizing of work force can result in the presence of too many employees or too few employees in the organization. This in turn can affect an organization's hiring, training, compensation and separation plans and programmes. For instance, wrong estimation of workforce requirements and the resultant employee separation may force the managers to reverse their recruitment plans when they face any staff shortage within a short period.

Managing Separation

Employee separation is basically a process of separating the employees from the organization in an efficient and fair manner. Employees can be terminated from service in three forms. These are (i) voluntary separation – this is an employee initiated separation process (ii) involuntary separation – this is an organization initiated process as a solution to the problems of unsatisfactory performance, violation of organizational policies, procedures and rules and conflict of interest and (iii) job elimination – when jobs are eliminated for any reasons, employees can be separated from the organization[9]. *(refer Chapter 16 for detailed discussion on employee separations)*

Endnotes

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Case Studies

CHAPTER 1   Introduction to Human Resource Management

Case Study

Plight of an Intelligent Management Trainee

X-Look Company is a fast-growing textile company with an annual turnover of Rs 1,200 million and has a strong workforce of 950 employees. The HR policy of the organization provided clear guidelines to the HR department regarding how different HR functions are to be performed. As regards the recruitment of managerial people, the policy recommended direct recruitment for entry-level categories like junior managerial positions preferably through campus interviews while the suggested course for filling the senior managerial positions was through internal promotions.

Mr Malhotra, a topper in the production engineering discipline, was chosen as a management trainee by the company in one of its campus interview programmes. As per the terms and conditions of his employment, Malhotra was to undergo on-the-job training for a probationary period of one year. His eventual appointment as an assistant manager in any one of the engineering departments would be decided on the basis of the performance evaluation to be conducted at the end of the probationary period. He was posted to the Research and Development (R&D) department and was reporting to Mr Ravi Shankar, the head of R&D. Malhotra was keen to excel in the job and worked with zeal and vigour. Obviously, his behaviour and

performance was widely appreciated by many in the firm including his own peers in the training programme. Mr Ravi Shankar was also impressed by Malhotra's smartness, commitment and contribution. Thus, Ravi Shankar was willing to recommend Malhotra's name for any of the important assignments of the company befitting his knowledge and sincerity after he completed his training period. Quite unexpectedly, the post of design manager in the firm suddenly fell vacant due to the untimely demise of its incumbent. Mr Ravi Shankar strongly believed that Malhotra would excel in this post given his knowledge, skill and creativity despite his lack of experience and thus, strongly favoured him for the post. In this regard, he sought an exemption from the existing HR policy which stipulated that the trainees ought to be considered only for assistant manager cadre after they complete their training programme successfully. Further, he also requested the management to instruct the HR department to conduct an immediate evaluation of the training performance of Malhotra to make him available for the vacant position on time.

The management obliged Ravi Shankar and instructed the HR department to conduct the post-training evaluation for Malhotra and send a report in this regard to it at the earliest. The HR department promptly conducted the evaluation

and forwarded its report. As the report was very positive, management moved in quickly to appoint Malhotra as the design manager by treating his case as an exceptional one.

However, the decision of the management did not go down well with other employees including management trainees as they began to feel that Malhotra was unduly favoured. Even those people who earlier appreciated Malhotra's performance and behaviour soon changed their mood and turned against him. Consequently, they began to express their dissatisfaction in all possible forms and forums. Management could clearly discern the general mood of the employees and became anxious over the negative fall out of its decision. It has also witnessed a perceptible decline in the team spirit, interest and commitment of the employees, in general, and the management trainees in particular.

With the mounting criticism of its action, the management began to think that it has no choice other than back-tracking on its own decision. After dilly-dallying for some time, the management finally decided to shift Malhotra to a lower cadre and keep him there for some time before being elevated again to some higher position. However, the news of his imminent removal from his new position completely demoralized the young and energetic Malhotra and he began to wonder how his removal would be viewed and interpreted by other trainees. To avoid his unceremonious exit from the present post, Malhotra resigned his job voluntarily and quit the firm abruptly.

Malhotra, a brilliant engineering graduate, who joined the organization with high hopes and proved himself an excellent employee during the training, now finds his career in shambles. Sadly, the management of X-Look also lost an efficient and enterprising employee. Looking back at the whole episode, the company realized that it had not properly considered the human element involved in all its decisions concerning Malhotra and was merely guided by the mechanical elements.

Discussion Questions

1. According to you, what is the root cause of the problem in the Malhotra episode and who is to be blamed for his present troubles?

2. If you had been Malhotra, what would have been your response to these developments?

3. What steps should the management take to avert the recurrence of such situation in the future?

CHAPTER 2 Job Analysis and Design

Case Study

Job Analysis Inadequacies and Attrition Woes at Aravind Suitings

Aravind Suitings is a global textile company based in India. The company has presence in more than 35 countries. It has succeeded in getting a decent share in an increasingly competitive global market. It has employed more than 5,800 employees. This company always views its employees as its strength and as the secret of its success. It has got several HR practices oriented towards employee satisfaction and motivation. The uniqueness of the HR practices of this company are: (i) its accent on extensive training programme for its employees during their probationary period of two years; and (ii) its compensation packages, which are excellent for the industry. The HR department of the company is managed by Mr Ravi Varma, a postgraduate in human resource management.

However, the company has been plagued by quite a few HR-related problems in the recent past. One of them is the high rate of attrition witnessed by the company, especially among the employees promoted to the higher positions in the organization. Some other recently promoted employees were asking for reversals to their original positions. Apparently, the company was perplexed by the developments as the employees leaving the organization were indeed performing activities critical to the organization. The company took the matter seriously and was determined to identify its reason. It appointed a team of HR experts to look into the issue and suggest necessary remedial measures.

The team approached all the employees who were leaving the organization and conducted an exit interview to ascertain the reason for their quitting the firm. It also interviewed the employees who applied for reversals to their previous positions. Similarly, it interviewed all the existing employees in that cadre as on that date. Finally, it went a step ahead and contacted the employees who had already left the company in the recent past and elicited their views on the different aspects of employment and the reason for leaving.

Shockingly, almost all the employees spoke negatively about their job. They also informed the team about the presence of an anomaly in authority, responsibility and accountability. A number of them perceived a lack of fit between the level of authority and responsibility. They opined that the job carried too huge a responsibility but provided little authority for the job holder. They also revealed that the lack of demarcation of job authority of different employees often led to misunderstanding and quarrels with their subordinates. Several employees felt that the compensation package was not commensurate with the difficulty and accountability of the job. Based on its interviews with the present and former employees, the team of HR experts prepared a report and presented it to the top management. The report squarely blamed the job analysis report (that had been made earlier) and the resultant HR practices as responsible for the present situation. It held the job analysis report as poorly investigated and drafted. The HR manager was asked to respond to the report and present his own report about the situation. In his report, the HR manager cited the lack of cooperation of the employees for job analysis exercises as the reason for inaccuracies in the job analysis report. However, he strongly defended the methods and techniques adopted in the job analysis process.

Finally, the company decided to undertake a fresh job analysis for all the job titles and integrate the information with the HR practices by revising these practices thoroughly. An external HR consultancy agency with relevant expertise in job analysis was hired this time to prepare the job analysis report even though it charged a high fee.

Discussion Questions

1. How do you view the developments in Aravind Suitings from your perspective?

2. Do you agree with the findings of the team of HR professionals regarding the recent spate in employee resignations and requests for reversal?

3. What is your response to the report of the HR manager Mr Ravi Varma blaming employees for the defective job analysis report?

4. Do you have any alternative suggestions for controlling attrition in Aravind Suitings?

CHAPTER 3 Human Resource Planning

Case Study

Skewed HR Plan of Unique Airways – An Invitation to Trouble

Unique Airways is a large airline company in India with over 300 domestic flights and 30 international flights to all the major cities. The company has a strong workforce of 10,200 employees, including 1,500 pilots and 1,100 aircraft maintenance engineers. It figured among the top-five airline companies in the country. The company has an excellent work culture and developed a high level of commitment and involvement in its workforce. It won several awards for its distinct HR practices. The HR department of the airlines is headed by HR Director Ramesh Divan, who is assisted well by a team of committed HR professionals.

A year back, Unique Airways initiated an ambitious expansion scheme to double its operations. The company directed the HR department to recruit and train the required number of employees to feed its expansion scheme. Subsequently, the HR department formed a panel to scan the external environment. After extensively scanning the economic, political and labour market environment including industry performance, it prepared a detailed report and submitted it to the HR manager.

The report stated that the domestic labour market conditions were difficult for jobs like pilots and maintenance engineers due to a vibrant and booming economy. Alternatively, the company could exercise the option of employing foreign pilots and maintenance engineers. Although foreign employees are readily available, their salaries and other allowances are on an average 40 per cent more than their Indian counterparts. Still, the panel was in favour of appointing foreign employees on the ground that the aviation industry was expected to perform well in the future and the expected increase in the revenue could easily compensate the wage differences. The report thus recommended the appointment of foreign pilots and flight engineers in substantial numbers. It was subsequently implemented and the company gradually appointed foreign pilots and engineers in sizable numbers.

Soon after these appointments, however, the economy was gripped by recessionary conditions. The aviation industry proved to be no exception. Unique Airways witnessed a slowdown in its passenger traffic, especially on the international routes. Its sales and profits came under increasing pressure. The management found the salary

bill of the foreign pilots and engineers unbearable and unreasonable. They began to blame the HR department for not assessing the external environment properly and for making extraneous recommendations. However, the HR Director resolutely defended the panel by arguing that its recommendations were highly relevant at the time of its submission. He contended that the economy turned weak suddenly and most unexpectedly. However, the management did not accept the view of the HR director and seriously pondered a future course of action.
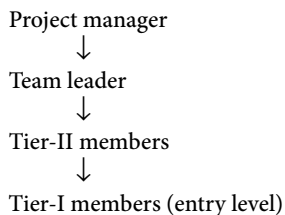
Discussion Questions

1. What is your assessment of the developments in Unique Airlines?

2. Do you agree with the view of the management that the panel misguided it?

3. If you were to be the panel member, what would be your recommendation?

CHAPTER 4 Recruitment

Case Study

Rationality of Promotion Policy in Mountway Software

Mountway is a software company with an annual turnover of Rs 3,800 million and a staff strength of 950 employees. The HR policy of the company states that the entry-level posts alone are to be filled through external recruitment, while the higher posts are to be filled only from internal sources—through the promotion of the existing employees. However, the external sources can be used as a last resort for filling the higher posts if either the existing employees are not sufficiently qualified or the job position cannot be left vacant for a long time.

The accounting package development division of the company has the following organizational structure:

Project manager
↓
Team leader
↓
Tier-II members
↓
Tier-I members (entry level)

In each position, an employee has to complete five years of service before he becomes eligible for promotion to higher levels. In 2003, a tier-II member suddenly resigned his job and left the organization. To complete an ongoing project, the company urgently required a person in that category so it released an advertisement calling for applications from those who had completed at least two years of experience in that or equivalent category.

Though quite a few candidates applied for the post, Mr Guru Prasad, who had four years of experience in the same field, was eventually selected on the basis of his excellent performance in the interview and tests. As per the company policy, he was appointed as the junior-most staff member in the tier-II category, below the six persons who were already working in that cadre. His performance in the job was quite impressive and he exhibited leadership skills too.

One year after his joining the job, the post of team leader in his department fell vacant as the person in that position suddenly resigned to join another company. As the existing employees in the tier-II cadre did not possess the requisite years of experience (five years) for being considered for the team leader post, the company decided to fill the vacancy through external sources by placing an open advertisement through newspapers. Accordingly, the company called for applications from the candidates who had five years of experience in tier-II or equivalent cadre.

Mr Guru Prasad, who had four years of experience in his previous employment plus one year in the present company in the same category, met all the specifications mentioned in the advertisement. Hence, he applied for the post through the proper channel. However, the HR department took a different view of his application and decided to reject his candidature for the post. The argument of the HR department was that, if selected,

- Mr Guru Prasad would get a higher post after completion of just over one year's service in this organization as against the normal requirement of five years' experience in each category.
- When Mr Guru Prasad joined tier-II, he was the junior-most in his category. If he was offered the higher post, he would, all of a sudden, become

the boss of those in tier-II cadre. This could demoralize his senior members in his present cadre. There is every possibility that they might seek to leave the company at the earliest.

Discussion Questions

1. Did the management make a mistake by not calling a capable person like Mr Guru Prasad, with a proven record, for an interview, just because he was an existing employee?

2. Are there any drawbacks in the recruitment/promotion policies of the company?

3. What are your suggestions to rectify the anomaly in the present situation? How will you avoid such situations in the future?

CHAPTER 5 Selection

Case Study

Efficiency of Selection Process vis-à-vis Labour Turnover

Relyon is an insurance company with branches all over India. All the HR activities of the company are carried out by the HR professionals based at the headquarters of the company located in New Delhi. The hiring practice of the company is that the HR staff at the central office recruits the personnel for the managerial cadre for all its branches and leaves the recruitment of other cadres to the managers in charge of their respective branches. The company recently opened a branch at Rameswaram in Tamil Nadu.

Amitabh, General Manager (HR), posted Arvind as the manager for the recently opened branch. In conformity with the company's hiring practice, Arvind recruited other personnel for his branch. But within one year of its operation, this branch witnessed a high labour turnover. The turnover rate was much higher than the company's overall average of 10 per cent. Posts like accounts officer turned over four times while computer operators worked only for a few months and this was the case with the salespeople, who, on an average, lasted only for a few months. The head office took a serious view of these developments.

The branch manager was called to the HR department of the head office to explain the reason for such a high labour turnover in his office. Amitabh, the HR General Manager, asked Arvind about the hiring practices adopted by the latter for choosing employees for his branch. Arvind explained that he made an initial assessment of the candidates on the basis of the information provided by them in their application forms. Those who met the minimum criteria set for the job were then called for an unstructured interview. During the interview, the candidates were asked questions relevant to their field to measure their knowledge, skill and proficiency in the job.

Arvind mentioned that he critically observed the candidate's sitting posture, how he presented himself, his initial remarks, his mannerisms and also his attire. These factors had a decisive influence on his final assessment of the candidate. The candidate was also quizzed about his real intention for joining this company and also his career plans. Finally, a ranked list on the basis of the interview performance was prepared and the job offer given to the selected candidates.

Amitabh, who listened attentively to Arvind, was neither satisfied nor dissatisfied with Arvind's explanation but began to think seriously about the possible role of the selection process in contributing to the high labour turnover.

Discussion Questions

1. What is your opinion of the hiring policy followed in Relyon?

2. What is your assessment of the hiring practices adopted by Arvind?

3. State the recommendations you would make to Arvind for improving his hiring practice.

CHAPTER 6 Orientation, Socialization and Placement

Case Study

First Impressions is Always Best Impression

Mr Ravi Kumar was born and brought up in a tier-II city in Tamil Nadu. He completed all his studies from there. At the age of 21, he secured a placement as assistant administrative officer (AAO) in one of the leading general insurance companies of India. After selecting him through an exhaustive hiring process, the company sent him to Faridabad in Haryana for two years' training at different organizational positions. His performance in the training was commendable and was appreciated by the competent authorities in the company. Once the training was over, the HR department graded the trainees on the basis of their overall performance during the training period and prepared a merit list accordingly. This list is normally used by the company to determine the posting for its trainees on an all-India basis. Since the recruitment and training are done at all-India levels, the AAO trainees must be prepared to be posted anywhere in the country.

After successfully completing his training, Mr Ravi Kumar was posted to one of the divisional offices of this company located at a tier-III city of Orissa. The company, as per its rules, allowed a week's time for the newly posted officers to report for duty. Subsequently, he reported at the designated office after a week. However, he found to his dismay that the divisional manager had already left the office to accompany the regional manager, who was on an inspection visit to the different offices located in that region. To add to his woes, the other staff in the office were neither aware of his joining that day nor interested in knowing about it. So he had to idle away his time all through the day till the divisional manager returned to the office. As soon as the divisional manager returned to the office in the evening, he immediately called Ravi Kumar to his cabin. He spoke nicely to Ravi Kumar and apologized for making him wait for long on the first day of his office. He completed all the formalities and asked Ravi to join the duty on the following day.

Ravi was assigned the claims department and provided with ten subordinates. As days passed, he slowly realized that his lack of familiarity with the regional language was hampering his work. He also found his style of functioning was grossly incompatible with the prevailing work culture. His subordinates were mostly nonchalant and rather slow in their responses to his orders and requests. The divisional manager could not do much in his case and simply maintained that all was well in his office. He also advised Ravi to change himself suitably. Ravi began to feel alienated as all his efforts to reach out to his subordinates failed. Even the day-to-day functioning became tough and miserable for him. Sadly, the rules of the company did not permit him to get an immediate transfer to some other place. Bereft, he resigned from a promising job at 23 and, in the process, the company lost an able officer with a remarkable performance record in the orientation and training programmes.

Discussion Questions

1. How do you assess the problems of Ravi Kumar? Do you agree with his decision?

2. What do you think about the efficacy of the HR policies of the company, especially the orientation, placement and socialization policies?

3. How would you have handled the situation if you were in Ravi Kumar's position?

CHAPTER 7 Career Planning and Guidance

Case Study

Career Planning and Training – Advantage for Whom?

Alectek Shoes is a manufacturer of popular shoes in the country. It is one of the oldest footwear manufacturers in India with a sizeable market share in the industry. It also exports considerable portions of its premium segment products to overseas markets. This company has a strong workforce of over 11,000 employees. It is engaged not only in manufacturing but also in marketing operations through its own retail outlets.

Being an old company, most of its HR policies are conventional and empirical. Based on its bitter experiences in the past, the top management firmly believed that the candidates with a revolving-door approach towards a job (changing jobs frequently) are less committed employees and are prone to leave the organization early. The recruitment philosophy and policy of this company clearly reflected this and, understandably, discriminated against those candidates who changed their jobs frequently in the past. In fact, the HR people were instructed to eliminate the applicants with a poor track record of job stability, irrespective of their levels of skills and abilities. These candidates were eliminated by the HR department either by rejecting their application at the scrutiny stage or by eliminating them in the very early phase of the selection process. Since its compensation packages are the best in the industry, the company had so far never faced any problem in finding the required number of people to fill the job positions.

Recently, the company developed a huge manufacturing facility in a metropolitan city located in southern India in order to double its production capacity. With this production expansion, the company was looking to emerge as India's leading footwear player. As part of this expansion plan, it decided to strengthen the manufacturing, sales and marketing division with increased workforce. It decided to conduct a major recruitment drive for filling all the new vacancies in addition to the routine ones. Obviously, the number of positions to be filled up in the company just swelled. The company conducted an extensive advertisement campaign to attract the best candidates for filling the available job positions.

The recruitment campaign evoked a good response in the sense that many prospective candidates applied for the advertised positions. However, the scrutiny of these applications revealed that a significant number of these candidates had poor job stability records as they seemed to have worked in different companies for short tenures. But for this shortcoming, these candidates were found to be suitable for the offered positions. Due to this unprecedented situation, the company was now in a quandary. If these candidates were eliminated, the company might not get a sufficient number of candidates with the required skills for filling all the existing vacancies. In contrast, if they were selected, the firm might face problems of unanticipated and untimely employee desertions and the resultant work disturbances.

However, the HR manager was clear about how this situation ought to be handled. He demanded drastic revisions in the HR policy to make it relevant for the existing labour market scenario. First of all, he wanted some major alterations in the recruitment policy to enable the organization to consider seriously and equitably the candidature of all the applicants, irrespective of their past track record about job stability. Next, he insisted that the company design and develop effective career development programmes for the employees immediately so that there were better career prospects available for them in the company itself. This should also obviate their need for leaving the company to seek better prospects elsewhere, he averred. Moreover, a good career plan would establish long-term relationships between the organization and the employee through better employee commitment and motivation. He also insisted on evolving plans for training these employees continuously as part of the skill enhancement exercise. These measures, he believed, would bring down the chances of employee desertion and associated problems.

However, the management did not buy his arguments. It raised serious doubts about the efficacy of the HR manager's proposal. It actually feared that a better trained and skilled employee would leave the organization early as there would be an increased demand for his skills in the labour market. It also felt that it was difficult to thwart a habitual job deserter from quitting the organization, however effective the career development programme may be. Thus, the management insisted on maintaining the status quo in recruitment policy and asked the HR manager to come up with more practical suggestions for solving the present problem. Evidently, the HR manager was now frustrated with the orthodox approach of the management.

Discussion Questions

1. What is your assessment of the whole situation in Alectek Shoes?

2. What is you opinion about the role of recruitment policy in the entire controversy?

3. If you are made the HR manager of Alectek Shoes, what would be your suggestion to solve the problem?

4. What more can the company do in terms of career planning and development activities of the firm vis-à-is the employee attritions, besides the HR manager's suggestion?

CHAPTER 8 Employee Training

Case Study

Effectiveness Well-timed Training in Fostering Employee Competency

Modern Textiles is in the business of producing garments and has an average annual turnover of Rs 3 billion. Since a large volume of its products is exported, the company has been very conscious of its quality commitment. It provides induction training to every new employee for two weeks and then on-the-job training by a supervisor for four months. This had been proving sufficient for the workers in meeting the clients' quality expectations even while maintaining the high volume of production.

As part of its ambitious expansion programme, the company recently imported ultramodern machinery to double its production capacity. After the machinery was installed, the production volumes increased as expected, but the reject rates too rose dramatically. Consequently, the cost of production increased and the export deadlines too became very tight. The management discussed the issue at the different levels of the organization and held the machine operators' inadequate knowledge and improper handling of the new machines as the primary reason for the unusual rejects. To remedy the situation, the HR department hurriedly organized the necessary training programmes for the employees' handling this machine and the reject rates situation started to improve.

Meanwhile, the production manager found the HR department at fault for the crisis and blamed it for not undertaking training-needs assessment among the production department employees. However, the HR department retorted by saying that barely three months before the arrival of the new machine, a routine trainingneeds assessment had been made among those employees but it had revealed no pressing training requirements. On their part, the HR personnel held the production manager responsible for failing to inform them about the imminent arrival of the new machine at the time of the assessment of the training necessities. The blame game continued.

Discussion Questions

1. From your perception, who is responsible for the whole incident resulting in high reject rates and the other associated problems?

2. If you were the HR manager, what would you do to avert this crisis?

3. What should be the long-term strategy of this company in terms of the training policy and process?

CHAPTER 9 Management Development

Case Study

Develop the Potential and Diversify the Business

Kepler Boilers Limited is a private sector manufacturing unit engaged in the production of boilers of medium size. Mr Ravi Prasad founded this company with two other field experts, namely, Rakesh and Rathore. All the three persons took up important responsibilities in the business with Ravi becoming the chairman-cum-managing director of the business. The company made a humble beginning in the business of producing and marketing of boilers nearly three decades ago. Today, it has secured a solid place in a highly volatile market. In spite of stiff competition from the established players in the market, it gradually expanded its business operations to reach this position.

Recently, Ravi mooted an idea of diversifying the operations of the business and entering entirely new business fields such as hotel and cement industry. The purpose behind this proposal was to diversify the investment, thereby reducing the industry-specific risks associated with the boiler industry. The proposal found immediate support from Rathore, the finance head. As the head of the finance department, he viewed Ravi's proposal as a viable option for risk diversification and reduction.

However, this strategy was strongly opposed by Rakesh, the production head. He gave a detailed response to the chairman's suggestion. He argued that the company was well-entrenched in the existing industry and any future

investment ought to be in the known field only. Further, he cited the advanced age of the three founders, the complexity of the present-day businesses, the lack of continuous learning among members and the indifferent attitude of the company towards the management development programmes as the factors capable of affecting diversification proposal. He also questioned the ability of the top management in understanding the intricacies of the other business fields at present and also the organizational preparedness in ensuring a smooth transition in the existing business at the top levels in the event of top people moving to other businesses.

Rakesh stated emphatically that the organization should first facilitate all its managers at different levels of the management to attend external learning programmes in order to gain up-to-date knowledge about the developments in the external environments and the nuances of different businesses. He also suggested that the company should work with the leading business schools in the region to allow the managers to do long-term courses with these institutions. Finally, he stressed the need to develop succession plans for the top management, especially for the jobs critical to the stability of the business. Obviously, he sought the immediate attention of the management

to these issues even while advising it to go slow on its diversification proposal.

The chairman appeared to be convinced by the arguments of the production chief and he decided to put his proposal on hold for some time. Instead, he instructed the HR department to develop a comprehensive plan of action for introducing management development programmes and also an effective succession management scheme. However, the finance head, Rathore, was unconvinced and repeatedly urged the management to go ahead with its diversification plans.

Discussion Questions

1. What is your opinion about the chairman's proposal for diversification?

2. How would you deal with the situation if you were the chairman?

3. Between Rakesh and Rathore, whose stand is more convincing for you and why?

4. Do you have any alternative proposal for the situation?

CHAPTER 10 Performance Evaluation and Job Evaluation

Case Study

Performance Management System at Kaveri Boilers – Employees on the Edge

Kaveri Boilers Private Limited is a medium-sized company engaged in the production of industrial boilers for the past 40 years. It has 5,800 employees. It is basically a non-unionized company with traditional HR policies and practices. The performance management (PM) policy of this company primarily focused on rewarding efficiency and chastising incompetence. This company attached immense weightage to its annual performance evaluation practice and treated it as a major event in the organization. Even though the outcome of the performance evaluation process often formed the basis for compensation fixation, promotion, transfer, and disciplinary actions, many employees viewed it as a mere fault-finding exercise without any performance improvement initiative. The PM system of Kaveri worked as follows.

When an employee's performance declines beyond the permissible levels, a warning is issued to him and he is usually asked to explain the reason for the decline.

In the absence of any convincing reply or significant improvement in his performance within a reasonable time-frame, the company resorts to lateral transfers and the poor performer is normally shifted out of his present department and moved to another. However, the same appraisal system is continued there too and the employee is monitored closely. If the employee still continues to fare poorly, his services are terminated after due notice. This practice goes well with the overall objective of the company's performance management system, which focuses on quality sustenance at all levels without making any compromise even while preserving the morale of the performing employees by quickly recognising their talents and rewarding them rightly .

Although the current performance management system has succeeded in maintaining the quantity and quality of the products at barely satisfactory levels, the response of the employees to this kind of evaluation has been far from encouraging. The employees have a grudge that the appraisal system has always been keeping them on tenterhooks. To make matters worse, the indifferent attitude

and low morale of those employees who have been transferred as part of the penalty has made the situation uneasy and caused anxiety among other employees. The HR manager is a mystified man and has no clues as to why the current system has not been able to produce the desired results of optimum productivity and adequate patronage of employees. Now, the challenge before the HR manager and his team is to pinpoint the real reason for the problems of the organization on the labour front and then decide whether to continue with the existing evaluation system after making necessary modifications or replace

it with some other system that will be more acceptable to one and all.

Discussion Questions

1. Can we blame the existing performance management system for all the problems of the company?

2. Are there any HR issues other than performance appraisal involved? If yes, what are they?

3. If you were to be the HR manager, what will you do to resolve the crisis?

CHAPTER 11 Compensation Administration

Case Study

Compensation Policies – Boon or Bane for Pareek Laboratories

Pareek Laboratories came into existence in 1979 as a medium-sized pharmaceutical company with just two generic products and 340 employees. In a span of 30 years, it has grown astonishingly and now emerged as the second-best pharmaceutical company in the country with a sizeable presence in the global market. The company's staff list comprises 8200 talented employees. Today, the company has twelve research centres, of which four are located abroad. It is marketing nearly 625 branded products in more than 58 countries. It has also been successful in introducing 20 products in a year on an average, which itself is an indicator of the strength of its human resources.

The top management of the company strongly believes that its highly skilled employees are responsible for its stupendous performance and growth. The company has a full-fledged HR department under the stewardship of HR Director Mr Nikesh Verma. The HR department, through sustained measures and a meticulous approach, has fostered loyalty and job involvement among the members of the company. Since its inception, the labour turnover rate of the company has been far less than the industry average, except for the past two years, including the current year.

Obviously, the company is concerned about the recent disturbing trend in the employee attrition rate, particularly at the executive levels. Since executive retention is crucial to the stability of the business, the company wants to reduce the executive turnover at the earliest before too much damage is done. Many of the serving executives have blamed the pay revision conducted two years back as responsible for this trend. In the last pay revision, the

company moved from a narrow-graded pay structure to a broad-graded one. Consequently, the number of pay grades were reduced and kept to a minimum in the revised pay structure. Junior-level executives complained that they got a raw deal in the new pay grade fixation and the pay difference between their level and the higher level (middle-level executives) became unacceptably large. The executives also found fault with the job evaluation techniques followed for determining the internal worth of the jobs. They felt that the ranking method adopted in job evaluation was highly subjective and functionally erratic. The junior-level executives also alleged that the job evaluation committee had evaluated persons instead of positions at executive levels, and that was responsible for the anomalies in the pay grade allocation. They wanted the HR department to undertake a fresh and objective evaluation of jobs and reallocate pay grades on the basis of the result of a new job evaluation.

However, the HR department, which takes overall responsibility for job evaluation and pay revisions, resolutely rejected the accusations made by junior-level executives. It maintained that the job evaluations were conducted in the most objective manner. The HR people also stated that the large differences between the pay scales of junior executives and those of the middle-level ones were due to the recent increase in the duties and responsibilities of the middle-level managerial jobs and not due to any flaw in the job evaluation or pay revision process. But the junior-level managers were not prepared to accept the explanation of the HR people and kept asking for a fresh exercise to fix the worth of each job in the managerial levels and reallocate pay grades.

Now, the management is in an acute dilemma. If it concedes the request of the junior-level managers and orders a fresh

job evaluation and pay grade fixation for them, it might send wrong signals to other sections of the employees and they also might seek revisions. If it does not concede their request, it may not be possible to reduce the high executive turnover. Finally, the management has instructed the HR department to come out with some plausible solutions to this serious issue.

Discussion Questions

1. Do you agree with the contention of the junior-level executives that flawed job evaluation and pay grade fixation are responsible for the labour turnover problems of the company?

2. According to you, who is to be blamed for the high level of executive attritions prevailing in the company?

3. If you were to be the HR director, how would you have responded to the criticisms of the executives?

4. What will be your suggestions to solve the present imbroglio faced by the management?

CHAPTER 12 Incentives and Benefits

Case Study

Customer Satisfaction through Employee Satisfaction

Natco Car Limited is a popular company in the passenger car segment of the automobile industry. It has a significant market share. It offers five popular brands of cars to its customers. The major philosophy of this company is "customer satisfaction through employee satisfaction". It strongly believes in the HR principle of "happy employees are productive employees". This company offers one of the best and most friendly environments for the employees to grow in their organizational and personal lives. It has many novel incentive schemes and attractive fringe benefit schemes to attract and retain the best talents. This company's incentives and fringe benefits package alone accounted for nearly 7.6 per cent of its cost of production. In fact, the excellent cordiality in labour–management relations and the high employee productivity coupled with high product quality were viewed by the company as an outcome of this generous incentive and benefits schemes.

However, recent developments in the economy and the industry in particular suddenly made the company vulnerable in the market. These developments are (i) recessionary conditions gripping the economy, (ii) the entry of low-cost budget cars in the market, and (iii) its high health-care cost due to the recent spurt in the reimbursement requests for medical and hospital expenses. Recessionary trends led to a free fall of the prices in the market and automobile goods, being a luxury item, were obviously the worst affected. Besides, the introduction of low-cost cars by the competitors compelled the company to think seriously about cost-cutting measures. To add to its woes, in the recent past, the company received an unusually high number of medical reimbursement bills as more and more employees reported major health problems. This apparently pushed up the HR cost and caused anxiety in the company about the deteriorating conditions of the general health of the employees. As a combined effect of all these developments, the company began to lose its price advantage fast and its market share began to shrink gradually.

The top management of the company insisted on reviewing its HR cost in order to withdraw some of the benefits offered to its employees. Understandably, the fringe benefits, particularly the health-care benefits, received top priority for cost reduction after the reviews. The management was now determined to impose stiff restrictions on the reimbursement of medical bills, thereby making it virtually impossible for the employees to get any medical benefits.

However, the HR department was ranged against such moves. It insisted on continuing with the health-care schemes, perhaps with some minor modifications. Interestingly, it came up with an alternative proposal which suggested that the employees must be educated continuously and made aware about the health problems affecting them. It also proposed periodic medical tests at the factory premises to diagnose their health problems at an early stage. This preventive approach, the HR people believed, could help the employees attend to their health problems at the right time and avoid major health crisis and the resultant huge medical bills for the organization. The HR department emphasized that any drastic measures, like the withdrawal of health benefits, could discourage the employees, thereby jeopardizing the employee retention strategies of the organization.

The suggestions of the HR department were forwarded to the top management and its response was awaited.

Discussion Questions

1. How do you assess the situation of Natco Car Limited from the HR perspective?

2. What will be likely response of the top management to the suggestions made by the HR department?

3. If you were to be in charge of the HR department, what would your suggestions be to solve the problems of the company?

CHAPTER 13 Employee Well-Being

Case Study

Attitudinal Problems of Aravind Engineering Employees towards Safety Regulations

Aravind Engineering Company is one of the largest engineering and manufacturing enterprises in India. It is engaged in the production of heavy electrical equipment like heavy boilers, and power generation and transmission equipment. This company is well-known for its high-quality products and it exports a significant portion of its production. The workforce strength of this company is 12,500, of which nearly 60 per cent of the employees are in the age group of 40 and above. The company has a strong union presence as nearly 80 per cent of its workforce is unionized. The HR department of the company is headed by Mr Mithun, a postgraduate in HR with a law degree. This company has an appreciable HR policy that offers the best compensation packages for the employees. It also offers adequate training and development and career opportunities to its workforce.

However, the only sore point among the otherwise excellent HR practices of this company is the slightly high level of industrial accidents occurring in the factory premises. The company has reported an average injury and illness rate of 6.2 per 100 employees, while the industry average remains at 4.8. Based on this criterion, the safety management policy of the company is deemed to be inadequate and ineffective. Obviously, the management wants the HR department to adopt rigorous safety practices to scale down the injury and illness rate to a level that is less than the industry average in a cost-effective manner.

Although the HR department is more than willing to introduce a comprehensive safety regulation by introducing new safety devices, apparatus and procedure, it faces several problems. The unionized employees are bent on opposing the new safety provisions for several reasons. In fact, the earlier safety initiatives by the HR department failed miserably due to the non-cooperation of the employees and their trade unions. The unions feel that any compliance with the new safety regulations would force them to spend 10 minutes extra time. These employees are not prepared to spend any extra time for safety matters. They also feel that the handling of safety devices could slow down their productivity and performance, which, in turn, could affect their earning capacity. The traditional work culture of this company, which accords top priority to productivity over safety, is also making matters difficult for the HR department to introduce changes in the safety regulation. The safety training programmes conducted by the HR department in the past did not serve any purpose as the employees continued to exhibit an intransigent attitude towards safety regulations and flouted safety norms. Ironically, the employees are satisfied with the existing norms and apparatus and do not mind the injury rate and record of the company.

Quite understandably, the HR manager is perplexed over the strange situation. He is at a loss to know what needs to be done in the future to convince the employees, especially the union members, to accept the additional safety features. With the deadline, fixed by the management, for introducing the revised safety regulation fast approaching, the HR manager is in a real tight spot.

Discussion Questions

1. How do you assess the safety problems of Aravind Engineering?

2. Who should be blamed for the present state of affairs of this company—the trade union or the HR department?

3. Had you been the HR manager, how would you have handled the situation?

CHAPTER 14 Employee Welfare and Social Security

Case Study

Employee Welfare Facilities – Organization's Gain or Strain?

United Alliances Limited is a major cement producer in the country with its subsidiaries located in different regions of the country. The current products of this company are 43 and 53 grade cements, bulk cement and ready-mix concrete. It has an annual turnover of Rs 65 billion and enjoys a significant market share in the industry. This company has a diverse workforce numbering about 7,500 employees and is known for its discipline.

The HR department of United Alliances Limited is managed by Mr Suresh Kumar, who is well-known for his acumen and foresightedness. The company believes strongly in identifying, recognizing and encouraging efficiency. Its compensation policy is predominantly a performance-based one. Consequently, it accords minimum importance to fixed compensations, be it a direct compensation like basic salary or an indirect one like in employee welfare schemes.

Recently, the management of United Alliances Limited has drawn up an ambitious diversification plan to enter into the fields of chemical, metal and machine tool production. Since the chemical industry is poised for a sharp growth within a decade, United Alliances decided to concentrate first on the chemical industry in its diversification bid. As a start, it has taken over Vijay Chemicals, one of the leading chemical units in the country. Vijay Chemicals is engaged in the production of various chemicals like coal tar, creosote, pitch, anthracene, naphthalene and coat enamel. It has a workforce of 3,200 employees and state-of-the-art tar distillation plants in three places. The compensation plan of this company is unique and different from that of United Alliances. While United Alliance focuses more on performance-linked pay, the compensation package of Vijay Chemicals has fixed compensation

with items such as basic salary and welfare schemes as its major component. In fact, the latter has been very liberal in employee welfare schemes. This is because the founders of this company strongly believed that its employees must not have any worry on the back of their mind while performing the job. According to them, provision of adequate welfare facilities is an essential prerequisite for achieving the required level of employee efficiency, quality and loyalty. The important welfare facilities of this company are transport, education, recreation and insurance facilities.

However, the management of United Alliance Ltd views the employee welfare facilities of Vijay Chemicals differently and deems it to be a big financial burden. It also views it as a stumbling block to the process of achieving cost efficiency in production. It wants to streamline the compensation package of Vijay Chemicals in order to make it identical to its own compensation package. However, its HR manager, Mr Suresh Kumar differs with the contention of his management and has suggested to the management to continue with the compensation policy of Vijay Chemicals. He has long believed that welfare facilities alone can create long-term commitment and involvement among the employees. In fact, he has gone a step further and recommended Vijay Chemicals' compensation model for his company. However, the management of United Alliance remains unconvinced by its HR manager's suggestions.

Discussion Questions

1. What is your opinion of the compensation and welfare packages of both United Alliance and Vijay Chemicals?

2. How do you look at Mr Suresh Kumar's suggestion and the response of his management?

3. If you were to be the HR manager of United Alliance Ltd, what would be your suggestions?

CHAPTER 15 Workers' Participation and Empowerment

Case Study

WPM Initiatives Backfire for Karunya Fertilizers and Chemicals

Karunya Fertilizers and Chemicals Ltd is a medium-sized company engaged in the production and distribution

of chemicals. The company caters to the requirements of several large and medium-sized industrial customer companies. Its core policies are uncompromising quality, consistent efficiency and speedy delivery. It has a largely

unionized workforce of 9,500 employees. At present, its HR department is headed by the Director (HR), Mr Ashok Verma. In fact, the young and vibrant Mr Verma took up the HR responsibility of the company just a few months back.

After assuming office, Mr Verma conducted several rounds of discussion with the trade unions and found a major grievance among all the unions of the organization. All the unions in the company felt unanimously that they were not given adequate representation in the management and the concept of WPM was hardly practised in the organization. Mr Verma also learnt reliably from different sources that the unions resorted to several agitation tactics in the past to get their demand regarding participative management accepted by the management. However, their tactics like go-slow-in-production, non-cooperation, sit-in strikes and other forms of protests did not yield the desired results. This is because the management was never convinced of the benefits of WPM. They never had any real need to consult the employees in decision making or share any information with the workers.

However, Mr Verma differed from the overall perception of the management and greatly felt the need to establish necessary committees or councils at different levels of the organization with due representation for the trade unions. Personally, he also favoured the nomination of worker-directors on the board of the organization. Mr Verma brought this matter repeatedly to the notice of the top management and enlightened them constantly about the mutual benefits of participative management. With the help of his knowledgeable presentation and convincing arguments, Mr Verma finally managed to convince the board of directors about the necessity of WPM and made them provide due representation to the workers and their representatives. In the subsequent management–union meeting, the management agreed to establish councils at three levels of the organization: a council at corporate level, one at the plant level and a necessary number of councils at various shop-floor levels. It also agreed to include an elected worker-director at the board level.

During the initial phase of the establishment of the councils, the unions cooperated with the organization. Council meetings were also progressing well and bonhomie was evident in the attitude and behaviour of the workers' representatives on the board and in the councils. However, things began to change for the management and took a turn for worse after some time as the workers' representatives began to resist and even stall all the important and justifiable decisions of the management. After investigating the matter, the worried management found out that the workers' representatives began to oppose the decisions after they were accused of conniving with the management for pecuniary benefits and bartering away the future and rights of the employees. These charges were made by the rival unions, which had lost the elections for these memberships. Consequently, the union leaders instructed their representatives in the committees to adopt tough postures in the meetings and exhibit a negative attitude towards the management proposals just to retain the credibility of the union and to preserve the membership of the organization.

The management was simply stunned by the developments and began to worry about the undue delay in the decisions of the organization and also about the need and future role of these councils in the organization. It now looked toward the HR director to provide solutions to this vexatious issue and its settlement at the earliest.

Discussion Questions

1. How do you assess the entire situation at Karunya Fertilizers and Chemicals Ltd?

2. Do you agree with the stand of Mr Verma towards workers' participation in management?

3. If you were the HR director, how would you solve the present crisis of the organization?

CHAPTER 16 Job Rotations

Case Study

Promotion Policy of Hirthick & Co – A Ticklish Issue for HR Manager

Hirthick & Co is a popular company engaged in textile production. It has production sites in three different places. It produces high-value pure-wool, wool-blended and premium-polyester-viscose-worsted suitings. Hirthick enjoys a sizeable market share for the finest fabrics and designer wears. In fact, this company has a large variety of worsted suitings to cater to the needs of the assorted customers. The company has a workforce comprising 7,500 employees. The HR department is headed by Mr Uday Shankar, the General Manager (HR). The company has HR policies and practices for almost all its staffing activities.

Hirthick's promotion policy stipulated that the company adopt internal recruitment for non-managerial and entry-level managerial cadres as a first choice, whereas, for all other ranks above the entry-level managerial position, external recruitment should be the only option. The company had a smooth sailing on the manufacturing front till a few weeks ago when Mr Suresh Kulkarni, the production chief at the level of general manager, submitted his letter of resignation. He cited personal reasons for his decision to leave the company and all the efforts of the management to persuade him to take back his resignation failed. Left with no other option, the management instructed the HR department to begin the separation process for Mr Suresh Kulkarni and the recruitment process to fill the consequent vacancy.

As regards the recruitment of a new incumbent for the vacant position, the management was in favour of external sources of recruitment as per the policy and they wanted the General Manager (HR) to search widely to choose the best candidate for the job. However, Mr Uday Shankar had different ideas for the post as he wanted to fill the vacancy by providing promotion to one of the three production managers in charge of the three production units of the company. These senior production managers had been with the company for quite a long time and had nearly unblemished service records. He believed strongly that the promotional opportunities can motivate these managers and improve their morale greatly. Therefore, he made a request to the top management for exempting this job position from the general promotion policy on a trial basis. The top management agreed to the proposal reluctantly and permitted the GM (HR) to proceed with his plan to fill the post by promoting one of the production managers as GM (Production).

As per its general promotion policy, the company adopted merit as the sole criterion for choosing the best candidate for the post. The HR department, after a series of promotional selection processes and a due consideration of the past performance records of the three production managers, chose one of the managers as GM (Production). However, the promoted manager happened to be the youngest of all the three managers and had the least number of years of service in the company. The top management approved the selection done by the HR department and issued the job-offer letter to the selected manager accordingly. Soon, the news of the selection spread and the unsuccessful managers expressed shock and disbelief as their first reaction. They could not believe that they were less efficient than the promoted manager. They expressed their displeasure to the top management and faulted the HR department for not selecting them.

The efforts of the management to convince them bore no fruits. Their performance began to decline and they showed all symptoms of leaving the organization early. In contrast, the promoted manager in his capacity of GM performed brilliantly and justified his selection. Thus, the decisions of Mr Uday Shankar produced mixed results for the company.

Discussion Questions

1. Do you agree with the decision of Mr Uday Shankar in resorting to internal recruitment for the GM (Production) post?

2. Had you been the GM (HR), how would you have filled up the post of GM (Production)?

3. According to you, what is the solution to the problem arising out of the internal recruitment?

CHAPTER 17 Industrial Relations

Case Study

Incongruent Industrial Relations Scenarios of Modern Car Private Limited and Cellar Cars Private Limited

Modern Cars Private Limited is a popular automobile company in India with a sizeable market share in the passenger-car segment. With an unassailable technological edge, it has a variety of brands in the market and each of them is performing well. The company has a committed and disciplined workforce numbering about 9,500, which includes managerial and non-managerial categories. The company enjoys an excellent rapport with the employees through effective communication and consultation. The

fact that this company has witnessed no major industrial disturbance during the last ten years would vouch for its industrial relations policies. The HR department of the company is managed by Mr Sakul Ahamed, the General Manager (HR), while the industrial relations section is headed by Mr Altaf, Senior Manager (IR).

A few years back, the board of directors approved an ambitious expansion plan of the company. As per this plan, the company would enter the commercial-vehicle segment by offering competitive prices and taking over an existing company which meets its expectations. Six months

back, the company got an opportunity to buy out Cellar Cars Private Limited, which is engaged in the production of commercial vehicles. It sent a team of six managers to study the culture, functions, performance and various other aspects of the company. The HR department was represented in the team by the industrial relations manager.

After an in-depth study of Cellar Cars Private Limited, the officials of Modern Cars submitted their report to the board for its further action. Although the majority of team members favoured the takeover bid, the industrial relations manager reported quite a few negative things about Cellar Cars. A high incidence of industrial conflicts including a few major strikes, a large number of unionized employees, the rigid attitude of the union leaders, a general distrust in the labour–management relations, and poor productivity were cited as areas of concern.

A perturbed board of directors sought the opinion of the general manager (GM) of HR about the HR report presented by the team. The GM (HR), after a close scrutiny of the report of the team, sought additional information about Cellar Cars. At the end, the GM (HR) gave the go-ahead signal to the board with the contention that the HR problems of Cellar were resolvable. In his report to the board, he held the style of functioning of the management, a lack of communication and consultation with the trade unions in the decisions involving changes, and outdated HR policies as responsible for the poor industrial relations record of the management.

Based on the report of the GM (HR), the board went ahead and completed the takeover successfully. As decided earlier by the Modern Cars board, quite a few managers of the Modern Cars were transferred to Cellar Cars. Some of them went on a temporary basis and others on a permanent basis. Modern Cars began to imbibe the new culture and the new work philosophy of Cellar Cars gradually. The workers seemed to be accepting the new environment and the culture. All was well for the Modern Cars management for a few months until the announcement of a strike by the union leaders of Cellar Cars over automation, performance-linked incentives and the consequent job losses. In spite of the efforts of the management to thwart the strike, the employees went ahead with their strike plan. The unions, with the active backing of external forces, have managed to prolong the strike and are continuously pressuring the management to withdraw its reform proposals. The strike has now entered its twenty-fifth day with no solution in sight and the beleaguered managements of Modern Cars and Cellar Cars are desperately looking for a way out of the mess.

Discussion Questions

1. What is your opinion about the developments in Modern Cars that led to the takeover of Cellar Cars?

2. From your point of view, whose report—Sakul's or Altaf's—is right and why?

3. What measures are now required to end the strike of Cellar Cars Private Limited?

4. Identify the long-term measures required to be taken to prevent future strikes at Cellar Cars Private Limited.

CHAPTER 18 Discipline and Disciplinary Action

Case Study

Discipline Dilemma at Akash Cements Limited

Mr Ravi Kumar has been with Akash Cements Limited for the past 26 years and still has five more years of service in the company. He is a senior technician in the production department. He is known for his commitment and his supervisors and managers have had high regard for him. He has maintained an unblemished service record in his entire career and has been disciplined in the past only for complaints like late attendance and availing leave without prior permission. As regards the disciplinary actions taken in this regard, he was counselled by his supervisors immediately after the occurrence of these misconducts.

As such, no written reprimand was served on him for these minor offences. Thus the personnel file of Ravi was devoid of any serious complaints against him. until a serious misconduct was reported against him last week.

Last Saturday, when Ravi Kumar was busy arranging the machine and materials before commencing production, he picked a job-related quarrel with Rakesh Ray, a co-worker in the designation of a machine assistant, regarding work sharing for that day. What started as a wordy duel soon developed into a full-fledged confrontation. Finally, it ended up in a physical brawl between these two employees. In the process, Ravi Kumar dealt some injuries

to Rakesh Ray. The latter had to be given first aid and leave with pay for that day. Since the duty supervisor was away from the work spot due to his scheduled meeting with the manager, the supervisors had to depend on the statements of the witnesses, all of whom were unanimous in their view that Ravi Kumar was primarily responsible for the incident as he had been the first one to use physical force and Rakesh Ray had merely defended himself. However, the employees were aware neither of the exact conversation between them before the scuffle nor of what enraged Ravi Kumar.

The code of conduct of the company was clear about how a case of fighting must be dealt with. It recommended an emergency suspension of the employee involved in the fighting pending enquiry.

However, the duty supervisor was not in favour of suspending Ravi Kumar immediately as he perceived no danger from him and was also aware of his past record.

Moreover, he was afraid that this harsh punishment could affect Ravi Kumar's performance. He recommended to the HR manager that Kumar be allowed to work till the disciplinary proceeding was over and its outcome was known. The HR manager was against the opinion of the supervisor for he felt that this concession could set a bad precedent and, thus, weaken the disciplinary system of the organization. The management is in favour of helping Ravi Kumar without violating the discipline code of the company.

Discussion Questions

1. Do you agree with the recommendation of the supervisor regarding the suspension of Ravi Kumar?

2. How would you approach the issue if you were the HR manager of this company?

3. How would you help the management in resolving the disciplinary issue in the way the management wishes?

CHAPTER 19 Employee Grievances

Case Study

An Aggrieved Employee's Appeal for Compassion

Naveen Sugars (P) Limited is a large private company employing about 2,000 workers. It has an annual turnover of Rs 2.91 billion. The HR department of the company is headed by Mr Arvind, an HR expert with MA (in human resource management) and BL degrees. Naveen Sugars is a strongly unionized company with nearly 75 per cent of the employees belonging to the only union in the company and the management of this company had a cordial relationship with its employees and their union. However, a recent incident occurring in the crushing division of this company has strained this relationship.

Mr Rajesh is a shop-level union representative with nearly 20 years of service in the company. He is around 49 years of age and has been employed in the Crushing Division. Of late, he has not been performing well at work. When the HR manager tried to find out the reason from his friends in the factory, they revealed that he had acute family problems and was depressed. One day, while on duty in a day shift, Rajesh had left

his workplace without proper permission and returned after nearly two hours. However, his immediate superior prevented him from resuming the work. Enraged by the refusal, Rajesh engaged in a fierce argument with that superior and misbehaved with him. He also disrupted the work of his co-workers and abused all those who did not support him. Rajesh was immediately suspended from duty pending enquiry and charged with dereliction of duty and disrupting work of the company while on duty.

But before the management could proceed with further disciplinary action, Rajesh submitted an application stating that he could not continue in the employment of the company on account of health and voluntarily offered to seek retirement. The top union leaders of the company strongly backed the request of Rajesh and insisted that the company treat him with compassion. Though the top management was also in favour of this idea, the HR manager insisted on completing the disciplinary proceedings since he feared that Rajesh might create problems at a later stage if the case was not disposed off properly. He also

averred that he might even demand reinstatement and all other benefits.

Eventually, the management concurred with the views of the HR manager and rejected the request of the aggrieved employee. It also instructed the HR department to begin the disciplinary proceedings. Aghast at this development, the union leaders conducted an emergency meeting and announced a series of agitations. Peeved at this development, the management blamed the HR manager and asked him to find the way out of the mess.

Discussion Questions

1. How do you view the request of Rajesh seeking voluntary retirement from the company? Does he deserve compassion from the management?

2. Do you agree with the approach of the HR manager towards this issue?

3. What should the management do now for resolving the imbroglio?

CHAPTER 20 Ethical Issues in Human Resource Management

Case Study

Uncompromising HR Rules of Future Tense – Ethical Soundness of its Managerial Decisions

Future Tense is a medium-sized electronic company located in a metropolis. It markets popular brands of home appliances like air conditioners, refrigerators, washing machines and microwave ovens, and undertakes post-sales maintenance. The policy of the company is to attend to the faults within 24 hours if the customer is within the city limits and within 36 hours if the customer is located outside the city limits. Obviously, the maintenance department is completely stretched and always works against stiff targets. Mr Anil Kumar is working as one of the executives in the post-sale maintenance department. He has twelve mechanics in his team. It is his responsibility to depute mechanics to attend to the complaints of the customers after they report for duty in the morning.

The other day, Rahul, one of his most trusted and efficient employees, was assigned the duty to attend the complaint of one of the long-standing customers, Mr Suresh, whose air conditioner had developed a fault. At the end of the day, as part of his duty, Anil Kumar made a surprise visit to some of the select complainants, including Suresh, to know how satisfied they were with the performance of the mechanics. To his shock and surprise, he found that Rahul had not visited Suresh. When contacted on phone, Rahul informed Anil that the sudden illness and the subsequent hospitalization of his daughter was the reason for his inability to call on the customer. He also pleaded with Anil Kumar to help him out in this matter. However, the company has uncompromising rules that view dereliction of duty by employees for any reason as a major offence warranting immediate suspension.

Adhering to the rules, Anil Kumar reported the matter to the higher authorities, who promptly suspended Rahul pending a full-fledged enquiry. The news of Rahul's suspension created widespread resentment among other employees, who sympathized with Rahul. But Anil Kumar justified his action by saying that any compromise on that rule would have undermined not only the ability of his team to meet the stiff targets set by the company but also the rule itself. He also felt that this kind of behaviour would set a bad precedent, eventually bringing disrepute to the company.

Discussion Questions

1. How do you view the whole incident that resulted in the suspension of Rahul?

2. If you were Anil Kumar, how would you deal with Rahul's lapse?

3. Do you see any lacuna in the ethical component of the rule that imposes suspension for dereliction of duty, irrespective of the cause?

4. What are the policy measures required for the company to deal with such situations in the future?

MODEL QUESTION PAPER-I

MBA Degree Examination

Human Resource Management

Time: 3 hrs.   **Max. Marks: 100**

Note: 1. *Answer any FOUR full questions from Q. No.1 to 7.*
2. *Question No. 8 is compulsory.*

1. (a) What is job enlargement?   **[3]**
  (b) Define HR policy. Discuss its important characteristics.   **[7]**
  (c) What is HRP? Bring out the importance of HRP in an organizational set up.
                                                                            [10]

2. (a) Mention any six important contents of job description.   **[3]**
  (b) Bring out the process of job analysis.   **[7]**
  (c) Describe the important functions of HRM.   **[10]**

3. (a) What is decentralized recruitment?   **[3]**
  (b) Explain the characteristics of a good test.   **[7]**
  (c) Explain the various factors affecting recruitment.   **[10]**

4. (a) List out any six important particulars of a blank application form. **[3]**
  (b) Comment on internal source as the basis of recruitment.   **[7]**
  (c) Explain the various steps involved in interview process.   **[10]**

5. (a) Write a note on aptitude test.   **[3]**
  (b) Substantiate the need for employee training in modern industry.   **[7]**
  (c) Explain the various off-the-job training methods.   **[10]**

6. (a) What are the objectives of an induction programme?   **[3]**
  (b) What are the principles to be considered while designing a sound
      employee training programme?   **[7]**
  (c) Explain the performance appraisal process.   **[10]**

7. (a) Write a note on HRA.   **[3]**
  (b) Substantiate how promotion policy forms a good basis for a sound HR
      management.   **[7]**
  (c) Explain the wage and salary determination process.   **[10]**

8. CASE STUDY: Vinod Sethi was the manager of the systems development department of
Aerospace company. During his 15 years with the company, he had trained many manag-
ers and encouraged their development, only to see them leave the firm after they had got
their advanced degrees. The company had a liberal policy of educational reimbursement
(75% of tuition costs and books) and many engineers (about 50% of them have a Master's
degree in a technical field) took advantage of these educational opportunities.

Ms. Geetha Kalra, an electrical engineer came to see her boss Vinod Sethi, who congratulated her for her degree in Business Administration, which she received through the assistance of the firm's educational programme. But to his surprise, Ms. Geetha Kalra said that she was leaving the company because she did not see any growth potential in the firm.

Vinod Sethi was furious because this had happened several times before. He immediately went to see the director (operations) and complained about the educational policy and the lack of systems approach to staffing.

Questions:

(a) List out the various issues involved in the case.   **[5]**

(b) What might be the reasons that the employees left after getting their
      degree through the firms educational program?   **[5]**

(c) If you were the director, what would you do?   **[5]**

(d) How can the labour turnover be prevented?   **[5]**

MODEL QUESTION PAPER-II

MBA Degree Examination

Human Resource Management

Time: 3 hrs.   **Max. Marks: 100**

Note: 1. *Answer any FOUR full questions from Q. No. 1 to 7.*
2. *Question No. 8 is compulsory.*

1. (a) What is the HRP?   **[3]**
 (b) Distinguish between human resource management and
   personnel management.   **[7]**
 (c) Explain the functions of human resource management.   **[10]**

2. (a) What is performance appraisal?   **[3]**
 (b) Differentiate between recruitment and selection.   **[7]**
 (c) Explain the different types of tests used in selection.   **[10]**

3. (a) What is application blank?   **[3]**
 (b) Name the different methods of performance appraisal. Explain any one
   of them in detail.   **[7]**
 (c) Discuss the various factors affecting HRP.   **[10]**

4. (a) What is 'transfer'? Why is it needed?   **[3]**
 (b) Explain the evaluation of training outcomes.   **[7]**
 (c) What is the HRIS? Why is it necessary for modern business?
   As HR manager, how would you set up an effective HRIS?   **[10]**

5. (a) What is job evaluation?   **[3]**
 (b) Explain the factors affecting wage and salary.   **[7]**
 (c) Discuss the different stages in career development cycle.   **[10]**

6. (a) Differentiate between 'transfer' and 'promotion'.   **[3]**
 (b) Explain job analysis.   **[7]**
 (c) Write short notes on any two of the following:
   i) 360° appraisal
   ii) Job rotation training
   iii) HR audit.   **[10]**

7. (a) What is internal mobility?   **[3]**
 (b) Discuss objectives of HRM.   **[7]**
 (c) Explain the different stages of selection process.   **[10]**

8. CASE STUDY: Joseph has been working in Modern Curtains Company for almost
15 years. He has been a sincere worker. He leaves his house at 7 am and works till 5.30 pm
everyday. If there are heavy orders, he even works till late in the evening and if necessary
even on Sundays, though other workers leave their work incomplete at 5 pm, the clos-
ing time and resume their work only the next day. Joseph does not do so. He invariably
completes his work before leaving even if it is well past the closing time. The manager
thus depends on Joseph to complete the incomplete jobs left by other tailors. If there are
additional orders, the manager invariably gives them to Joseph.

Joseph married Dolly about two years back. After his marriage, he has been indulging in alcoholism. Joseph's married life was in trouble and not very successful. He started developing a feeling of hatred towards his wife. He was dissatisfied in his sexual relations and started visiting prostitutes. Here he came under the influence of gangsters. Seeing the deteriorating moral and social life of Joseph, his mother approached Modern Curtains Company and asked them not to over burden him with work. She also alleged that because of his working for long hours, he does not pay any attention to his family life. His wife has almost rejected him and if this state of affairs continues, she has threatened to break the marriage bond.

The firm's policy at present is to redress the grievances of the employees and deal with only those grievances relating to the terms and conditions of employment and work.

Questions:

(a) Does the issue raised by Joseph's mother come under the purview of human resource management?

(b) What is the core issue in this case?

(c) If you were the manager, how would you redress this grievance?

(d) Do you suggest a change in the present HR policy? If so, mention the change.   **[20]**

MODEL QUESTION PAPER-III

MBA Degree Examination

Human Resource Management

Time: 3 hrs.   Max. Marks:100

Note: 1. *Answer any FOUR full questions from Q. No.1 to 7.*
2. *Question No. 8 is compulsory.*

1. (a) Define job design.   **[3]**
   (b) What are the benefits of job analysis?   **[7]**
   (c) Discuss the nature and the scope of HRM.   **[10]**

2. (a) What are the sources of recruitment?   **[3]**
   (b) Distinguish between the internal and external mobility.   **[7]**
   (c) Explain the process of HRP.   **[10]**

3. (a) What are aptitude and personality tests?   **[3]**
   (b) What are the features of HRM?   **[7]**
   (c) What are the challenges faced in HRM?   **[10]**

4. (a) How does training differ from development?   **[3]**
   (b) What are the different types of interviews?   **[7]**
   (c) What are the modern methods of performance appraisal?   **[10]**

5. (a) Outline the process of recruitment.   **[3]**
   (b) What are the problems encountered in performance appraisal?   **[7]**
   (c) How can the company maintain good human and industrial
       relations?   **[10]**

6. (a) Briefly list the objectives of recruitment.   **[3]**
   (b) What are the essentials of selection procedure?   **[7]**
   (c) List the various types of incentives with examples that a company
       can offer to its employees.   **[10]**

7. (a) Is post appraisal feedback necessary? Why?   **[3]**
   (b) What are the different types of transfers?   **[7]**
   (c) Discuss workers' participation in management.   **[10]**

8. Company XYZ is a famous TNC marketing FMCG. It is expanding its
   retail outlets and wishes to recruit salesmen for its new outlets as well as for
   B2B marketing of white goods.

   Questions:

   (a) Prepare job description for salesmen.   **[5]**
   (b) What tools would you use for selection of salesmen?   **[5]**
   (c) What would be the contents of the induction programme for selected
       candidates?   **[5]**
   (d) What training programmes would you suggest for inducted employees,
       for the next two years?   **[5]**